Section 1: 10-Q (10-Q)

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 March 31, 2019 or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______to ______

Commission File Number 001-36283

The New Home Company Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**27-0560089**
(State or other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

85 Enterprise, Suite 450
Aliso Viejo, California 92656
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (949) 382-7800

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	NWHM	New York Stock Exchange

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and

"emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐	Smaller reporting company ☒	Emerging growth company ☒

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

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

Registrant's shares of common stock outstanding as of April 30, 2019: 20,049,113

THE NEW HOME COMPANY INC.
FORM 10-Q
INDEX

		Page Number
PART I Financial Information		
Item 1.	Financial Statements	3
	Condensed Consolidated Balance Sheets as of March 31, 2019 (Unaudited) and December 31, 2018	3
	Unaudited Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2019 and 2018	4
	Unaudited Condensed Consolidated Statements of Equity for the Three Months Ended March 31, 2019 and 2018	5
	Unaudited Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2019 and 2018	6
	Notes to Unaudited Condensed Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	37
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	57
Item 4.	Controls and Procedures	57
Part II Other Information		
Item 1.	Legal Proceedings	58
Item 1A.	Risk Factors	58
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	58
Item 3.	Defaults Upon Senior Securities	59
Item 4.	Mine Safety Disclosures	59
Item 5.	Other Information	59
Item 6.	Exhibits	60
	Signatures	61

PART I – FINANCIAL INFORMATION

Item 1. **Financial Statements**

THE NEW HOME COMPANY INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except par value amounts)

	March 31, 2019	December 31, 2018
	(Unaudited)	
Assets		
Cash and cash equivalents	$ 41,874	$ 42,273
Restricted cash	116	269
Contracts and accounts receivable	16,459	18,265
Due from affiliates	681	1,218
Real estate inventories	563,112	566,290
Investment in and advances to unconsolidated joint ventures	33,032	34,330
Other assets	35,366	33,452
Total assets	$ 690,640	$ 696,097
Liabilities and equity		
Accounts payable	$ 20,638	$ 39,391
Accrued expenses and other liabilities	33,332	29,028
Unsecured revolving credit facility	84,000	67,500
Senior notes, net	315,591	320,148
Total liabilities	453,561	456,067
Commitments and contingencies (Note 11)		
Equity:		
Stockholders' equity:		
Preferred stock, $0.01 par value, 50,000,000 shares authorized, no shares outstanding	—	—
Common stock, $0.01 par value, 500,000,000 shares authorized, 20,049,113 and 20,058,904, shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively	200	201
Additional paid-in capital	192,169	193,132
Retained earnings	44,634	46,621
Total stockholders' equity	237,003	239,954
Non-controlling interest in subsidiary	76	76
Total equity	237,079	240,030
Total liabilities and equity	$ 690,640	$ 696,097

See accompanying notes to the unaudited condensed consolidated financial statements.

THE NEW HOME COMPANY INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2019	**2018**
Revenues:		
Home sales	$ 99,186	$ 79,437
Fee building, including management fees from unconsolidated joint ventures of $543 and $980, respectively	19,662	43,794
	118,848	123,231
Cost of Sales:		
Home sales	86,569	69,694
Fee building	19,268	42,699
	105,837	112,393
Gross Margin:		
Home sales	12,617	9,743
Fee building	394	1,095
	13,011	10,838
Selling and marketing expenses	(8,679)	(6,639)
General and administrative expenses	(7,391)	(6,019)
Equity in net income of unconsolidated joint ventures	184	335
Gain on early extinguishment of debt	417	—
Other income (expense), net	(193)	(26)
Pretax loss	(2,651)	(1,511)
Benefit for income taxes	664	860
Net loss	(1,987)	(651)
Net loss attributable to non-controlling interest	—	11
Net loss attributable to The New Home Company Inc.	$ (1,987)	$ (640)
Loss per share attributable to The New Home Company Inc.:		
Basic	$ (0.10)	$ (0.03)
Diluted	$ (0.10)	$ (0.03)
Weighted average shares outstanding:		
Basic	19,986,394	20,924,753
Diluted	19,986,394	20,924,753

See accompanying notes to the unaudited condensed consolidated financial statements.

THE NEW HOME COMPANY INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Dollars in thousands)
(Unaudited)

	Stockholders' Equity Three Months Ended March 31						
	Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity	Non-controlling Interest in Subsidiary	Total Equity
Balance at December 31, 2017	20,876,837	$ 209	$ 199,474	$ 64,307	$ 263,990	$ 90	$ 264,080
Adoption of ASC 606	—	—	—	(3,365)	(3,365)	—	(3,365)
Net loss	—	—	—	(640)	(640)	(11)	(651)
Stock-based compensation expense	—	—	842	—	842	—	842
Shares net settled with the Company to satisfy employee personal income tax liabilities resulting from share based compensation plans	(83,816)	—	(954)	—	(954)	—	(954)
Shares issued through stock plans	214,881	1	(1)	—	—	—	—
Balance at March 31, 2018	21,007,902	$ 210	$ 199,361	$ 60,302	$ 259,873	$ 79	$ 259,952
Balance at December 31, 2018	20,058,904	$ 201	$ 193,132	$ 46,621	$ 239,954	$ 76	$ 240,030
Net loss	—	—	—	(1,987)	(1,987)	—	(1,987)
Stock-based compensation expense	—	—	566	—	566	—	566
Shares net settled with the Company to satisfy employee personal income tax liabilities resulting from share based compensation plans	(85,420)	—	(488)	—	(488)	—	(488)
Shares issued through stock plans	229,545	1	(1)	—	—	—	—
Repurchase of common stock	(153,916)	(2)	(1,040)	—	(1,042)	—	(1,042)
Balance at March 31, 2019	20,049,113	$ 200	$ 192,169	$ 44,634	$ 237,003	$ 76	$ 237,079

See accompanying notes to the unaudited condensed consolidated financial statements.

THE NEW HOME COMPANY INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2019	**2018**
Operating activities:		
Net loss	$ (1,987)	$ (651)
Adjustments to reconcile net loss to net cash used in operating activities:		
Deferred taxes	—	(1,481)
Amortization of stock-based compensation	566	842
Distributions of earnings from unconsolidated joint ventures	260	715
Abandoned project costs	5	35
Equity in net income of unconsolidated joint ventures	(184)	(335)
Deferred profit from unconsolidated joint ventures	—	136
Depreciation and amortization	2,656	1,022
Gain on early extinguishment of debt	(417)	—
Net changes in operating assets and liabilities:		
Contracts and accounts receivable	1,806	5,824
Due from affiliates	524	485
Real estate inventories	9,676	(37,529)
Other assets	(2,343)	87
Accounts payable	(18,753)	9,867
Accrued expenses and other liabilities	(4,041)	(8,459)
Net cash used in operating activities	(12,232)	(29,442)
Investing activities:		
Purchases of property and equipment	(5)	(72)
Contributions and advances to unconsolidated joint ventures	(1,335)	(4,273)
Distributions of capital and repayment of advances from unconsolidated joint ventures	2,562	2,264
Interest collected on advances to unconsolidated joint ventures	—	129
Net cash provided by (used in) investing activities	1,222	(1,952)
Financing activities:		
Borrowings from credit facility	30,000	—
Repayments of credit facility	(13,500)	—
Repurchase of senior notes	(4,512)	—
Repurchases of common stock	(1,042)	—
Tax withholding paid on behalf of employees for stock awards	(488)	(954)
Net cash provided by (used in) financing activities	10,458	(954)
Net decrease in cash, cash equivalents and restricted cash	(552)	(32,348)
Cash, cash equivalents and restricted cash – beginning of period	42,542	123,970
Cash, cash equivalents and restricted cash – end of period	$ 41,990	$ 91,622

See accompanying notes to the unaudited condensed consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

The New Home Company Inc. (the "Company"), a Delaware corporation, and its subsidiaries are primarily engaged in all aspects of residential real estate development, including acquiring land and designing, constructing and selling homes in California and Arizona.

Based on our public float at June 29, 2018, we qualify as a smaller reporting company and are subject to reduced disclosure obligations in our periodic reports and proxy statements.

Basis of Presentation

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts have been eliminated upon consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X and should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2018. The accompanying unaudited condensed consolidated financial statements include all adjustments (consisting of normal recurring entries) necessary for the fair presentation of our results for the interim period presented. Results for the interim periods are not necessarily indicative of the results to be expected for the full year.

Unless the context otherwise requires, the terms "we", "us", "our" and "the Company" refer to the Company and its wholly owned subsidiaries, on a consolidated basis.

Use of Estimates

The preparation of the Company’s consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the accompanying condensed consolidated financial statements and notes. Accordingly, actual results could differ materially from these estimates.

Reclassification

The Company updated its reportable segments effective for the 2019 first quarter. Please refer to Note 15 for more information. Prior year comparative data has been reclassified to align with the composition of the current year reportable segments.

Segment Reporting

Accounting Standards Codification ("ASC") 280, *Segment Reporting* ("ASC 280") established standards for the manner in which public enterprises report information about operating segments. The Company's reportable segments are Arizona homebuilding, California homebuilding, and fee building. In accordance with ASC 280, our California homebuilding reportable segment aggregates the Northern California and Southern California homebuilding operating segments based on the similarities in long-term economic characteristics.

Cash and Cash Equivalents

We define cash and cash equivalents as cash on hand, demand deposits with financial institutions, and short term liquid investments with a maturity date of less than three months from the date of purchase.

Restricted Cash

Restricted cash of $0.1 million and $0.3 million as of March 31, 2019 and December 31, 2018, respectively, is held in accounts for payments of subcontractor costs incurred in connection with various fee building projects.

The table below shows the line items and amounts of cash and cash equivalents and restricted cash as reported within the Company's condensed consolidated balance sheets for each period shown that sum to the total of the same such amounts at the end of the periods shown in the accompanying condensed consolidated statements of cash flows.

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands)	
Cash and cash equivalents	$ 41,874	$ 91,061
Restricted cash	116	561
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	$ 41,990	$ 91,622

Real Estate Inventories and Cost of Sales

We capitalize pre-acquisition, land, development and other allocated costs, including interest, property taxes and indirect construction costs. Pre-acquisition costs, including nonrefundable land deposits, are expensed to other income (expense), net if we determine continuation of the prospective project is not probable.

Land, development and other common costs are typically allocated to real estate inventories using a methodology that approximates the relative-sales-value method. Home construction costs per production phase are recorded using the specific identification method. Cost of sales for homes closed includes the estimated total construction costs of each home at completion and an allocation of all applicable land acquisition, land development and related common costs (both incurred and estimated to be incurred) based upon the relative-sales-value of the home within each project. Changes in estimated development and common costs are allocated prospectively to remaining homes in the project.

In accordance with ASC 360, *Property, Plant and Equipment* ("ASC 360"), inventory is stated at cost, unless the carrying amount is determined not to be recoverable, in which case inventory is written down to its fair value. We review each real estate asset on a quarterly basis or whenever indicators of impairment exist. Real estate assets include projects actively selling and projects under development or held for future development. Indicators of impairment include, but are not limited to, significant decreases in local housing market values and selling prices of comparable homes, significant decreases in gross margins or sales absorption rates, costs significantly in excess of budget, and actual or projected cash flow losses.

If there are indicators of impairment, we perform a detailed budget and cash flow review of the applicable real estate inventories to determine whether the estimated future undiscounted cash flows of the project are more or less than the asset’s carrying value. If the estimated future undiscounted cash flows exceed the asset’s carrying value, no impairment adjustment is required. However, if the estimated future undiscounted cash flows are less than the asset’s carrying value then the asset is impaired. If the asset is deemed impaired, it is written down to its fair value in accordance with ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820").

When estimating undiscounted future cash flows of a project, we make various assumptions, including: (i) expected sales prices and sales incentives to be offered, including the number of homes available, pricing and incentives being offered by us or other builders in other projects, and future sales price adjustments based on market and economic trends; (ii) expected sales pace and cancellation rates based on local housing market conditions, competition and historical trends; (iii) costs expended to date and expected to be incurred including, but not limited to, land and land development costs, home construction costs, interest costs, indirect construction and overhead costs, and selling and marketing costs; (iv) alternative product offerings that may be offered that could have an impact on sales pace, sales price and/or building costs; and (v) alternative uses for the property.

Many assumptions are interdependent and a change in one may require a corresponding change to other assumptions. For example, increasing or decreasing sales absorption rates has a direct impact on the estimated per unit sales price of a home, and the level of time sensitive costs (such as indirect construction, overhead and carrying costs). Depending on the underlying objective of the project, assumptions could have a significant impact on the projected cash flow analysis. For example, if our objective is to preserve operating margins, our cash flow analysis will be different than if the objective is to increase the velocity of sales. These objectives may vary significantly from project to project and change over time.

If a real estate asset is deemed impaired, the impairment is calculated by determining the amount the asset's carrying value exceeds its fair value in accordance with ASC 820. We calculate the fair value of real estate inventories considering a land residual value analysis and a discounted cash flow analysis. Under the discounted cash flow method, the fair value is determined by calculating the present value of future cash flows using a risk adjusted discount rate. Some of the critical assumptions involved with measuring the asset's fair value include estimating future revenues, sales absorption rates,

development and construction costs, and other applicable project costs. This evaluation and the assumptions used by management to determine future estimated cash flows and fair value require a substantial degree of judgment, especially with respect to real estate projects that have a substantial amount of development to be completed, have not started selling or are in the early stages of sales, or are longer in duration. Actual revenues, costs and time to complete and sell a community could vary from these estimates which could impact the calculation of fair value of the asset and the corresponding amount of impairment that is recorded in our results of operations. For the three months ended March 31, 2019 and 2018, no real estate impairments were recorded.

Capitalization of Interest

We follow the practice of capitalizing interest to real estate inventories during the period of development and to investments in unconsolidated joint ventures, when applicable, in accordance with ASC 835, *Interest* ("ASC 835"). Interest capitalized as a cost component of real estate inventories is included in cost of home sales as related homes or lots are sold. To the extent interest is capitalized to investment in unconsolidated joint ventures, it is included as a reduction of income from unconsolidated joint ventures when the related homes or lots are sold to third parties. In instances where the Company purchases land from an unconsolidated joint venture, the pro rata share of interest capitalized to investment in unconsolidated joint ventures is added to the basis of the land acquired and recognized as a cost of sale upon the delivery of the related homes or land to a third-party buyer. To the extent our debt exceeds our qualified assets as defined in ASC 835, we expense a portion of the interest incurred by us. Qualified assets represent projects that are actively selling or under development as well as investments in unconsolidated joint ventures accounted for under the equity method until such equity investees begin their principal operations.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). Under ASC 606, we 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 do this, the Company performs the following five steps as outlined in ASC 606: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation.

Home Sales and Profit Recognition

In accordance with ASC 606, home sales revenue is recognized when our performance obligations within the underlying sales contracts are fulfilled. We consider our obligations fulfilled when closing conditions are complete, title has transferred to the homebuyer, and collection of the purchase price is reasonably assured. Sales incentives are recorded as a reduction of revenues when the respective home is closed. The profit we record is based on the calculation of cost of sales, which is dependent on our allocation of costs, as described in more detail above in the section entitled "Real Estate Inventories and Cost of Sales." When it is determined that the earnings process is not complete, the related revenue and profit are deferred for recognition in future periods.

Fee Building

The Company enters into fee building agreements to provide services whereby it builds homes on behalf of third-party property owners. The third-party property owner funds all project costs incurred by the Company to build and sell the homes. The Company primarily enters into cost plus fee contracts where it charges third-party property owners for all direct and indirect costs plus a fee. The fee is typically a per-unit fixed fee or based on a percentage of the cost or home sales revenue of the project, depending on the terms of the agreement with the third-party property owner. For these types of contracts, the Company recognizes revenue based on the actual total costs it has incurred plus the applicable fee. In accordance with ASC 606, we apply the percentage-of-completion method, using the cost-to-cost approach, as it most accurately measures the progress of our efforts in satisfying our obligations within the fee building agreements. Under this approach, revenue is earned in proportion to total costs incurred divided by total costs expected to be incurred. In the course of providing fee building services, the Company routinely subcontracts for services and incurs other direct costs on behalf of the property owners. These costs are passed through to the property owners and, in accordance with GAAP, are included in the Company’s revenues and cost of sales.

The Company also provides construction management and coordination services and sales and marketing services as part of agreements with third parties and its unconsolidated joint ventures. In certain contracts, the Company also provides project

management and administrative services. For most services provided, the Company fulfills its related obligations as time-based measures, according to the input method guidance described in ASC 606. Accordingly, revenue is recognized on a straight-line basis as the Company's efforts are expended evenly throughout the performance period. The Company may also have an obligation to manage the home or lot sales process as part of providing sales and marketing services. This obligation is considered fulfilled when related homes or lots close escrow, as these events represent milestones reached according to the output method guidance described in ASC 606. Accordingly, revenue is recognized in the period that the corresponding lots or homes close escrow. Costs associated with these services are recognized as incurred.

The Company’s fee building revenues have historically been concentrated with a small number of customers. For the three months ended March 31, 2019 and 2018, one customer comprised 91% and 98%, respectively, of fee building revenue. The balance of the fee building revenues primarily represented management fees earned from unconsolidated joint ventures and third-party customers. As of March 31, 2019 and December 31, 2018, one customer comprised 33% and 48% of contracts and accounts receivable, respectively, with the balance of accounts receivable primarily representing escrow receivables from home sales.

Variable Interest Entities

The Company accounts for variable interest entities in accordance with ASC 810, *Consolidation* ("ASC 810"). Under ASC 810, a variable interest entity ("VIE") is created when: (a) the equity investment at risk in the entity is not sufficient to permit the entity to finance its activities without additional subordinated financial support provided by other parties, including the equity holders; (b) the entity’s equity holders as a group either (i) lack the direct or indirect ability to make decisions about the entity, (ii) are not obligated to absorb expected losses of the entity or (iii) do not have the right to receive expected residual returns of the entity; or (c) the entity’s equity holders have voting rights that are not proportionate to their economic interests, and the activities of the entity involve or are conducted on behalf of the equity holder with disproportionately few voting rights.

Once we consider the sufficiency of equity and voting rights of each legal entity, we then evaluate the characteristics of the equity holders' interests, as a group, to see if they qualify as controlling financial interests. Our real estate joint ventures consist of limited partnerships and limited liability companies. For entities structured as limited partnerships or limited liability companies, our evaluation of whether the equity holders (equity partners other than us in each our joint ventures) lack the characteristics of a controlling financial interest includes the evaluation of whether the limited partners or non-managing members (the non-controlling equity holders) lack both substantive participating rights and substantive kick-out rights, defined as follows:

- Participating rights - provide the non-controlling equity holders the ability to direct significant financial and operational decision made in the ordinary course of business that most significantly influence the entity's economic performance.

- Kick-out rights - allow the non-controlling equity holders to remove the general partner or managing member without cause.

If we conclude that any of the three characteristics of a VIE are met, including if equity holders lack the characteristics of a controlling financial interest because they lack both substantive participating rights and substantive kick-out rights, we conclude that the entity is a VIE and evaluate it for consolidation under the variable interest model.

If an entity is deemed to be a VIE pursuant to ASC 810, the enterprise that has both (i) the power to direct the activities of a VIE that most significantly impact the entity’s economic performance and (ii) the obligation to absorb the expected losses of the entity or right to receive benefits from the entity that could be potentially significant to the VIE is considered the primary beneficiary and must consolidate the VIE.

Under ASC 810, a nonrefundable deposit paid to an entity may be 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 real estate inventories, 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 nonrefundable deposit, a VIE may have been created.

As of March 31, 2019 and December 31, 2018, the Company was not required to consolidate any VIEs. In accordance with ASC 810, we perform ongoing reassessments of whether we are the primary beneficiary of a VIE.

Non-controlling Interest

During 2013, the Company entered into a joint venture agreement with a third-party property owner. In accordance with ASC 810, the Company analyzed this arrangement and determined that it was not a VIE; however, the Company determined it was required to consolidate the joint venture as the Company has a controlling financial interest with the powers to direct the major decisions of the entity. As of March 31, 2019 and December 31, 2018, the third-party investor had an equity balance of $0.1 million and $0.1 million, respectively.

