

TRI POINTE HOMES, INC.

FORM 10-Q (Quarterly Report)

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Industry	Construction Services
Sector	Capital Goods
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

or

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

For the transition period from _____ to _____

Commission File Number 1-35796



TRI Pointe Homes, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other Jurisdiction of
Incorporation or Organization)

27-3201111
(I.R.S. Employer
Identification No.)

19520 Jamboree Road, Suite 200
Irvine, California 92612
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (949) 478-8600

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

Registrant's shares of common stock outstanding at July 31, 2014: 161,332,533

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
	(unaudited)	
Assets		
Cash and cash equivalents	\$ 26,120	\$ 35,261
Real estate inventories	542,037	455,642
Contracts and accounts receivable	3,965	1,697
Deferred tax assets	4,611	4,611
Other assets	24,454	8,824
Total Assets	<u>\$601,187</u>	<u>\$ 506,035</u>
Liabilities and Stockholders' Equity		
Accounts payable	\$ 20,640	\$ 23,397
Accrued liabilities	19,466	22,220
Notes payable	227,128	138,112
Total Liabilities	<u>267,234</u>	<u>183,729</u>
Stockholders' Equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized; no shares outstanding as of June 30, 2014 and December 31, 2013, respectively	—	—
Common stock, \$0.01 par value, 500,000,000 shares authorized; 31,632,533 and 31,597,907 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively	316	316
Additional paid-in capital	312,103	310,878
Retained earnings	21,534	11,112
Total Stockholders' Equity	<u>333,953</u>	<u>322,306</u>
Total Liabilities and Stockholders' Equity	<u>\$601,187</u>	<u>\$ 506,035</u>

See accompanying condensed notes to the unaudited consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues:				
Home sales	\$ 87,336	\$ 47,457	\$ 160,148	\$ 71,314
Fee building	—	3,630	—	7,661
Total revenues	<u>87,336</u>	<u>51,087</u>	<u>160,148</u>	<u>78,975</u>
Expenses:				
Cost of home sales	66,655	38,318	123,087	57,767
Fee building	—	3,395	—	7,020
Sales and marketing	2,886	1,791	5,372	3,121
General and administrative	6,875	4,108	12,767	7,421
Total expenses	<u>76,416</u>	<u>47,612</u>	<u>141,226</u>	<u>75,329</u>
Income from operations	10,920	3,475	18,922	3,646
Transaction expenses (Note 1)	(607)	—	(1,155)	—
Other income, net	58	89	49	261
Income before income taxes	10,371	3,564	17,816	3,907
Provision for income taxes	(4,247)	(1,489)	(7,394)	(1,562)
Net income	<u>\$ 6,124</u>	<u>\$ 2,075</u>	<u>\$ 10,422</u>	<u>\$ 2,345</u>
Earnings per share (Note 2)				
Basic	\$ 0.19	\$ 0.07	\$ 0.33	\$ 0.08
Diluted	\$ 0.19	\$ 0.07	\$ 0.33	\$ 0.08
Weighted average number of shares (Note 2)				
Basic	31,632,533	31,597,907	31,622,956	29,940,448
Diluted	31,750,938	31,614,646	31,697,057	29,953,625

See accompanying condensed notes to the unaudited consolidated financial statements.

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TRI POINTE HOMES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)
(in thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Net income	\$ 6,124	\$ 2,075	\$10,422	\$2,345
Other comprehensive income:				
Unrealized loss on marketable securities available for sale:				
Unrealized holding loss arising during the period	—	(264)	—	(163)
Reclassification adjustment included in net income	—	21	—	(19)
Unrealized loss on marketable securities, net	—	(243)	—	(182)
Comprehensive income	<u>\$ 6,124</u>	<u>\$ 1,832</u>	<u>\$10,422</u>	<u>\$2,163</u>

See accompanying condensed notes to the unaudited consolidated financial statements.

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

	Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities		
Net income	\$ 10,422	\$ 2,345
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	149	224
Amortization of stock-based compensation	1,528	844
Gain on sale of marketable securities	—	(19)
Changes in operating assets and liabilities:		
Real estate inventories	(86,395)	(107,748)
Contracts and accounts receivable	(2,268)	(900)
Other assets	(11,084)	821
Accounts payable	(2,757)	(603)
Accrued liabilities	(2,754)	2,442
Net cash used in operating activities	<u>(93,159)</u>	<u>(102,594)</u>
Cash flows from investing activities		
Purchases of furniture and equipment	(248)	(290)
Purchases of marketable securities	—	(125,000)
Sales of marketable securities	—	85,000
Net cash used in investing activities	<u>(248)</u>	<u>(40,290)</u>
Cash flows from financing activities		
Borrowings from notes payable	431,189	53,850
Repayments of notes payable	(342,173)	(48,661)
Loan origination fees	(4,447)	—
Minimum tax withholding paid on behalf of employees for stock awards	(303)	—
Net proceeds from issuance of common stock	—	155,408
Net cash provided by financing activities	<u>84,266</u>	<u>160,597</u>
Net increase (decrease) in cash and cash equivalents	(9,141)	17,713
Cash and cash equivalents – beginning of period	35,261	19,824
Cash and cash equivalents – end of period	<u>\$ 26,120</u>	<u>\$ 37,537</u>
Supplemental disclosure of cash flow information		
Interest paid, net of amounts capitalized	<u>\$ —</u>	<u>\$ —</u>
Income taxes paid	<u>\$ 17,564</u>	<u>\$ —</u>

See accompanying condensed notes to the unaudited consolidated financial statements.

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

1. Organization and Basis of Presentation

Organization

TRI Pointe Homes, Inc. is engaged in the design, construction and sale of innovative single-family homes in major metropolitan areas located throughout California and Colorado. The majority of our revenues and profits are generated in California. Unless the context otherwise requires, the terms “we”, “us”, “our”, “TRI Pointe” and “the Company” refer to TRI Pointe Homes, Inc. (and its consolidated subsidiaries).

Subsequent Events

Merger with Weyerhaeuser Real Estate Company

On July 7, 2014 (the “Closing Date”), TRI Pointe consummated the previously announced merger (the “Merger”) of our wholly owned subsidiary, Topaz Acquisition, Inc. (“Merger Sub”), with and into Weyerhaeuser Real Estate Company (“WRECO”), with WRECO surviving the Merger and becoming our wholly owned subsidiary, as contemplated by the Transaction Agreement, dated as of November 3, 2013 (the “Transaction Agreement”), by and among us, Weyerhaeuser Company, WRECO and Merger Sub. In the Merger, TRI Pointe issued 129,700,000 shares of TRI Pointe common stock to the former holders of WRECO common shares, together with cash in lieu of any fractional shares. On the Closing Date, WRECO became a wholly owned subsidiary of TRI Pointe. Immediately following the consummation of the Merger, the ownership of TRI Pointe common stock on a fully diluted basis was as follows: (i) WRECO common shares held by former Weyerhaeuser shareholders were converted into the right to receive, in the aggregate, approximately 79.6% of the then outstanding TRI Pointe common stock, (ii) the TRI Pointe common stock outstanding immediately prior to the consummation of the Merger represented approximately 19.4% of the then outstanding TRI Pointe common stock, and (iii) outstanding equity awards of WRECO and TRI Pointe employees represented the remaining 1.0% of the then outstanding TRI Pointe common stock. On the Closing Date, the former direct parent entity of WRECO paid TRI Pointe an estimated adjustment amount of approximately \$31.5 million in cash in accordance with the Transaction Agreement.

TRI Pointe’s Registration Statement on Form S-4, as amended (Registration No. 333-193248), which was declared effective by the U.S. Securities and Exchange Commission on May 22, 2014, sets forth certain additional information regarding the Merger, the WRECO business, and the intended operations of the combined company created as a result of the Merger.

Assumption of Senior Notes

On the Closing Date, TRI Pointe assumed WRECO’s obligations as issuer of \$450 million aggregate principal amount of its 4.375% Senior Notes due 2019 and \$450 million aggregate principal amount of its 5.875% Senior Notes due 2024 (collectively, the “Notes”). Additionally, WRECO and certain of its subsidiaries (collectively, the “Guarantors”) entered into supplemental indentures (collectively, the “Supplemental Indentures”) pursuant to which they guaranteed TRI Pointe’s obligations with respect to the Notes. The Guarantors also entered into a joinder agreement to the Purchase Agreement, dated as of June 4, 2014, among WRECO, TRI Pointe, and the initial purchasers of the Notes (collectively, the “Initial Purchasers”), pursuant to which the Guarantors became parties to the Purchase Agreement. Additionally, TRI Pointe and the Guarantors entered into joinder agreements to the Registration Rights Agreements, dated as of June 13, 2014, among WRECO and the Initial Purchasers with respect to the Notes, pursuant to which TRI Pointe and the Guarantors were joined as parties to the Registration Rights Agreements.

The net proceeds of approximately \$867.7 million from the offering of the Notes were deposited into two separate escrow accounts following the closing of the offering on June 13, 2014. Upon release of the escrowed funds on the Closing Date and prior to the consummation of the Merger, WRECO paid approximately \$743.7 million in cash to its former direct parent, which cash was retained by Weyerhaeuser and its subsidiaries (other than WRECO and its subsidiaries). The payment consisted of the \$739.0 million Payment Amount (as defined in the Transaction Agreement) as well as approximately \$4.7 million in payment of all unpaid interest on WRECO’s intercompany debt that accrued from November 3, 2013 to the Closing Date. The remaining \$124.0 million of proceeds was retained by TRI Pointe.

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Transaction Expenses

As a result of the Merger, the Company has incurred due diligence, integration and other related transaction expenses during the three and six months ended June 30, 2014 of \$607,000 and \$1.2 million, respectively. The Company expects to incur significant expenses in connection with the Merger during the three months ended September 30, 2014, including (i) reimbursement of up to \$15 million of transaction-related fees and expenses incurred by Weyerhaeuser in accordance with the Transaction Agreement, (ii) approximately \$6 million of advisory fees, (iii) approximately \$29 million of financing-related fees, \$19 million of which will be capitalized as deferred finance related costs, and (iv) accounting, legal and other integration expenses incurred by the Company.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) as contained within the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) for interim financial information and the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with GAAP have been condensed or omitted.

In our opinion, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly our consolidated financial position as of June 30, 2014, the results of our consolidated operations for the three and six months ended June 30, 2014 and 2013, and our consolidated cash flows for the six months ended June 30, 2014 and 2013. The results of our consolidated operations for the three and six months ended June 30, 2014 are not necessarily indicative of the results to be expected for the full year due to the Merger as well as seasonal variations in operating results and other factors. The consolidated balance sheet at December 31, 2013 has been taken from the audited consolidated financial statements as of that date. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013, which are contained in our annual report on Form 10-K for that period.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries (other than WRECO and its subsidiaries). All significant intercompany accounts have been eliminated upon consolidation. Certain prior period amounts have been reclassified to conform to current period presentation. Subsequent events have been evaluated through the date the financial statements were issued.

The Merger was accounted for in accordance with ASC 805, “Business Combinations.” For accounting purposes, the Merger was treated as a “reverse acquisition” and WRECO was considered the accounting acquirer. Accordingly, WRECO will be reflected as the predecessor and acquirer in the Company’s (the legal acquirer) financial statements for periods ending after June 30, 2014. Our financial statements will reflect the historical financial statements of WRECO as our historical financial statements, except for the legal capital which will reflect our legal capital (common stock). However, because the Merger was not consummated until July 7, 2014, this quarterly report on Form 10-Q includes the unaudited consolidated financial statements (and discussion thereof in Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations”) of the Company as of and for June 30, 2014 on a stand-alone basis. The initial accounting for the Merger (including the allocation of the purchase price to acquired assets and liabilities) is not complete given the limited amount of time since the Closing Date.

Use of Estimates

Our financial statements have been prepared in accordance with GAAP. The preparation of these financial statements requires our management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of costs and expenses during the reporting period. On an ongoing basis, our management evaluates its estimates and judgments. Our management bases its estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances. Actual results may differ from our estimates under different assumptions or conditions.

Recently Issued Accounting Standards

In April 2014, the FASB issued amendments to Accounting Standards Update 2014-08 (ASU 2014-08), *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. The update requires that a disposal representing a strategic shift that has (or will have) a major effect on an entity’s financial results or a business activity classified as held for sale should be reported as discontinued operations. The amendments also expand the disclosure requirements for discontinued operations and add new disclosures for individually significant dispositions that do not qualify

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as discontinued operations. The amendments are effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2014 (early adoption is permitted only for disposals that have not been previously reported). The implementation of the amended guidance is not expected to have a material impact on our consolidated financial position or results of operations.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers*. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; and recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 supersedes the revenue recognition requirements in Accounting Standards Codification Topic No. 605, "Revenue Recognition," most industry-specific guidance throughout the industry topics of the accounting standards codification, and some cost guidance related to construction-type and production-type contracts. ASU 2014-09 is effective for public entities for annual periods and interim periods within those annual periods beginning after December 15, 2016. Early adoption is not permitted. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. We are currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

2. Earnings Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Numerator:				
Net income	\$ 6,124	\$ 2,075	\$ 10,422	\$ 2,345
Denominator:				
Basic weighted-average shares outstanding	31,632,533	31,597,907	31,622,956	29,940,448
Effect of dilutive shares:				
Unvested restricted stock units ⁽¹⁾	118,405	16,739	74,101	13,177
Diluted weighted-average shares outstanding	31,750,938	31,614,646	31,697,057	29,953,625
Basic earnings per share ⁽²⁾	\$ 0.19	\$ 0.07	\$ 0.33	\$ 0.08
Diluted earnings per share ⁽¹⁾	\$ 0.19	\$ 0.07	\$ 0.33	\$ 0.08

- (1) For the three and six months ended June 30, 2014 and 2013, no stock options were included in the diluted income per share calculation as the effect of their inclusion would be antidilutive.
- (2) On January 30, 2013 the Company completed its initial public offering ("IPO") in which it issued and sold 10 million shares of common stock at the public offering price of \$17.00 per share. Basic and diluted income (loss) per share for the three and six months ended June 30, 2013 give effect to the conversion of the Company's members' equity into common stock on January 30, 2013 as though the conversion had occurred as of the beginning of the reporting period or the original date of issuance, if later. The number of shares converted was based on the actual IPO price of \$17.00 per share.

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3. Real Estate Inventories

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

	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
Inventories owned:		
Deposits and pre-acquisition costs	\$ 21,889	\$ 19,714
Land under development	324,132	326,209
Homes completed or under construction	168,612	92,901
Model homes	27,404	16,818
	<u>\$542,037</u>	<u>\$ 455,642</u>

Model homes, homes completed, and homes under construction include all costs associated with home construction, including land, development, indirect costs, permits, and vertical construction. Land under development includes costs incurred during site development such as land, development, indirect costs, and permits. Land is classified as held for future development if no significant development has occurred.

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

	<u>Three Months Ended</u> <u>June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Interest incurred	\$ 2,068	\$ 579	\$ 3,304	\$ 1,313
Interest capitalized	(2,068)	(579)	(3,304)	(1,313)
Interest expensed	\$ —	\$ —	\$ —	\$ —
Capitalized interest in beginning inventory	\$ 3,078	\$1,842	\$ 2,264	\$ 1,364
Interest capitalized as a cost of inventory	2,068	579	3,304	1,313
Interest previously capitalized as a cost of inventory, included in cost of sales	(557)	(502)	(979)	(758)
Capitalized interest in ending inventory	<u>\$ 4,589</u>	<u>\$1,919</u>	<u>\$ 4,589</u>	<u>\$ 1,919</u>

Interest is capitalized to real estate inventory during development and other qualifying activities. Interest that is capitalized to real estate inventory is included in cost of sales as related units are closed.

4. Other Assets

Other Assets consisted of the following (in thousands):

	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
Deferred loan costs	\$ 4,447	\$ 704
Prepaid insurance	9,829	5,469
Other prepaids	3,273	162
Other assets	6,905	2,489
	<u>\$24,454</u>	<u>\$ 8,824</u>

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5. Notes Payable

Notes payable consisted of the following (in thousands):

	June 30, 2014	December 31, 2013
Unsecured revolving credit facility	\$210,000	\$ —
Secured revolving credit facilities	—	90,689
Seller financed loans	17,128	—
Acquisition and development loans	—	31,591
Construction loans	—	15,832
	<u>\$227,128</u>	<u>\$ 138,112</u>

Revolving Credit Facilities

In June of 2014 the Company entered into an unsecured \$425 million revolving credit facility (the “Facility”) with various lenders, with one lender serving as the administrative agent for the Facility. The Facility matures on July 1, 2018, and contains a sublimit of \$75 million for letters of credit. The Company may borrow under the Facility in the ordinary course of business to fund its operations, including its land development and homebuilding activities. Borrowings under the Facility will be governed by, among other things a borrowing base. Interest rates on borrowings under the Facility will be based on either a daily eurocurrency base rate or a eurocurrency rate, in either case, plus a spread ranging from 2.15% to 2.85% depending on the Company’s leverage ratio. As of June 30, 2014, there was \$4.4 million of capitalized other debt financing costs, included in other assets, related to the Facility that will amortize over the life of the Facility.

Prior to the new Facility, the Company had two secured revolving credit facilities, one with a maximum loan commitment of \$50 million (“\$50 million revolving credit facility”) and another with a maximum loan commitment of \$175 million (“\$175 million revolving credit facility”), both of which were paid in full and terminated upon consummation of the Facility.

As of June 30, 2014, the outstanding balance under the Facility was \$210 million with an interest rate of 2.74% per annum and \$126 million of availability after considering the borrowing base provisions and outstanding letters of credit. As noted above, there were no outstanding balances on the \$50 million or \$175 million revolving credit facility as of June 30, 2014. As of December 31, 2013, the outstanding balance under the \$50 million revolving credit facility was \$9.1 million with an interest rate of 3.75% per annum and \$20.2 million of availability. As of December 31, 2013, the outstanding balance under the \$175 million credit facility was \$81.5 million with an interest rate of 2.92% per annum and \$42.2 million of availability.

Seller Financed, Secured Acquisition and Development and Construction Loans

In May of 2014 the Company entered into a seller financed loan to acquire lots for the construction of homes from an unrelated third party. Principal and interest payments on this loan are due and payable as individual homes associated with the acquired land are delivered with any remaining unpaid balance due in May 2016. As of June 30, 2014, the Company had \$17.1 million of notes payable outstanding related to land acquisitions for which seller financing was provided. This note will accrue interest at a rate of 7% per annum, with interest calculated on a daily basis.

The Company has historically entered into secured acquisition and development loan agreements to purchase and develop land parcels. In addition, the Company has entered into secured construction loan agreements for the construction of its model and production homes. In conjunction with the Facility discussed above, all secured acquisition and development and construction loans were paid in full and terminated in June of 2014. As of December 31, 2013, the Company had \$43.2 million of aggregate acquisition and development loan commitments and \$22.4 million of aggregate construction loan commitments, of which \$31.6 million and \$15.8 million was outstanding, respectively.

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Interest Incurred

During the three months ended June 30, 2014 and 2013, the Company incurred interest of \$2.1 million and \$579,000, respectively, related to all notes payable outstanding during the period. During the six months ended June 30, 2014 and 2013, the Company incurred interest of \$3.3 million and \$1.3 million, respectively, related to all notes payable outstanding during the period. Included in interest incurred was amortization of deferred financing costs of \$636,000 and \$0 for the three months ended June 30, 2014 and 2013, respectively. Included in interest incurred was amortization of deferred financing costs of \$717,000 and \$0 for the six months ended June 30, 2014 and 2013, respectively. Accrued interest payable at June 30, 2014 and 2013 amounted to \$103,000 and \$160,000, respectively. All interest incurred during the six months ended June 30, 2014 and 2013 was capitalized to real estate inventories.

Covenant Requirements

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

Under the \$50 million and \$175 million revolving credit facilities, the Company was required to comply with certain financial covenants, including but not limited to (i) a minimum tangible net worth; (ii) a maximum total liabilities to tangible net worth ratio; (iii) a minimum liquidity amount; (iv) maximum fixed charge coverage ratio; and (v) maximum land assets to tangible net worth ratio.

The Company was in compliance with all applicable financial covenants as of June 30, 2014 and December 31, 2013.

Senior Notes

See Note 1, Subsequent Events, for a description of the Senior Notes assumed by the Company as part of the Merger, which closed on July 7, 2014.

6. Fair Value Disclosures

Fair Value Measurements

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

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

Nonfinancial assets and liabilities include items such as inventory and long lived assets that are measured at fair value when acquired and resulting from impairment, if deemed necessary. During the six months ended June 30, 2014 and the year ended December 31, 2013, the Company did not record any fair value adjustments to those financial and nonfinancial assets and liabilities measured at fair value on a nonrecurring basis.

Fair Value of Financial Instruments

Financial instruments as of June 30, 2014 were comprised of the Facility and a secured seller financed loan. Financial instruments as of December 31, 2013 were comprised of unsecured and secured revolving credit facilities, secured acquisition and development loan agreements and secured construction loan agreements.

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At June 30, 2014 and December 31, 2013, as required by ASC 820, *Financial Instruments*, the following presents net book values and estimated fair values of notes payable (in thousands):

	Hierarchy	June 30, 2014		December 31, 2013	
		Cost	Fair Value	Cost	Fair Value
Notes payable					
Unsecured revolving credit facility	Level 2	\$210,000	\$210,000	\$ —	\$ —
Secured revolving credit facilities	Level 3	—	—	90,689	90,689
Seller financed loans	Level 3	17,128	17,128	—	—
Acquisition and development loans	Level 3	—	—	31,591	31,591
Construction loans	Level 3	—	—	15,832	15,832
Total notes payable		<u>\$227,128</u>	<u>\$227,128</u>	<u>\$138,112</u>	<u>\$138,112</u>

The book value of our seller financed loans and unsecured revolving credit facility at June 30, 2014 approximated fair value due to the limited amount of time since we entered into the arrangements in May 2014 and June 2014, respectively. Estimated fair values of the outstanding secured revolving credit facilities, acquisition and development loans, and construction loans at December 31, 2013 were based on cash flow models discounted at market interest rates that considered underlying risks of the debt. Due to the short term nature of the secured revolving credit facilities, acquisition and development loans and construction loans, book value approximated fair value at December 31, 2013.

7. Commitments and Contingencies

Legal Matters

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

We record a reserve for potential legal claims and regulatory matters when they are probable of occurring and a potential loss is reasonably estimable. We accrue for these matters based on facts and circumstances specific to each matter and revise these estimates when necessary.

In view of the inherent difficulty of predicting outcomes of legal claims and related contingencies, we generally cannot predict their ultimate resolution, related timing or eventual loss. If our evaluations indicate loss contingencies that could be material are not probable, but are reasonably possible, we will disclose their nature with an estimate of possible range of losses or a statement that such loss is not reasonably estimable. At June 30, 2014, the Company did not have any accruals for asserted or unasserted matters.

Warranty

The Company currently provides a limited one year warranty covering workmanship and materials. In addition, our limited warranty (generally ranging from a minimum of two years up to the period covered by the applicable statute of repose) covers certain defined construction defects. The limited warranty covering construction defects is transferable to subsequent buyers not under direct contract with us and requires that homebuyers agree to the definitions and procedures set forth in the warranty, including the submission of unresolved construction-related disputes to binding arbitration. We reserve up to 1.0% of the sales price of each home to cover our estimated costs of self-insured retentions and deductible amounts under our general liability insurance policy and estimated costs for claims that may not be covered by applicable insurance or indemnities from our subcontractors. We believe that our reserves are adequate to cover the ultimate resolution of our potential liabilities associated with known and anticipated warranty and construction defect related claims and litigation.

Estimated future direct warranty costs are accrued in accrued liabilities on the balance sheet and charged to cost of sales in the period when the related homebuilding revenues are recognized. Amounts accrued are based upon historical experience rates. We also consider historical experience of our peers due to our limited history related to home sales. Indirect warranty overhead salaries and related costs are charged to the reserve in the period incurred. We assess the adequacy of our warranty accrual on a quarterly basis and adjust the amounts recorded if necessary.

We subcontract our homebuilding work to certain subcontractors who provide us with an indemnity and a certificate of insurance prior to receiving payments for their work and, therefore, claims relating to workmanship and materials are the primary responsibility of these subcontractors. However, such indemnity is significantly limited with respect to subcontractors that do not provide us with a certificate of insurance who we add to our general liability insurance policy.

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

Warranty reserves consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Warranty reserves, beginning of period	\$ 3,636	\$ 1,575	\$3,338	\$1,593
Warranty reserves accrued	873	621	1,600	728
Warranty expenditures	(480)	(257)	(909)	(382)
Warranty reserves, end of period	<u>\$ 4,029</u>	<u>\$ 1,939</u>	<u>\$4,029</u>	<u>\$1,939</u>

Performance Bonds

We obtain surety bonds in the normal course of business to ensure completion of certain infrastructure improvements of our projects. As of June 30, 2014 and December 31, 2013, the Company had outstanding surety bonds totaling \$38.8 million and \$41.4 million, respectively. The beneficiaries of the bonds are various municipalities.

Purchase Obligations

In the ordinary course of business, we enter into land option contracts in order to procure lots for the construction of our homes. We are subject to customary obligations associated with entering into contracts for the purchase of land and improved lots. These purchase contracts typically require a cash deposit and the purchase of properties under these contracts is generally contingent upon satisfaction of certain requirements by the sellers, including obtaining applicable property and development entitlements. We also utilize option contracts with land sellers as a method of acquiring land in staged takedowns, to help us manage the financial and market risk associated with land holdings, and to reduce the use of funds from our corporate financing sources. Option contracts generally require a non-refundable deposit for the right to acquire lots over a specified period of time at pre-determined prices. We generally have the right at our discretion to terminate our obligations under both purchase contracts and option contracts by forfeiting our cash deposit with no further financial responsibility to the land seller. As of June 30, 2014, we had \$21.9 million of non-refundable cash deposits pertaining to land option contracts and purchase contracts for 1,224 lots with an aggregate remaining purchase price of approximately \$255.7 million (net of deposits). As of December 31, 2013, we had \$19.7 million of non-refundable cash deposits pertaining to land option contracts and purchase contracts for 1,184 lots with an aggregate remaining purchase price of approximately \$262.1 million (net of deposits).

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 analyze each of our land option contracts under the provisions of ASC 810, *Consolidation* ("ASC 810"). Under ASC 810, a non-refundable deposit paid to an entity is deemed to be a variable interest that will absorb some or all of the entity's expected losses if they occur. Our land purchase and lot option deposits generally represent our maximum exposure to the land seller if we elect not to purchase the optioned property. In some instances, we may also expend funds for due diligence, development and construction activities with respect to optioned land prior to takedown. Such costs are classified as inventories owned, which we would have to write off should we not exercise the option. Therefore, whenever we enter into a land option or purchase contract with an entity and make a non-refundable deposit, a variable interest entity ("VIE") may have been created for financial reporting purposes. As of June 30, 2014 and December 31, 2013, the Company was not required to consolidate any VIEs nor did the Company write off any costs that had been capitalized under lot option contracts. In accordance with ASC 810, we perform ongoing reassessments of whether we are the primary beneficiary of a VIE.

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8. Stockholders' Equity and Stock-Based Compensation

Stockholders' Equity

A summary of changes in our stockholders' equity is presented below (in thousands):

	Six Months Ended June 30, 2013						
	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Members' Equity	Total Equity
Balance at December 31, 2012	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 149,153	\$149,153
Net income	—	—	2,345	—	2,345	—	2,345
Unrealized loss on available-for-sale-investments	—	—	—	(182)	(182)	—	(182)
Total comprehensive income	—	—	—	—	2,163	—	2,163
Conversion of members' equity into common stock	216	153,199	(4,262)	—	149,153	(149,153)	—
Issuance of common stock, net of issuance costs	100	155,308	—	—	155,408	—	155,408
Stock-based compensation expense	—	844	—	—	844	—	844
Balance at June 30, 2013	<u>\$ 316</u>	<u>\$309,351</u>	<u>\$ (1,917)</u>	<u>\$ (182)</u>	<u>\$ 307,568</u>	<u>\$ —</u>	<u>\$307,568</u>

	Six Months Ended June 30, 2014			
	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
Balance at December 31, 2013	\$ 316	\$310,878	\$11,112	\$ 322,306
Net income	—	—	10,422	10,422
Stock-based compensation expense	—	1,528	—	1,528
Minimum tax withholding paid on behalf of employees for stock awards	—	(303)	—	(303)
Balance at June 30, 2014	<u>\$ 316</u>	<u>\$312,103</u>	<u>\$21,534</u>	<u>\$ 333,953</u>

In January 2013, the Company completed its IPO in which it issued and sold 10,000,000 shares of common stock at the public offering price of \$17.00 per share. The Company received \$155.4 million in net proceeds after deducting underwriting discounts and commissions of \$11.9 million and other net offering expenses of \$2.7 million. In preparation of the IPO, the Company reorganized from a Delaware limited liability company into a Delaware corporation and was renamed TRI Pointe Homes, Inc. Upon the close of the IPO and as of June 30, 2013, the Company had 31,597,907 common shares outstanding. As of June 30, 2014, the Company had 31,632,533 common shares outstanding.

Stock-Based Compensation

The Company's stock compensation plan, the 2013 Long-Term Incentive Plan ("2013 Incentive Plan"), was adopted by our board of directors in January 2013 and amended with the approval of our stockholders in 2014. The 2013 Incentive Plan provides for the grant of equity-based awards, including options to purchase shares of common stock, stock appreciation rights, common stock, restricted stock, restricted stock units and performance awards. The 2013 Incentive Plan will automatically expire on the tenth anniversary of its effective date. Our board of directors may terminate or amend the 2013 Incentive Plan at any time, subject to any requirement of stockholder approval required by applicable law, rule or regulation.

As amended, the number of shares of our common stock that may be issued under the 2013 Incentive Plan is 11,727,833 shares. To the extent that shares of our common stock subject to an outstanding option, stock appreciation right, stock award or performance award granted under the 2013 Incentive Plan or any predecessor plan are not issued or delivered by reason of the expiration, termination, cancellation or forfeiture of such award or the settlement of such award in cash, then such shares of our common stock generally shall again be available under our the 2013 Incentive Plan. As of June 30, 2014 there were 10,942,517 shares available for future grant in the 2013 Incentive Plan.

The Company has issued stock option awards and restricted stock unit awards against the 2013 Incentive Plan. The exercise price of our stock-based awards may not be less than the market value of our common stock on the date of grant. The fair value for stock options is established at the date of grant using the Black-Scholes model for time based vesting awards. Our stock option awards typically vest over a one to three year period and expire ten years from the date of grant. Our restricted stock awards are valued based on the closing price of our common stock on the date of grant and typically vest over a one to three year period.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Total stock-based compensation	\$ 962	\$ 517	\$ 1,528	\$ 844

As of June 30, 2014, total unrecognized stock based compensation related to all stock-based awards was \$7.7 million and the weighted average term over which the expense was expected to be recognized was 2.0 years.