Investments in and Advances to Unconsolidated Joint Ventures

We use the equity method to account for investments in homebuilding and land development joint ventures when any of the following situations exist: 1) the joint venture qualifies as a VIE and we are not the primary beneficiary, 2) we do not control the joint venture but have the ability to exercise significant influence over its operating and financial policies, or 3) we function as the managing member or general partner of the joint venture and our joint venture partner has substantive participating rights or can replace us as managing member or general partner without cause.

As of March 31, 2019, the Company concluded that none of its joint ventures were VIEs and accounted for these entities under the equity method of accounting.

Under the equity method, we recognize our proportionate share of earnings and losses generated by the joint venture upon the delivery of lots or homes to third parties. Our proportionate share of intra-entity profits and losses are eliminated until the related asset has been sold by the unconsolidated joint venture to third parties. We classify cash distributions received from equity method investees using the cumulative earnings approach consistent with ASC 230, *Statement of Cash Flows* ("ASC 230"). Under the cumulative earnings approach, distributions received are considered returns on investment and is classified as cash inflows from operating activities unless the cumulative distributions received exceed cumulative equity in earnings. When such an excess occurs, the current-period distribution up to this excess is considered a return of investment and is classified as cash inflows from investing activities. Our ownership interests in our unconsolidated joint ventures vary, but are generally less than or equal to 35%. The accounting policies of our joint ventures are generally consistent with those of the Company.

We review real estate inventory held by our unconsolidated joint ventures for impairment, consistent with how we review our real estate inventories as described in more detail above in the section entitled "Real Estate Inventories and Cost of Sales." We also review our investments in and advances to unconsolidated joint ventures for evidence of other-than-temporary declines in value in accordance with ASC 820. To the extent we deem any portion of our investment in and advances to unconsolidated joint ventures as not recoverable, we impair our investment accordingly. For the three months ended March 31, 2019 and 2018, no impairments related to investment in and advances to unconsolidated joint ventures were recorded.

Selling and Marketing Expense

Costs incurred for tangible assets directly used in the sales process such as our sales offices, design studios and model landscaping and furnishings are capitalized to other assets in the accompanying condensed consolidated balance sheets under ASC 340, *Other Assets and Deferred Costs* ("ASC 340"). These costs are depreciated to selling and marketing expenses generally over the shorter of 30 months or the actual estimated life of the selling community. All other selling and marketing costs, such as commissions and advertising, are expensed as incurred.

Warranty Accrual

We offer warranties on our homes that generally cover various defects in workmanship or materials, or structural construction defects for one year. In addition, we provide a more limited warranty, which generally ranges from a minimum of two years up to the period covered by the applicable statute of repose, that covers certain defined construction defects. Estimated future direct warranty costs are accrued and charged to cost of sales in the period when the related homebuilding revenues are recognized. Amounts are accrued based upon the Company’s historical rates. In addition, the Company has received warranty payments from third-party property owners for certain of its fee building projects that have since closed-out where the Company has the contractual risk of construction. These payments are recorded as warranty accruals. We assess the adequacy of our warranty accrual on a quarterly basis and adjust the amounts recorded if necessary. Our warranty accrual is included in accrued expenses and other liabilities in the accompanying condensed consolidated balance sheets and adjustments to our warranty accrual are recorded through cost of sales.

Contracts and Accounts Receivable

Contracts and accounts receivable primarily represent the fees earned, but not collected, and reimbursable project costs incurred in connection with fee building agreements. The Company periodically evaluates the collectability of its contracts receivable, and, if it is determined that a receivable might not be fully collectible, an allowance is recorded for the amount deemed uncollectible. This allowance for doubtful accounts is estimated based on management's evaluation of the contracts involved and the financial condition of its customers. Factors considered in such evaluations include, but are not limited to: (i) customer type; (ii) historical contract performance; (iii) historical collection and delinquency trends; (iv) customer credit worthiness; and (v) general economic conditions. In addition to contracts receivable, escrow receivables are included in contracts and accounts receivable in the accompanying condensed consolidated balance sheets. As of March 31, 2019 and December 31, 2018, no allowance was recorded related to contracts and accounts receivable.

Property, Equipment and Capitalized Selling and Marketing Costs

Property, equipment and capitalized selling and marketing costs are recorded at cost and included in other assets in the accompanying condensed consolidated balance sheets. Property and equipment are depreciated to general and administrative expenses using the straight-line method over their estimated useful lives ranging from three to five years. Leasehold improvements are stated at cost and are amortized to general and administrative expenses using the straight-line method generally over the shorter of either their estimated useful lives or the term of the lease. Capitalized selling and marketing costs are depreciated using the straight-line method to selling and marketing expenses over the shorter of either 30 months or the actual estimated life of the selling community.

Income Taxes

Income taxes are accounted for in accordance with ASC 740, *Income Taxes* ("ASC 740"). The consolidated provision for, or benefit from, income taxes is calculated using the asset and liability method, under which deferred tax assets and liabilities are recorded based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Each quarter we assess our deferred tax asset to determine whether all or any portion of the asset is more likely than not (defined as a likelihood of more than 50%) unrealizable under ASC 740. We are required to establish a valuation allowance for any portion of the tax asset we conclude is more likely than not unrealizable. Our assessment considers, among other things, the nature, frequency and severity of prior cumulative losses, forecasts of future taxable income, the duration of statutory carryforward periods, our utilization experience with net operating losses and tax credit carryforwards and available tax planning alternatives, to the extent these items are applicable. The ultimate realization of deferred tax assets depends primarily on the generation of future taxable income during the periods in which the differences become deductible. The value of our deferred tax assets will depend on applicable income tax rates. Judgment is required in determining the future tax consequences of events that have been recognized in our consolidated financial statements and/or tax returns. Differences between anticipated and actual outcomes of these future tax consequences could have a material impact on our consolidated financial statements. At March 31, 2019 and December 31, 2018, no valuation allowance was recorded.

ASC 740 defines the methodology for recognizing the benefits of uncertain tax return positions as well as guidance regarding the measurement of the resulting tax benefits. These provisions require an enterprise to recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. In addition, these provisions provide guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The evaluation of whether a tax position meets the more-likely-than-not recognition threshold requires a substantial degree of judgment by management based on the individual facts and circumstances. At March 31, 2019, the Company has concluded that there were no significant uncertain tax positions requiring recognition in its financial statements.

The Company classifies any interest and penalties related to income taxes assessed as part of income tax expense. As of March 31, 2019, the Company has not been assessed interest or penalties by any major tax jurisdictions related to any open tax periods.

Stock-Based Compensation

We account for share-based awards in accordance with ASC 718, *Compensation – Stock Compensation* ("ASC 718") and ASC 505-50, *Equity – Equity Based Payments to Non-Employees* ("ASC 505-50").

ASC 718 requires that the cost resulting from all share-based payment transactions be recognized in a company's financial statements. ASC 718 requires all entities to apply a fair-value-based measurement method in accounting for share-based payment transactions with employees except for equity instruments held by employee share ownership plans.

On February 16, 2017, the Company entered into an agreement that transitioned Wayne Stelmar's role within the Company from Chief Investment Officer to a non-employee consultant and non-employee director. Per the agreement, Mr. Stelmar's outstanding equity awards continued to vest in accordance with their original terms. Under ASC 505-50, if an employee becomes a non-employee and continues to vest in an award pursuant to the award's original terms, that award will be treated as an award to a non-employee prospectively, provided the individual is required to continue providing services to the employer (such as consulting services). Based on the terms and conditions of Mr. Stelmar's consulting agreement noted above, we accounted for his share-based awards in accordance with ASC 505-50 through March 31, 2018. ASC 505-50 required that these awards be accounted for prospectively, such that the fair value of the awards was re-measured at each reporting date until the earlier of (a) the performance commitment date or (b) the date the services required under the transition agreement with Mr. Stelmar have been completed. ASC 505-50 required that compensation cost ultimately recognized in the Company's financial statements be the sum of (a) the compensation cost recognized during the period of time the individual was an employee (based on the grant-date fair value) plus (b) the fair value of the award determined on the measurement date determined in accordance with ASC 505-50 for the pro-rata portion of the vesting period in which the individual was a non-employee.

In June of 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting* ("ASU 2018-07") which expanded the scope of ASC 718 to include share-based payments for acquiring goods and services from nonemployees, with certain exceptions. Under ASC 718, the measurement date for equity-classified, share-based awards is generally the grant date of the award. The Company early adopted ASU 2018-07 on April 1, 2018, at which time Mr. Stelmar's award was the only nonemployee award outstanding. In accordance with the transition guidance, the Company assessed Mr. Stelmar's award for which a measurement date had not been established. The outstanding award was re-measured to fair value as of the April 1, 2018 adoption date. The adoption of ASU 2018-07 provided administrative relief by fixing the remaining unamortized expense of the award and eliminating the requirement to quarterly re-measure the Company's one remaining nonemployee award. The Company adopted this standard on a modified retrospective basis booking a cumulative-effect adjustment of an $18,000 increase to retained earnings and equal decrease to additional paid-in capital as of the beginning of the 2018 fiscal year. Mr. Stelmar's award was fully expensed as of March 31, 2019.

Share Repurchase and Retirement

When shares are retired, the Company’s policy is to allocate the excess of the repurchase price over the par value of shares acquired to both retained earnings and additional paid-in capital. The portion allocated to additional paid-in capital is determined by applying a percentage, which is determined by dividing the number of shares to be retired by the number of shares issued, to the balance of additional paid-in capital as of the retirement date. The residual, if any, is allocated to retained earnings as of the retirement date.

During the three months ended March 31, 2019, the Company repurchased and retired 153,916 shares of its common stock at an aggregate purchase price of $1.0 million. The shares were returned to the status of authorized but unissued.

Dividends

No dividends were paid on our common stock during the three months ended March 31, 2019 and 2018. We currently intend to retain our future earnings to finance the development and expansion of our business and, therefore, do not intend to pay cash dividends on our common stock for the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, compliance with Delaware law, restrictions contained in any financing instruments, including but not limited to, our unsecured credit facility and senior notes indenture, and such other factors as our board of directors deem relevant.

Recently Issued Accounting Standards

The Company qualifies as an "emerging growth company" pursuant to the provisions of the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Section 102 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (the "Securities Act"), for complying with new or revised accounting standards. As previously disclosed, the Company has chosen, irrevocably, to "opt out" of such extended transition period, and as a result, will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASC 842"). ASC 842 requires organizations that lease assets (referred to as "lessees") to present lease assets and lease liabilities on the balance sheet at their gross value based on the rights and obligations created by those leases. Under ASC 842, a lessee is required to recognize assets and liabilities for leases with greater than 12 month terms. Lessor accounting remains substantially similar to prior GAAP. The Company's lease agreements impacted by ASC 842 primarily relate to our corporate headquarters, other office locations and office or construction equipment where we are the lessee and are all classified as operating leases.

The Company adopted ASC 842 on January 1, 2019 under the modified retrospective approach. Under the modified retrospective approach, the Company applied the requirements of ASC 842 to its leases as of the adoption date and recognized a $3.1 million right-of-use asset and a related $3.5 million liability. The comparative information has not been restated and continues to be reported as it was previously, under the appropriate accounting standards in effect for those periods. For additional information on our operating leases, please see Note 11.

For leases that commenced before the January 1, 2019 adoption date, the Company has elected the practical expedient package outlined in ASC 842-10-65-1(f) which prescribes the following:

1. An entity need not reassess whether any expired or existing contracts contain leases.
2. An entity need not reassess the lease classification for any expired or existing leases (for example, all existing leases that were classified as operating leases in accordance with ASC 840, *Leases*, will be classified as operating leases, and all existing leases that were classified as capital leases in accordance with ASC 840 will be classified as finance leases).
3. An entity need not reassess initial direct costs for any existing lease.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which changes the impairment model for most financial assets and certain other instruments from an "incurred loss" approach to a new "expected credit loss" methodology. The standard is effective for annual and interim periods beginning January 1, 2020, with early adoption permitted, and requires full retrospective application upon adoption. The Company is currently evaluating the impact of ASU 2016-13 and expects no material impact to its consolidated financial statements as a result of adoption.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). The amendments in ASU 2018-13 modify certain disclosure requirements of fair value measurements and are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2018-13 and expects no material impact to the consolidated financial statements as a result of adoption.

The SEC's Disclosure Update and Simplification rule (Release 33-10532) amends the interim financial statement requirements to require a reconciliation of changes in stockholder's equity in the notes or as a separate statement. This analysis should reconcile the beginning balance to the ending balance of each caption in stockholders' equity for each period for which an income statement is required to be filed. The Company adopted this guidance during 2018 and presents a reconciliation of changes in stockholders' equity for the current and prior period as a separate statement.

2. Computation of Loss Per Share

The following table sets forth the components used in the computation of basic and diluted earnings per share for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands, except per share amounts)	
Numerator:		
Net loss attributable to The New Home Company Inc.	$ (1,987)	$ (640)
Denominator:		
Basic weighted-average shares outstanding	19,986,394	20,924,753
Effect of dilutive shares:		
Stock options and unvested restricted stock units	—	—
Diluted weighted-average shares outstanding	19,986,394	20,924,753
Basic loss per share attributable to The New Home Company Inc.	$ (0.10)	$ (0.03)
Diluted loss per share attributable to The New Home Company Inc.	$ (0.10)	$ (0.03)
Antidilutive stock options and unvested restricted stock units not included in diluted earnings per share	1,451,485	1,371,973

3. Contracts and Accounts Receivable

Contracts and accounts receivable consist of the following:

	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
Contracts receivable:		
Costs incurred on fee building projects	$ 19,268	$ 159,136
Estimated earnings	394	4,401
	19,662	163,537
Less: amounts collected during the period	(14,308)	(154,743)
Contracts receivable	$ 5,354	$ 8,794
Contracts receivable:		
Billed	$ —	$ —
Unbilled	5,354	8,794
	5,354	8,794
Accounts receivable:		
Escrow receivables	10,443	8,787
Other receivables	662	684
Contracts and accounts receivable	$ 16,459	$ 18,265

Billed contracts receivable represent amounts billed to customers that have yet to be collected. Unbilled contracts receivable represents the contract revenue recognized but not yet invoiced. All unbilled receivables as of March 31, 2019 and December 31, 2018 are expected to be billed and collected within 30 days. Accounts payable at March 31, 2019 and

December 31, 2018 includes $4.3 million and $8.5 million, respectively, related to costs incurred under the Company's fee building contracts.

4. Real Estate Inventories

Real estate inventories are summarized as follows:

	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
Deposits and pre-acquisition costs	$ 22,276	$ 20,726
Land held and land under development	116,274	115,987
Homes completed or under construction	375,274	380,956
Model homes	49,288	48,621
	$ 563,112	$ 566,290

All of our deposits and pre-acquisition costs are nonrefundable, except for refundable deposits of $0 and $0.9 million as of March 31, 2019 and December 31, 2018, respectively.

Land held and land under development includes land costs and costs incurred during site development such as development, indirects, and permits. Homes completed or under construction and model homes include all costs associated with home construction, including land, development, indirects, permits, materials and labor (except for capitalized selling and marketing costs, which are classified in other assets).

In accordance with ASC 360, inventory is stated at cost, unless the carrying amount is determined not to be recoverable, in which case inventory is written down to its fair value. We review each real estate asset at the community-level on a quarterly basis or whenever indicators of impairment exist.

5. Capitalized Interest

Interest is capitalized to inventory and investment in unconsolidated joint ventures during development and other qualifying activities. Interest capitalized as a cost of inventory is included in cost of sales as related homes are closed. Interest capitalized to investment in unconsolidated joint ventures is amortized to equity in net income of unconsolidated joint ventures as related joint venture homes or lots close, or in instances where lots are sold from the unconsolidated joint venture to the Company, the interest is added to the land basis and included in cost of sales when the related lots or homes are sold to third-party buyers. For the three months ended March 31, 2019 and 2018 interest incurred, capitalized and expensed was as follows:

	Three months ended March 31,	
	2019	**2018**
	(Dollars in thousands)	
Interest incurred	$ 7,761	$ 6,716
Interest capitalized to inventory	(7,761)	(6,195)
Interest capitalized to investment in unconsolidated joint ventures	—	(521)
Interest expensed	$ —	$ —
Capitalized interest in beginning inventory	$ 25,681	$ 16,453
Interest capitalized as a cost of inventory	7,761	6,195
Capitalized interest transferred from investment in unconsolidated joint ventures to inventory upon lot acquisition	10	—
Previously capitalized interest included in cost of home sales	(4,852)	(2,764)
Capitalized interest in ending inventory	28,600	19,884
Capitalized interest in beginning investment in unconsolidated joint ventures	$ 713	$ 1,472
Interest capitalized to investment in unconsolidated joint ventures	—	521
Capitalized interest transferred from investment in unconsolidated joint ventures to inventory upon lot acquisition	(10)	—
Previously capitalized interest included in equity in net income of unconsolidated joint ventures	(31)	(31)
Capitalized interest in ending investment in unconsolidated joint ventures	672	1,962
Total capitalized interest in ending inventory and investments in unconsolidated joint ventures	$ 29,272	$ 21,846
Capitalized interest as a percentage of inventory	5.1%	4.3%
Interest included in cost of home sales as a percentage of home sales revenue	4.9%	3.4%
Capitalized interest as a percentage of investment in and advances to unconsolidated joint ventures	2.0%	3.4%

6. Investments in and Advances to Unconsolidated Joint Ventures

As of March 31, 2019 and December 31, 2018, the Company had ownership interests in 10 unconsolidated joint ventures with ownership percentages that generally ranged from 5% to 35%. The condensed combined balance sheets for our unconsolidated joint ventures accounted for under the equity method were as follows:

	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
Cash and cash equivalents	$ 32,186	$ 45,945
Restricted cash	14,616	19,205
Real estate inventories	362,609	374,607
Other assets	5,329	4,231
Total assets	$ 414,740	$ 443,988
Accounts payable and accrued liabilities	$ 37,794	$ 43,158
Notes payable	61,271	71,299
Total liabilities	99,065	114,457
The New Home Company's equity	32,362	33,617
Other partners' equity	283,313	295,914
Total equity	315,675	329,531
Total liabilities and equity	$ 414,740	$ 443,988
Debt-to-capitalization ratio	16.3%	17.8%
Debt-to-equity ratio	19.4%	21.6%

The condensed combined statements of operations for our unconsolidated joint ventures accounted for under the equity method were as follows:

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands)	
Revenues	$ 42,287	$ 32,013
Cost of sales and expenses	41,774	31,209
Net income of unconsolidated joint ventures	$ 513	$ 804
Equity in net income of unconsolidated joint ventures reflected in the accompanying condensed consolidated statements of operations	$ 184	$ 335

For the three months ended March 31, 2019 and 2018, the Company earned $0.5 million and $1.0 million respectively, in management fees from its unconsolidated joint ventures. For additional detail regarding management fees, please see Note 12 - "Related Party Transactions."

7. Other Assets

Other assets consist of the following:

	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
Property, equipment and capitalized selling and marketing costs, net[1]	$ 10,602	$ 11,738
Deferred tax asset, net	13,937	13,937
Prepaid income taxes	1,178	514
Prepaid expenses	5,985	6,348
Warranty insurance receivable	909	915
Right of use lease asset[2]	2,755	—
	$ 35,366	$ 33,452

(1) The Company depreciated $2.6 million and $0.9 million of capitalized selling and marketing costs to selling and marketing expenses during the three months ended March 31, 2019 and 2018, respectively. The Company depreciated $0.1 million and $0.1 million of property and equipment to general and administrative expenses during the three months ended March 31, 2019 and 2018, respectively.

(2) In conjunction with the adoption of ASC 842 the Company established a right-of-use asset of $3.1 million on January 1, 2019. For more information, please refer to Note 1 and Note 11.

8. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of the following:

	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
Warranty accrual[1]	$ 6,945	$ 6,898
Accrued compensation and benefits	4,021	5,749
Accrued interest	12,543	6,497
Completion reserve	2,152	4,192
Lease liability[2]	3,196	—
Other accrued expenses	4,475	5,692
	$ 33,332	$ 29,028

(1) Included in the amount at March 31, 2019 and December 31, 2018 is approximately $0.9 million of additional warranty liabilities estimated to be recovered by our insurance policies.