Summary of Stock Option Activity

The following table presents a summary of stock option awards relating to our 2013 Incentive Plan for the six months ended June 30, 2014:

	Six Months Ended June, 30 2014			
	Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in 000's)
Options outstanding at December 31, 2013	285,900	\$ 17.04	9.1	\$ 827
Granted	154,598	16.17	9.8	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
Options outstanding at June 30, 2014	<u>440,498</u>	16.73	9.0	—
Options exercisable at June 30, 2014	<u>97,767</u>	17.11	8.6	—

On April 7, 2014, the Company granted an aggregate of 154,598 stock options to members of the executive management team. The stock option awards granted on April 7, 2014 ratably vest annually on the anniversary of the grant date over a three year period. The fair value for stock option awards granted on April 7, 2014 was \$9.46 per share and was established at the date of grant using an option based model.

Summary of Restricted Stock Unit Activity

The following table presents a summary of restricted stock units (“RSUs”) relating to our 2013 Incentive Plan for the six months ended June 30, 2014:

	Six Months Ended June 30, 2014		
	Restricted Stock Units	Weighted Average Grant Date Fair Value Per Share	Aggregate Intrinsic Value (in 000's)
Nonvested RSUs at December 31, 2013	145,517	\$ 17.68	\$ 2,900
Granted	217,839	16.17	3,424
Vested	(51,598)	17.81	—
Forfeited	(1,566)	18.30	25
Nonvested RSUs at June 30, 2014	<u>310,192</u>	16.60	4,876

On April 7, 2014, the Company granted an aggregate of 217,839 restricted stock units to employees, officers and directors. The restricted stock units granted to employees and officers on April 7, 2014 ratably vest annually on the anniversary of the grant date over a three year period. The restricted stock units granted to directors on April 7, 2014 vest on January 31, 2015, except the restricted stock units granted to directors who left the Board upon the closing of the WRECO

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transaction vested on the date they left the Board based on the number of days served in 2014. The fair value of each restricted stock award granted on April 7, 2014 was measured using a price of \$16.17 per share, which was the closing stock price on the date of grant. Each award will be expensed on a straight-line basis over the vesting period.

On August 5, 2014, the Company granted an aggregate of 56,448 restricted stock units to its board of directors. The restricted stock units granted to directors on August 5, 2014 vest on May 1, 2015. The fair value of each restricted stock award granted on August 5, 2014 was measured using \$13.34 per share, which was the closing stock price on the date of grant. Each award will be expensed on a straight-line basis over the vesting period.

Summary of Equity Based Incentive Units

On September 24, 2010, the Company granted equity based incentive units to management. In connection with our initial public offering in January 2013, the incentive units converted into shares of common stock. The recipients of the equity based incentive units have all the rights of a stockholder, including the rights to vote those shares and receive any dividends or distributions made with respect to those shares and any shares or other property received in respect of those shares; provided, however, any non-cash dividend or distribution with respect to the common stock shall be subject to the same vesting provisions as the incentive units. The vesting terms of the equity based incentive units are as follows: (1) 18.75% of such units vested, subject to limitation in (3) below on the date following the first-year anniversary of the date of such officer's employment; (2) 56.25% of such units vest, subject to limitation in (3) below in equal quarterly installments between the first and fourth-year anniversary of the date of such officer's employment; (3) 25% of the awards granted in (1) and (2) will vest upon a liquidity event, as defined in each such recipient's employment agreement; and (4) 25% of such units will be converted into a number of shares of restricted stock prior to a liquidity event. The grant-date fair value of the equity based incentive units granted during the period ended December 31, 2010 was \$3.3 million. The Company did not grant any equity based incentive units and no equity based incentive units were forfeited during the six months ended June 30, 2014. The Merger constituted a liquidity event as defined in each recipient's employment agreement. As a result, 25% of the equity based incentive units vested. Refer to Note 1, Subsequent Events for a description of the Merger.

9. Income Taxes

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

As of June 30, 2014 and December 31, 2013, we had \$4.6 million in deferred tax assets with no valuation allowance. The Company will continue to evaluate both positive and negative evidence in determining the need for a valuation allowance against its deferred tax assets. Changes in positive and negative evidence, including differences between the Company's future operating results and the estimates utilized in the determination of the valuation allowance, could result in changes in the Company's estimate of the valuation allowance against its deferred tax assets. The accounting for deferred taxes is based upon estimates of future results. Differences between the anticipated and actual outcomes of these future results could have a material impact on the Company's consolidated results of operations or financial position. Also, changes in existing federal and state tax laws and tax rates could affect future tax results and the valuation allowance against the Company's deferred tax assets.

Our income tax provision totaled \$4.2 million and \$1.5 million for the three months ended June 30, 2014 and 2013, respectively. Our income tax provision totaled \$7.4 million and \$1.6 million for the six months ended June 30, 2014 and 2013, respectively. The Company classifies any interest and penalties related to income taxes assessed by jurisdiction as part of income tax expense. The Company has concluded that there were no significant uncertain tax positions requiring recognition in its financial statements, nor has the Company been assessed interest or penalties by any major tax jurisdictions related to prior years. As of June 30, 2014, the earliest tax year still subject to examination by the Internal Revenue Service is 2010. The earliest year still subject to examination by a significant state or local taxing jurisdiction is 2010.

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10. Segment Information

The Company's operations are organized into two reportable segments: homebuilding and fee building (construction services). In accordance with ASC 280, *Segment Reporting*, in determining the most appropriate reportable segments, we considered similar economic and other characteristics, including product types, average selling prices, gross profits, production processes, suppliers, subcontractors, regulatory environments, land acquisition results, and underlying demand and supply.

The reportable segments follow the same accounting policies as our consolidated financial statements described in Note 1. Operational results of each reportable segment are not necessarily indicative of the results that would have been achieved had the reportable segment been an independent, stand-alone entity during the periods presented.

As of December 31, 2013 we had completed all construction activity related to our fee building projects and do not expect material fee building activity in the future. Financial information relating to reportable segments for the three and six months ended June 30, 2014 and 2013, was as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues				
Homebuilding	\$87,336	\$47,457	\$160,148	\$71,314
Fee building	—	3,630	—	7,661
	<u>\$87,336</u>	<u>\$51,087</u>	<u>\$160,148</u>	<u>\$78,975</u>
Gross profit				
Homebuilding	\$20,681	\$ 9,139	\$ 37,061	\$13,547
Fee building	—	235	—	641
	<u>\$20,681</u>	<u>\$ 9,374</u>	<u>\$ 37,061</u>	<u>\$14,188</u>
		June 30,	December 31,	
		2014	2013	
Assets				
Homebuilding		\$601,187	\$ 505,174	
Fee building		—	861	
		<u>\$601,187</u>	<u>\$ 506,035</u>	

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

CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain statements relating to future events of our intentions, beliefs, expectations, predictions for the future and other matters that are “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended.

These statements:

- use forward-looking terminology;
- are based on various assumptions made by TRI Pointe; and
- may not be accurate because of risks and uncertainties surrounding the assumptions that are made.

Factors listed in this section—as well as other factors not included—may cause actual results to differ significantly from the forward-looking statements included in this quarterly report on Form 10-Q. There is no guarantee that any of the events anticipated by the forward-looking statements in this quarterly report on Form 10-Q will occur, or if any of the events occurs, there is no guarantee what effect it will have on our operations or financial condition.

We will not update the forward-looking statement contained in this quarterly report on Form 10-Q, unless otherwise required by law.

Statements

These forward-looking statements are generally accompanied by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “goal,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “will,” “would,” or other words that convey the uncertainty of future events or outcomes, including, without limitation, the WRECO Transactions described below. These forward-looking statements include, but are not limited to, statements regarding expected benefits of the WRECO Transactions, integration plans and expected synergies therefrom, the expected timing of consummation of the WRECO Transactions, and our anticipated future financial and operating performance and results, including our estimates for growth.

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

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

Risks, Uncertainties and Assumptions

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

- the effect of general economic conditions, including employment rates, housing starts, interest rate levels, availability of financing for home mortgages and strength of the U.S. dollar;
- Market demand for TRI Pointe products, which is related to the strength of the various U.S. business segments and U.S. and international economic conditions;
- levels of competition;

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- the successful execution of TRI Pointe’s internal performance plans, including restructuring and cost reduction initiatives;
- global economic conditions;
- raw material prices;
- energy prices;
- the effect of weather;
- the risk of loss from earthquakes, volcanoes, fires, floods, droughts, windstorms, hurricanes, pest infestations and other natural disasters;
- transportation cost;
- federal and state tax policies;
- the effect of land use, environment and other governmental regulations;
- legal proceedings;
- risks relating to any unforeseen changes to or effects on liabilities, future capital expenditures, revenues, expenses, earnings, synergies, indebtedness, financial condition, losses and future prospects;
- the risk that disruptions from the WRECO Transactions will harm TRI Pointe’s business;
- TRI Pointe’s ability to achieve the benefits of the WRECO Transactions in the estimated amount and the anticipated timeframe, if at all;
- TRI Pointe’s ability to integrate WRECO successfully after the consummation of the WRECO Transactions and to achieve the anticipated synergies therefrom;
- change in accounting principles; and
- other factors described in “Risk Factors.”

Unless the context otherwise requires, the terms “we”, “us”, “our”, “TRI Pointe” and “the Company” refer to TRI Pointe Homes, Inc. and its consolidated subsidiaries. The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and related notes thereto contained elsewhere in this report. The information contained in this quarterly report on Form 10-Q is not a complete description of our business or the risks associated with an investment in our securities. We urge you to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the Securities and Exchange Commission (“SEC”), including our annual report on Form 10-K for the year ended December 31, 2013 and subsequent reports on Form 8-K, which discuss our business in greater detail. The section entitled “Risk Factors” set forth in Item 1A of our annual report on Form 10-K, and similar disclosures in our other SEC filings, discuss some of the important risk factors that may affect our business, results of operations and financial condition. You should carefully consider those risks, in addition to the information in this report and in our other filings with the SEC, before deciding to invest in, or maintain your investment in, our common stock.

WRECO Transactions

On November 4, 2013, we announced that we had entered into a Transaction Agreement with Weyerhaeuser Company, a Washington corporation (“Weyerhaeuser”), dated as of November 3, 2013 (the “Transaction Agreement”), by and among TRI Pointe, Weyerhaeuser, Weyerhaeuser Real Estate Company, a Washington corporation and a wholly owned subsidiary of Weyerhaeuser (“WRECO”), and Topaz Acquisition, Inc., a Washington corporation and a wholly owned subsidiary of TRI Pointe (“Merger Sub”), which provides for the combination of TRI Pointe and WRECO through a “Reverse Morris Trust” transaction.

On July 7, 2014 (the “Closing Date”), Merger Sub merged with and into WRECO (the “Merger”), with WRECO surviving the Merger and becoming a wholly owned subsidiary of TRI Pointe. In the Merger, each issued and outstanding WRECO common share was converted into the right to receive 1.297 fully paid and non-assessable shares of TRI Pointe common stock. In order to complete the Merger and the related transactions, (i) WRECO incurred new indebtedness of \$900 million, comprised entirely of debt securities; (ii) WRECO made a cash payment of approximately \$743.7 million to its direct parent, which cash was retained by Weyerhaeuser and its subsidiaries (other than WRECO and its subsidiaries); and (iii) Weyerhaeuser caused certain assets relating to Weyerhaeuser’s real estate business to be transferred to, and certain liabilities relating to Weyerhaeuser’s real estate business to be assumed by, WRECO and its subsidiaries and caused certain assets of

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WRECO that were excluded from the transaction to be transferred to, and certain liabilities that were excluded from the transaction to be assumed by, Weyerhaeuser and its subsidiaries (other than WRECO and its subsidiaries). On the Closing Date, the former direct parent of WRECO paid TRI Pointe an estimated adjustment amount of approximately \$31.5 million in cash in accordance with the Transaction Agreement.

For accounting purposes, the Merger was treated as a “reverse merger” and WRECO was considered the accounting acquirer. Accordingly, WRECO will be reflected as the predecessor and acquirer in the Company’s (the legal acquirer) financial statements for periods ending after June 30, 2014. The Company’s financial statements will reflect the historical financial statements of WRECO as our financial statements, except for the legal capital which will reflect our common stock. Because the Merger closed after June 30, 2014, the following discussion relates solely to the Company’s results of operations and financial conditions before the Merger.

In this quarterly report on Form 10-Q, we refer to the transactions in the Transaction Agreement and related documents as the “WRECO Transactions.” The foregoing description of the WRECO Transactions is not complete. We previously filed a registration statement on Form S-4 (Reg. No. 333-193248) to register the shares issued in connection with the Merger (the “Registration Statement”), which was declared effective on May 22, 2014 and which sets forth certain additional information regarding the WRECO transaction, the WRECO business, and the intended operations of the combined company created as a result of the WRECO Transactions. You are encouraged to read the information included in the Registration Statement, which is incorporated by reference in this quarterly report on Form 10-Q, as well as the sections of our annual report on Form 10-K entitled “Risk Factors,” “Cautionary Note Concerning Forward-Looking Statements,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues:				
Home sales	\$87,336	\$47,457	\$160,148	\$71,314
Fee building	—	3,630	—	7,661
Total revenues	<u>87,336</u>	<u>51,087</u>	<u>160,148</u>	<u>78,975</u>
Expenses:				
Cost of home sales	66,655	38,318	123,087	57,767
Fee building	—	3,395	—	7,020
Sales and marketing	2,886	1,791	5,372	3,121
General and administrative	<u>6,875</u>	<u>4,108</u>	<u>12,767</u>	<u>7,421</u>
Total expenses	<u>76,416</u>	<u>47,612</u>	<u>141,226</u>	<u>75,329</u>
Income from operations	10,920	3,475	18,922	3,646
Transaction expenses	(607)	—	(1,155)	—
Other income, net	<u>58</u>	<u>89</u>	<u>49</u>	<u>261</u>
Income before income taxes	10,371	3,564	17,816	3,907
Provision for income taxes	<u>(4,247)</u>	<u>(1,489)</u>	<u>(7,394)</u>	<u>(1,562)</u>
Net income	<u>\$ 6,124</u>	<u>\$ 2,075</u>	<u>\$ 10,422</u>	<u>\$ 2,345</u>
Earnings per share				
Basic	\$ 0.19	\$ 0.07	\$ 0.33	\$ 0.08
Diluted	\$ 0.19	\$ 0.07	\$ 0.33	\$ 0.08

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Three Months Ended June 30, 2014 Compared to Three Months Ended June 30, 2013

Net New Home Orders and Backlog (dollars in thousands)

	Three Months Ended June 30,		Increase (Decrease)	
	2014	2013	Amount	%
Net new home orders	190	131	59	45%
Cancellation rate	9%	6%	3%	50%
Average selling communities	12.3	6.8	5.5	81%
Selling communities at end of period	14	7	7	100%
Backlog (dollar value)	\$231,726	\$107,759	\$123,967	115%
Backlog (units)	282	183	99	54%
Average sales price of backlog	\$ 822	\$ 589	\$ 233	40%

Net new home orders for the three months ended June 30, 2014 increased 45% to 190, compared to 131 during the prior year period. The increase in net new home orders was due to an increase in the average number of selling communities to 12.3 for the three months ended June 30, 2014 compared to 6.8 during the prior year period, offset by a decrease in our “absorption rate” (the rate at which home orders are contracted, net of cancellations). Our overall absorption rate for the three months ended June 30, 2014 was 15.4 per average selling community (5.15 monthly), compared to 19.3 per average selling community (6.42 monthly) during the prior year period. The increase in net new home orders positively impacted our number of homes in backlog, which is discussed below. We expect that our net new home orders and backlog increases will have a positive impact on revenues and cash flow in future periods.