(2) In conjunction with the adoption of ASC 842 the Company established a $3.5 million lease liability on January 1, 2019. For more information, please refer to Note 1 and Note 11.

Changes in our warranty accrual are detailed in the table set forth below:

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands)	
Beginning warranty accrual for homebuilding projects	$ 6,681	$ 6,634
Warranty provision for homebuilding projects	427	516
Warranty payments for homebuilding projects	(341)	(375)
Ending warranty accrual for homebuilding projects	6,767	6,775
Beginning warranty accrual for fee building projects	217	225
Warranty provision for fee building projects	9	—
Warranty efforts for fee building projects	(48)	(2)
Ending warranty accrual for fee building projects	178	223
Total ending warranty accrual	$ 6,945	$ 6,998

We maintain general liability insurance designed to protect us against a portion of our risk of loss from construction-related warranty and construction defect claims. Our warranty accrual and related estimated insurance recoveries are based on historical claim and expense data, and expected recoveries from insurance carriers are recorded based on actual insurance claims and amounts determined using our warranty accrual estimates, our insurance policy coverage limits for the applicable policy years and historical recovery rates. Because of the inherent uncertainty and variability in these assumptions, our actual insurance recoveries could differ significantly from amounts currently estimated.

9. Senior Notes and Unsecured Revolving Credit Facility

Indebtedness consisted of the following:

	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
7.25% Senior Notes due 2022, net	$ 315,591	$ 320,148
Unsecured revolving credit facility	84,000	67,500
Total Indebtedness	$ 399,591	$ 387,648

The carrying amount of our Senior Notes listed above at March 31, 2019 is net of the unamortized discount of $1.5 million, unamortized premium of $1.2 million, and unamortized debt issuance costs of $4.1 million, each of which are amortized and capitalized to interest costs on a straight-line basis over the respective terms of the notes which approximates the effective interest method. The carrying amount for the Senior Notes listed above at December 31, 2018, is net of the unamortized discount of $1.7 million, unamortized premium of $1.3 million, and unamortized debt issuance costs of $4.5 million. Debt issuance costs for the unsecured revolving credit facility are included in other assets and amortized and capitalized to interest costs on a straight-line basis over the term of the agreement.

On March 17, 2017, the Company completed the sale of $250 million in aggregate principal amount of 7.25% Senior Notes due 2022 (the "Existing Notes"), in a private placement. The Existing Notes were issued at an offering price of 98.961% of their face amount, which represents a yield to maturity of 7.50%. On May 4, 2017, the Company completed a tack-on private placement offering through the sale of an additional $75 million in aggregate principal amount of the 7.25% Senior Notes due 2022 ("Additional Notes"). The Additional Notes were issued at an offering price of 102.75% of their face amount plus accrued interest since March 17, 2017, which represented a yield to maturity of 6.438%. Net proceeds from the Existing Notes were used to repay all borrowings outstanding under the Company’s senior unsecured revolving credit facility with the remainder used for general corporate purposes. Net proceeds from the Additional Notes were used for working capital, land acquisition and general corporate purposes. Interest on the Existing Notes and the Additional Notes (together, the "Notes") is paid semiannually in arrears on April 1 and October 1. The Notes were exchanged in an exchange offer for Notes that are

identical to the original Notes, except that they are registered under the Securities Act, and are freely tradeable in accordance with applicable law.

The Notes are general senior unsecured obligations that rank equally in right of payment to all existing and future senior indebtedness, including borrowings under the Company's senior unsecured revolving credit facility. The Notes contain certain restrictive covenants, including a limitation on additional indebtedness and a limitation on restricted payments. Restricted payments include, among other things, dividends, investments in unconsolidated entities, and stock repurchases. Under the limitation on additional indebtedness, we are permitted to incur specified categories of indebtedness but are prohibited, aside from those exceptions, from incurring further indebtedness if we do not satisfy either a leverage condition or an interest coverage condition. Exceptions to the limitation include, among other things, borrowings of up to $260 million under existing or future bank credit facilities, non-recourse indebtedness, and indebtedness incurred for the purpose of refinancing or repaying certain existing indebtedness. Under the limitation on restricted payments, we are also prohibited from making restricted payments, aside from certain exceptions, if we do not satisfy either condition. In addition, the amount of restricted payments that we can make is subject to an overall basket limitation, which builds based on, among other things, 50% of consolidated net income from January 1, 2017 forward and 100% of the net cash proceeds from qualified equity offerings. Exceptions to the foregoing limitations on our ability to make restricted payments include, among other things, investments in joint ventures and other investments up to 15% of our consolidated tangible net assets and a general basket of $15 million. The Notes are guaranteed, on an unsecured basis, jointly and severally, by all of the Company's 100% owned subsidiaries. See Note 17 for information about the guarantees and supplemental financial statement information about our guarantor subsidiaries group and non-guarantor subsidiaries group.

During March 2019, the Company repurchased and retired $5.0 million in face value of the Notes. The Notes were purchased at 90.25% of face value, for a cash payment of $4.5 million. The Company recognized a $0.4 million gain on the early extinguishment of debt, and the unamortized discount, premium and debt issuance costs associated with the retired notes totaling approximately $70,000 were written off.

The Company's unsecured revolving credit facility ("Credit Facility") is with a bank group and matures on September 1, 2020. Total commitments under the Credit Facility are $200 million with an accordion feature that allows the facility size thereunder to be increased up to an aggregate of $300 million, subject to certain financial conditions, including the availability of bank commitments. As of March 31, 2019, we had $84.0 million of outstanding borrowings under the credit facility. Interest is payable monthly and is charged at a rate of 1-month LIBOR plus a margin ranging from 2.25% to 3.00% depending on the Company’s leverage ratio as calculated at the end of each fiscal quarter. As of March 31, 2019, the interest rate under the Credit Facility was 5.49%. Pursuant to the Credit Facility, the Company is required to maintain certain financial covenants as defined in the Credit Facility, including (i) a minimum tangible net worth; (ii) maximum leverage ratios; (iii) a minimum liquidity covenant; and (iv) a minimum fixed charge coverage ratio based on EBITDA (as detailed in the Credit Facility) to interest incurred or if this test is not met, the Company maintains unrestricted cash equal to not less than the trailing 12 month consolidated interest incurred. As of March 31, 2019, the Company was in compliance with all financial covenants.

The Credit Facility also provides a $25 million sublimit for letters of credit, subject to conditions set forth in the agreement. As of March 31, 2019 and December 31, 2018, the Company had $2.3 million in outstanding letters of credit issued under the Credit Facility.

10. Fair Value Disclosures

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

Fair Value of Financial Instruments

The following table presents an estimated fair value of the Company's Notes and Credit Facility. The Notes are classified as Level 2 and primarily reflect estimated prices obtained from outside pricing sources. The Company's Credit Facility is classified as Level 3 within the fair value hierarchy. The Company had an outstanding balance of $84.0 million under its Credit Facility at March 31, 2019, and the estimated fair value of the outstanding balance approximated the carrying value due to the short-term nature of LIBOR contracts.

	March 31, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Dollars in thousands)			
7.25% Senior Notes due 2022, net [1]	$ 315,591	$ 286,000	$ 320,148	$ 292,500
Unsecured revolving credit facility	$ 84,000	$ 84,000	$ 67,500	$ 67,500

(1) The carrying value for the Senior Notes, as presented at March 31, 2019, is net of the unamortized discount of $1.5 million, unamortized premium of $1.2 million, and unamortized debt issuance costs of $4.1 million. The carrying value for the Senior Notes, as presented at December 31, 2018, is net of the unamortized discount of $1.7 million, unamortized premium of $1.3 million, and unamortized debt issuance costs of $4.5 million. The unamortized discount, unamortized premium and debt issuance costs are not factored into the estimated fair value.

The Company considers the carrying value of cash and cash equivalents, restricted cash, contracts and accounts receivable, accounts payable, and accrued expenses and other liabilities to approximate the fair value of these financial instruments based on the short duration between origination of the instruments and their expected realization. The fair value of amounts due from affiliates is not determinable due to the related party nature of such amounts.

11. Commitments and Contingencies

From time-to-time, the Company is involved in various legal matters arising in the ordinary course of business. These claims and legal proceedings are of a nature that we believe are normal and incidental to a homebuilder. We make provisions for loss contingencies when they are probable and the amount of the loss can be reasonably estimated. Such provisions are assessed at least quarterly and adjusted to reflect the impact of any settlement negotiations, judicial and administrative rulings, advice of legal counsel, and other information and events pertaining to a particular case. In view of the inherent unpredictability of litigation, we generally cannot predict their ultimate resolution, related timing or eventual loss. At this time, we do not believe that our loss contingencies, individually or in the aggregate, are material to our consolidated financial statements.

As an owner and developer of real estate, the Company is subject to various environmental laws of federal, state and local governments. The Company is not aware of any environmental liability that could have a material adverse effect on its financial condition or results of operations. However, changes in applicable environmental laws and regulations, the uses and conditions of real estate in the vicinity of the Company’s real estate and other environmental conditions of which the Company is unaware with respect to the real estate could result in future environmental liabilities.

The Company has provided credit enhancements in connection with joint venture borrowings in the form of LTV maintenance agreements in order to secure the joint venture's performance under the loans and maintenance of certain LTV ratios. The Company has also entered into agreements with its partners in each of the unconsolidated joint ventures whereby the Company and its partners are apportioned liability under the LTV maintenance agreements according to their respective capital interest. In addition, the agreements provide the Company, to the extent its partner has an unpaid liability under such credit enhancements, the right to receive distributions from the unconsolidated joint venture that would otherwise be made to the partner. However, there is no guarantee that such distributions will be made or will be sufficient to cover the Company's liability under such LTV maintenance agreements. The loans underlying the LTV maintenance agreements comprise acquisition and development loans, construction revolvers and model home loans, and the agreements remain in force until the loans are satisfied. Due to the nature of the loans, the outstanding balance at any given time is subject to a number of factors including the status of site improvements, the mix of horizontal and vertical development underway, the timing of phase build outs, and the period necessary to complete the escrow process for homebuyers. As of March 31, 2019 and December 31, 2018, $35.2 million and $41.3 million, respectively, was outstanding under loans that are credit enhanced by the Company through LTV maintenance agreements. Under the terms of the joint venture agreements, the Company's proportionate share of LTV maintenance agreement liabilities was $6.3 million and $7.3 million, respectively, as of March 31, 2019 and December 31, 2018. In addition, the Company has provided completion agreements regarding specific performance for certain projects whereby the Company is required to complete the given project with funds provided by the beneficiary of the agreement. If there are not adequate funds available under the specific project loans, the Company would then be subject to financial liability

under such completion agreements. Typically, under such terms of the joint venture agreements, the Company has the right to apportion the respective share of any costs funded under such completion agreements to its partners. However, there is no guarantee that we will be able to recover against our partners for such amounts owed to us under the terms of such joint venture agreements. In connection with joint venture borrowings, the Company also selectively provides (a) an environmental indemnity provided to the lender that holds the lender harmless from and against losses arising from the discharge of hazardous materials from the property and non-compliance with applicable environmental laws; and (b) indemnification of the lender from "bad boy acts" of the unconsolidated entity such as fraud, misrepresentation, misapplication or non-payment of rents, profits, insurance, and condemnation proceeds, waste and mechanic liens, and bankruptcy.

We obtain surety bonds in the normal course of business to ensure completion of certain infrastructure improvements of our projects. As of March 31, 2019 and December 31, 2018, the Company had outstanding surety bonds totaling $54.1 million and $50.5 million, respectively. The estimated remaining costs to complete of such improvements as of March 31, 2019 and December 31, 2018 were $23.8 million and $20.3 million, respectively. The beneficiaries of the bonds are various municipalities and other organizations. In the event that any such surety bond issued by a third party is called because the required improvements are not completed, the Company could be obligated to reimburse the issuer of the bond.

The Company accounts for contracts deemed to contain a lease under ASC 842. At the inception of a lease, or if a lease is subsequently modified, we determine whether the lease is an operating or financing lease. Our lease population is fully comprised of operating leases and includes leases for certain office space and equipment for use in our operations. For all leases with an expected term that exceeds one year, right-of-use assets and lease liabilities are recorded on the condensed consolidated balance sheets. The depreciable lives of right-of-use assets are limited to the expected term which would include any renewal options we expect to exercise. The exercise of lease renewal options is generally at our discretion and we expect that in the normal course of business, leases that expire will be renewed or replaced by other leases. Our lease payments do not contain variable payments, any residual value guarantees, or material restrictive covenants. Right-of-use assets are included in other assets and lease liabilities are recorded in accrued expenses and other liabilities within our condensed consolidated balance sheets and total $2.8 million and $3.2 million, respectively, at March 31, 2019.

For the three months ended March 31, 2019, lease costs and cash flow information for leases with terms in excess of one year was as follows:

	Three Months Ended March 31, 2019	
	(dollars in thousands)	
Lease cost:		
Lease costs included in general and administrative expenses	$	355
Lease costs included in real estate inventories		162
Lease costs included in selling and marketing expenses		17
Net lease cost [(1)]	$	534
Other Information:		
Lease cash flows (included in operating cash flows)[(1)]	$	490

(1) Does not include the cost of short-term leases with terms of less than one year which totaled approximately $0.3 million for the three months ended March 31, 2019 or the benefit from a sublease agreement of one of our office spaces which totaled approximately $49,000 for the three months ended March 31, 2019.

Future minimum lease payments under our operating leases are as follows (dollars in thousands):

Remaining for 2019	$	1,449
2020		1,511
2021		384
2022		10
2023		3
Thereafter		—
Total lease payments[1]	$	3,357
Less: Interest[2]		161
Present value of lease liabilities[3]	$	3,196

(1) Lease payments include options to extend lease terms that are reasonably certain of being exercised.
(2) Our leases do not provide a readily determinable implicit rate. Therefore, we must estimate our discount rate for such leases to determine the present value of lease payments at the lease commencement date. There were no legally binding minimum lease payments for leases signed but not yet commenced at March 31, 2019.
(3) The weighted average remaining lease term and weighted average discount rate used in calculating our lease liabilities were 2.2 years and 5.2%, respectively at March 31, 2019.

12. Related Party Transactions

During the three months ended March 31, 2019 and 2018, the Company incurred construction-related costs on behalf of its unconsolidated joint ventures totaling $1.7 million and $2.1 million, respectively. As of March 31, 2019 and December 31, 2018, $0.5 million and $0.4 million, respectively, are included in due from affiliates in the accompanying condensed consolidated balance sheets related to such costs.

The Company has entered into agreements with its unconsolidated joint ventures to provide management services related to the underlying projects (collectively referred to as the "Management Agreements"). Pursuant to the Management Agreements, the Company receives a management fee based on each project’s revenues. During the three months ended March 31, 2019 and 2018, the Company earned $0.5 million and $1.0 million, respectively, in management fees, which have been recorded as fee building revenues in the accompanying condensed consolidated statements of operations. As of March 31, 2019 and December 31, 2018, $0.1 million and $0.2 million, respectively, of management fees are included in due from affiliates in the accompanying condensed consolidated balance sheets.

One member of the Company's board of directors beneficially owns more than 10% of the Company's outstanding common stock through an affiliated entity, IHP Capital Partners VI, LLC, and is also affiliated with entities that have investments in two of the Company's unconsolidated joint ventures, TNHC Meridian Investors LLC (which is an owner of another entity, TNHC Newport LLC, which entity owned our "Meridian" project) and TNHC Russell Ranch LLC ("Russell Ranch"). The Company's investment in these two joint ventures was $7.7 million at March 31, 2019 and $6.5 million at December 31, 2018. A former member of the Company's board of directors who served during 2018 is affiliated with entities that have investments in three of the Company's unconsolidated joint ventures, Arantine Hills Holdings LP ("Bedford"), Calabasas Village LP, and TNHC-TCN Santa Clarita, LP. As of March 31, 2019 and December 31, 2018, the Company's investment in these three unconsolidated joint ventures totaled $11.0 million and $12.0 million, respectively.

TL Fab LP, an affiliate of one of the Company's non-employee directors, was engaged by the Company and some of its unconsolidated joint ventures as a trade contractor to provide metal fabrication services. For the three months ended March 31, 2019 and 2018, the Company incurred $33,000 and $65,000, respectively, for these services. For the same periods, the Company's unconsolidated joint ventures incurred $0 and $0.4 million, respectively, for these services. Of these costs, $0 and $7,000 was due to TL Fab LP from the Company at March 31, 2019 and December 31, 2018, respectively, and $0 and $8,000 was due to TL Fab LP from the Company's unconsolidated joint ventures at March 31, 2019 and December 31, 2018, respectively.

In its ordinary course of business, the Company enters into agreements to purchase lots from unconsolidated land development joint ventures of which it is a member. In accordance with ASC 360-20, *Property, Plant and Equipment - Real Estate Sales* ("ASC 360-20"), the Company defers its portion of the underlying gain from the joint venture's sale of these lots. When the Company purchases lots directly from the joint venture, the deferred gain is recorded as a reduction to the Company's land basis on the purchased lots. In this instance, the gain is ultimately recognized when the Company delivers lots to third-party home buyers at the time of the home closing. At March 31, 2019 and December 31, 2018, $0.2 million and $0.2 million,

respectively, of deferred gain from lot transactions with the TNHC-HW Cannery LLC ("Cannery"), Bedford and Russell Ranch unconsolidated joint ventures remained unrecognized and included as a reduction to land basis in the accompanying condensed consolidated balance sheets.

The Company's land purchase agreement with the Cannery provides for reimbursement of certain fee credits. The Company was reimbursed $0.1 million in fee credits from the Cannery during the three months ended March 31, 2018. As of March 31, 2019 and December 31, 2018, $37,000 in fee credits was due to the Company from the Cannery, which is included in due from affiliates in the accompanying condensed consolidated balance sheets.

On June 18, 2015, the Company entered into an agreement that effectively transitioned Joseph Davis' role within the Company from that of Chief Investment Officer to that of a non-employee consultant to the Company effective June 26, 2015 ("Transition Date"). As of the Transition Date, Mr. Davis ceased being an employee of the Company and became an independent contractor performing consulting services. For his services, he is compensated $5,000 per month. His current agreement terminates on June 26, 2019 with the option to extend the agreement one year, if mutually consented to by the parties. Either party may terminate the agreement at any time for any or no reason. At March 31, 2019, no fees were due to Mr. Davis for his consulting services. Additionally, the Company entered into a construction agreement effective September 7, 2017, with The Joseph and Terri Davis Family Trust Dated August 25, 1999 ("Davis Family Trust") of which Joseph Davis is a trustee. The agreement is a fee building contract pursuant to which the Company acts in the capacity of a general contractor to build a single family detached home on land owned by the Davis Family Trust. For its services, the Company will receive a contractor's fee and the Davis Family Trust will reimburse the Company's field overhead costs. During the three months ended March 31, 2019 and 2018, the Company billed the Davis Family Trust $0.5 million and $38,000, respectively, including reimbursable construction costs and the Company's contractor's fees which are included in fee building revenues in the accompanying condensed consolidated statements of operations. Contractor's fees comprised $15,000 and $0 of the total billings for the three months ended March 31, 2019 and 2018, respectively. The Company recorded $0.5 million and $38,000 for the three months ended March 31, 2019 and 2018, respectively, for the cost of this fee building revenue which are included in fee building cost of sales in the accompanying condensed consolidated statements of operations. At March 31, 2019 and December 31, 2018, the Company was due $0.1 million and $0.6 million, respectively, from the Davis Family Trust for construction draws, which are included in due from affiliates in the accompanying condensed consolidated balance sheets.

On February 17, 2017, the Company entered into a consulting agreement that transitioned Mr. Stelmar's role from that of Chief Investment Officer to a non-employee consultant to the Company. While an employee of the Company, Mr. Stelmar served as an employee director of the Company's Board of Directors. The agreement provides that effective upon Mr. Stelmar's termination of employment, he shall become a non-employee director and shall receive the compensation and be subject to the requirements of a non-employee director pursuant to the Company's policies. For his consulting services, Mr. Stelmar is compensated $6,000 per month. The current term is through August 17, 2019 and may be extended upon mutual consent of the parties. Additionally, Mr. Stelmar's outstanding restricted stock unit equity award granted in 2016 continued to vest in accordance with its original terms based on his continued provision of consulting services rather than continued employment and fully vested during the 2019 first quarter. At March 31, 2019 and December 31, 2018, no fees were due to Mr. Stelmar for his consulting services.