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. Homes in backlog are generally closed within three to nine months, although we may experience cancellations of sales contracts prior to closing. Our cancellation rate of buyers for our owned projects who contracted to buy a home but did not close escrow (as a percentage of overall orders) was 9% for the three months ended June 30, 2014 as compared to 6% during the prior year period. Although our cancellation rate increased compared to the prior year period, we believe the cancellation rate is consistent with our expectations. The dollar value of backlog was approximately \$231.7 million as of June 30, 2014, an increase of \$124.0 million, or 115%, compared to \$107.8 million as of June 30, 2013. This increase reflects an increase in the number of homes in backlog of 99, or 54%, to 282 homes as of June 30, 2014 from 183 homes as of June 30, 2013 and an increase in the average sales price of homes in backlog of \$233,000, or 40%, to \$822,000 as of June 30, 2014 compared to \$589,000 as of June 30, 2013. The increase in average sales price of homes in backlog was the result of a change in product mix to more move-up product at our new communities compared to the prior year. The increase in the dollar amount of backlog of homes sold but not closed as described above generally results in an increase in operating revenues in subsequent periods.

New Homes Delivered and Home Sales (dollars in thousands)

	Three Months Ended June 30,		Increase (Decrease)	
	2014	2013	Amount	%
New homes delivered	103	91	12	13%
Home sales	\$87,336	\$47,457	\$ 39,879	84%
Average sales price of homes delivered	\$ 848	\$ 522	\$ 326	62%

New home deliveries increased by 12, or 13%, to 103 during the three months ended June 30, 2014 from 91 during the prior year period. The increase in new home deliveries was primarily attributable to the increase in net new home orders and units in backlog due to the increase in the average number of selling communities. Home sales revenue increased \$39.8 million, or 84%, to \$87.3 million for the three months ended June 30, 2014 from \$47.5 million for the prior year. The increase was comprised of: (i) \$33.6 million related to an increase in average sales price of \$326,000 per unit to \$848,000 for the three months ended June 30, 2014 from \$522,000 for the prior year;

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and (ii) \$6.2 million due to a 13% increase in homes closed to 103 for the three months ended June 30, 2014 from 91 for the prior year. The increase in the average sales price of homes delivered was attributable to a change in product mix to more move-up product at our new communities and increased pricing for the three months ended June 30, 2014.

Homebuilding (dollars in thousands)

	Three Months Ended June 30,			
	2014	%	2013	%
Home sales	\$87,336	100.0%	\$47,457	100.0%
Cost of home sales	66,655	76.3%	38,318	80.7%
Homebuilding gross margin	20,681	23.7%	9,139	19.3%
Add: interest in cost of home sales	557	0.6%	502	1.0%
Adjusted homebuilding gross margin ⁽¹⁾	<u>\$21,238</u>	<u>24.3%</u>	<u>\$ 9,641</u>	<u>20.3%</u>
Homebuilding gross margin percentage	23.7%		19.3%	
Adjusted homebuilding gross margin percentage ⁽¹⁾	<u>24.3%</u>		<u>20.3%</u>	

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

Homebuilding gross margin represents home sales revenue less cost of home sales. Cost of home sales increased \$28.4 million, or 74%, to \$66.7 million for the three months ended June 30, 2014 from \$38.3 million for the prior period. The increase was primarily due to a 13% increase in the number of homes delivered. Our homebuilding gross margin percentage increased to 23.7% for the three months ended June 30, 2014 as compared to 19.3% for the prior year, primarily due to price increases and the product mix of higher margin homes delivered from our communities in 2014.

Excluding interest in cost of home sales, adjusted homebuilding gross margin percentage was 24.3% for the three months ended June 30, 2014, compared to 20.3% for the prior period. Adjusted homebuilding gross margin is a non-GAAP financial measure. We believe this information is meaningful as it isolates the impact that leverage has on homebuilding gross margin and permits investors to make better comparisons with our competitors, who adjust gross margins in a similar fashion. See the table above reconciling this non-GAAP financial measure to homebuilding gross margin, the nearest GAAP equivalent.

Fee Building (dollars in thousands)

	Three Months Ended June 30,			
	2014	%	2013	%
Fee building home sales	\$—	N/A	\$3,630	100.0%
Fee building cost of home sales	—	N/A	3,395	93.5%
Fee building gross margin	<u>\$—</u>	<u>N/A</u>	<u>\$ 235</u>	<u>6.5%</u>

As of June 30, 2013, we had two construction management agreements to build 83 homes in Moorpark, California and 73 homes in Carpinteria, California. There was no fee building activity for the three months ended June 30, 2014 as we had completed all construction activity related to our fee building projects on or before December 31, 2013. We do not expect material fee building activity in the future.

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Selling, General and Administrative Expense (dollars in thousands)

	Three Months Ended June 30,		As a Percentage of Home Sales Revenue	
	2014	2013	2014	2013
Sales and marketing	\$ 2,886	\$ 1,791	3.3%	3.8%
General and administrative (“G&A”)	6,875	4,108	7.9%	8.7%
Total sales and marketing and G&A	<u>\$ 9,761</u>	<u>\$ 5,899</u>	<u>11.2%</u>	<u>12.4%</u>

Sales and marketing expense decreased to 3.3% of home sales revenue for the three months ended June 30, 2014 from 3.8% of home sales revenue for the three months ended June 30, 2013 due to our strong absorption rates and the continued market acceptance of our new communities. Sales and marketing expense increased \$1.1 million, or 61%, to \$2.9 million for the three months ended June 30, 2014 from \$1.8 million for the prior year period. The increase in sales and marketing expense was primarily attributable to the increase in the number of net new homes ordered and delivered and an 81% increase in the average number of selling communities during the three months ended June 30, 2014 compared to the prior year period.

General and administrative expense increased \$2.8 million, or 67%, to \$6.9 million for the three months ended June 30, 2014 from \$4.1 million for the prior year period. The increase was primarily attributed to (i) an increase of \$2.1 million in our compensation-related expenses resulting largely from a 57% increase in our office headcount to 85 employees as of June 30, 2014 compared to 54 as of June 30, 2013, (ii) an increase of \$445,000 in stock-based compensation primarily due to option and restricted stock unit awards granted in 2014, and (iii) an increase of \$238,000 in legal, accounting, insurance, rent, office and other items incurred to support our continued growth. Our general and administrative expense as a percentage of home sales revenue was 7.9% and 8.7% for the three months ended June 30, 2014 and 2013, respectively.

Total sales and marketing and G&A (“SG&A”) expense increased \$3.9 million, or 65%, to \$9.8 million for the three months ended June 30, 2014 from \$5.9 million in the prior year period. Total SG&A expense was 11.2% and 12.4% of home sales revenue for the three months ended June 30, 2014 and 2013, respectively.

Transaction Expenses

As a result of the WRECO Transactions, the Company has incurred due diligence, integration and other transaction related expenses during the three months ended June 30, 2014 of \$607,000. We expect to incur significant expenses in connection with the Merger during the three months ending September 30, 2014, including (i) reimbursement of up to \$15 million of transaction-related fees and expenses incurred by Weyerhaeuser in accordance with the Transaction Agreement, (ii) approximately \$6 million of advisory fees, (iii) approximately \$29 million of financing-related fees, \$19 million of which will be capitalized as deferred finance related costs, and (iv) accounting, legal and other integration expenses incurred by the Company.

Other Income, Net

Other income, net, decreased to \$58,000 for the three months ended June 30, 2014 compared to \$89,000 of income for the prior year period. The change was primarily due to decreased interest and dividend income as result of lower cash and cash equivalent balances due to the increase in our selling communities and real estate inventory.

Interest

Interest, which was incurred principally to finance land acquisitions, land development and home construction, totaled \$2.1 million and \$579,000 for the three months ended June 30, 2014 and 2013, respectively, all of which was capitalized to real estate inventory. The increase in interest incurred during the three months ended June 30, 2014 as compared to the prior year period was primarily attributable to our increase in outstanding debt, which was the result of the increase in the number of active projects and the growth in our real estate inventory.

Income Tax

For the three months ended June 30, 2014, we have recorded a tax provision of \$4.2 million based on an effective tax rate of 41%. For the three months ended June 30, 2013 we recorded a tax provision of \$1.5 million. The increase in our provision for income tax was primarily the result of the \$6.8 million increase in income before income taxes to \$10.4 million for the three months ended June 30, 2014 compared to \$3.6 million in the prior year period.

Table of Contents***Net Income***

As a result of the foregoing factors, net income for the three months ended June 30, 2014 was \$6.1 million compared to net income for the three months ended June 30, 2013 of \$2.1 million.

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Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Net New Home Orders

	Six Months Ended June 30,		Increase (Decrease)	
	2014	2013	Amount	%
Net new home orders	328	254	74	29%
Cancellation rate	9%	7%	2%	29%
Average selling communities	11.3	6.8	4.5	66%

Net new home orders for the six months ended June 30, 2014 increased 29% to 328, compared to 254 during the prior year period. The increase in net new home orders was due to an increase in the average number of selling communities to 11.3 for the six months ended June 30, 2014 compared to 6.8 during the prior year period, offset by a decrease in our “absorption rate” (the rate at which home orders are contracted, net of cancellations). Our overall absorption rate for the six months ended June 30, 2014 was 29.0 per average selling community (4.84 monthly), compared to 37.4 per average selling community (6.23 monthly) during the prior year period.

New Homes Delivered and Home Sales (dollars in thousands)

	Six Months Ended June 30,		Increase (Decrease)	
	2014	2013	Amount	%
New homes delivered	195	139	56	40%
Home sales	\$160,148	\$71,314	\$ 88,834	125%
Average sales price of homes delivered	\$ 821	\$ 513	\$ 308	60%

New home deliveries increased by 56, or 40%, to 195 during the six months ended June 30, 2014 from 139 during the prior year period. The increase in new home deliveries was primarily attributable to the increase in net new home orders and units in backlog due to the increase in the average number of selling communities. Home sales revenue increased \$88.8 million, or 125%, to \$160.1 million for the six months ended June 30, 2014 from \$71.3 million for the prior year. The increase was comprised of: (i) \$60.1 million related to an increase in average sales price of \$308,000 per unit to \$821,000 for the six months ended June 30, 2014 from \$513,000 for the prior year; and (ii) \$28.7 million due to a 40% increase in homes closed to 195 for the six months ended June 30, 2014 from 139 for the prior year. The increase in the average sales price of homes delivered was attributable to a change in product mix to more move-up product at our new communities and increased pricing for the six months ended June 30, 2014.

Homebuilding (dollars in thousands)

	Six Months Ended June 30,			
	2014	%	2013	%
Home sales	\$160,148	100.0%	\$71,314	100.0%
Cost of home sales	123,087	76.9%	57,767	81.0%
Homebuilding gross margin	37,061	23.1%	13,547	19.0%
Add: interest in cost of home sales	979	0.7%	758	1.1%
Adjusted homebuilding gross margin ⁽¹⁾	\$ 38,040	23.8%	\$14,305	20.1%
Homebuilding gross margin percentage	23.1%		19.0%	
Adjusted homebuilding gross margin percentage ⁽¹⁾	23.8%		20.1%	

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

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Homebuilding gross margin represents home sales revenue less cost of home sales. Cost of home sales increased \$65.3 million, or 113%, to \$123.1 million for the six months ended June 30, 2014 from \$57.8 million for the prior period. The increase was primarily due to a 40% increase in the number of homes delivered and the product mix of homes delivered from new communities in 2014. Our homebuilding gross margin percentage increased to 23.1% for the six months ended June 30, 2014 as compared to 19.0% for the prior year, primarily due to price increases and the product mix of higher margin homes delivered from our communities in 2014.

Excluding interest in cost of home sales, adjusted homebuilding gross margin percentage was 23.8% for the six months ended June 30, 2014, compared to 20.1% for the prior period. Adjusted homebuilding gross margin is a non-GAAP financial measure. We believe this information is meaningful as it isolates the impact that leverage has on homebuilding gross margin and permits investors to make better comparisons with our competitors, who adjust gross margins in a similar fashion. See the table above reconciling this non-GAAP financial measure to homebuilding gross margin, the nearest GAAP equivalent.

Fee Building (dollars in thousands)

	Six Months Ended June 30,			
	2014	%	2013	%
Fee building home sales	\$—	N/A	\$7,661	100.0%
Fee building cost of home sales	—	N/A	7,020	91.6%
Fee building gross margin	\$—	N/A	\$ 641	8.4%

As of June 30, 2013, we had two construction management agreements to build 83 homes in Moorpark, California and 73 homes in Carpinteria, California. There was no fee building activity for the six months ended June 30, 2014 as we had completed all construction activity related to our fee building projects on or before December 31, 2013. We do not expect material fee building activity in the future.

Selling, General and Administrative Expense (dollars in thousands)

	Six Months Ended June 30,		As a Percentage of Home Sales Revenue	
	2014	2013	2014	2013
Sales and marketing	\$ 5,372	\$ 3,121	3.4%	4.4%
General and administrative ("G&A")	12,767	7,421	8.0%	10.4%
Total sales and marketing and G&A	\$18,139	\$10,542	11.4%	14.8%

Sales and marketing expense decreased to 3.4% of home sales revenue for the six months ended June 30, 2014 from 4.4% of home sales revenue for the six months ended June 30, 2013 due to our strong absorption rates and the continued market acceptance of our new communities. Sales and marketing expense increased \$2.3 million, or 72%, to \$5.4 million for the six months ended June 30, 2014 from \$3.1 million for the prior year period. The increase in sales and marketing expense was primarily attributable to the increase in the number of net new homes ordered and homes delivered and a 66% increase in the average number of selling communities during the six months ended June 30, 2014 compared to the prior year period.

General and administrative expense increased \$5.4 million, or 72%, to \$12.8 million for the six months ended June 30, 2014 from \$7.4 million for the prior year period. The increase was primarily attributed to (i) an increase of \$4.0 million in our compensation-related expenses resulting largely from a 57% increase in our office headcount to 85 employees as of June 30, 2014 compared to 54 as of June 30, 2013, (ii) an increase of \$685,000 in stock-based compensation primarily due to option and restricted stock unit awards granted, (iii) an increase of \$438,000 in legal, accounting and other professional fees to support our continued growth, and (iv) an increase of \$259,000 in insurance, rent, office, business taxes and other related costs to support our continued growth. Our general and administrative expense as a percentage of home sales revenue was 8.0% and 10.4% for the six months ended June 30, 2014 and 2013, respectively.

Total sales and marketing and G&A ("SG&A") expense increased \$7.6 million, or 72%, to \$18.1 million for the six months ended June 30, 2014 from \$10.5 million in the prior year period. Total SG&A expense was 11.4% and 14.8% of home sales revenue for the six months ended June 30, 2014 and 2013, respectively.

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Transaction Expenses

As a result of the WRECO Transactions, the Company has incurred due diligence, integration and other transaction related expenses during the six months ended June 30, 2014 of \$1.2 million. We expect to incur significant expenses in connection with the Merger during the three months ending September 30, 2014, including (i) reimbursement of up to \$15 million of transaction-related fees and expenses incurred by Weyerhaeuser in accordance with the Transaction Agreement, (ii) approximately \$6 million of advisory fees, (iii) approximately \$29 million of financing-related fees, \$19 million of which will be capitalized as deferred finance related costs, and (iv) accounting, legal and other integration expenses incurred by the Company.

Other Income, Net

Other income, net, decreased to \$49,000 for the six months ended June 30, 2014 compared to \$261,000 for the prior year period. The change was primarily due to decreased interest and dividend income as result of lower cash and cash equivalent balances due to the increase in our selling communities and real estate inventory.