On February 14, 2019, the Company entered into a consulting agreement that transitioned Mr. Redwitz's role from that of Chief Investment Officer to a non-employee consultant to the Company effective March 1, 2019. For his consulting services, Mr. Redwitz is compensated $10,000 per month. The agreement terminates March 1, 2020 and may be extended upon mutual consent of the parties. At March 31, 2019, no fees were due to Mr. Redwitz for his consulting services.

At March 31, 2018, the Company had advances outstanding of approximately $3.0 million to an unconsolidated joint venture, Encore McKinley Village LLC. The note bore interest at 10% per annum and was fully repaid during the 2018 second quarter. For the three months ended March 31, 2019 and 2018, the Company earned $0 million and $0.1 million, respectively, in interest income on the unsecured promissory note which is included in equity in net income of unconsolidated joint ventures in the accompanying condensed consolidated statements of operations.

The Company entered into two transactions in each of 2018 and 2017 to purchase land from affiliates of IHP Capital Partners VI, LLC, which owns more than 10% of the Company's outstanding common stock and is affiliated with one member of the Company's board of directors. The first 2017 agreement allows the Company the option to purchase lots in Northern California in a phased takedown for a gross purchase price of $16.1 million with profit participation and master marketing fees due to the seller as outlined in the contract. As of March 31, 2019, the Company has taken down approximately two-thirds of the lots, paid $0.3 million in master marketing fees, and has a $0.3 million nonrefundable deposit outstanding on the remaining lots. The second 2017 transaction allows the Company to purchase finished lots in Northern California which includes customary profit participation and is structured as an optioned takedown. The total purchase price, including the cost for the finished lot development and the option, is expected to be approximately $56.7 million, and depends on timing of takedowns, as

well as our obligation to pay certain fees and costs during the option maintenance period. As of March 31, 2019, the Company has made a $8.6 million nonrefundable deposit, reimbursed the owner $0.1 million for fees and costs, paid $2.8 million in option payments, and had taken down approximately 8% of the lots. In 2018, the Company agreed to purchase and complete the takedown of finished lots in Northern California for a gross purchase price of $8.0 million with additional profit participation, marketing fees and certain reimbursements due to the seller as outlined in the agreement. At March 31, 2019, the Company had paid $0.3 million in master marketing fees and reimbursed the seller $0.2 million in costs related to this contract. Also during 2018, the Company entered an agreement to purchase land in a master-plan community in Arizona for an estimated purchase price of $3.8 million plus profit participation and marketing fees pursuant to contract terms. The Company has an outstanding, nonrefundable deposit of $0.3 million related to this contract and had not taken down any lots as of March 31, 2019.

In the first quarter 2018, the Company entered into an agreement with its Bedford joint venture that is affiliated with one former member of the Company's board of directors for the option to purchase lots in phased takedowns. As of March 31, 2019, the Company has made a $1.5 million nonrefundable deposit as consideration for this option, and a portion of the deposit will be applied to the purchase price across the phases. The gross purchase price of the land is $10.0 million with profit participation due to seller as outlined in the contract. The Company has taken down approximately one-half of the contracted lots and $0.9 million of the nonrefundable deposit remains outstanding. During the fourth quarter 2018, the Company entered into a second option agreement with the Bedford joint venture to purchase lots in phased takedowns. The Company made a $1.4 million nonrefundable deposit as consideration for the option, and a portion of the deposit will be applied to the purchase price across the phases. The gross purchase price of the land is $10.5 million with profit participation due to the seller pursuant to the agreement. At March 31, 2019, the Company had taken down approximately 42% of the optioned lots and $0.8 million of the deposit remained outstanding.

FMR LLC beneficially owned over 10% of the Company's common stock during 2018, and an affiliate of FMR LLC ("Fidelity") provides investment management and record keeping services to the Company’s 401(k) Plan. For the three months ended March 31, 2018, the Company paid Fidelity approximately $4,000 for 401(k) Plan record keeping and investment management services. The participants in the Company's 401(k) Plan paid Fidelity approximately $2,000 for the three months ended March 31, 2018 for record keeping and investment management services. As of March 31, 2019, FMR LLC owns less than 10% of the Company's common stock.

The Company has provided credit enhancements in connection with joint venture borrowings in the form of LTV maintenance agreements in order to secure the joint venture's performance under the loans and maintenance of certain LTV ratios. In addition, the Company has provided completion agreements regarding specific performance for certain projects whereby the Company is required to complete the given project with funds provided by the beneficiary of the agreement. For more information regarding these agreements please refer to Note 11.

Subsequent to March 31, 2019, an amendment to our TNHC Russell Ranch LLC joint venture agreement was executed. The amendment outlines the proportionate funding of certain additional capital required for the joint venture. For additional information see Part II, Item 5 of this Quarterly Report on Form 10-Q.

13. Stock-Based Compensation

The Company's 2014 Long-Term Incentive Plan (the "2014 Incentive Plan"), was adopted by our board of directors in January 2014. The 2014 Incentive Plan provides for the grant of equity-based awards, including options to purchase shares of common stock, stock appreciation rights, restricted and unrestricted stock awards, restricted stock units and performance awards. The 2014 Incentive Plan will automatically expire on the tenth anniversary of its effective date.

The number of shares of our common stock authorized to be issued under the 2014 Incentive Plan is 1,644,875 shares. To the extent that shares of the Company's common stock subject to an outstanding option, stock appreciation right, stock award or performance award granted under the 2014 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 common stock generally shall again be available under the 2014 Incentive Plan.

At our 2016 Annual Meeting of Shareholders on May 24, 2016, our shareholders approved the Company's 2016 Incentive Award Plan (the "2016 Incentive Plan"). The 2016 Incentive Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units and other stock- or cash-based awards. Non-employee directors of the Company and employees and consultants of the Company or any of its subsidiaries are eligible to receive awards under the 2016 Incentive Plan. On May 22, 2018, our shareholders approved the amended and restated 2016 Incentive Plan which increased the number of shares authorized for issuance under the plan from 800,000 to 2,100,000 shares. The amended and restated 2016 Incentive Plan will expire on April 4, 2028.

The Company has issued stock option and restricted stock unit awards under the 2014 Incentive Plan and stock option, restricted stock unit, and performance share unit awards under the 2016 Incentive Plan. As of March 31, 2019, 58,707 shares remain available for grant under the 2014 Incentive Plan and 1,147,505 shares remain available for grant under the 2016 Incentive Plan. The exercise price of stock-based awards may not be less than the market value of the Company's 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. The Company's stock option, restricted stock unit awards, and performance share unit awards typically vest over a one to three year period and the stock options expire ten years from the date of grant.

A summary of the Company’s common stock option activity as of and for the three months ended March 31, 2019 and 2018 is presented below:

	Three Months Ended March 31,			
	2019		2018	
	Number of Shares	Weighted-Average Exercise Price per Share	Number of Shares	Weighted-Average Exercise Price per Share
Outstanding Stock Option Activity				
Outstanding, beginning of period	821,470	$ 11.00	826,498	$ 11.00
Granted	249,283	$ 5.76	—	$ —
Exercised	—	$ —	—	$ —
Forfeited	—	$ —	(5,028)	$ 11.00
Outstanding, end of period	1,070,753	$ 9.78	821,470	$ 11.00
Exercisable, end of period	821,470	$ 11.00	821,470	$ 11.00

A summary of the Company’s restricted stock unit activity as of and for the three months ended March 31, 2019 and 2018 is presented below:

	Three Months Ended March 31,			
	2019		2018	
	Number of Shares	Weighted-Average Grant-Date Fair Value per Share	Number of Shares	Weighted-Average Grant-Date Fair Value per Share
Restricted Stock Unit Activity				
Outstanding, beginning of period	469,227	$ 10.75	562,082	$ 10.72
Granted	135,473	$ 5.76	131,412	$ 11.68
Vested	(229,545)	$ 10.60	(214,881)	$ 10.69
Forfeited	(46,571)	$ 10.89	—	$ —
Outstanding, end of period	328,584	$ 8.78	478,613	$ 11.00

A summary of the Company's performance share unit activity as of and for the three months ended March 31, 2019 and 2018 is presented below:

	Three Months Ended March 31,			
	2019		2018	
	Number of Shares	Weighted-Average Grant-Date Fair Value per Share	Number of Shares	Weighted-Average Grant-Date Fair Value per Share
Performance Share Unit Activity				
Outstanding, beginning of period	125,422	$ 11.68	—	$ —
Granted (at target)	—	$ —	125,422	$ 11.68
Vested	—	$ —	—	$ —
Forfeited	(26,882)	$ 11.68	—	$ —
Outstanding, end of period (at target)	98,540	$ 11.68	125,422	$ 11.68

The expense related to the Company's stock-based compensation programs, included in general and administrative expense in the accompanying condensed consolidated statements of operations, was as follows:

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands)	
Expense related to:		
Stock options	$ 22	$ —
Restricted stock units and performance share units	544	842
	$ 566	$ 842

The following table presents details of the assumptions used to calculate the weighted-average grant date fair value of common stock options granted by the Company:

	Three Months Ended March 31,	
	2019	2018
Expected term (in years)	6.0	0
Expected volatility	39.9%	—
Risk-free interest rate	2.5%	—
Expected dividends	—	—
Weighted-average grant date fair value	$2.43	$0

We used the "simplified method" to establish the expected term of the common stock options granted by the Company. Our restricted stock unit awards and performance share unit awards are valued based on the closing price of our common stock on the date of grant. The number of performance share units that will vest ranges from 50%-150% of the target amount awarded based on actual cumulative earnings per share and return on equity growth from 2018-2019, subject to initial achievement of minimum thresholds. We evaluate the probability of achieving the performance targets established under each of the outstanding performance share unit awards quarterly and estimate the number of underlying units that are probable of being issued. Compensation expense for restricted stock unit and performance share unit awards is being recognized using the straight-line method over the requisite service period, subject to cumulative catch-up adjustments required as a result of changes in the number shares probable of being issued for performance share unit awards. At March 31, 2019, the probability of achieving the performance targets associated with the outstanding performance share unit awards was estimated to be 0%. Forfeitures are recognized in compensation cost during the period that the award forfeiture occurs.

At March 31, 2019, the amount of unearned stock-based compensation currently estimated to be expensed through 2022 is $2.9 million. The weighted-average period over which the unearned stock-based compensation is expected to be recognized is 2.1 years. If there are any modifications or cancellations of the underlying unvested awards, the Company may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense.

14. Income Taxes

For the three months ended March 31, 2019, the Company recorded a benefit for income taxes of $0.7 million. Comparatively, the Company recorded a tax benefit of $0.9 million for the three months ended March 31, 2018. The Company's effective tax rates for the three months ended March 31, 2019 and 2018 were 25.0% and 56.9%, respectively. The effective tax rate for the three months ended March 31, 2019 differs from the federal statutory tax rates due to state income taxes, estimated deduction limitations for executive compensation and discrete items. The provision for discrete items totaled $0.3 million for the three months ended March 31, 2019 and was primarily related to stock compensation and state income tax rate changes. The effective tax rate for the three months ended March 31, 2018 differs from the federal statutory tax rate due to state income taxes, estimated deduction limitations for executive compensation, and a $0.4 million benefit for discrete items primarily related to energy tax credits that were extended in February 2018 for 2017 closings, and to a lesser extent, an adjustment to the Company's deferred tax asset revaluation required as a result of the federal tax rate cut effective beginning in 2018.

15. Segment Information

The Company’s operations are organized into three reportable segments: two homebuilding segments (Arizona and California) and fee building. In determining the most appropriate reportable segments, we considered similar economic and other characteristics, including product types, average selling prices, gross margins, production processes, suppliers, subcontractors, regulatory environments, land acquisition results, and underlying demand and supply in accordance with ASC Topic 280. Our California homebuilding reportable segment aggregates the Northern California and Southern California homebuilding operating segments.

Our homebuilding operations acquire and develop land and construct and sell single-family attached and detached homes. Our fee building operations build homes and manage construction related activities on behalf of third-party property owners and our joint ventures. In addition, our corporate operations develop and implement strategic initiatives and support our operating segments by centralizing key administrative functions such as accounting, finance and treasury, information technology, insurance and risk management, litigation, marketing and human resources. A portion of the expenses incurred by corporate are allocated to the fee building segment primarily based on its respective percentage of revenues and to each homebuilding segment based on its respective investment in and advances to unconsolidated joint ventures and real estate inventories balances. The assets of our fee building segment primarily consist of cash, restricted cash and accounts receivable. The majority of our corporate personnel and resources are primarily dedicated to activities relating to our homebuilding segment, and, therefore, the balance of any unallocated corporate expenses are allocated within our homebuilding reportable segments.

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. Financial

information relating to reportable segments was as follows:

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands)	
Homebuilding revenues:		
Arizona	$ 15,854	$ —
California	83,332	79,437
Total homebuilding revenues	99,186	79,437
Fee building revenues, including management fees	19,662	43,794
Consolidated total revenues	$ 118,848	$ 123,231
Homebuilding pretax loss:		
Arizona	$ (478)	$ (705)
California	(2,567)	(1,901)
Total homebuilding pretax loss	(3,045)	(2,606)
Fee building pretax income, including management fees	394	1,095
Total pretax loss	$ (2,651)	$ (1,511)

	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
Homebuilding assets:		
Arizona	$ 92,343	$ 86,205
California	552,660	551,807
Total homebuilding assets	645,003	638,012
Fee building assets	6,725	10,879
Corporate unallocated assets	38,912	47,206
Total assets	$ 690,640	$ 696,097

16. Supplemental Disclosure of Cash Flow Information

The following table presents certain supplemental cash flow information:

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands)	
Supplemental disclosures of cash flow information		
Interest paid, net of amounts capitalized	$ —	$ —
Income taxes paid	$ —	$ —

17. Supplemental Guarantor Information

The Company's 7.25% Senior Notes due 2022 (the "Notes") are guaranteed, on an unsecured basis, jointly and severally, by all of the Company's 100% owned subsidiaries (collectively, the "Guarantors"). The guarantees are full and unconditional. The Indenture governing the Notes provides that the guarantees of a Guarantor will be automatically and unconditionally released and discharged: (1) upon any sale, transfer, exchange or other disposition (by merger, consolidation or otherwise) of all of the equity interests of such Guarantor after which the applicable Guarantor is no longer a "Restricted Subsidiary" (as defined in the Indenture), which sale, transfer, exchange or other disposition is made in compliance with applicable provisions of the Indenture; (2) upon the proper designation of such Guarantor as an "Unrestricted Subsidiary" (as defined in the Indenture), in accordance with the Indenture; (3) upon request of the Company and certification in an officers' certificate provided to the trustee that the applicable Guarantor has become an "Immaterial Subsidiary" (as defined in the indenture), so long as such Guarantor would not otherwise be required to provide a guarantee pursuant to the Indenture; provided that, if immediately after giving effect to such release the consolidated tangible

assets of all Immaterial Subsidiaries that are not Guarantors would exceed 5.0% of consolidated tangible assets, no such release shall occur, (4) if the Company exercises its legal defeasance option or covenant defeasance option under the Indenture or if the obligations of the Company and the Guarantors are discharged in compliance with applicable provisions of the Indenture, upon such exercise or discharge; (5) unless a default has occurred and is continuing, upon the release or discharge of such Guarantor from its guarantee of any indebtedness for borrowed money of the Company and the Guarantors so long as such Guarantor would not then otherwise be required to provide a guarantee pursuant to the Indenture; or (6) upon the full satisfaction of the Company's obligations under the Indenture; provided that in each case if such Guarantor has incurred any indebtedness in reliance on its status as a Guarantor in compliance with applicable provisions of the Indenture, such Guarantor's obligations under such indebtedness, as the case may be, so incurred are satisfied in full and discharged or are otherwise permitted to be incurred by a Restricted Subsidiary (other than a Guarantor) in compliance with applicable provisions of the Indenture. The Company has determined that separate, full financial statements of the Guarantors would not be material to investors and, accordingly, supplemental financial information for the guarantors is presented.

SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEETS

	March 31, 2019				
	NWHM	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated NWHM
			(Dollars in thousands)		
Assets					
Cash and cash equivalents	$ 18,076	$ 23,659	$ 139	$ —	$ 41,874
Restricted cash	—	116	—	—	116
Contracts and accounts receivable	10	17,447	—	(998)	16,459
Intercompany receivables	210,665	—	—	(210,665)	—
Due from affiliates	—	681	—	—	681
Real estate inventories	—	563,112	—	—	563,112
Investment in and advances to unconsolidated joint ventures	—	33,032	—	—	33,032
Investment in subsidiaries	401,754	—	—	(401,754)	—
Other assets	20,175	15,194	—	(3)	35,366
Total assets	$ 650,680	$ 653,241	$ 139	$ (613,420)	$ 690,640
Liabilities and equity					
Accounts payable	$ 264	$ 20,370	$ 4	$ —	$ 20,638
Accrued expenses and other liabilities	13,822	20,444	59	(993)	33,332
Intercompany payables	—	210,665	—	(210,665)	—
Due to affiliates	—	8	—	(8)	—
Unsecured revolving credit facility	84,000	—	—	—	84,000
Senior notes, net	315,591	—	—	—	315,591
Total liabilities	413,677	251,487	63	(211,666)	453,561
Stockholders' equity	237,003	401,754	—	(401,754)	237,003
Non-controlling interest in subsidiary	—	—	76	—	76
Total equity	237,003	401,754	76	(401,754)	237,079
Total liabilities and equity	$ 650,680	$ 653,241	$ 139	$ (613,420)	$ 690,640

	December 31, 2018				
	NWHM	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated NWHM
	(Dollars in thousands)				
Assets					
Cash and cash equivalents	$ 28,877	$ 13,249	$ 147	$ —	$ 42,273
Restricted cash	—	269	—	—	269
Contracts and accounts receivable	7	18,926	—	(668)	18,265
Intercompany receivables	192,341	—	—	(192,341)	—
Due from affiliates	—	1,218	—	—	1,218
Real estate inventories	—	566,290	—	—	566,290
Investment in and advances to unconsolidated joint ventures	—	34,330	—	—	34,330
Investment in subsidiaries	396,466	—	—	(396,466)	—
Other assets	18,643	14,812	—	(3)	33,452
Total assets	$ 636,334	$ 649,094	$ 147	$ (589,478)	$ 696,097
Liabilities and equity					
Accounts payable	$ 240	$ 39,151	$ —	$ —	$ 39,391
Accrued expenses and other liabilities	8,492	21,129	71	(664)	29,028
Intercompany payables	—	192,341	—	(192,341)	—
Due to affiliates	—	7	—	(7)	—
Unsecured revolving credit facility	67,500	—	—	—	67,500
Senior notes, net	320,148	—	—	—	320,148
Total liabilities	396,380	252,628	71	(193,012)	456,067
Stockholders' equity	239,954	396,466	—	(396,466)	239,954
Non-controlling interest in subsidiary	—	—	76	—	76
Total equity	239,954	396,466	$ 76	(396,466)	240,030
Total liabilities and equity	$ 636,334	$ 649,094	$ 147	$ (589,478)	$ 696,097

SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

	Three Months Ended March 31, 2019				
	NWHM	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated NWHM
	(Dollars in thousands)				
Revenues:					
Home sales	$ —	$ 99,186	$ —	$ —	$ 99,186
Fee building	—	19,662	—	—	19,662
	—	118,848	—	—	118,848
Cost of Sales:					
Home sales	—	86,569	—	—	86,569
Fee building	—	19,268	—	—	19,268
	—	105,837	—	—	105,837
Gross Margin:					
Home sales	—	12,617	—	—	12,617
Fee building	—	394	—	—	394
	—	13,011	—	—	13,011
Selling and marketing expenses	—	(8,679)	—	—	(8,679)
General and administrative expenses	(566)	(6,825)	—	—	(7,391)
Equity in net income of unconsolidated joint ventures	—	184	—	—	184
Equity in net loss of subsidiaries	(1,712)	—	—	1,712	—
Gain on early extinguishment of debt	417	—	—	—	417
Other income (expense), net	(62)	(131)	—	—	(193)
Pretax loss	(1,923)	(2,440)	—	1,712	(2,651)
(Provision) benefit for income taxes	(64)	728	—	—	664
Net loss	(1,987)	(1,712)	—	1,712	(1,987)
Net income (loss) attributable to non-controlling interest in subsidiary	—	—	—	—	—
Net loss attributable to The New Home Company Inc.	$ (1,987)	$ (1,712)	$ —	$ 1,712	$ (1,987)