Interest

Interest, which was incurred principally to finance land acquisitions, land development and home construction, totaled \$3.3 million and \$1.3 million for the six months ended June 30, 2014 and 2013, respectively, all of which was capitalized to real estate inventory. The increase in interest incurred during the six months ended June 30, 2014 as compared to the prior year period was primarily attributable to our increase in outstanding debt, which was the result of the increase in the number of active projects and the growth in our real estate inventory.

Income Tax

For the six months ended June 30, 2014, we have recorded a tax provision of \$7.4 million based on an effective tax rate of 41.5%. For the six months ended June 30, 2013 we recorded a tax provision of \$1.6 million. The increase in our provision for income tax was primarily the result of the \$13.9 million increase in income before income taxes to \$17.8 million for the six months ended June 30, 2014 compared to \$3.9 million in the prior year period.

Net Income

As a result of the foregoing factors, net income for the six months ended June 30, 2014 was \$10.4 million compared to net income for the six months ended June 30, 2013 of \$2.3 million.

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Lots Owned and Controlled

The table below summarizes our lots owned and controlled as of the dates presented:

	June 30,		Increase (Decrease)	
	2014	2013	Amount	%
Lots Owned				
Southern California	1,267	713	554	78%
Northern California	932	759	173	23%
Colorado	405	57	348	611%
Total	2,604	1,529	1,075	70%
Lots Controlled ⁽¹⁾				
Southern California	446	374	72	19%
Northern California	505	327	178	54%
Colorado	273	452	(179)	(40)%
Total	1,224	1,153	71	6%
Total Lots Owned and Controlled ⁽¹⁾	3,828	2,682	1,146	43%

- (1) As of June 30, 2014, lots controlled included lots that were under land option contracts or purchase contracts. As of June 30, 2013, lots controlled included lots that were under a land option contract, purchase contract or a non-binding letter of intent.

Liquidity and Capital Resources

Overview

Our principal uses of capital for the three and six months ended June 30, 2014 were operating expenses, land purchases, land development, home construction and the payment of routine liabilities. We used funds generated by our operations and available borrowings to meet our short-term working capital requirements. We remain focused on generating positive margins in our homebuilding operations and acquiring desirable land positions in order to maintain a strong balance sheet and keep us poised for growth. As of June 30, 2014, we had \$26.1 million of cash. We believe we have sufficient cash and sources of financing for at least twelve months.

Revolving Credit Facility

In June of 2014 the Company entered into an unsecured \$425 million revolving credit facility (the "Facility") with various lenders, with one lender serving as the administrative agent for the Facility. The Facility matures on July 1, 2018, and contains a sublimit of \$75 million for letters of credit. The Company may borrow under the Facility in the ordinary course of business to fund its operations, including its land development and homebuilding activities. Borrowings under the Facility will be governed by, among other things, a borrowing base. The Facility contains customary affirmative and negative covenants, including financial covenants relating to consolidated tangible net worth, leverage, and liquidity or interest coverage. Interest rates on borrowings will be based on either a daily eurocurrency base rate or a eurocurrency rate, in either case, plus a spread ranging from 2.15% to 2.85% depending on the Company's leverage ratio.

As of June 30, 2014 the outstanding balance under the Facility was \$210 million with an interest rate of 2.74% per annum and \$126 million of availability after considering the borrowing base provisions and outstanding letters of credit.

Seller Financed Loans

In May of 2014 the Company entered into a seller financed loan to acquire lots for the construction of homes from an unrelated third party. Principal and interest payments on this loan are due and payable as individual homes associated with the acquired land are delivered with any remaining unpaid balance due in May 2016. As of June 30, 2014, the Company had \$17.1 million of notes payable outstanding related to land acquisitions for which seller financing was provided. This note will accrue interest at a rate of 7% per annum, with interest calculated on a daily basis.

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Assumption of Senior Notes

On the Closing Date, we assumed WRECO's obligations as issuer of \$450 million aggregate principal amount of its 4.375% Senior Notes due 2019 and \$450 million aggregate principal amount of its 5.875% Senior Notes due 2024 (collectively, the "Notes"). The net proceeds of approximately \$867.7 million from the offering of the Notes were deposited into two separate escrow accounts following the closing of the offering on June 13, 2014. Upon release of the escrowed funds on the Closing Date, and prior to the consummation of the Merger, WRECO paid approximately \$743.7 million in cash to the former direct parent entity of WRECO, which cash was retained by Weyerhaeuser and its subsidiaries (other than WRECO and its subsidiaries). The payment consisted of the \$739 million Payment Amount (as defined in the Transaction Agreement) as well as approximately \$4.7 million in payment of all unpaid interest on WRECO's intercompany debt that accrued from the November 3, 2013 to the Closing Date.

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

Covenant Compliance

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

	Actual at June 30, 2014	Covenant Requirement at June 30, 2014
Financial Covenants		
Consolidated Tangible Net Worth (Not less than \$250.0 million plus 50% of net income and 50% of the net proceeds from equity offerings after June 30, 2014)	\$333,953	\$ 250,000
Leverage Test (Not to exceed 55%)	41%	<55%
Interest Coverage Test (Not less than 1.5:1.0)	9.00	>1.5

As of June 30, 2014 we were in compliance with all of these financial covenants.

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Leverage Ratios

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

	June 30, 2014	December 31, 2013
Debt	\$227,128	\$ 138,112
Equity	333,953	322,306
Total	<u>\$561,081</u>	<u>\$ 460,418</u>
Ratio of debt-to-capital ⁽¹⁾	<u>40.5%</u>	<u>30.0%</u>
Debt	\$227,128	\$ 138,112
Less: cash and cash equivalents	(26,120)	(35,261)
Net debt	201,008	102,851
Equity	333,953	322,306
Total	<u>\$534,961</u>	<u>\$ 425,157</u>
Ratio of net debt-to-capital ⁽²⁾	<u>37.6%</u>	<u>24.2%</u>

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

Cash Flows—Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

For the six months ended June 30, 2014 as compared to the six months ended June 30, 2013, the comparison of cash flows is as follows:

- Net cash used in operating activities decreased to \$93.2 million in the first six months of 2014 from a use of \$102.6 million during the same period in 2013. The change was primarily a result of (i) an increase in real estate inventories of \$86.4 million in 2014 compared to an increase of \$107.7 million in 2013, primarily driven by the timing of land acquisition and development spending, (ii) the increase in net income of \$10.4 million in 2014 compared to net income of \$2.3 million in 2013 mainly due to the 40% increase in new home deliveries and a 60% increase in average sales price in 2014 compared to 2013, offset by (iii) an increase in other assets related to an increase in deferred tax assets and other prepaid related expenses and (iv) a decrease in accounts payable and accrued liabilities primarily due to the timing of payments.
- Net cash used in investing activities was \$248,000 in the first six months of 2014 as compared to \$40.3 million during the same period in 2013. Net cash used in investing activities for 2014 was primarily related to purchases of fixed assets. Net cash used in investing activities for 2013 was primarily the result of purchases and sales of marketable securities related to the investment of the proceeds from our initial public offering in January 2013.
- Net cash provided by financing activities decreased to \$84.3 million in the first six months of 2014 from \$160.6 million during the same period in 2013. The change was primarily a result of (i) a decrease in the net proceeds from the issuance of common stock of \$155.4 million as a result of the completion of the Company's IPO in January 2013, (ii) an increase in loan origination fees of \$4.4 million incurred as a result of the new credit facility, offset by (iii) an increase in net borrowings on notes payable of \$89.0 million in 2014 as compared to an increase of \$5.2 million in 2013.

Off-Balance Sheet Arrangements and Contractual Obligations

In the ordinary course of business, we enter into land option contracts in order to procure lots for the construction of our homes. We are subject to customary obligations associated with entering into contracts for the purchase of land and improved lots. These purchase contracts typically require a cash deposit and the purchase of properties under these contracts

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is generally contingent upon satisfaction of certain requirements by the sellers, including obtaining applicable property and development entitlements. We also utilize option contracts with land sellers as a method of acquiring land in staged takedowns, to help us manage the financial and market risk associated with land holdings, and to reduce the use of funds from our corporate financing sources. Option contracts generally require a non-refundable deposit for the right to acquire lots over a specified period of time at pre-determined prices. We generally have the right, at our discretion, to terminate our obligations under both purchase contracts and option contracts by forfeiting our cash deposit with no further financial responsibility to the land seller. As of June 30, 2014, we had \$21.9 million of non-refundable cash deposits pertaining to land option contracts and purchase contracts for 1,224 lots with an aggregate remaining purchase price of approximately \$255.7 million (net of deposits).

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.

As of June 30, 2014, we had \$126 million of availability under our unsecured revolving credit facility after considering the borrowing base provisions and outstanding letters of credit.

Inflation

Our homebuilding and fee building segments 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 in spring and summer, 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 occur during the second half of the year. We expect this seasonal pattern to continue over the long-term, although it may be affected by volatility in the homebuilding industry.

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Description of Projects and Communities under Development

Our homebuilding projects usually take approximately 24 to 36 months to complete from the start of sales. The following table presents project information relating to each of our markets as of June 30, 2014 and includes information on current projects under development where we are building and selling homes for our own account.

County, Project, City	Year of First Delivery ⁽¹⁾	Total Number of Homes ⁽²⁾	Cumulative Homes Delivered as of June 30, 2014	Lots as of June 30, 2014 ⁽³⁾	Backlog as of June 30, 2014 ⁽⁴⁾⁽⁵⁾	Homes Closed for the Six Months Ended June 30, 2014	Sales Price Range (in thousands) ⁽⁶⁾
Southern California							
Los Angeles County:							
Tamarind Lane, Azusa	2012	62	56	6	6	—	\$510 – \$522
Tamarind Lane II, Azusa	2014	26	—	26	26	—	\$500 – \$512
Avenswood, Azusa	2014	66	20	46	21	20	\$648 – \$714
Woodson, Los Angeles	2014	66	—	66	42	—	\$1,220 – \$1,340
Orange County:							
Brio, La Habra	2013	91	91	—	—	30	\$520 – \$577
Rancho Mission Viejo	2013	105	47	58	22	30	\$657 – \$719
Arcadia, Irvine	2013	61	36	2	12	23	\$1,190 – \$1,420
Truewind, Huntington Beach	2014	49	—	49	—	—	\$1,110 – \$1,225
Cariz, Irvine	2014	112	—	112	—	—	\$407 – \$628
Messina, Irvine	2014	59	—	—	10	—	\$1,505 – \$1,620
Fairwind, Huntington Beach	2015	80	—	80	—	—	\$910 – \$1,100
Riverside County:							
Topazridge, Riverside	2012	68	63	5	—	2	\$433 – \$497
Topazridge II, Riverside	2014	49	—	49	17	—	\$464 – \$537
Alegre, Temecula	2014	96	—	96	10	—	\$291 – \$310
Aldea, Temecula	2014	90	—	90	4	—	\$258 – \$286
Kite Ridge, Riverside	2015	87	—	87	—	—	\$485 – \$505
Sycamore Creek, Riverside	2015	87	—	87	—	—	\$355 – \$395
San Bernardino County:							
Sedona at Parkside, Ontario	2015	152	—	152	—	—	\$369 – \$413
Kensington at Park Place, Ontario	2015	67	—	67	—	—	\$541 – \$572
St. James at Park Place, Ontario	2015	57	—	57	—	—	\$473 – \$505
San Diego County:							
Altana, San Diego	2013	45	29	16	16	15	\$630 – \$728
Ventura County:							
The Westerlies, Oxnard	2015	116	—	116	—	—	\$300 – \$495
Southern California Total		1,691	342	1,267	186	120	
Northern California							
Alameda County:							
Alameda Landing	2015	255	—	141	—	—	\$575 – \$895
Contra Costa County:							
Berkshire at Barrington, Brentwood	2014	89	—	89	9	—	\$450 – \$513
Hawthorne at Barrington, Brentwood	2014	105	—	105	8	—	\$528 – \$553
Marquette at Barrington, Brentwood	2015	90	—	90	—	—	\$610 – \$645
Wynstone at Barrington, Brentwood	2016	92	—	92	—	—	\$450 – \$525
Penrose at Barrington, Brentwood	2016	34	—	34	—	—	\$483 – \$515
San Joaquin County:							
Ventana, Tracy	2015	93	—	93	—	—	\$450 – \$540
San Mateo County:							
Amelia, San Mateo	2013	63	63	—	—	29	\$770 – \$1,045
Canterbury, San Mateo	2014	76	—	76	27	—	\$870 – \$1,230
Santa Clara County:							
Ironhorse South, Morgan Hill	2012	37	37	—	—	2	\$515 – \$781
Avellino, Mountain View	2014	63	24	39	17	24	\$1,250 – \$1,465
Cobblestone, Milpitas	2015	32	—	32	—	—	\$815 – \$975
Solano County:							
Redstone, Vacaville	2015	141	—	141	—	—	\$435 – \$510
Northern California Total		1,170	124	932	61	55	
Colorado							
Denver County:							

Platt Park North, Denver	2014	29	—	29	3	—	\$606 – \$610
Douglas County:							
Terrain, Castle Rock	2013	149	28	75	32	20	\$300 – \$358
Terrain 45', Castle Rock	2014	67	—	67	—	—	\$298 – \$318
Jefferson County:							
Leyden Rock 50', Arvada	2014	51	—	51	—	—	\$350 – \$407
Leyden Rock 60', Arvada	2014	67	—	67	—	—	\$417 – \$480
Candelas, Arvada	2014	76	—	76	—	—	\$555 – \$598
Larimer County:							
Centerra 5000 Series, Loveland	2014	150	—	40	—	—	\$385 – \$418
Colorado Total		589	28	405	35	20	
Company Total—Owned Projects		3,450	494	2,604	282	195	

- (1) Year of first delivery for future periods is based upon management's estimates and is subject to change.
- (2) The number of homes to be built at completion is subject to change, and there can be no assurance that we will build these homes.
- (3) Owned lots as of June 30, 2014 include owned lots in backlog as of June 30, 2014.
- (4) Backlog consists of homes under sales contracts that had not yet closed, and there can be no assurance that closings of sold homes will occur.
- (5) Of the total homes subject to pending sales contracts that have not closed as of June 30, 2014: 239 homes are under construction, 15 homes have completed construction, and 28 homes have not started construction.
- (6) Sales price range reflects base price only and excludes any lot premium, buyer incentives and buyer selected options, which may vary from project to project. Sales prices for homes required to be sold pursuant to affordable housing requirements are excluded from sales price range. Sales prices reflect current pricing and might not be indicative of past or future pricing.

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Critical Accounting Policies

There have been no significant changes to our critical accounting policies from those described in Note 1 of our Annual Report on Form 10-K for the year ended December 31, 2013.

Recently Issued Accounting Standards

See Note 1 to the accompanying condensed notes to unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Related Party Transactions

In February 2014, we acquired 87 additional lots in the master planned community of Sycamore Creek for a purchase price of approximately \$7.8 million from an entity managed by an affiliate of the Starwood Capital Group. In September 2013, we initially acquired 87 lots located in the master planned community of Sycamore Creek, for a purchase price of approximately \$11.8 million for an entity managed by an affiliate of the Starwood Capital Group. These acquisitions were approved by our independent directors.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks related to fluctuations in interest rates on our outstanding variable rate debt. In addition, our operations are interest rate sensitive as higher mortgage interest rates could negatively affect housing demand. We did not utilize swaps, forward or option contracts on interest rates or commodities, or other types of derivative financial instruments as of or during the three and six months ended June 30, 2014. We have not entered into and currently do not hold derivatives for trading or speculative purposes. Many of the statements contained in this section are forward looking and should be read in conjunction with our disclosures under the heading "Cautionary Note Concerning Forward-Looking Statements."