	Three Months Ended March 31, 2018				
	NWHM	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated NWHM
	(Dollars in thousands)				
Revenues:					
Home sales	$ —	$ 79,437	$ —	$ —	$ 79,437
Fee building	—	43,794	—	—	43,794
	—	123,231	—	—	123,231
Cost of Sales:					
Home sales	—	69,670	24	—	69,694
Fee building	—	42,699	—	—	42,699
	—	112,369	24	—	112,393
Gross Margin:					
Home sales	—	9,767	(24)	—	9,743
Fee building	—	1,095	—	—	1,095
	—	10,862	(24)	—	10,838
Selling and marketing expenses	—	(6,639)	—	—	(6,639)
General and administrative expenses	(1,106)	(4,913)	—	—	(6,019)
Equity in net income of unconsolidated joint ventures	—	335	—	—	335
Equity in net loss of subsidiaries	(118)	—	—	118	—
Other income (expense), net	111	(137)	—	—	(26)
Pretax loss	(1,113)	(492)	(24)	118	(1,511)
Benefit for income taxes	473	387	—	—	860
Net loss	(640)	(105)	(24)	118	(651)
Net loss attributable to non-controlling interest in subsidiary	—	—	11	—	11
Net loss attributable to The New Home Company Inc.	$ (640)	$ (105)	$ (13)	$ 118	$ (640)

SUPPLEMENTAL CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31, 2019				
	NWHM	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated NWHM
			(Dollars in thousands)		
Net cash (used in) provided by operating activities	$ (14,259)	$ 2,035	$ (8)	$ —	$ (12,232)
Investing activities:					
Purchases of property and equipment	—	(5)	—	—	(5)
Contributions and advances to unconsolidated joint ventures	—	(1,335)	—	—	(1,335)
Contributions to subsidiaries from corporate	(46,000)	—	—	46,000	—
Distributions of capital from subsidiaries	39,000	—	—	(39,000)	—
Distributions of capital and repayment of advances from unconsolidated joint ventures	—	2,562	—	—	2,562
Net cash (used in) provided by investing activities	$ (7,000)	$ 1,222	$ —	$ 7,000	$ 1,222
Financing activities:					
Borrowings from credit facility	30,000	—	—	—	30,000
Repayments of credit facility	(13,500)	—	—	—	(13,500)
Repurchase of senior notes	(4,512)	—	—	—	(4,512)
Contributions to subsidiaries from corporate	—	46,000	—	(46,000)	—
Distributions to corporate from subsidiaries	—	(39,000)	—	39,000	—
Repurchases of common stock	(1,042)	—	—	—	(1,042)
Tax withholding paid on behalf of employees for stock awards	(488)	—	—	—	(488)
Net cash provided by financing activities	$ 10,458	$ 7,000	$ —	$ (7,000)	$ 10,458
Net (decrease) increase in cash, cash equivalents and restricted cash	(10,801)	10,257	(8)	—	(552)
Cash, cash equivalents and restricted cash – beginning of period	28,877	13,518	147	—	42,542
Cash, cash equivalents and restricted cash – end of period	$ 18,076	$ 23,775	$ 139	$ —	$ 41,990

	Three Months Ended March 31, 2018				
	NWHM	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated NWHM
			(Dollars in thousands)		
Net cash used in operating activities	$ (14,743)	$ (14,693)	$ (6)	$ —	$ (29,442)
Investing activities:					
Purchases of property and equipment	(6)	(66)	—	—	(72)
Cash assumed from joint venture at consolidation	—	(4,273)	—	—	(4,273)
Contributions to subsidiaries from corporate	(56,185)	—	—	56,185	—
Distributions of capital from subsidiaries	21,175	—	—	(21,175)	—
Distributions of capital and repayment of advances from unconsolidated joint ventures	—	2,264	—	—	2,264
Interest collected on advances to unconsolidated joint ventures	—	129	—	—	129
Net cash used in investing activities	$ (35,016)	$ (1,946)	$ —	$ 35,010	$ (1,952)
Financing activities:					
Contributions to subsidiaries from corporate	—	56,185	—	(56,185)	—
Distributions to corporate from subsidiaries	—	(21,175)	—	21,175	—
Tax withholding paid on behalf of employees for stock awards	(954)	—	—	—	(954)
Net cash (used in) provided by financing activities	$ (954)	$ 35,010	$ —	$ (35,010)	$ (954)
Net increase (decrease) in cash, cash equivalents and restricted cash	(50,713)	18,371	(6)	—	(32,348)
Cash, cash equivalents and restricted cash – beginning of period	99,586	24,196	188	—	123,970
Cash, cash equivalents and restricted cash – end of period	$ 48,873	$ 42,567	$ 182	$ —	$ 91,622

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 forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements contained in this quarterly report on Form 10-Q other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. These forward-looking statements are frequently accompanied by words such as "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "goal," "plan," "could," "can," "might," "should," and similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs.

These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in Part I, Item 1A, "Risk Factors" and Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report on Form 10-K for the year ended December 31, 2018 and Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Part II, Item 1A "Risk Factors" of this quarterly report on 10-Q. The following factors, among others, may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements:

- Risks related to our business, including among other things:
    - our geographic concentration primarily in California;
    - the cyclical nature of the homebuilding industry which is affected by general economic real estate and other business conditions;
    - availability of land to acquire and our ability to acquire such land on favorable terms or at all;
    - shortages of or increased prices for labor, land or raw materials used in housing construction;
    - availability and skill of subcontractors at reasonable rates;
    - employment-related liabilities with respect to our contractors' employees;
    - the illiquid nature of real estate investments;
    - the degree and nature of our competition;
    - delays in the development of communities;
    - increases in our cancellation rate;
    - a large proportion of our fee building revenue being dependent upon one customer;
    - construction defect product liability, warranty, and personal injury claims, including the cost and availability of insurance;
    - increased costs, delays in land development or home construction and reduced consumer demand resulting from adverse weather conditions or other events outside our control;
    - increased cost and reduced consumer demand resulting from power, water and other natural resource shortages or price increases;
    - because of the seasonal nature of our business, our quarterly operating results fluctuate;
    - we may be unable to obtain suitable bonding for the development of our housing projects;
    - inflation could adversely affect our business and financial results;
    - a major health and safety incident relating to our business could be costly in terms of potential liabilities and reputational damage;
    - negative publicity or poor relations with the residents of our communities could negatively impact sales, which could cause our revenues or results of operations to decline;
    - information systems interruption or breach in security;
    - inefficient or ineffective allocation of capital could adversely affect or operations and/or stockholder value if expected benefits are not realized;
    - our ability to execute our business strategies is uncertain;
    - a reduction in our sales absorption levels may force us to incur and absorb additional community-level costs;
    - future terrorist attacks against the United States or increased domestic or international instability could have an adverse effect on our operations;

- Risks related to laws and regulations, including among other things:
  - mortgage financing, as well as our customer's ability to obtain such financing, interest rate increases or changes in federal lending programs;
  - changes in tax laws can increase the after-tax cost of owning a home, and further tax law changes or government fees could adversely affect demand for the homes we build, increase our costs, or negatively affect our operating results;
  - new and existing laws and regulations, including environmental laws and regulations, or other governmental actions may increase our expenses, limit the number of homes that we can build or delay the completion of our projects;
  - legislation relating to energy and climate change could increase our costs to construct homes;
- Risks related to financing and indebtedness, including among other things:
  - difficulty in obtaining sufficient capital could prevent us from acquiring land for our developments or increase costs and delays in the completion of our development projects;
  - our level of indebtedness may adversely affect our financial position and prevent us from fulfilling our debt obligations, and we may incur additional debt in the future;
  - the significant amount and illiquid nature of our joint venture partnerships, in which we have less than a controlling interest;
  - our current financing arrangements contain and our future financing arrangements will likely contain restrictive covenants related to our operations;
  - a breach of the covenants under the Indenture or any of the other agreements governing our indebtedness could result in an event of default under the Indenture or other such agreements;
  - potential future downgrades of our credit ratings could adversely affect our access to capital and could otherwise have a material adverse effect on us;
  - interest expense on debt we incur may limit our cash available to fund our growth strategies;
  - we may be unable to repurchase the Notes upon a change of control as required by the Indenture;
- Risks related to our organization and structure, including among other things:
  - our dependence on our key personnel;
  - the potential costly impact termination of employment agreements with members of our management that may prevent a change in control of the Company;
  - our charter and bylaws could prevent a third party from acquiring us or limit the price that investors might be willing to pay for shares of our common stock;
  - the obligations associated with being a public company require significant resources and management attention;
  - that we are eligible to take advantage of reduced disclosure and governance requirements because of our status as an emerging growth company and smaller reporting company;
- Risks related to ownership of our common stock, including among other things:
  - the price of our common stock is subject to volatility and our trading volume is relatively low;
  - if securities or industry analysts do not publish, or cease publishing, research or reports about us, our business or our market, or if they change their recommendations regarding our common stock adversely, our stock price and trading volume could decline;
  - we do not intend to pay dividends on our common stock for the foreseeable future;
  - certain stockholders have rights to cause our Company to undertake securities offerings;
  - our senior notes rank senior to our common stock upon bankruptcy or liquidation;
  - certain large stockholders own a significant percentage of our shares and exert significant influence over us;
  - there is no assurance that the existence of a stock repurchase plan will enhance shareholder value;
  - non-U.S. holders of our common stock may be subject to United States income tax on gain realized on the sale of disposition of such shares.

Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this quarterly report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

The forward-looking statements in this quarterly report on Form 10-Q speak only as of the date of this quarterly report on Form 10-Q, and we undertake no obligation to revise or publicly release any revision to these forward-looking statements,

except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Non-GAAP Measures

This quarterly report on Form 10-Q includes certain non-GAAP measures, including Adjusted EBITDA, Adjusted EBITDA margin percentage, the ratio of Adjusted EBITDA to total interest incurred, net debt, the ratio of net debt-to-capital, general and administrative costs excluding severance charges, general and administrative costs excluding severance charges as a percentage of home sales revenue, selling, marketing and general and administrative costs excluding severance charges, selling, marketing and general and administrative costs excluding severance charges as a percentage of home sales revenue, adjusted homebuilding gross margin (or homebuilding gross margin before interest in cost of home sales) and adjusted homebuilding gross margin percentage. For a reconciliation of Adjusted EBITDA, Adjusted EBITDA margin percentage, and the ratio of Adjusted EBITDA to total interest incurred to the comparable GAAP measures please see "-- Selected Financial Information." For a reconciliation of net debt and ratio of net debt-to-capital to the comparable GAAP measures, please see "-- Liquidity and Capital Resources - Debt-to-Capital Ratios." For a reconciliation of general and administrative costs excluding severance charges, general and administrative expenses excluding severance charges as a percentage of homes sales revenue, selling, marketing and general and administrative expenses excluding severance charges and selling, marketing and general and administrative expenses excluding severance charges as a percentage of home sales revenue, please see "-- Results of Operations - Selling, General and Administrative Expenses." For a reconciliation of adjusted homebuilding gross margin (or homebuilding gross margin before interest in cost of home sales) and adjusted homebuilding gross margin percentage to the comparable GAAP measures please see "-- Results of Operations - Homebuilding Gross Margin."

Selected Financial Information

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands)	
Revenues:		
Home sales	$ 99,186	$ 79,437
Fee building, including management fees from unconsolidated joint ventures of $543 and $980, respectively	19,662	43,794
	118,848	123,231
Cost of Sales:		
Home sales	86,569	69,694
Fee building	19,268	42,699
	105,837	112,393
Gross Margin:		
Home sales	12,617	9,743
Fee building	394	1,095
	13,011	10,838
Home sales gross margin	12.7%	12.3%
Fee building gross margin	2.0%	2.5%
Selling and marketing expenses	(8,679)	(6,639)
General and administrative expenses	(7,391)	(6,019)
Equity in net income of unconsolidated joint ventures	184	335
Gain on early extinguishment of debt	417	—
Other income (expense), net	(193)	(26)
Pretax loss	(2,651)	(1,511)
Benefit for income taxes	664	860
Net loss	(1,987)	(651)
Net loss attributable to non-controlling interest	—	11
Net loss attributable to The New Home Company Inc.	$ (1,987)	$ (640)
Interest incurred	$ 7,761	$ 6,716
Adjusted EBITDA[1]	$ 6,906	$ 3,563
Adjusted EBITDA margin percentage[1]	5.8%	2.9%
	LTM[2] Ended March 31,	
	2019	2018
Interest incurred	$ 29,422	$ 26,658
Adjusted EBITDA[1]	$ 43,241	$ 48,747
Adjusted EBITDA margin percentage [1]	6.5%	6.5%
Ratio of Adjusted EBITDA to total interest incurred [1]	1.5x	1.8x

(1) Adjusted EBITDA, Adjusted EBITDA margin percentage and ratio of Adjusted EBITDA to total interest incurred are non-GAAP measures. Adjusted EBITDA margin percentage is calculated as a percentage of total revenue. Management believes that Adjusted EBITDA, which is a non-GAAP measure, assists investors in understanding and comparing the operating characteristics of homebuilding activities by eliminating many of the differences in companies' respective capitalization, interest costs, tax position, inventory impairments and other non-recurring items. Due to the significance of the GAAP components excluded, Adjusted EBITDA should not be considered in isolation or as an alternative to net income (loss), cash

flows from operations or any other performance measure prescribed by GAAP. The table below reconciles net income (loss), calculated and presented in accordance with GAAP, to Adjusted EBITDA.

	Three Months Ended March 31,		LTM[2] Ended March 31,	
	2019	2018	2019	2018
	(Dollars in thousands)			
Net income (loss)	$ (1,987)	$ (651)	$ (15,566)	$ 15,654
Add:				
Interest amortized to cost of sales and equity in net income of unconsolidated joint ventures	4,883	2,795	21,996	12,301
(Benefit) provision for income taxes	(664)	(860)	(5,879)	14,006
Depreciation and amortization	2,656	1,022	8,265	1,348
Amortization of stock-based compensation	566	842	2,814	3,034
Cash distributions of income from unconsolidated joint ventures	260	715	260	715
Severance charges	1,788	—	1,788	—
Noncash inventory impairments and abandonments	5	35	10,176	2,584
Less:				
Gain from early extinguishment of debt	(417)	—	(417)	—
Equity in net (income) loss of unconsolidated joint ventures	(184)	(335)	19,804	(895)
Adjusted EBITDA	$ 6,906	$ 3,563	$ 43,241	$ 48,747
Total Revenue	$ 118,848	$ 123,231	$ 663,183	$ 749,374
Adjusted EBITDA margin percentage	5.8%	2.9%	6.5%	6.5%
Interest incurred	$ 7,761	$ 6,716	$ 29,422	$ 26,658
Ratio of Adjusted LTM[2] EBITDA to total interest incurred			1.5x	1.8x

(2) "LTM" indicates amounts for the trailing 12 months.

Overview

During the 2019 first quarter, the Company remained focused on repositioning our portfolio to include more affordably priced product where we believe sales demand is deeper and sales pace is more robust. The Company opened three new communities during the three months ended March 31, 2019 with base pricing below $600,000 and anticipates opening three more during the 2019 second quarter with similar price points. In the 2019 first quarter, we benefited from progress made towards this strategic repositioning with home sales revenue growth of 25%, an 18% increase in home deliveries and home sales gross margin expansion of 40 basis points over the prior year period.

Lower interest rates, moderating home prices and improvement in the equity markets helped spur buyer demand and order activity in the 2019 first quarter, especially in the month of March. While overall demand and 2019 first quarter absorption rates were still lower than the 2018 first quarter, net new orders were up 62% sequentially over the 2018 fourth quarter driven by a 42% increase in absorption pace. Partially offsetting the impact of year-over-year slower sales pace was a 24% increase in average selling communities for the 2019 first quarter compared to the 2018 first quarter. We ended the 2019 first quarter with 204 homes in backlog totaling $212.6 million as compared to 210 homes totaling $228.1 million at the end of the 2018 first quarter.

The Company generated a net loss of $2.0 million, or $(0.10) per diluted share for the 2019 first quarter, compared to a net loss of $0.6 million, or $(0.03) per diluted share, in the prior year period. The higher year-over-year net loss was primarily attributable to $1.8 million in pretax severance charges in the 2019 first quarter related to right-sizing our operations by reducing headcount, including the departure of one of our executive officers, to better align our business with recent demand levels. Excluding the severance charges, adjusted net loss for the Company was $0.8 million*, or $(0.04)* per diluted share. Other factors contributing to the year-over-year increase in net loss included a 40 basis point increase in selling and marketing costs as a percentage of homes sales revenue and a $0.7 million decrease in fee building margin due to lower fee construction activity. Partially offsetting these decreases was a 25% increase in home sales revenue, a 40 basis point increase in home sales gross margin, a 10 basis point improvement in general and administrative costs as a percentage of home sales revenue (190 basis point improvement excluding severance costs*), and a $0.4 million gain on the early extinguishment of debt.

We continue to take steps to lower our cost structure, strengthen our balance sheet, pursue opportunities to reduce our leverage and thoughtfully allocate resources to best position the Company for long-term success. During the 2019 first quarter, the Company repurchased $5.0 million of the Company's Senior Notes for a cash payment of $4.5 million. Stock repurchase activity for the 2019 first quarter totaled approximately 154,000 shares for approximately $1.0 million. The Company ended the quarter with $41.9 million in cash and cash equivalents and $399.6 million in debt, of which $84.0 million was outstanding under its $200 million revolving credit facility. As of March 31, 2019 the Company's debt-to-capital ratio was 62.8% and its net debt-to-capital ratio was 60.1%*.

*Adjusted net loss, adjusted net loss per diluted share, general and administrative costs excluding severance charges as a percentage of home sales revenue, and net debt-to-capital ratio are non-GAAP measures. For a reconciliation to the appropriate GAAP measure, please see the below for adjusted net loss and adjusted net loss per diluted share. For a reconciliation of general and administrative costs excluding severance charges as a percentage of home sales revenue to the appropriate GAAP measure, please see "-- Results of Operations - Selling, General and Administrative Expenses." For a reconciliation of net debt-to-capital to the appropriate GAAP measure, please see "-- Liquidity and Capital Resources - Debt-to-Capital Ratios."

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands, except per share amounts)	
Net loss attributable to The New Home Company Inc.	$ (1,987)	$ (640)
Severance charges, net of tax	1,157	—
Adjusted net loss attributable to The New Home Company Inc.	$ (830)	$ (640)
Loss per share attributable to The New Home Company Inc.:		
Basic	$ (0.10)	$ (0.03)
Diluted	$ (0.10)	$ (0.03)
Adjusted loss per share attributable to The New Home Company Inc.:		
Basic	$ (0.04)	$ (0.03)
Diluted	$ (0.04)	$ (0.03)
Weighted average shares outstanding:		
Basic	19,986,394	20,924,753
Diluted	19,986,394	20,924,753
Severance charges	$ (1,788)	$ —
Less: related tax benefit	631	—
Severance charges, net of tax	$ (1,157)	$ —
Loss per share attributable to The New Home Company Inc. related to severance charges		
Basic	$ (0.06)	NA
Diluted	$ (0.06)	NA

Results of Operations

Net New Home Orders

	Three Months Ended March 31,		Increase/(Decrease)	
	2019	2018	Amount	%
Net new home orders:				
Southern California	58	69	(11)	(16)%
Northern California	45	70	(25)	(36)%
Arizona	9	2	7	350 %
Total net new home orders	112	141	(29)	(21)%
Selling communities at end of period:				
Southern California	12	10	2	20 %
Northern California	8	7	1	14 %
Arizona	2	1	1	100 %
Total selling communities	22	18	4	22 %
Monthly sales absorption rate per community: [(1)]				
Southern California	1.6	2.3	(0.7)	(30)%
Northern California	2.0	3.5	(1.5)	(43)%
Arizona	1.5	2.0	(0.5)	(25)%
Total monthly sales absorption rate per community [(1)]	1.7	2.8	(1.1)	(39)%
Average selling communities:				
Southern California	12	10	2	20 %
Northern California	7	7	—	— %
Arizona	2	—	2	NA
Total average selling communities	21	17	4	24 %
Cancellation rate	12%	6%	6%	NA

(1) Monthly sales absorption represents the number of net new home orders divided by the number of average selling communities for the period.

Net new home orders for the 2019 first quarter decreased 21% as compared to the same period in 2018 primarily as a result of a 39% decline in the monthly sales absorption rate. The decrease in monthly absorption rates was due to weaker buyer demand compared to the prior year, however, the 2019 first quarter sales pace improved 42% sequentially over the 2018 fourth quarter. A 24% increase in average selling communities partially offset the slower sales pace in the 2019 first quarter. We ended the 2019 first quarter with 22 active communities as compared to 18 at the end of the 2018 first quarter.

In the 2019 first quarter, demand was strongest in Northern California with a monthly absorption rate of 2.0 driven by stronger order activity at three communities located within masterplan developments. However, the 43% decrease in Northern California's monthly absorption rate to 2.0 for the 2019 first quarter from 3.5 for the 2018 first quarter was the largest of the divisions due to the extremely strong sales pace experienced in the 2018 first quarter from two Bay Area townhome communities, one of which had recently opened and experienced high sales volume and a second that sold out during the period. Sales pace in Southern California was slower year-over-year due to a run up in home prices and a slowdown in demand from foreign national buyers.

Also impacting the decline in net new orders was the increase in the Company's cancellation rate to 12% for the three months ended March 31, 2019 from 6% in the prior year period. Our cancellation rate has increased moderately with our transition to more affordably-priced product. Of the communities that opened during the last twelve months ended March 31, 2019, five offer base pricing of $600,000 or less.

Backlog

	As of March 31,								
	2019			2018			% Change		
	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price
	(Dollars in thousands)								
Southern California	87	$ 109,284	$ 1,256	96	$ 125,747	$ 1,310	(9)%	(13)%	(4)%
Northern California	85	72,290	850	112	98,124	876	(24)%	(26)%	(3)%
Arizona	32	30,991	968	2	4,248	2,124	1,500 %	630 %	(54)%
Total	204	$ 212,565	$ 1,042	210	$ 228,119	$ 1,086	(3)%	(7)%	(4)%

Backlog reflects the number of homes, net of cancellations, for which we have entered into sales contracts with customers, but for which we have not yet delivered the homes. The number of homes in backlog as of March 31, 2019 was down 3% as compared to the prior year period primarily due to a 21% decrease in net orders resulting from a slower sales pace due to weaker year-over-year demand, partially offset by the growth in average selling communities, including our new Arizona division. The dollar value of backlog was down 7% year-over-year to $212.6 million primarily from lower net new orders and a 4% lower average selling price of the homes in backlog at the end of the 2019 first quarter.

The year-over-year decrease in backlog units and value was greatest in Northern California where the decrease in net new orders was also the largest of the divisions coupled with fewer homes in backlog with average selling prices over $1.0 million. The backlog mix in Southern California also shifted year-over-year and caused the average selling price to drop 4%. Southern California ending backlog for the 2018 first quarter included several homes from higher-priced communities that have since closed out. Offsetting the decline in backlog value was the increase in orders from our highly successful Belmont community in Gilbert, Arizona that opened in the 2018 second quarter and commenced deliveries in the 2019 first quarter.

Lots Owned and Controlled

	As of March 31,		Increase/(Decrease)	
	2019	2018	Amount	%
Lots Owned:				
Southern California	626	540	86	16 %
Northern California	726	317	409	129 %
Arizona	301	299	2	1 %
Total	1,653	1,156	497	43 %
Lots Controlled:[1]				
Southern California	174	433	(259)	(60)%
Northern California	439	992	(553)	(56)%
Arizona	477	343	134	39 %
Total	1,090	1,768	(678)	(38)%
Total Lots Owned and Controlled - Wholly Owned	2,743	2,924	(181)	(6)%
Fee Building[2]	1,266	963	303	31 %
Total Lots Owned and Controlled	4,009	3,887	122	3 %

(1) Includes lots that we control under purchase and sale agreements or option agreements subject to customary conditions and have not yet closed. There can be no assurance that such acquisitions will occur.

(2) Lots owned by third party property owners for which we perform general contracting or construction management services.

The Company's wholly owned lots owned and controlled decreased 6% year-over-year to 2,743 lots, of which 40% of which were controlled through option contracts. The slight decrease in wholly owned lots owned and controlled was primarily due to an increase in deliveries during the last twelve months ended March 31, 2019 compared to March 31, 2018, partially offset by executed contracts for new developments across all markets in the same period.

The increase in fee building lots at March 31, 2019 as compared to the prior year period was primarily attributable to new contracts entered into during the last twelve months ended March 31, 2019, for 917 lots, including construction management contracts the Company entered into with a new customer during the 2018 second quarter totaling 165 lots across five communities. These fee lot additions were largely offset by the delivery of 614 homes to customers in the same period.

Home Sales Revenue and New Homes Delivered

	Three Months Ended March 31,								
	2019			2018			% Change		
	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price	Homes	Dollar Value	Average Price
	(Dollars in thousands)								
Southern California	61	$ 64,593	$ 1,059	44	$ 44,580	$ 1,013	39 %	45 %	5 %
Northern California	28	18,739	669	40	34,857	871	(30)%	(46)%	(23)%
Arizona	10	15,854	1,585	—	—	NA	NA	NA	NA
Total	99	$ 99,186	$ 1,002	84	$ 79,437	$ 946	18 %	25 %	6 %

New home deliveries increased 18% for the 2019 first quarter compared to the prior year period. The increase in deliveries was largely the result of a higher number of homes in backlog at the beginning of the period. Home sales revenue for the three months ended March 31, 2019 increased 25% compared to the same period in 2018, primarily due to the increase in new home deliveries and to a lesser extent, a 6% increase in average sales price per delivery for the period.

The increase in homes sales revenue was led by Southern California with 39% more deliveries due to a higher beginning backlog for the period and a 5% increase in average selling price as compared to the 2018 first quarter. Additionally, the 2019 first quarter benefited from initial deliveries from our wholly owned Arizona communities that delivered 10 homes with an average selling price of $1.6 million and comprised approximately 16% of total home sales revenue. The primary driver of the high average selling price in Arizona was contributions from our luxury condominium Icon community in Scottsdale where our average selling price exceeded $2.2 million. Partially offsetting these increases was a 46% decrease in home sales revenue for Northern California driven by 30% fewer deliveries and a 23% decrease in average selling price compared to the 2018 first quarter. The Northern California decrease in deliveries resulted from a lower number of homes in beginning backlog while the reduction in average selling price was due to a mix shift of deliveries. During the 2018 first quarter, over half of Northern California deliveries were from two communities with average selling prices above $1.0 million that have since closed out.

Homebuilding Gross Margin

Homebuilding gross margin for the 2019 first quarter was 12.7% versus 12.3% in the prior period. The 40 basis point increase was primarily due to a mix shift, which was partially offset by higher interest costs and incentives. Adjusted homebuilding gross margin, which excludes interest in cost of home sales, was 17.6% and 15.7% and for the 2019 and 2018 first quarters, respectively. Adjusted homebuilding gross margin is a non-GAAP measure. See the table below reconciling this non-GAAP financial measure to homebuilding gross margin, the nearest GAAP equivalent. Excluding the impact of interest in cost of sales, the 190 basis point improvement was due to a product mix shift, partially offset by higher incentives, largely in Southern California.

	Three Months Ended March 31,			
	2019	%	2018	%
	(Dollars in thousands)			
Home sales revenue	$ 99,186	100.0%	$ 79,437	100.0%
Cost of home sales	86,569	87.3%	69,694	87.7%
Homebuilding gross margin	12,617	12.7%	9,743	12.3%
Add: Interest in cost of home sales	4,852	4.9%	2,764	3.4%
Adjusted homebuilding gross margin[(1)]	$ 17,469	17.6%	$ 12,507	15.7%

(1) Adjusted homebuilding gross margin (or homebuilding gross margin before interest in cost of home sales) is non-GAAP financial measure. We believe this information is meaningful as it isolates the impact that leverage and our cost of debt capital has on homebuilding gross margin and permits investors to make better comparisons with our competitors who also break out and adjust gross margins in a similar fashion.

Fee Building

	Three Months Ended March 31,			
	2019	%	2018	%
	(Dollars in thousands)			
Fee building revenues	$ 19,662	100.0%	$ 43,794	100.0%
Cost of fee building	19,268	98.0%	42,699	97.5%
Fee building gross margin	$ 394	2.0%	$ 1,095	2.5%

Our fee building revenues include (i) billings to third-party land owners for general contracting services and (ii) management fees from our unconsolidated joint ventures and third-party land owners for construction and sales management services. Cost of fee building includes (i) labor, subcontractor, and other indirect construction and development costs that are reimbursable by the land owner and (ii) general and administrative, or G&A, expenses that are attributable to fee building activities and joint venture management overhead. Besides allocable G&A expenses, there are no other material costs associated with management fees from our unconsolidated joint ventures.

Billings to land owners for general contracting services are a function of construction activity and reimbursable costs are incurred generally once home construction begins. The total billings and reimbursable costs are driven by the pace at which the land owner executes its development plan. Management fees from our unconsolidated joint ventures are collected over the underlying project's life and as homes and lots are delivered. Construction management fees from third-party customers are collected over the life of the contract and sales management fees from third-party customers are collected as homes close escrow.

In the 2019 first quarter, fee building revenues decreased 55% from the prior year period, driven by a decrease in construction activity at fee building communities in Irvine, California due to lower demand levels in that market. Included in fee building revenues for the three months ended March 31, 2019 and 2018 were (i) $18.4 million and $42.8 million of billings to land owners, respectively, and (ii) $1.3 million and $1.0 million of management fees from our unconsolidated joint ventures and third-party land owners, respectively. Our fee building revenues have historically been concentrated with a small number of customers. For the three months ended March 31, 2019 and 2018, one customer comprised 91% and 98%, respectively, of fee building revenue.

The cost of fee building decreased in the 2019 first quarter compared to the same period in 2018 due to decrease in fee building activity mentioned above. The amount of G&A expenses included in the cost of fee building was $1.5 million and $1.6 million for the 2019 and 2018 first quarters, respectively. Fee building gross margin percentage decreased to 2.0% for the three months ended March 31, 2019 from 2.5% in the prior year period due to changes in certain fee building business agreements from a percentage of cost fee to a per-unit fixed fee arrangement and a decrease in management fees from joint ventures, partially offset by the increase in management fees from third-party land owners.

Selling, General and Administrative Expenses

	Three Months Ended March 31,		As a Percentage of Home Sales Revenue	
	2019	2018	2019	2018
	(Dollars in thousands)			
Selling and marketing expenses	$ 8,679	$ 6,639	8.8 %	8.4%
General and administrative expenses ("G&A")	7,391	6,019	7.4 %	7.5%
Total selling, marketing and G&A ("SG&A")	$ 16,070	$ 12,658	16.2 %	15.9%
G&A	$ 7,391	$ 6,019	7.4 %	7.5%
Less: Severance charges	(1,788)	—	(1.8)%	—%
G&A, excluding severance charges	$ 5,603	$ 6,019	5.6 %	7.5%
Selling and marketing expenses	$ 8,679	$ 6,639	8.8 %	8.4%
G&A, excluding severance charges	5,603	6,019	5.6 %	7.5%
SG&A, excluding severance charges	$ 14,282	$ 12,658	14.4 %	15.9%

During the 2019 first quarter, our SG&A rate as a percentage of home sales revenue was 16.2% vs. 15.9% for the same period in 2018. The 30 basis point increase was primarily due to $1.8 million in pretax severance charges in the 2019 first quarter related to right-sizing our operations by reducing headcount, including the departure of one of our executive officers, and higher amortization of capitalized selling and marketing costs related to a higher community count, and to a lesser extent, an amortization expense benefit in the 2018 first quarter in connection with the adoption of Accounting Standard Codification 606. These items were partially offset by improved leverage from higher home sales revenue and lower compensation-related expenses. Excluding severance charges, the SG&A rate for the 2019 first quarter was 14.4%, a 150 basis point improvement as compared to the 2018 first quarter.

Equity in Net Income of Unconsolidated Joint Ventures

As of March 31, 2019 and 2018, we had ownership interests in 10 unconsolidated joint ventures. We own interests in our unconsolidated joint ventures that generally range from 5% to 35% and these interests vary by entity.

The Company's share of joint venture income for the 2019 first quarter was $0.2 million as compared to $0.3 million for the 2018 period. The slight reduction in joint venture income was primarily the result of lower homebuilding gross margins partially offset by slightly higher land sales gross margins.

The following sets forth supplemental operational and financial information about our unconsolidated joint ventures. Such information is not included in our financial data for GAAP purposes, but is recognized in our results as a component of equity in net income of unconsolidated joint ventures. This data is included for informational purposes only.

	Three Months Ended March 31,		Increase/(Decrease)	
	2019	2018	Amount	%
	(Dollars in thousands)			
Unconsolidated Joint Ventures - Operational Data				
Net new home orders	36	36	—	— %
New homes delivered	37	32	5	16 %
Average sales price of homes delivered	$ 1,030	$ 976	$ 54	6 %
Home sales revenue	$ 38,127	$ 31,240	$ 6,887	22 %
Land sales revenue	4,160	773	3,387	438 %
Total revenues	$ 42,287	$ 32,013	$ 10,274	32 %
Net income	$ 513	$ 804	$ (291)	(36)%
Selling communities at end of period	6	7	(1)	(14)%
Backlog (dollar value)	$ 70,949	$ 67,244	$ 3,705	6 %
Backlog (homes)	75	84	(9)	(11)%
Average sales price of backlog	$ 946	$ 801	$ 145	18 %
Homebuilding lots owned and controlled	174	309	(135)	(44)%
Land development lots owned and controlled	1,995	2,321	(326)	(14)%
Total lots owned and controlled	2,169	2,630	(461)	(18)%

Gain on Early Extinguishment of Debt

During March 2019, the Company repurchased and retired $5.0 million of its 7.25% Senior Notes due 2022. The Notes were purchased at 90.25% of par, for a cash payment of $4.5 million. The Company recognized a $0.4 million gain on the early extinguishment of debt, and the net unamortized discount, premium and debt issuance costs associated with the retired notes totaling approximately $70,000 were written off.

Benefit for Income Taxes

For the three months ended March 31, 2019, the Company recorded an income tax benefit of $0.7 million compared to a benefit of $0.9 million for the three months ended March 31, 2018. The Company's effective tax rate related to the income tax benefit for the three months ended March 31, 2019, was 25.0% as compared to 56.9% in the prior year period. The decrease was attributable to discrete items which resulted in a $0.4 million benefit in the 2018 first quarter primarily related to energy credits and a $0.3 million provision in the 2019 first quarter related to stock compensation and state tax rate changes.

Liquidity and Capital Resources

Overview

Our principal sources of capital for the three months ended March 31, 2019 were cash generated from home sales activities, borrowing from our credit facility, distributions from our unconsolidated joint ventures, and management fees from our fee building agreements. Our principal uses of capital for the three months ended March 31, 2019 were land purchases, land development, home construction, contributions and advances to our unconsolidated joint ventures, repurchases of the Company's common stock and bonds and payment of operating expenses, interest and routine liabilities.

Cash flows for each of our communities depend on their stage in the development cycle, and can differ substantially from reported earnings. Early stages of development or expansion require significant cash outlays for land acquisitions, entitlements and other approvals, and construction of model homes, roads, utilities, general landscaping and other amenities. Because these

costs are a component of our real estate inventories and not recognized in our consolidated statement of operations until a home is delivered, we incur significant cash outlays prior to our recognition of earnings. In the later stages of community development, cash inflows may significantly exceed earnings reported for financial statement purposes, as the cash outflows associated with home and land construction were previously incurred. From a liquidity standpoint, we are actively acquiring and developing lots to increase our lot supply and community count. As we continue to expand our business, we expect cash outlays for land purchases, land development and home construction at times to exceed cash generated by operations. For the next 12 months we are focused on reducing our debt levels and leverage and therefore expect to spend less on land purchases than we have over the last few years.

We ended the first quarter of 2019 with $41.9 million of cash and cash equivalents, a $0.4 million decrease from December 31, 2018. Over the next few quarters we expect to generate cash from the sale of our inventory, including unsold and presold homes under construction as well as land sales. After reducing our debt levels and leverage, we intend to redeploy a portion of cash generated from the sale of inventory to acquire and develop strategic, well-positioned lots that represent opportunities to generate future income and cash flows by thoughtfully allocating capital to best position the Company for long-term success.

As of March 31, 2019 and December 31, 2018, we had $4.3 million and $8.5 million, respectively, in accounts payable that related to costs incurred under our fee building agreements. Funding to pay these amounts is the obligation of the third-party land owner, which is generally funded on a monthly basis. Similarly, contracts and accounts receivable and due from affiliates as of the same dates included $5.4 million and $8.8 million, respectively, related to the payment of the above payables.

We intend to utilize both debt and equity as part of our ongoing financing strategy, coupled with redeployment of cash flows from continuing operations, to operate our business. As of March 31, 2019, we had outstanding borrowings of $320.0 million in aggregate principal related to our Senior Notes due 2022 and $84.0 million related to our revolving credit facility. We 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. In addition, our debt contains certain financial covenants that limit the amount of leverage we can maintain.

We intend to finance future acquisitions and developments with what we believe to be the most advantageous source of capital available to us at the time of the transaction, which may include unsecured corporate level debt, property-level debt, and other public, private or bank debt, seller land banking arrangements, or common and preferred equity.

Senior Notes Due 2022

On March 17, 2017, the Company completed the sale of $250 million in aggregate principal amount of 7.25% Senior Unsecured Notes due 2022 (the "Existing Notes"), in a private placement. The Notes were issued at an offering price of 98.961% of their face amount, which represents a yield to maturity of 7.50%. On May 4, 2017, the Company completed a tack-on private placement offering through the sale of an additional $75 million in aggregate principal amount of the 7.25% Senior Notes due 2022 ("Additional Notes"). The Additional Notes were issued at an offering price of 102.75% of their face amount plus accrued interest since March 17, 2017, which represented a yield to maturity of 6.438%. Net proceeds from the Existing Notes were used to repay all borrowings outstanding under the Company's revolving credit facility with the remainder used for general corporate purposes. Net proceeds from the Additional Notes were used for working capital, land acquisition and general corporate purposes. Interest on the Existing Notes and the Additional Notes (together, the "Notes") is payable semiannually in arrears on April 1 and October 1. The Notes will mature on April 1, 2022. The Notes were exchanged in an exchange offer for Notes that are identical to the original Notes, except that they are registered under the Securities Act of 1933 and are freely tradeable in accordance with applicable law. In March of 2019, the Company repurchased $5 million of the Notes at 90.25% of face value reducing the outstanding aggregate principal amount to $320 million.

The Notes contain certain restrictive covenants, including a limitation on additional indebtedness and a limitation on restricted payments. Restricted payments include, among other things, dividends, investments in unconsolidated entities, and stock repurchases. Under the limitation on additional indebtedness, we are permitted to incur specified categories of indebtedness but are prohibited, aside from those exceptions, from incurring further indebtedness if we do not satisfy either a leverage condition or an interest coverage condition. The leverage and interest coverage conditions are summarized in the table below, as described and defined further in the indenture for the Notes. Exceptions to the additional indebtedness limitation include, among other things, borrowings of up to $260 million under existing or future bank credit facilities, non-recourse indebtedness, and indebtedness incurred for the purpose of refinancing or repaying certain existing indebtedness. Under the limitation on restricted payments, we are also prohibited from making restricted payments, aside from certain exceptions, if we do not satisfy either condition. In addition, the amount of restricted payments that we can make is subject to an overall basket limitation, which builds based on, among other things, 50% of consolidated net income from January 1, 2017 forward and 100% of the net cash proceeds from qualified equity offerings. Exceptions to the foregoing limitations on our ability to make restricted payments include, among other things, investments in joint ventures and other investments up to 15% of our consolidated tangible net assets and a general basket of $15 million. The Notes are guaranteed by all of the Company's 100% owned subsidiaries, for more information about these guarantees, please see Note 17 of the notes to our condensed consolidated financial statements.