Item 4. Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has reviewed and evaluated the effectiveness of our disclosure controls and procedures, as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e), as of the end of the period covered by this Form 10-Q (the "Evaluation Date"). Based on such evaluation, management has concluded that our disclosure controls and procedures were effective as of the Evaluation Date. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures are designed to provide a reasonable level of assurance of reaching our desired disclosure control objectives.

During the fiscal quarter covered by this Quarterly Report on Form 10-Q, there has not been any change in our internal control over financial reporting that has materially affected, or that is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Various claims and actions that we consider normal to our business have been asserted and are pending against us. We do not believe that any of such claims and actions are material to our financial statements.

Item 1A. Risk Factors

A description of the risk factors associated with our business is contained in Part I, Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, and there have been no material changes thereto since the filing of our Annual Report. These cautionary statements are to be used as a reference in connection with any forward-looking statements. The factors, risks and uncertainties identified in these cautionary statements are in addition to those contained in any other cautionary statements, written or oral, which may be made or otherwise addressed in connection with a forward-looking statement or contained in any of our subsequent filings with the SEC.

Item 6. Exhibits

<u>Exhibit Number</u>	<u>Exhibit Description</u>
2.1	Plan of Conversion of TRI Pointe Homes, LLC (incorporated by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q (filed Aug. 13, 2013))
2.2	Transaction Agreement, dated as of November 3, 2013, among TRI Pointe Homes, Inc., Weyerhaeuser Company, Weyerhaeuser Real Estate Company, and Topaz Acquisition, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form S-4 (filed Mar. 28, 2014))
3.1	Amended and Restated Certificate of Incorporation of TRI Pointe Homes, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K (filed Mar. 28, 2013))
3.2*	Amended and Restated Bylaws of TRI Pointe Homes, Inc.
3.3*	Amendments to Amended and Restated Bylaws
4.1	Specimen Common Stock Certificate of TRI Pointe Homes, Inc. (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (filed Dec. 21, 2012))
4.2	Investor Rights Agreement, dated as of January 30, 2013, by and among TRI Pointe Homes, Inc., VIII/TPC Holdings, L.L.C., BMG Homes, Inc., The Bauer Revocable Trust U/D/T Dated December 31, 2003, Grubbs Family Trust Dated June 22, 2012, The Mitchell Family Trust U/D/T Dated February 8, 2000, Douglas J. Bauer, Thomas J. Mitchell and Michael D. Grubbs. (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-4 (filed Jan. 9, 2014))
4.3	First Amendment to Investor Rights Agreement, dated as of November 3, 2013, by and among TRI Pointe Homes, Inc., VIII/TPC Holdings, L.L.C., BMG Homes, Inc., The Bauer Revocable Trust U/D/T Dated December 31, 2003, Grubbs Family Trust Dated June 22, 2012, The Mitchell Family Trust U/D/T Dated February 8, 2000, Douglas F. Bauer, Thomas J. Mitchell and Michael D. Grubbs (incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K (filed Nov. 4, 2013))
4.4	Registration Rights Agreement, dated as of January 30, 2013, among TRI Pointe Homes, Inc., VIII/TPC Holdings, L.L.C., and certain TRI Pointe Homes, Inc. stockholders (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-4 (filed Jan. 9, 2014))
4.5	Indenture, dated as of June 13, 2014, by and among Weyerhaeuser Real Estate Company and U.S. Bank National Association, as trustee (including form of 4.375% Senior Note due 2019) (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (filed June 19, 2014))
4.6	First Supplemental Indenture, dated as of July 7, 2014, among TRI Pointe Homes, Inc., Weyerhaeuser Real Estate Company and U.S. Bank National Association, as trustee, relating to the 4.375% Senior Notes due 2019 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (filed July 7, 2014))

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<u>Exhibit Number</u>	<u>Exhibit Description</u>
4.7	Second Supplemental Indenture, dated as of July 7, 2014, among the guarantors party thereto and U.S. Bank National Association, as trustee, relating to the 4.375% Senior Notes due 2019 (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K (filed July 7, 2014))
4.8	Indenture, dated as of June 13, 2014, by and among Weyerhaeuser Real Estate Company and U.S. Bank National Association, as trustee (including form of 5.875% Senior Note due 2024) (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K (filed June 19, 2014))
4.9	First Supplemental Indenture, dated as of July 7, 2014, among TRI Pointe Homes, Inc., Weyerhaeuser Real Estate Company and U.S. Bank National Association, as trustee, relating to the 5.875% Senior Notes due 2024 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K (filed July 7, 2014))
4.10	Second Supplemental Indenture, dated as of July 7, 2014, among the guarantors party thereto and U.S. Bank National Association, as trustee, relating to the 5.875% Senior Notes due 2024 (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K (filed July 7, 2014))
10.1	Joinder Agreement to Purchase Agreement, dated as of July 7, 2014, relating to the 4.375% Senior Notes due 2019 and 5.875% Senior Notes due 2024 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (filed July 7, 2014))
10.2	Registration Rights Agreement with respect to 4.375% Senior Notes due 2019, dated as of June 13, 2014, by and among Weyerhaeuser Real Estate Company, Citigroup Global Markets Inc. and Deutsche Bank Securities Inc., as representatives of the Initial Purchasers (as defined therein) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (filed June 19, 2014))
10.3	Issuer Joinder Agreement to Registration Rights Agreement, dated as of July 7, 2014, relating to 4.375% Senior Notes due 2019 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (filed July 7, 2014))
10.4	Guarantor Joinder Agreement to Registration Rights Agreement, dated as of July 7, 2014, relating to 4.375% Senior Notes due 2019 (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (filed July 7, 2014))
10.5	Registration Rights Agreement with respect to 5.875% Senior Notes due 2024, dated as of June 13, 2014, by and among Weyerhaeuser Real Estate Company, Citigroup Global Markets Inc. and Deutsche Bank Securities Inc., as representatives of the Initial Purchasers (as defined therein) (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (filed June 19, 2014))
10.6	Issuer Joinder Agreement to Registration Rights Agreement, dated as of July 7, 2014, relating to 5.875% Senior Notes due 2024 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (filed July 7, 2014))
10.7	Guarantor Joinder Agreement to Registration Rights Agreement, dated as of July 7, 2014, relating to 5.875% Senior Notes due 2024 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (filed July 7, 2014))
10.8	Tax Sharing Agreement, dated as of July 7, 2014, among Weyerhaeuser Company, Weyerhaeuser Real Estate Company, and TRI Pointe Homes, Inc. (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K (filed July 7, 2014))
10.9	Amendment No. 1 to TRI Pointe Homes, Inc. 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (filed June 23, 2014))
10.10	Amendment No. 2 to TRI Pointe Homes, Inc. 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (filed June 23, 2014))

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<u>Exhibit Number</u>	<u>Exhibit Description</u>
10.11	Credit Agreement, dated as of June 26, 2014 among TRI Pointe Homes, Inc., U.S. Bank National Association, d/b/a Housing Capital Company, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (filed June 27, 2014))
99.1	Registration Statement on Form S-4/A, filed by the Company on May 22, 2014 (http://www.sec.gov/Archives/edgar/data/1561680/000119312514208788/0001193125-14-208788-index.htm)
31.1*	Chief Executive Officer Section 302 Certification of the Sarbanes-Oxley Act of 2002
31.2*	Chief Financial Officer Section 302 Certification of the Sarbanes-Oxley Act of 2002
32.1*	Chief Executive Officer Section 906 Certification of the Sarbanes-Oxley Act of 2002
32.2*	Chief Financial Officer Section 906 Certification of the Sarbanes-Oxley Act of 2002
101	The following materials from TRI Pointe Homes, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statement of Cash Flows, and (v) Condensed Notes to Consolidated Financial Statement.

* Filed herewith

SIGNATURES

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

TRI Pointe Homes, Inc.

By: /s/ Douglas F. Bauer

Douglas F. Bauer
Chief Executive Officer

By: /s/ Michael D. Grubbs

Michael D. Grubbs
Chief Financial Officer

Date: August 7, 2014

**BYLAWS
OF
TRI POINTE HOMES, INC.
(Amended and Restated August 7, 2013)**

ARTICLE I

Offices

Section 1.1 Registered Offices. The registered office of TRI Pointe Homes, Inc. (the "Corporation") in the State of Delaware shall be located at 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801. The name of the Corporation's registered agent at such address shall be The Corporation Trust Company. The registered office and/or registered agent of the Corporation may be changed from time to time by action of the Board of Directors.

Section 1.2 Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require

Section 1.3 Books. The books of the Corporation may be kept within or without of the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

Stockholders Meetings

Section 2.1 Annual Meetings.

(a) An annual meeting of stockholders shall be held for the election of directors and the transaction of such other business as may properly be brought before the meeting in accordance with these Bylaws at such date, time and place, if any, as may be fixed by resolution of the Board of Directors of the Corporation from time to time.

(b) Only such business (other than stockholder nominations of directors, which shall be made in compliance with, and shall be exclusively governed by, Section 3.1(a)) shall be conducted at an annual meeting of stockholders as shall have been properly brought before the meeting. For business to be properly brought before the meeting, it must be (i) authorized by the Board of Directors and specified in the notice, or a supplemental notice, of the meeting, (ii) otherwise brought before the meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the meeting by a stockholder of the Corporation who was a stockholder of record both at the time of giving of notice by the stockholder as provided for in this Section 2.1(b) and at the time of the annual meeting of stockholders, who is entitled to vote at the meeting on any such business and who has complied with the notice and other requirements set forth in these Bylaws; clause (iii) shall be the exclusive means for a stockholder to submit such business (other than proposals properly brought under Rule 14a-8

under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and included in the Corporation’s notice of the meeting, which proposals are not governed by these Bylaws) before an annual meeting of stockholders.

(c) For business to be properly brought before an annual meeting by a stockholder pursuant to Section 2.1(b)(iii), the stockholder must have given timely written notice thereof to the Secretary of the Corporation as hereinafter provided and such proposal must otherwise be a proper subject for action by the Corporation’s stockholders. To be timely, a stockholder’s written notice shall set forth all information required under this Section 2.1(c) and shall be delivered or mailed to and received at the principal executive offices of the Corporation not less than 90 days nor more than 120 days prior to the first anniversary of the date on which the Corporation first mailed its proxy materials or a notice of availability of proxy materials (whichever is earlier) for the immediately preceding year’s annual meeting; provided, however, that in the event that no annual meeting was held in the previous year or the annual meeting is called for a date that is not within 30 days from the first anniversary of the immediately preceding year’s annual meeting date, written notice by a stockholder in order to be timely must be received not earlier than the 120th day before the date of such annual meeting and not later than the later of the 90th day before the date of such annual meeting, as originally convened, or the close of business on the tenth day following the day on which the first public disclosure of the date of such annual meeting was made. In no event shall the public disclosure of an adjournment or postponement of an annual meeting commence a new time period for the giving of stockholder’s notice as described above. A stockholder’s notice to the Secretary delivered pursuant to this Section 2.1(c) shall set forth:

- (i) as to each matter the stockholder proposes to bring before the meeting, (A) a description of the proposal or business (including the complete text of any resolutions to be presented at the annual meeting, and, in the event that such business includes a proposal to amend these Bylaws, the text of the proposed amendment) desired to be brought before the annual meeting, (B) the reasons for conducting such business at the annual meeting, and (C) any material interest in such business of such stockholder or any Stockholder Associated Person (as defined below), individually or in the aggregate, including any anticipated benefit to the stockholder or the Stockholder Associated Person therefrom;
- (ii) to the extent known by the stockholder giving the notice, the name and address of any other stockholder supporting the proposal of business on the date of such stockholder’s notice;
- (iii) as to the stockholder giving the notice and any Stockholder Associated Person:

(A) the class or series and number of shares of capital stock or other securities of the Corporation (collectively, “Company Securities”), if any, which are owned beneficially or of record by such person, the date(s) on which such Company Securities were acquired and the investment intent of such acquisition(s), and any short interest (including any opportunity to profit or share in any benefit from any decrease in the price of such stock or other security) in any Company Securities of any such person,

(B) the nominee holder for, and number of, any Company Securities owned beneficially but not of record by such person,

(C) whether and the extent to which such person, directly or indirectly (through brokers, nominees or otherwise), is subject to or during the last six months has engaged in any hedging, derivative or other transaction or series of transactions or entered into any other agreement, arrangement or understanding (including any short interest, any borrowing or lending of securities or any proxy or voting agreement), the effect or intent of which is to (x) manage risk or benefit of changes in the price of Company Securities for such person, or (y) increase or decrease the voting power of such person in the Corporation disproportionately to such person's economic interest in the Company Securities; and

(D) a representation that such stockholder or Stockholder Associated Person intends to appear in person or by proxy at the annual meeting to bring such business before the meeting;

(iv) as to the stockholder giving the notice or any Stockholder Associated Person with an interest or ownership referred to in clause (i) or clause (iii)(C) of this Section 2.1(c):

(A) the name and address of such stockholder, as they appear on the Corporation's stock ledger, and the current name and business address, if different, of each such Stockholder Associated Person, and

(B) the investment strategy or objective, if any, of such stockholder and each such Stockholder Associated Person who is not an individual and a copy of the prospectus, offering memorandum or similar document, if any, provided to investors or potential investors in such stockholder and each such Stockholder Associated Person;

(v) as to the stockholder giving the notice and any Stockholder Associated Person, a description of all arrangements or understandings between such person and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder or such beneficial owner in such business, including any anticipated benefit to the stockholder or such beneficial owner therefrom; and

(vi) as to the stockholder giving the notice and any Stockholder Associated Person, a representation that such person intends to appear in person or by proxy at the annual meeting to bring such business before the meeting (the information described in clauses (iii) through (vi), the "Proposing Stockholder Information").

(d) Unless otherwise required by law, if a stockholder (or qualified representative) does not appear at the meeting of stockholders to present business proposed by such stockholder

pursuant to this Section 2.1(c), such proposed business shall not be transacted, even though proxies in respect of such vote may have been received by the Corporation. No business shall be conducted at any annual meeting except in accordance with the procedures set forth in this paragraph (c). The chairman of the meeting at which any business is proposed by a stockholder shall, if the facts warrant, determine and declare to the meeting that such business was not properly brought before the meeting in accordance with the provisions of this Section 2.1(c), and in such event, the business not properly before the meeting shall not be transacted.

Section 2.2 Special Meetings. Special meetings of stockholders may be called only as set forth in the Certificate of Incorporation (the "Certificate of Incorporation") of the Corporation.

Section 2.3 Notice of Meetings. A written notice of each annual or special meeting of stockholders shall be given stating the place, if any, date and time of the meeting, the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting) and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the Certificate of Incorporation or these Bylaws, such notice of meeting shall be given not less than ten nor more than 60 days before the date of the meeting to each stockholder of record entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting, personally, by mail or, to the extent and in the manner permitted by applicable law, electronically. If mailed, such notice shall be deemed to be given when deposited in the mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation.

Section 2.4 Adjournments. Any annual or special meeting of stockholders may be adjourned from time to time to reconvene at the same or some other place, if any, and notice need not be given of any such adjourned meeting if the date, time and place, if any, thereof and the means of remote communication, if any, by which stockholders and proxyholders may be deemed present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting any business may be transacted which might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the adjourned meeting in accordance with Section 2.3. If the Board of Directors shall fix a new record date for determination of stockholders entitled to vote at an adjourned meeting, the Board of Directors shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as the record date determined for stockholders entitled to vote at the adjourned meeting.

Section 2.5 Quorum. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the presence in person or by proxy of the holders of stock having a majority of the votes which could be cast by the holders of all outstanding stock entitled to vote at the meeting shall constitute a quorum at each meeting of stockholders. In the absence of a quorum, the stockholders so present may, by the affirmative vote of the holders of stock having a

majority of the votes which could be cast by all such holders, adjourn the meeting from time to time in the manner provided in Section 2.4 of these Bylaws until a quorum is present. If a quorum is present when a meeting is convened, the subsequent withdrawal of stockholders, even though less than a quorum remains, shall not affect the ability of the remaining stockholders lawfully to transact business.

Section 2.6 Conduct; Remote Communication.

(a) Meetings of stockholders shall be presided over by the Chairman of the Board or, in his or her absence, by the Chief Executive Officer, or in his or her absence, by a chairman designated by the Board of Directors, or in the absence of such designation by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his or her absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

(b) If authorized by the Board of Directors in accordance with these Bylaws and applicable law, stockholders and proxyholders not physically present at a meeting of stockholders may, by means of remote communication, (1) participate in a meeting of stockholders and (2) be deemed present in person and vote at a meeting of stockholders, whether such meeting is to be held at a designated place or solely by means of remote communication, provided that (i) the Corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxyholder, (ii) the Corporation shall implement reasonable measures to provide such stockholders and proxyholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (iii) if any stockholder or proxyholder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the Corporation.

Section 2.7 Voting.

(a) Except as otherwise provided by the Certificate of Incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by such stockholder which has voting power on the matter in question.

(b) Voting at meetings of stockholders need not be by written ballot and need not be conducted by inspectors of election unless so required by Section 2.9 of these Bylaws or so determined by the holders of stock having a majority of the votes which could be cast by the holders of all outstanding stock entitled to vote which are present in person or by proxy at such meeting. Unless otherwise provided in the Certificate of Incorporation, directors shall be elected by a plurality of the votes cast in the election of directors. Each other question shall, unless otherwise provided by law, the Certificate of Incorporation or these Bylaws, be decided by the vote of the holders of stock having a majority of the votes which could be cast by the holders of all stock entitled to vote on such question which are present in person or by proxy at the meeting.

(c) Stock of the Corporation standing in the name of another corporation and entitled to vote may be voted by such officer, agent or proxy as the bylaws or other internal regulations of such other corporation may prescribe or, in the absence of such provision, as the board of directors or comparable body of such other corporation may determine.

(d) Stock of the Corporation standing in the name of a deceased person, a minor, an incompetent or a debtor in a case under Title 11, United States Code, and entitled to vote may be voted by an administrator, executor, guardian, conservator, debtor-in-possession or trustee, as the case may be, either in person or by proxy, without transfer of such shares into the name of the official or other person so voting.

(e) A stockholder whose voting stock of the Corporation is pledged shall be entitled to vote such stock unless on the transfer records of the Corporation the pledgor has expressly empowered the pledgee to vote such shares, in which case only the pledgee, or such pledgee's proxy, may represent such shares and vote thereon.

(f) If voting stock is held of record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety or otherwise, or if two or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (i) if only one votes, such act binds all; (ii) if more than one vote, the act of the majority so voting binds all; and (iii) if more than one vote, but the vote is evenly split on any particular matter each faction may vote such stock proportionally, or any person voting the shares, or a beneficiary, if any, may apply to the Court of Chancery of the State of Delaware or such other court as may have jurisdiction to appoint an additional person to act with the persons so voting the stock, which shall then be voted as determined by a majority of such persons and the person appointed by the Court. If the instrument so filed shows that any such tenancy is held in unequal interests, a majority or even split for the purpose of this subsection shall be a majority or even split in interest.

(g) Stock of the Corporation belonging to the Corporation, or to another corporation a majority of the shares entitled to vote in the election of directors of which are held by the Corporation, shall not be voted at any meeting of stockholders and shall not be counted in the total number of outstanding shares for the purpose of determining whether a quorum is present. Nothing in this Section 2.7 shall limit the right of the Corporation to vote shares of stock of the Corporation held by it in a fiduciary capacity.

Section 2.8 Proxies.

(a) Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy filed with the Secretary before or at the time of the meeting. No such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing with the Secretary an instrument in writing revoking the proxy or another duly executed proxy bearing a later date.

(b) A stockholder may authorize another person or persons to act for such stockholder as proxy (i) by executing a writing authorizing such person or persons to act as such, which execution may be accomplished by such stockholder or such stockholder's authorized officer, director, partner, employee or agent (or, if the stock is held in a trust or estate, by a trustee, executor or administrator thereof) signing such writing or causing his or her signature to be affixed to such writing by any reasonable means, including, but not limited to, facsimile signature, or (ii) by transmitting or authorizing the transmission of a telegram, cablegram or other means of electronic transmission (each, a "Transmission") to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such Transmission; provided that any such Transmission must either set forth or be submitted with information from which it can be determined that such Transmission was authorized by such stockholder.

(c) Any inspector or inspectors appointed pursuant to Section 2.9 of these Bylaws shall examine Transmissions to determine if they are valid. If no inspector or inspectors are so appointed, the Secretary or such other person or persons as shall be appointed from time to time by the Board of Directors shall examine Transmissions to determine if they are valid. If it is determined that a Transmission is valid, the person or persons making that determination shall specify the information upon which such person or persons relied. Any copy, facsimile telecommunication or other reliable reproduction of such a writing or Transmission may be substituted or used in lieu of the original writing or Transmission for any and all purposes for which the original writing or Transmission could be used; provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or Transmission.

Section 2.9 Voting Procedures and Inspectors of Elections .

(a) If the Corporation has a class of voting stock that is (i) listed on a national securities exchange, (ii) authorized for quotation on an interdealer quotation system of a registered national securities association or (iii) held of record by more than 2,000 stockholders, the Board of Directors shall, in advance of any meeting of stockholders, appoint one or more inspectors (individually an "Inspector," and collectively the "Inspectors") to act at such meeting and make a written report thereof. The Board of Directors may designate one or more persons as alternate Inspectors to replace any Inspector who shall fail to act. If no Inspector or alternate is able to act at such meeting, the chairman of the meeting shall appoint one or more other persons to act as Inspectors. Each Inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of Inspector with strict impartiality and according to the best of his or her ability.

(b) The Inspectors shall (i) ascertain the number of shares of stock of the Corporation outstanding and the voting power of each, (ii) determine the number of shares of stock of the Corporation present in person or by proxy at such meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period of time a record of the disposition of any challenges made to any determination by the Inspectors and (v) certify their determination of the number of such shares present in person or by proxy at such meeting and their count of all votes and ballots. The Inspectors may appoint or retain other persons or entities to assist them in the performance of their duties.

(c) The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at such meeting. No ballots, proxies or votes, nor any revocations thereof or changes thereto, shall be accepted by the Inspectors after the closing of the polls unless the Court of Chancery of the State of Delaware upon application by any stockholder shall determine otherwise.

(d) In determining the validity and counting of proxies and ballots, the Inspectors shall be limited to an examination of the proxies, any envelopes submitted with such proxies, any information referred to in paragraphs (b) and (c) of Section 2.8 of these Bylaws, ballots and the regular books and records of the Corporation, except that the Inspectors may consider other reliable information for the limited purpose of reconciling proxies and ballots submitted by or on behalf of banks, brokers, their nominees or similar persons which represent more votes than the holder of a proxy is authorized by a stockholder of record to cast or more votes than such stockholder holds of record. If the Inspectors consider other reliable information for the limited purpose permitted herein, the Inspectors, at the time they make their certification pursuant to paragraph (b) of this Section 2.9, shall specify the precise information considered by them, including the person or persons from whom such information was obtained, when and the means by which such information was obtained and the basis for the Inspectors' belief that such information is accurate and reliable.

Section 2.10 Fixing Date of Determination of Stockholders of Record.

(a) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which record date shall, unless otherwise required by law, be not more than sixty (60) nor less than ten (10) days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting, unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors in respect of a meeting, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise

any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which shall not be more than sixty (60) days prior to such action. If no such record date is so fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 2.11 List of Stockholders Entitled to Vote. The Secretary shall prepare, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting (provided, however, if the record date for determining the stockholders entitled to vote is less than ten (10) days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date), arranged in alphabetical order, and showing the address and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least ten days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the principal place of business of the Corporation. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a place, the list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, the list shall be open to the examination of any stockholder during the whole time thereof on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list of stockholders or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

ARTICLE III

Board of Directors

Section 3.1 Election; Resignation; Vacancies .

(a) Only persons who are nominated in accordance with the procedures set forth in this Section 3.1(a) shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board of Directors may be made at a meeting of stockholders by the Board of Directors or by any stockholder of the Corporation entitled to vote in the election of directors at the meeting who complies with the notice procedures set forth in this paragraph (a). Any nomination by a stockholder must be made by timely written notice to the Secretary as hereinafter provided. To be timely, a stockholder's written notice shall set forth all information required under this Section 3.1(a) and shall be delivered or mailed to and received at the principal executive offices of the Corporation: (i) with respect to an election to be held at an annual meeting of stockholders, not less than 90 days nor more than 120 days prior to the first anniversary of the date on which the Corporation first mailed its proxy materials or a notice of availability of proxy materials (whichever is earlier) for the immediately preceding year's annual meeting; provided, however, that in the event that no annual meeting was held in the previous

year or the annual meeting is called for a date that is not within 30 days from the first anniversary of the immediately preceding year's annual meeting date, written notice by a stockholder in order to be timely must be received not earlier than the 120th day before the date of such annual meeting and not later than the later of the 90th day before the date of such annual meeting, as originally convened, or the close of business on the tenth day following the day on which the first public disclosure of the date of such annual meeting was made, and (ii) with respect to an election to be held at a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth day following the day on which the first public disclosure of the date of such special meeting was made. In no event shall the public disclosure of an adjournment or postponement of any annual or special meeting commence a new time period for giving of a stockholder notice as described above. A stockholder's notice to the Secretary delivered pursuant to this Section 3.1(a) shall set forth:

- (i) as to each person whom the stockholder proposes to nominate for election or re-election as a director (each, a "Proposed Nominee"), all information relating to the Proposed Nominee that would be required to be disclosed in connection with the solicitation of proxies for the election of the Proposed Nominee as a director in an election contest (even if an election contest is not involved), or would otherwise be required in connection with such solicitation, in each case pursuant to Regulation 14A (or any successor provision) under the Exchange Act and the rules thereunder; and
- (ii) as to the stockholder giving the notice and any Stockholder Associated Person, the Proposing Stockholder Information with respect to such person.

Such notice shall be accompanied by a written representation and agreement, in the form provided by the Secretary upon written request, executed by the Proposed Nominee, that such Proposed Nominee (i) is not, and will not become a party to, any agreement, arrangement or understanding with any person or entity other than the Corporation in connection with service or action as a director that has not been disclosed to the Corporation, (ii) consents to being named as a nominee and to serve as a director if elected, (iii) is not and will not become a party to (A) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such Proposed Nominee, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation or (B) any Voting Commitment that could limit or interfere with such Proposed Nominee's ability to comply, if elected as a director of the Corporation, with such Proposed Nominee's fiduciary duties under applicable law and (iv) would be in compliance if elected as a director of the Corporation, and will comply with all applicable corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Corporation.

At the request of the Board of Directors any person nominated by the Board of Directors for election as a director shall furnish to the Secretary (in accordance with any applicable time periods prescribed for delivery of notice under these Bylaws) that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

Notwithstanding anything in this Section 3.1(a) to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased, and there is no public disclosure of such action at least 90 days prior to the first anniversary of the date on which the Corporation first mailed its proxy materials or a notice of availability of proxy materials (whichever is earlier) for the immediately preceding year's annual meeting, a stockholder's notice required by this Section 3.1(a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive office of the Corporation not later than the tenth day following the day on which such public disclosure is first made by the Corporation.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 3.1(a). Unless otherwise required by law, if a stockholder (or qualified representative) does not appear at the meeting of stockholders to present a nomination proposed by such stockholder pursuant to this Section 3.1(a), such nomination shall be disregarded, even though proxies in respect of such vote may have been received by the Corporation. The chairman of the meeting at which a stockholder nomination is presented shall, if the facts warrant, determine and declare to the meeting that such nomination was not made in accordance with the procedures prescribed by this Section 3.1(a), and, in such event, the defective nomination shall be disregarded.

(b) Any director may resign at any time by giving written notice to the Chairman of the Board, the Chief Executive Officer or the Secretary. A resignation shall take effect when the resignation is delivered to the officer to whom it is directed unless the resignation specifies a later effective date or an effective date determined upon the happening of an event or events, without any need for its acceptance. A resignation that is conditioned upon the director failing to receive a specified vote for reelection as a director may provide that it is irrevocable.

(c) Any newly created directorship or any vacancy occurring in the Board of Directors for any reason shall be filled as set forth in the Certificate of Incorporation.

Section 3.2 Regular Meetings. Unless otherwise determined by the Board of Directors, a regular annual meeting of the Board of Directors shall be held, without call or notice, immediately after and, if the annual meeting of stockholders is held at a place, at the same place as the annual meeting of stockholders, for the purpose of electing officers and transacting any other business that may properly come before such meeting. Additional regular meetings of the Board of Directors may be held without call or notice at such times as shall be fixed by resolution of the Board of Directors.

Section 3.3 Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board, the Chief Executive Officer, the Secretary or by any member of the Board of Directors. Notice of a special meeting of the Board of Directors shall be given by the person or persons calling the meeting at least twenty-four hours before the special meeting. The purpose or purposes of a special meeting need not be stated in the call or notice.

Section 3.4 Organization. Meetings of the Board of Directors shall be presided over by the Chairman of the Board or, in his or her absence, by the Chief Executive Officer, or in his or her absence, by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his or her absence the chairman of the meeting may appoint any person to act as secretary of the meeting. A majority of the directors present at a meeting, whether or not they constitute a quorum, may adjourn such meeting to any other date, time or place without notice other than announcement at the meeting.

Section 3.5 Quorum; Vote Required for Action. At all meetings of the Board of Directors a majority of the whole Board of Directors shall constitute a quorum for the transaction of business. Unless the Certificate of Incorporation or these Bylaws otherwise provide, the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 3.6 Committees. The Board of Directors may, by resolution, designate one or more committees, including but not limited to an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and an Executive Committee, each committee to consist of one or more directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members present at any meeting and not disqualified from voting, whether or not a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent permitted by law and provided in these Bylaws or in the resolution of the Board of Directors designating such committee, or an amendment to such resolution, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it.

Section 3.7 Telephonic Meetings. Directors, or any committee of directors designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 3.7 shall constitute presence in person at such meeting.

Section 3.8 Board of Director Action by Written Consent Without a Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent thereto in writing (which may be in counterparts) or by electronic transmission, and the written consent or consents or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or such committee. Such filing shall be made in paper form if the minutes of the Corporation are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form. Such action by written consent or consent by electronic transmission shall have the same force and effect as a unanimous vote of the Board of Directors.

Section 3.9 Committee Rules. Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may make, alter and repeal rules not inconsistent with the provisions of law for the conduct of its business. In the absence of such rules, each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to this Article III of these Bylaws.

Section 3.10 Reliance upon Records. Every director, and every member of any committee of the Board of Directors, shall, in the performance of his or her duties, be fully protected in relying in good faith upon the records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or committees of the Board of Directors, or by any other person as to matters the director or member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation, including, but not limited to, such records, information, opinions, reports or statements as to the value and amount of the assets, liabilities and/or net profits of the Corporation, or any other facts pertinent to the existence and amount of surplus or other funds from which dividends might properly be declared and paid, or with which the Corporation's capital stock might properly be purchased or redeemed.