	March 31, 2019	
Financial Conditions	Actual	Requirement
Fixed Charge Coverage Ratio: EBITDA to Consolidated Interest Incurred; or	1.5	> 2.0 : 1.0
Leverage Ratio: Indebtedness to Tangible Net Worth	1.69	< 2.25 : 1.0

As of March 31, 2019, we were able to satisfy the leverage condition.

Senior Unsecured Revolving Credit Facility

The Company's senior unsecured revolving credit facility ("Credit Facility") is with a bank group and matures on September 1, 2020. Total commitments under the Credit Facility are $200 million with an accordion feature that allows the facility size thereunder to be increased up to an aggregate of $300 million, subject to certain conditions, including the availability of bank commitments.

As of March 31, 2019, we had $84.0 million outstanding borrowings under the Credit Facility. Interest is payable monthly and is charged at a rate of 1-month LIBOR plus a margin ranging from 2.25% to 3.00% depending on the Company’s leverage ratio as calculated at the end of each fiscal quarter. As of March 31, 2019, the interest rate under the Credit Facility was 5.49%. Pursuant to the Credit Facility, the Company is required to maintain certain financial covenants as defined in the Credit Facility, including, but not limited to, those listed in the following table.

Financial Covenants	March 31, 2019	
	Actual	Covenant Requirement
	(Dollars in thousands)	
Unencumbered Liquid Assets (Minimum Liquidity Covenant)	$ 41,874	$ 10,000 [(1)]
EBITDA to Interest Incurred[(2)]	1.42	> 1.75 : 1.0
Tangible Net Worth	$ 237,003	$ 188,362
Leverage Ratio	60.8%	< 65%
Adjusted Leverage Ratio[(3)]	NA	NA

(1) So long as the Company is in compliance with the interest coverage test (see Note 2), the minimum unencumbered liquid assets that the Company must maintain as of the quarter end measurement date is $10 million.

(2) If the EBITDA to Interest Incurred test is not met, it will not be considered an event of default so long as the Company maintains unrestricted cash equal to not less than the trailing 12 month consolidated interest incurred (as defined in the Credit Facility agreement) which was $29.5 million as of March 31, 2019. The Company was in compliance with this requirement with an unrestricted cash balance of $41.9 million at March 31, 2019.

(3) Adjusted Leverage Ratio is computed as total joint venture debt divided by total joint venture equity. The Adjusted Leverage Ratio requirement ceases to apply as of and after the fiscal quarter in which consolidated tangible net worth is at least $250 million. During any period when the Adjusted Leverage Ratio ceases to apply, consolidated tangible net worth shall be reduced by an adjustment equal to the aggregate amount of investments in and advance to unconsolidated joint ventures that exceed 35% of consolidated tangible net worth as calculated without giving effect to this adjustment (the "Adjustment Amount"). As of September 30, 2017, the Company's consolidated tangible net worth exceeded $250 million and therefore the Adjusted Leverage Ratio ceased to apply. In addition, the Adjustment Amount was considered in the calculation of consolidated tangible net worth.

As of March 31, 2019, we were in compliance with all financial covenants under our Credit Facility.

Stock Repurchase Program

On May 10, 2018, our board of directors approved a stock repurchase program (the "Repurchase Program") authorizing the repurchase of the Company's common stock with an aggregate value of up to $15 million. Repurchases of the Company's common stock may be made in open-market transactions, effected through a broker-dealer at prevailing market prices, in privately negotiated transactions, in block trades or by other means in accordance with federal securities laws, including pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934. The Repurchase Program does not obligate the Company to repurchase any particular amount or number of shares of common stock, and it may be modified, suspended or discontinued at any time. The timing and amount of repurchases are determined by the Company’s management at its discretion and be based on a variety of factors, such as the market price of the Company’s common stock, corporate and contractual requirements, general market and economic conditions and legal requirements. For the three months ended March 31, 2019, the Company repurchased and retired 153,916 shares totaling $1.0 million. As of March 31, 2019, the Company had repurchased and retired in aggregate 1,157,032 shares totaling $9.6 million and had remaining authorization to purchase $5.4 million of common shares.

Debt-to-Capital Ratios

We believe that debt-to-capital ratios provide useful information to the users of our financial statements regarding our financial position and leverage. Net debt-to-capital ratio is a non-GAAP financial measure. See the table below reconciling this non-GAAP measure to debt-to-capital ratio, the nearest GAAP equivalent.

	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
Total debt, net of unamortized discount, premium and debt issuance costs	$ 399,591	$ 387,648
Equity, exclusive of non-controlling interest	237,003	239,954
Total capital	$ 636,594	$ 627,602
Ratio of debt-to-capital[(1)]	62.8%	61.8%
Total debt, net of unamortized discount, premium and debt issuance costs	$ 399,591	$ 387,648
Less: Cash, cash equivalents and restricted cash	41,990	42,542
Net debt	357,601	345,106
Equity, exclusive of non-controlling interest	237,003	239,954
Total capital	$ 594,604	$ 585,060
Ratio of net debt-to-capital[(2)]	60.1%	59.0%

(1) The ratio of debt-to-capital is computed as the quotient obtained by dividing total debt, net of unamortized discount, premium and debt issuance costs by total capital (the sum of total debt, net of unamortized discount, premium and debt issuance costs plus equity), exclusive of non-controlling interest.

(2) The ratio of net debt-to-capital is computed as the quotient obtained by dividing net debt (which is total debt, net of unamortized discount, premium and debt issuance costs less cash, cash equivalents and restricted cash to the extent necessary to reduce the debt balance to zero) by total capital, exclusive of non-controlling interest. 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. We believe that by deducting our cash from our debt, we provide a measure of our indebtedness that takes into account our cash liquidity. We believe this provides useful information as the ratio of debt-to-capital does not take into account our liquidity and we believe that the ratio net of cash provides supplemental information by which our financial position may be considered. Investors may also find this to be helpful when comparing our leverage to the leverage of our competitors that present similar information.

Cash Flows — Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

For the three months ended March 31, 2019 as compared to the three months ended March 31, 2018, the comparison of cash flows is as follows:

- Net cash used in operating activities was $12.2 million for the three months ended March 31, 2019 versus $29.4 million for the three months ended March 31, 2018. The year-over-year change was primarily a result of a net increase in cash inflow related to real estate inventories to $9.7 million for the 2019 period compared to an outflow of $37.5 million for the 2018 period. The change in real estate inventories cash flow was driven by the year-over-year increase in proceeds from home sales in the 2019 first quarter, and a decrease in land acquisition and development spend. Partially offsetting the positive impact from real estate inventories was a net increase in cash outflows of $28.6 million due to the timing of trade account payments.
- Net cash provided by investing activities was $1.2 million for the three months ended March 31, 2019 compared to net cash used in investing activities of $2.0 million for the three months ended March 31, 2018. For the three months ended March 31, 2019, net distributions from unconsolidated joint ventures were $1.2 million compared to net contributions and advances to unconsolidated joint ventures of $2.0 million for the three months ended March 31, 2018. The increase in net distributions for the 2019 first quarter was primarily due to a $2.4 million year-over-year reduction in joint venture contributions to one land development joint venture in Northern California.
- Net cash provided by financing activities was $10.5 million for the three months ended March 31, 2019 versus $1.0 million of net cash used in financing activities for the three months ended March 31, 2018. The higher amount in 2019 reflects the net borrowings of $16.5 million from the Company's credit facility, partially offset by cash outflows of $4.5 million and $1.0 million for the repurchase of the Company's Senior Notes due 2022 and common stock, respectively.

Off-Balance Sheet Arrangements and Contractual Obligations

Option Contracts

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 and financial intermediaries as a method of acquiring land in staged takedowns, to help us manage the financial and market risk associated with land holdings, to reduce the use of funds from our corporate financing sources, and to enhance our return on capital. Option contracts generally require a nonrefundable 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 or financial intermediary. In some instances, we may also expend funds for due diligence and development activities with respect to our option contracts prior to purchase which we would have to write off should we not purchase the land. As of March 31, 2019, we had $21.1 million of nonrefundable and $0 of refundable cash deposits pertaining to land option contracts and purchase contracts with an estimated aggregate remaining purchase price of $117.4 million, net of deposits. These cash deposits are included as a component of our real estate inventories in our condensed consolidated balance sheets.

Our utilization of land option contracts is dependent on, among other things, the availability of land sellers willing to enter into option 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.

Joint Ventures

We enter into land development and homebuilding joint ventures from time to time as means of:

- leveraging our capital base
- accessing larger lot positions
- expanding our market opportunities
- managing financial and market risk associated with land holdings

These joint ventures have historically obtained secured acquisition, development and/or construction financing which reduces the use of funds from our corporate financing sources.

We are subject to certain contingent obligations in connection with our unconsolidated joint ventures. The Company has provided credit enhancements in connection with joint venture borrowings in the form of loan-to-value ("LTV") maintenance agreements in order to secure the joint venture's performance under the loans and maintenance of certain LTV ratios. The Company has also entered into agreements with its partners in each of the unconsolidated joint ventures whereby the Company and its partners are apportioned liability under the LTV maintenance agreements according to their respective capital interest. In addition, the agreements provide the Company, to the extent its partner has an unpaid liability under such credit enhancements, the right to receive distributions from the unconsolidated joint venture that would otherwise be made to the partner. However, there is no guarantee that such distributions will be made or will be sufficient to cover the Company's liability under such LTV maintenance agreements. The loans underlying the LTV maintenance agreements comprise acquisition and development loans, construction revolvers and model home loans, and the agreements remain in force until the loans are satisfied. Due to the nature of the loans, the outstanding balance at any given time is subject to a number of factors including the status of site improvements, the mix of horizontal and vertical development underway, the timing of phase build outs, and the period necessary to complete the escrow process for homebuyers. As of March 31, 2019 and December 31, 2018, $35.2 million and $41.3 million, respectively, was outstanding under loans that are credit enhanced by the Company through LTV maintenance agreements. Under the terms of the joint venture agreements, the Company's proportionate share of LTV maintenance agreement liabilities was $6.3 million and $7.3 million as of March 31, 2019 and December 31, 2018, respectively. In addition, the Company has provided completion agreements regarding specific performance for certain projects whereby the Company is required to complete the given project with funds provided by the beneficiary of the agreement. If there are not adequate funds available under the specific project loans, the Company would then be subject to financial liability under such completion guaranties. Typically, under such terms of the joint venture agreements, the Company has the right to apportion the respective share of any costs funded under such completion guaranties to its partners. However, there is no guarantee that we will be able to recover against our partners for such amounts owed to us under the terms of such joint venture agreements. In connection with joint venture borrowings, the Company also selectively provides (a) an environmental indemnity provided to the lender that holds the lender harmless from and against losses arising from the discharge of hazardous materials from the property and non-compliance with applicable environmental laws; and (b)

indemnification of the lender from customary "bad boy acts" of the unconsolidated entity such as fraud, misrepresentation, misapplication or non-payment of rents, profits, insurance, and condemnation proceeds, waste and mechanic liens, and bankruptcy. Additionally, in some cases, under our joint venture agreements, our shares of profits and losses may be greater than our contribution percentage.

For more information about our off-balance sheet arrangements, please see Note 11 to our condensed consolidated financial statements.

As of March 31, 2019, we held membership interests in 10 unconsolidated joint ventures, six of which related to homebuilding activities and four related to land development as noted below. Of the 10 joint ventures, six have active homebuilding or land development activities ongoing and the balance are effectively inactive with only limited warranty activities. We were a party to two loan-to-value maintenance agreements related to unconsolidated joint ventures as of March 31, 2019. The following table reflects certain financial and other information related to our unconsolidated joint ventures as of March 31, 2019:

			March 31, 2019								
				Total Joint Venture							
Joint Venture (Project Name)	Year Formed	Location	Contribution %[1]	Assets	Debt[2]	Equity	NWHM Equity [3]	Debt-to-Total Capitalization	Loan-to-Value Maintenance Agreement	Estimated Future Capital Commitment	Lots Owned and Controlled
			(Dollars in 000's)								
TNHC-HW San Jose LLC (Orchard Park)	2012	San Jose, CA	15%	$ 2,112	$ —	$ 342	$ 103	—%	N/A	$ —	—
TNHC-TCN Santa Clarita LP (Villa Metro)[5]	2012	Santa Clarita, CA	10%	925	—	223	58	—%	N/A	—	—
TNHC Newport LLC (Meridian)[5]	2013	Newport Beach, CA	12%	1,813	—	1,612	291	—%	N/A	—	—
Encore McKinley Village LLC (McKinley Village)	2013	Sacramento, CA	10%	61,003	16,897	40,019	4,000	30%	Yes	—	134
TNHC Russell Ranch LLC (Russell Ranch)[5][6][7]	2013	Folsom, CA	35%	58,301	1,153	45,365	7,406	2%	No	—	631
TNHC-HW Foster City LLC (Foster Square)[6]	2013	Foster City, CA	35%	1,047	—	1,004	467	—%	N/A	—	—
Calabasas Village LP (Avanti)[5]	2013	Calabasas, CA	10%	19,289	—	18,261	1,825	—%	No	—	4
TNHC-HW Cannery LLC (Cannery Park)[6]	2013	Davis, CA	35%	6,130	—	5,164	1,809	—%	N/A	—	13
Arantine Hills Holdings LP (Bedford)[5][6]	2014	Corona, CA	5%	211,354	24,825	172,664	8,635	13%	No	1,080	1,351
TNHC Mountain Shadows LLC (Mountain Shadows)	2015	Paradise Valley, AZ	25%	52,766	18,396	31,021	7,768	37%	Yes	—	36
Total Unconsolidated Joint Ventures				$414,740	$61,271	$315,675	$ 32,362	16%		$ 1,080	2,169

---

(1) Actual equity interests may differ due to current phase of underlying project's life cycle. The contribution percentage reflects the percentage of capital we are generally obligated to contribute (subject to adjustment under the joint venture agreement) and generally (subject to waterfall provisions) aligns with our percentage of distributions. In some cases our share of profit and losses may be greater than our contribution percentage.

(2) The carrying value of the debt is presented net of $0.2 million in unamortized debt issuance costs. Scheduled maturities of the unconsolidated joint venture debt as of March 31, 2019 are as follows: $36.4 million matures in 2019 and $25.0 million matures in 2020. The $18.4 million of Mountain Shadows debt is due June 14, 2019; however, pursuant to the agreement, advances made related to the construction of a presold home shall be due and payable 12 months after the initial advance of such loan with the option to extend an additional three months (provided no event of default has occurred).

(3) Represents the Company's equity in unconsolidated joint ventures. Equity does not include $0.7 million of interest capitalized to certain investments in unconsolidated joint ventures which along with equity, are included in investments in and advances to unconsolidated joint ventures in the accompanying condensed consolidated balance sheets.

(4) Estimated future capital commitment represents our proportionate share of estimated future contributions to the respective unconsolidated joint ventures as of March 31, 2019. Actual contributions may differ materially.

(5) Certain current and former members of the Company's board of directors are affiliated with entities that have an investment in these joint ventures. See Note 12 to the condensed consolidated financial statements.

(6) Land development joint venture.

(7) Estimated future capital commitment shown in table reflects our contractual contribution obligation under the joint venture agreement at March 31, 2019. Subsequent to March 31, 2019, the joint venture agreement was amended to establish the proportionate funding of certain additional capital as 50/50 for each partner.

As of March 31, 2019, the unconsolidated joint ventures were in compliance with their respective loan covenants, where applicable, and we were not required to make any loan-to-value maintenance related payments during the three months ended March 31, 2019.

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 may be 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 five to nine months to construct a new home, depending on whether it is single-family detached or multi-family attached, we typically 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 a higher level of cash receipts from home deliveries occurs during the second half of the year. We expect this seasonal pattern to continue over the long-term, although it may be affected by volatility in the homebuilding industry and the opening and closeout of communities.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting policies generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Management evaluates such estimates and judgments on an on-going basis and makes adjustments as deemed necessary. Actual results could differ from these estimates if conditions are significantly different in the future.

Our critical accounting estimates and policies have not changed from those reported in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2018.

Recently Issued Accounting Standards

The portion of Note 1 to the accompanying notes to unaudited condensed consolidated financial statements under the heading "Recently Issued Accounting Standards" included in this quarterly report on Form 10-Q is incorporated herein by reference.

JOBS Act

We qualify as an "emerging growth company" pursuant to the provisions of the JOBS Act. For as long as we are an "emerging growth company," we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 (b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements of holding advisory "say-on-pay" votes on executive compensation and shareholder advisory votes on golden parachute compensation.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change to the information about our market risk as disclosed in Part II, Item 7A, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure based on the definition of "disclosure controls and procedures" in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Our disclosure controls and procedures are designed to provide a reasonable level of assurance of achieving our desired disclosure control objectives. In designing controls and procedures specified in the SEC's rules and forms, and evaluating the disclosure controls and procedures, management recognizes 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. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error and mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of controls.

At the end of the period being reported upon, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2019.

Changes in Internal Controls

There was no change in the Company’s internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various claims and litigation arising in the ordinary course of business. We do not believe that any such claims and litigation will materially affect our results of operations or financial position.

Item 1A. Risk Factors

There have been no material changes to the risk factors set forth in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs[1]	Approximate dollar value of shares that may yet be purchased under the plans or programs (in thousands)[1]
January 1, 2019 to January 31, 2019	151,913	$ 6.77	151,913	$ 5,429
February 1, 2019 to February 28, 2019	—	$ —	—	$ 5,429
March 1, 2019 to March 31, 2019	2,003	$ 5.21	2,003	$ 5,419
Total	153,916	$ 6.75	153,916	

(1) On May 10, 2018, our board of directors approved a stock repurchase program (the "Repurchase Program") authorizing the repurchase of the Company's common stock with an aggregate value of up to $15 million. The Repurchase Program was announced on May 14, 2018. Repurchases of the Company's common stock may be made in open-market transactions, effected through a broker-dealer at prevailing market prices, in privately negotiated transactions, in block trades or by other means in accordance with federal securities laws, including pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934. The board of directors did not fix any expiration date for the Repurchase Program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Entry into a Material Definitive Agreement.

On May 1, 2019, TNHC Land Company LLC ("TNHC"), a wholly owned subsidiary of The New Home Company Inc. (the “Company”) entered into the second amendment (the “Second Amendment”) to that certain Limited Liability Company Agreement, dated May 22, 2013, as amended by that certain first amendment, dated August 4, 2017 (together, the “JV Agreement”) of TNHC Russell Ranch LLC (the “Joint Venture”) by and between TNHC and IHP Capital Partners VI, LLC (“IHP”). The JV Agreement relates to the Joint Venture’s acquisition and development of residential and commercial lots in a 431 acre community in Northern California (the “Project”).

Prior to the execution of the Second Amendment, each of IHP and TNHC had contributed its maximum capital commitments pursuant to the JV Agreement, as amended. Pursuant to the Second Amendment, the parties agreed to fund additional required capital in the aggregate amount of approximately $26 million for certain remaining backbone improvements for the Project (the “Phase 1 Backbone Improvements”) as follows: 50% by IHP and 50% by TNHC (“Amendment Additional Capital”). None of the Amendment Additional Capital accrues a preferred return that base capital contributions are generally afforded under the JV Agreement. To the extent of overruns on the Phase 1 Backbone Improvements, TNHC is required to fund such overrun capital (“TNHC Overrun Capital”); provided that such contributions shall receive capital account credit. Pursuant to the Second Amendment, the distribution of cash flow under the JV Agreement was amended to provide that Amendment Additional Capital would be returned prior to TNHC Overrun Capital, which would, in turn, be returned ahead of the base capital preferred return and base capital.

The New Home Company Northern California LLC (a separate affiliate and wholly owned subsidiary of the Company) previously purchased lots from the Joint Venture as described in the first amendment to the JV Agreement (the “PSA”). The Second Amendment also provided relief from the profit participation provisions in the PSA under certain circumstances.

IHP owns approximately 12.1% of our common stock. Douglas Neff, one of our non-employee directors, is President of IHP Capital Partners, which is an affiliate of IHP.