Section 3.11 Interested Directors. A director who is directly or indirectly a party to a contract or transaction with the Corporation, or is a director or officer of or has a financial interest in any other corporation, partnership, association or other organization which is a party to a contract or transaction with the Corporation, may be counted in determining whether a quorum is present at any meeting of the Board of Directors or a committee thereof at which such contract or transaction is considered or authorized, and such director may participate in such meeting and vote on such authorization to the extent permitted by applicable law, including Section 144 of the General Corporation Law of the State of Delaware.

Section 3.12 Compensation. Unless otherwise restricted by the Certificate of Incorporation, the Board of Directors shall have the authority to fix the compensation of directors. The directors shall be paid their reasonable expenses, if any, of attendance at each meeting of the Board of Directors or a committee thereof and may be paid a fixed sum for attendance at each such meeting and an annual retainer or salary for services as a director or committee member. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV

Officers

Section 4.1 Executive Officers; Election; Qualification; Term of Office. The Board of Directors shall elect a Chairman of the Board from among its members and shall elect a Chief Executive Officer and a Chief Financial Officer. The Board of Directors shall also elect a Secretary and may elect a President, one or more Vice Presidents, and one or more Assistant Secretaries. Any number of offices may be held by the same person. Each officer shall hold office until the first meeting of the Board of Directors after the annual meeting of stockholders next succeeding his or her election, and until his or her successor is elected and qualified or until his or her earlier death, resignation or removal.

Section 4.2 Resignation; Removal; Vacancies. Any officer may resign at any time by giving written notice to the Chairman of the Board, the Chief Executive Officer or the Secretary. Unless otherwise stated in a notice of resignation, it shall take effect when received by the officer to whom it is directed, without any need for its acceptance. The Board of Directors may remove any officer with or without cause at any time, but such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation. Any officer chosen by another officer pursuant to Section 4.10 of these Bylaws may be removed with or without cause at any time by that officer, but such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation. A vacancy occurring in any office of the Corporation may be filled for the unexpired portion of the term thereof by the Board of Directors at any regular or special meeting.

Section 4.3 Powers and Duties of Executive Officers. The officers of the Corporation shall have such powers and duties in the management of the Corporation as may be prescribed by the Board of Directors and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board of Directors. The Board of Directors may require any officer, agent or employee to give security for the faithful performance of his or her duties.

Section 4.4 Chief Executive Officer. The Chief Executive Officer of the Corporation shall in general supervise and control all of the business affairs of the Corporation, subject to the direction of the Board of Directors. The Chief Executive Officer may execute, in the name and on behalf of the Corporation, any deeds, mortgages, bonds, contracts or other instruments which the Board of Directors or a committee thereof has authorized to be executed, except in cases where the execution shall have been expressly delegated by the Board of Directors or a committee thereof to some other officer or agent of the Corporation.

Section 4.5 President. The President, if there be one, shall perform such duties and possess such powers as the Board of Directors or the Chief Executive Officer may from time to time prescribe. In the event of the absence, inability or refusal to act of the Chief Executive Officer, the President shall perform the duties of the Chief Executive Officer and, when so performing, shall have all the powers and be subject to all the restrictions upon the office of Chief Executive Officer.

Section 4.6 Chief Financial Officer. The Chief Financial Officer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Chief Financial Officer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Controlling Officer and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all such officer's transactions as Chief Financial Officer and of the financial condition of the Corporation. If required by the Board of Directors, the Chief Financial Officer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for

the faithful performance of the duties of the office and for the restoration to the Corporation, in case of such person's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 4.7 Secretary. In addition to such other duties, if any, as may be assigned to the Secretary by the Board of Directors, the Chairman of the Board or the Chief Executive Officer, the Secretary shall (i) keep the minutes of proceedings of the stockholders, the Board of Directors and any committee of the Board of Directors in one or more books provided for that purpose; (ii) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (iii) be the custodian of the records and seal of the Corporation; (iv) affix or cause to be affixed the seal of the Corporation or a facsimile thereof, and attest the seal by his or her signature, to all documents the execution of which under seal is authorized by the Board of Directors; and (v) unless such duties have been delegated by the Board of Directors to a transfer agent of the Corporation, keep or cause to be kept a register of the name and address of each stockholder, as the same shall be furnished to the Secretary by such stockholder, and have general charge of the stock transfer records of the Corporation.

Section 4.8 Assistant Secretaries. Except as may be otherwise provided in these Bylaws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer, the President, if there be one, or any Vice President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of such person's disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 4.9 Vice Presidents. Except as may be otherwise provided in these Bylaws, Vice Presidents, if there be any, shall perform such duties and possess such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer or the President. The Board of Directors may assign to any Vice President the title of Executive Vice President, Senior Vice President or any other such title.

Section 4.10 Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

ARTICLE V

Stock Certificates and Transfers

Section 5.1 Certificated and Uncertificated Shares. Shares of the Corporation's stock may be certificated or uncertificated, as provided under Delaware law. All certificates of stock of the Corporation shall be numbered and shall be entered in the books of the Corporation as they are issued. The certificates shall be signed by (i) the Chairman of the Board of Directors, the Chief Executive Officer, the President, if any, or a Vice President, if any, and (ii) the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, and certify the number of shares owned by such holder in the Corporation.

Section 5.2 Signatures. Any signature required to be on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 5.3 Lost Certificates; Issuance of New Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 5.4 Transfers of Stock. Stock of the Corporation shall be transferable in the manner prescribed by law and in these Bylaws. Transfers of stock shall be made on the books of the Corporation only by the record holder of such stock, or by their attorney lawfully constituted in writing, and, in the case of stock represented by a certificate, upon the surrender of the certificate.

Section 5.5 Stockholders of Record. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten days before the date of such meeting, nor more than sixty days prior to any such other corporate action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 5.6 Beneficial Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

ARTICLE VI

Notices

Section 6.1 Manner of Notice.

(a) Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, whenever notice is required to be given to any stockholder, director or member of any committee of the Board of Directors, such notice may be given by (i) personal delivery, (ii) depositing it, in a sealed envelope, in the United States mails, first class, postage prepaid, addressed, (iii) delivering to a company for overnight or second day mail or delivery, (iv) delivering it to a telegraph company, charges prepaid, for transmission, or by transmitting it via telecopier, or (v) any other reliable means permitted by applicable law (including, subject to Section 6.1(b), electronic transmission) to such stockholder, director or member, either at the address of such stockholder, director or member as it appears on the records of the Corporation or, in the case of such a director or member, at his or her business address; and such notice shall be deemed to be given at the time when it is thus personally delivered, deposited, delivered or transmitted, as the case may be. Such requirement for notice shall also be deemed satisfied, except in the case of stockholder meetings, if actual notice is received orally or by other writing by the person entitled thereto as far in advance of the event with respect to which notice is being given as the minimum notice period required by law or these Bylaws.

(b) Without limiting the foregoing, any notice to stockholders given by the Corporation pursuant to these Bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation and shall also be deemed revoked if (1) the Corporation is unable to deliver by electronic transmission two consecutive notices given by the Corporation in accordance with such consent and (2) such inability becomes known to the Secretary of the Corporation, the transfer agent or other person responsible for the giving of notice; provided, however, that the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action. Notice given by a form of electronic transmission in accordance with these Bylaws shall be deemed given: (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice; (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (iii) if by a posting on an electronic network, together with separate notice to the stockholder of such specific posting, upon the later of such posting and the giving of such separate notice; and (iv) if by another form of electronic transmission, when directed to the stockholder.

Section 6.2 Dispensation with Notice.

(a) Whenever notice is required to be given by law, the Certificate of Incorporation or these Bylaws to any stockholder to whom (i) notice of two consecutive annual meetings of stockholders, and all notices of meetings of stockholders to such stockholder during the period between such two consecutive annual meetings, or (ii) all, and at least two, payments (if sent by first class mail) of dividends or interest on securities of the Corporation during a 12-month period, have been mailed addressed to such stockholder at the address of such stockholder as shown on the records of the Corporation and have been returned undeliverable, the giving of such notice to such stockholder shall not be required. Any action or meeting which shall be taken or held without notice to such stockholder shall have the same force and effect as if such notice had been duly given. If any such stockholder shall deliver to the Corporation a written notice setting forth the then current address of such stockholder, the requirement that notice be given to such stockholder shall be reinstated.

(b) Whenever notice is required to be given by law, the Certificate of Incorporation or these Bylaws to any person with whom communication is unlawful, the giving of such notice to such person shall not be required, and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given.

Section 6.3 Waiver of Notice. Any written waiver of notice, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors, or members of a committee or directors need be specified in any written waiver of notice.

ARTICLE VII

Indemnification

Section 7.1 Right to Indemnification.

(a) The Corporation shall indemnify and hold harmless, to the fullest extent permitted by law as in effect on the date of adoption of these Bylaws or as it may thereafter be amended, any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding") by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture or other enterprise, against any and all liability and loss (including judgments, fines, penalties and amounts paid in settlement) suffered or incurred and expenses reasonably incurred by such person. The Corporation may, by action of its Board of Directors, provide indemnification to such of the employees and agents of the Corporation to such extent and to such effect as the Board of Directors shall determine to be appropriate and authorized by Delaware law. The Corporation shall not be required to indemnify a person in connection with a proceeding initiated by such person, including a counterclaim or crossclaim, unless the proceeding was authorized by the Board of Directors.

(b) For purposes of this Article VII: (i) any reference to "other enterprise" shall include all plans, programs, policies, agreements, contracts and payroll practices and related trusts for the benefit of or relating to employees of the Corporation and its related entities ("employee benefit plans"); (ii) any reference to "fines", "penalties", "liability" and "expenses" shall include any excise taxes, penalties, claims, liabilities and reasonable expenses (including

reasonable legal fees and related expenses) assessed against or incurred by a person with respect to any employee benefit plan; (iii) any reference to “serving at the request of the Corporation” shall include any service as a director, officer, employee or agent of the Corporation or trustee or administrator of any employee benefit plan which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants, beneficiaries, fiduciaries, administrators and service providers; (iv) any reference to serving at the request of the Corporation as a director, officer, employee or agent of a partnership or trust shall include service as a partner or trustee; and (v) a person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Corporation” for purposes of this Article VII.

Section 7.2 Prepayment of Expenses. The Corporation shall pay or reimburse the reasonable expenses incurred in defending any proceeding in advance of its final disposition if the Corporation has received an undertaking by the person receiving such payment or reimbursement to repay all amounts advanced if it should be ultimately determined that he or she is not entitled to be indemnified under this Article VII or otherwise.

Section 7.3 Claims. If a claim for indemnification or payment of expenses under this Article VII is not paid in full within 60 days after a written claim therefor has been received by the Corporation, the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the Corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

Section 7.4 Non-Exclusivity of Rights. The rights conferred on any person by this Article VII shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, these Bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

Section 7.5 Other Indemnification. The Corporation’s obligation, if any, to indemnify any person who was or is serving at its request as a director, officer, employee, partner or agent of another corporation, partnership, joint venture or other enterprise shall be reduced by any amount such person may collect as indemnification from such other corporation, partnership, joint venture or other enterprise.

Section 7.6 Amendment or Repeal. Any repeal or modification of the foregoing provisions of this Article VII shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.

ARTICLE VIII

General

Section 8.1 Fiscal year. The fiscal year of the Corporation shall be determined by resolution of the Board of Directors. Initially, the fiscal year of the Corporation shall end on December 31 of each year.

Section 8.2 Seal. The corporate seal shall have the name of the Corporation inscribed thereon and shall be in such form as may be approved from time to time by the Board of Directors.

Section 8.3 Definitions.

(a) For purposes of these Bylaws, “electronic transmission” means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

(b) For purposes of these Bylaws, “public disclosure” shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press, Business Wire, PR Newswire or comparable national news service, or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(c) For purposes of these Bylaws, a “qualified representative” of a stockholder shall mean a duly authorized officer, manager or partner of such stockholder or a person authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders, which writing (or a reliable reproduction thereof) shall be produced at the meeting of stockholders.

(d) For purposes of these Bylaws, “Stockholder Associated Person” of any stockholder means (i) any person acting in concert with such stockholder, (ii) any beneficial owner of shares of stock of the Corporation owned of record or beneficially by such stockholder (other than a stockholder that is a depository) and (iii) any person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such stockholder or such Stockholder Associated Person.

Section 8.4 Amendment of Bylaws. These Bylaws may be altered or repealed, and new Bylaws made, by the majority vote of the whole Board of Directors; provided, however, that a Bylaw adopted by the holders of stock representing a majority of the votes which could be cast by the holders of all outstanding stock that prescribes the required vote for the election of directors may not be altered by the Board of Directors. The holders of stock representing a majority of the votes which could be cast by the holders of all outstanding stock may make additional Bylaws and may alter and repeal any Bylaws whether adopted by them or otherwise.

TRI Pointe Homes, Inc.

Amendments to Amended and Restated Bylaws

Section 3.13 is added to read in its entirety as follows:

Section 3.13 Chairman of the Board. The Board of Directors shall elect a Chairman of the Board from among its members. The position of Chairman of the Board is not an officer position of the Corporation.

The first sentence of Section 4.1 is amended to read in its entirety as follows:

The Board of Directors shall elect a Chief Executive Officer and a Chief Financial Officer.

Section 4.7 is amended to read in its entirety as follows:

Section 4.7 Secretary. In addition to such other duties, if any, as may be assigned to the Secretary by the Board of Directors or the Chief Executive Officer, the Secretary shall (i) keep the minutes of proceedings of the stockholders, the Board of Directors and any committee of the Board of Directors in one or more books provided for that purpose; (ii) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (iii) be the custodian of the records and seal of the Corporation; (iv) affix or cause to be affixed the seal of the Corporation or a facsimile thereof, and attest the seal by his or her signature, to all documents the execution of which under seal is authorized by the Board of Directors; and (v) unless such duties have been delegated by the Board of Directors to a transfer agent of the Corporation, keep or cause to be kept a register of the name and address of each stockholder, as the same shall be furnished to the Secretary by such stockholder, and have general charge of the stock transfer records of the Corporation.

Section 4.8 is amended to read in its entirety as follows:

Section 4.8 Assistant Secretaries. Except as may be otherwise provided in these Bylaws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, the President, if there be one, or any Vice President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of such person's disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 5.1 is amended to read in its entirety as follows:

Section 5.1 Certificated and Uncertificated Shares. Shares of the Corporation's stock may be certificated or uncertificated, as provided under Delaware law. All certificates of stock of the Corporation shall be numbered and shall be entered in the books of the Corporation as they are issued. The certificates shall be signed by (i) the Chief Executive Officer, the President, if any, or a Vice President, if any, and (ii) the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, and certify the number of shares owned by such holder in the Corporation.

SECTION 302 CERTIFICATION

I, Douglas F. Bauer, certify that:

- (1) I have reviewed this report on Form 10-Q of TRI Pointe Homes, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2014

/s/ Douglas F. Bauer

Douglas F. Bauer

Chief Executive Officer (Principal Executive Officer)

SECTION 302 CERTIFICATION

I, Michael D. Grubbs, certify that:

- (1) I have reviewed this report on Form 10-Q of TRI Pointe Homes, Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2014

/s/ Michael D. Grubbs

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

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Report of TRI Pointe Homes, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Douglas F. Bauer, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2014

/s/ Douglas F. Bauer

Douglas F. Bauer

Chief Executive Officer (Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Report of TRI Pointe Homes, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael D. Grubbs, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2014

/s/ Michael D. Grubbs

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