Item 6. Exhibits

Exhibit Number	Exhibit Description
3.1	Amended and Restated Certificate of Incorporation of The New Home Company Inc. (incorporated by reference to Exhibit 3.1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2013)
3.2	State of Delaware Certificate of Change of Registered Agent and/or Registered Office (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on August 1, 2016)
3.3	Amended and Restated Bylaws of The New Home Company Inc. (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K filed on August 1, 2016)
4.1	Specimen Common Stock Certificate of The New Home Company Inc. (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-1 (Amendment No. 10, filed on January 24, 2014))
4.2	Investor Rights Agreement among The New Home Company Inc., TNHC Partners LLC, IHP Capital Partners VI, LLC, WATT/TNHC LLC, TCN/TNHC LP and collectively H. Lawrence Webb, Wayne J. Stelmar, Joseph D. Davis and Thomas Redwitz (incorporated by reference to Exhibit 4.2 of the Company's Annual Report on Form 10-K for the year ended December 31, 2013)
4.3	Amendment No. 1 to Investor Rights Agreement among The New Home Company Inc., TNHC Partners LLC, IHP Capital Partners VI, LLC, WATT/TNHC, LLC, TCN/TNHC LP and collectively H. Lawrence Webb, Wayne J. Stelmar, Joseph D. Davis and Thomas Redwitz (incorporated by reference to Exhibit 10.1 of the Company's Current Report on form 8-K filed on May 23, 2018)
10.1*†	The New Home Company Inc. 2016 Incentive Award Plan form of Stock Option Award Agreement
10.2*†	The New Home Company Inc. 2016 Incentive Award Plan form of Restricted Stock Unit Award Agreement
10.3*†	Separation and Release Agreement, dated February 14, 2019, by and between The New Home Company Inc. and Thomas Redwitz
10.4*†	Consulting Agreement, dated February 14, 2019, by and between The New Home Company Inc. and Thomas Redwitz
10.5*†	The New Home Company Inc. Non-Employee Director Compensation Program, amended and restated on April 30, 2019
31.1*	Chief Executive Officer Section 302 Certification of Periodic Report
31.2*	Chief Financial Officer Section 302 Certification of Periodic Report
32.1**	Chief Executive Officer Section 906 Certification of Periodic Report
32.2**	Chief Financial Officer Section 906 Certification of Periodic Report
101*	The following materials from The New Home Company Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, formatted in eXtensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Equity, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Unaudited Condensed Consolidated Financial Statements.

† Management Contract or Compensatory Plan or Arrangement

* Filed herewith

** Furnished herewith. The information in Exhibits 32.1 and 32.2 shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, nor shall they be deemed incorporated by reference in any filing under the Securities Act, or the Exchange Act (including this Report), unless the Registrant specifically incorporates the foregoing information into those documents by reference.

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.

The New Home Company Inc.

By: /s/ H. Lawrence Webb
H. Lawrence Webb
Chief Executive Officer

By: /s/ John M. Stephens
John M. Stephens
Chief Financial Officer

Date: May 3, 2019

(Back To Top)

Section 2: EX-10.1 (EXHIBIT 10.1)

Exhibit 10.1

THE NEW HOME COMPANY INC.
2016 INCENTIVE AWARD PLAN

STOCK OPTION GRANT NOTICE

The New Home Company Inc. (the "***Company***") has granted to the participant listed below ("***Participant***") the stock option (the "***Option***") described in this Stock Option Grant Notice (the "***Grant Notice***"), subject to the terms and conditions of the Amended and Restated 2016 Incentive Award Plan (as amended from time to time, the "***Plan***") and the Stock Option Agreement attached as **Exhibit A** (the "***Agreement***"), both of which are incorporated into this Grant Notice by reference. Capitalized terms not specifically defined in this Grant Notice or the Agreement have the meanings given to them in the Plan.

Participant:	
Grant Date:	
Exercise Price per Share:	
Shares Subject to the Option:	
Final Expiration Date:	[Can be no later than 10th anniversary of Grant Date]
Vesting Commencement Date:	
Vesting Schedule:	The Option granted hereby (the "***Grant***

	Amount") shall vest in respect of one-third of the Shares subject thereto on each of the first, second and third anniversaries of the Grant Date, (a) rounding up to the nearest whole Share on the first anniversary, (b)(i) if immediately following the vesting on the first anniversary, there is an odd number of unvested Shares subject to the Option remaining, rounding up to the nearest whole Share on the second anniversary and (ii) if immediately following the vesting on the first anniversary, there is an even number of unvested Shares subject to the Option remaining, rounding down to the nearest whole Share on the second anniversary and (c) rounding down to the nearest whole Share on the third anniversary; subject to the terms of the Agreement. To the extent the foregoing rounding procedures would result an aggregate number of Shares granted that is not equal to the Grant Amount, the Company shall cause the Shares to vest as nearly as possible to one-third of the Shares subject to the Grant at each anniversary such that each vest has a whole number of Shares and results in an aggregate amount of Shares granted to Participant that is equal to the Grant Amount.
Type of Option	[Incentive Stock Option/Non-Qualified Stock Option]

By Participant's signature below, Participant agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement. Participant has reviewed the Plan, this Grant Notice and the Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, this Grant Notice and the Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice or the Agreement.

THE NEW HOME COMPANY INC.		**PARTICIPANT**
By:	_	_
Name:	_	[Participant Name]
Title:	_	

STOCK OPTION AGREEMENT

ARTICLE I.
GENERAL

1.1 Grant of Option. The Company has granted to Participant the Option effective as of the grant date set forth in the Grant Notice (the "***Grant Date***").

1.2 Incorporation of Terms of Plan. The Option is subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan will control.

1.3 Defined Terms. Wherever the following terms are used in this Agreement they shall have the meanings specified below, unless the context clearly indicates otherwise. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan and the Grant Notice.

(a) "***Cause***" shall have the meaning provided in an applicable employment or other service agreement between the Company (or its Subsidiaries or affiliates) and Participant if such an agreement exists and contains a definition of Cause, or, if no such agreement exists or such agreement does not contain a definition of Cause, then Cause shall mean the occurrence of any of the following conditions:

(i) conviction or plea of guilty or nolo contendere to a charge of commission of a felony or a misdemeanor involving moral turpitude;

(ii) the commission of dishonest, fraudulent or deceptive acts or practices in connection with Participant's status as a Service Provider that are materially injurious to the Company, monetarily or otherwise;

(iii) Participant's material breach of any Company policy; or

(iv) Participant's ongoing willful refusal to follow the proper and lawful directions of the Company after a written demand for substantial performance is delivered to Participant by the Company that specifically identifies the manner in which the Company believes that Participant has refused to follow its instructions and Participant's failure to cure such refusal not later than 30 days following his or her receipt of such notice.

For purposes of this definition, no act, or failure to act, on the part of Participant shall be considered "willful" unless it is done, or omitted to be done, by Participant in bad faith or without reasonable belief that Participant's action or omission was in the best interests of the Company.

(b) "***CIC Protection Period***" shall mean on or within 24 months following a Change in Control.

(c) "***Disability***" shall mean Participant's absence for a period of 120 consecutive business days or 180 days in a 365 day period as a result of incapacity due to a physical or mental condition, illness or injury, such determination to be made by a physician mutually acceptable to the Company and Participant or Participant's legal representative (such acceptance not to be unreasonably withheld) after such physician has completed an examination of Participant.

(d) "***Retirement***" shall mean Participant's Separation from Service, other than as a result of Participant's death or termination by the Company for Cause, on or after the first anniversary of the Grant Date and Participant has (i) attained at least 65 years of age, and (ii) completed at least five consecutive years of service as an employee of the Company.

(e) "***Separation from Service***" shall mean Participant's "separation from service" from the Company within the meaning of Section 409A(a)(2)(A)(i) of the Code.

(f) "***Severance Agreement***" shall mean an applicable employment, severance or other agreement between the Company (or its Subsidiaries or affiliates) and Participant if such an agreement exists and contains severance payments and/or benefits upon a qualifying termination of service in connection with a Change in Control.

ARTICLE II.
PERIOD OF EXERCISABILITY

2.1 Vesting; Commencement of Exercisability.

(a) Except as otherwise provided in Sections 2.1(b)-(e) below, the Option will vest and become exercisable according to the vesting schedule in the Grant Notice (the "***Vesting Schedule***").

(b) Subject to Section 2.1(d), in the event that Participant experiences a Termination of Service due to a termination by the Company without Cause, by Participant for Good Reason (as defined in a Severance Agreement, and if and only if such agreement exists between Participant and the Company), or due to Participant's death or Disability, then the Option shall vest and become exercisable with respect to the number of Shares underlying the Option that would have become vested and exercisable on the first vesting date after such Termination of Service, had Participant remained in service through such date.

(c) In the event that Participant experiences a Termination of Service due to Participant's Retirement, then the Option shall vest and become exercisable with respect to the number of Shares underlying the Option equal to (i) the number of Shares underlying the Option that would have become vested and exercisable on the first vesting date after such Termination of Service, had Participant remained in service through such date, multiplied by (ii) the product of (A) 1/12, and (B) the number of whole months between the vesting date immediately preceding such Termination of Service and the date of termination.

(d) Notwithstanding Section 2.1(b), in the event that Participant experiences a Termination of Service due to a termination by the Company without Cause or by Participant for Good Reason (as defined in a Severance Agreement, and if and only if such agreement exists between Participant and the Company), in either case, during the CIC Protection Period, then the Option shall vest and become exercisable in full as of the date of termination.

(e) Except as provided above in Sections 2.1(b)-(d), in the event that Participant experiences a Termination of Service for any reason, and notwithstanding anything in the Grant Notice, the Plan or this Agreement to the contrary, unless the Administrator otherwise determines, the Option will immediately expire and be forfeited as to any portion that is not vested and exercisable as of Participant's Termination of Service. For the avoidance of doubt, if Participant has no Severance Agreement which provides for rights upon a Termination of Service by Participant for Good Reason, such Participant shall not be entitled to any accelerated vesting of Participant's Options under this Section 2.1 upon a Termination of Service by Participant for Good Reason.

2.2 Duration of Exercisability. The Vesting Schedule is cumulative. Any portion of the Option which vests and becomes exercisable will remain vested and exercisable until the Option expires. The Option will be forfeited immediately upon its expiration.

2.3 Expiration of Option. The Option may not be exercised to any extent by anyone after, and will expire on, the first of the following to occur:

(a) The final expiration date in the Grant Notice;

(b) Except as the Administrator may otherwise approve, the expiration of three months from the date of Participant's Termination of Service, unless Participant's Termination of Service is for Cause or by reason of Participant's death, Disability or Retirement;

(c) Except as the Administrator may otherwise approve, the expiration of one year from the date of Participant's Termination of Service by reason of Participant's death or Disability; and

(d) Except as the Administrator may otherwise approve, Participant's Termination of Service for Cause.

ARTICLE III.
EXERCISE OF OPTION

3.1 Person Eligible to Exercise. During Participant's lifetime, only Participant may exercise the Option. After Participant's death, any exercisable portion of the Option may, prior to the time the Option expires, be exercised by Participant's Designated Beneficiary as provided in the Plan.

3.2 Partial Exercise. Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised, in whole or in part, according to the procedures in the Plan at any time prior to the time the Option or portion thereof expires, except that the Option may only be exercised for whole Shares.

3.3 Tax Withholding.

(a) The Company has the right and option, but not the obligation, to treat Participant's failure to provide timely payment in accordance with the Plan of any withholding tax arising in connection with the Option as Participant's election to satisfy all or any portion of the withholding tax by requesting the Company retain Shares otherwise issuable under the Award. The number of Shares which may be so withheld or surrendered shall be limited to the number of Shares which have a fair market value (determined by the Company in its sole discretion) on the date of withholding no greater than the aggregate amount of such liabilities based on the maximum statutory withholding rates in Participant's applicable jurisdictions for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such taxable income.

(b) Participant acknowledges that Participant is ultimately liable and responsible for all taxes owed in connection with the Option, regardless of any action the Company or any Subsidiary takes with respect to any tax withholding obligations that arise in connection with the Option. Neither the Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or exercise of the Option or the subsequent sale of Shares. The Company and the Subsidiaries do not commit and are under no obligation to structure the Option to reduce or eliminate Participant's tax liability.

ARTICLE IV.
OTHER PROVISIONS

4.1 Adjustments. Participant acknowledges that the Option is subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan.

4.2 Notices. Any notice to be given under the terms of this Agreement to the Company must be in writing and addressed to the Company in care of the Company's Secretary at the Company's principal office or the Secretary's then-current email address or facsimile number. Any notice to be given under the terms of this Agreement to Participant must be in writing and addressed to Participant (or, if Participant is then deceased, to the person entitled to exercise the Option) at Participant's last known mailing address, email address or facsimile number in the Company's personnel files. By a notice given pursuant to this Section, either party may designate a different address for notices to be given to that party. Any notice will be deemed duly given when actually received, when sent by email, when sent by certified mail (return receipt requested) and deposited with postage prepaid in a post office or branch post

office regularly maintained by the United States Postal Service, when delivered by a nationally recognized express shipping company or upon receipt of a facsimile transmission confirmation.

4.3 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

4.4 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws and, to the extent Applicable Laws permit, will be deemed amended as necessary to conform to Applicable Laws.

4.5 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in this Agreement or the Plan, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

4.6 Clawback. This Award shall be subject to any clawback or recoupment policy currently in effect or as may be adopted by the Company, as may be amended from time to time.

4.7 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Grant Notice, this Agreement and the Option will be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3) that are requirements for the application of such exemptive rule. To the extent Applicable Laws permit, this Agreement will be deemed amended as necessary to conform to such applicable exemptive rule.

4.8 Entire Agreement. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

4.9 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held illegal or invalid, the provision will be severable from, and the illegality or invalidity of the provision will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

4.10 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and may not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant will have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the Option, and rights no greater than the right to receive the Shares as a general unsecured creditor with respect to the Option, as and when exercised pursuant to the terms hereof.

4.11 Not a Contract of Employment. Nothing in the Plan, the Grant Notice or this Agreement confers upon Participant any right to continue in the employ or service of the Company or any Subsidiary or interferes with or restricts in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

4.12 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which will be deemed an original and all of which together will constitute one instrument.

4.13 Incentive Stock Options. If the Option is designated as an Incentive Stock Option:

(a) Participant acknowledges that to the extent the aggregate fair market value of shares (determined as of the time the option with respect to the shares is granted) with respect to which stock options intended to qualify as "incentive stock options" under Section 422 of the Code, including the Option, are exercisable for the first time by Participant during any calendar year exceeds $100,000 or if for any other reason such stock options do not qualify or cease to qualify for treatment as "incentive stock options" under Section 422 of the Code, such stock options (including the Option) will be treated as non-qualified stock options. Participant further acknowledges that the rule set forth in the preceding sentence will be applied by taking the Option and other stock options into account

in the order in which they were granted, as determined under Section 422(d) of the Code. Participant also acknowledges that if the Option is exercised more than three months after Participant's Termination of Service, other than by reason of death or disability, the Option will be taxed as a Non-Qualified Stock Option.

(b) Participant will give prompt written notice to the Company of any disposition or other transfer of any Shares acquired under this Agreement if such disposition or other transfer is made (a) within two years from the Grant Date or (b) within one year after the transfer of such Shares to Participant. Such notice will specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by Participant in such disposition or other transfer.

* * * * *

(Back To Top)

Section 3: EX-10.2 (EXHIBIT 10.2)

Exhibit 10.2

THE NEW HOME COMPANY INC.
2016 INCENTIVE AWARD PLAN

RESTRICTED STOCK UNIT GRANT NOTICE

The New Home Company Inc. (the "***Company***") has granted to the participant listed below ("***Participant***") the Restricted Stock Units (the "***RSUs***") described in this Restricted Stock Unit Grant Notice (the "***Grant Notice***"), subject to the terms and conditions of the Amended and Restated 2016 Incentive Award Plan (as amended from time to time, the "***Plan***") and the Restricted Stock Unit Agreement attached as **Exhibit A** (the "***Agreement***"), both of which are incorporated into this Grant Notice by reference. Capitalized terms not specifically defined in this Grant Notice or the Agreement have the meanings given to them in the Plan.

Participant:

Grant Date:

Number of RSUs:

Vesting Commencement Date:

Vesting Schedule: The RSUs granted hereby (the "Grant Amount") shall vest in respect of one-third of the Shares subject thereto on each of the first, second and third anniversaries of the Grant Date, (a) rounding up to the nearest whole Share on the first anniversary, (b)(i) if immediately following the vesting on the first anniversary, there is an odd number of RSUs remaining, rounding up to the nearest whole Share on the second anniversary and (ii) if immediately following the vesting on the first anniversary, there is an even number of RSUs remaining, rounding down to the nearest whole Share on the second anniversary and (c) rounding down to the nearest whole Share on the third anniversary; subject to the terms of the Agreement. To the extent the foregoing rounding procedures would result an aggregate number of Shares granted that is not equal to the Grant Amount, the Company shall cause the Shares to vest as nearly as possible to one-third of the Shares subject to the Grant at each anniversary such that each vest has a whole number of Shares and results in an aggregate amount of Shares granted to Participant that is equal to the Grant Amount.

By Participant's signature below, Participant agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement. Participant has reviewed the Plan, this Grant Notice and the Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, this Grant Notice and the

Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice or the Agreement.

THE NEW HOME COMPANY INC.		**PARTICIPANT**
By:	_	_
Name:	_	[Participant Name]
Title:	_	

Exhibit A

RESTRICTED STOCK UNIT AGREEMENT

Article I.
GENERAL

1.1 Award of RSUs and Dividend Equivalents.

(a) The Company has granted the RSUs to Participant effective as of the grant date set forth in the Grant Notice (the "***Grant Date***"). Each RSU represents the right to receive one Share, as set forth in this Agreement. Participant will have no right to the distribution of any Share underlying an RSU until the time (if ever) such RSU has vested.

(b) The Company hereby grants to Participant, with respect to each RSU, a Dividend Equivalent for ordinary cash dividends paid to substantially all holders of outstanding Shares with a record date after the Grant Date and prior to the date the applicable RSU is settled, forfeited or otherwise expires. Each Dividend Equivalent entitles Participant to receive the equivalent value of any such ordinary cash dividends paid on a single Share that becomes vested in accordance with this Agreement. The Company will establish a separate Dividend Equivalent bookkeeping account (a "***Dividend Equivalent Account***") for each Dividend Equivalent and credit the Dividend Equivalent Account (without interest and, for the avoidance of doubt, without assuming reinvestment in Shares) on the applicable dividend payment date with the amount of any such cash paid. Any Dividend Equivalents granted in connection with the RSUs issued hereunder, and any amounts that may become distributable in respect thereof, shall be treated separately from such RSUs and the rights arising in connection therewith for purposes of the designation of time and form of payments required by Section 409A. Dividend Equivalents shall not entitle Participant to any payments relating to dividends with a record date that occurs after the earlier of the payment or forfeiture of the RSU underlying such Dividend Equivalent, and Participant shall not be entitled to any Dividend Equivalent payment with respect to any RSU that does not vest in accordance with this Agreement.

1.2 Incorporation of Terms of Plan. The RSUs are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan will control.

1.3 Unsecured Promise. The RSUs and Dividend Equivalents will at all times prior to settlement represent an unsecured Company obligation payable only from the Company's general assets.

Article II.
VESTING; FORFEITURE AND SETTLEMENT

2.1 Vesting; Forfeiture.

(a) Except as otherwise provided in Sections 2.1(b) below, the RSUs will vest according to the vesting schedule in the Grant Notice.

(b) In the event that Participant experiences a Termination of Service due to a termination by the Company without Cause or by Participant for Good Reason (as defined in a Severance

Agreement, and if and only if such agreement exists between Participant and the Company), in either case, during the CIC Protection Period, then the RSUs will accelerate and become fully vested as of the date of termination. For the avoidance of doubt, if Participant has no Severance Agreement which provides for rights upon a Termination of Service by Participant for Good Reason, such Participant shall not be entitled to any accelerated vesting of Participant's RSUs under this Section 2.1 upon a Termination of Service by Participant for Good Reason.

(c) Except as provided above in Section 2.1(b), in the event that Participant experiences a Termination of Service for any reason, all then-unvested RSUs will immediately and automatically be cancelled and forfeited, except as otherwise determined by the Administrator or provided in a binding written agreement between Participant and the Company.

(d) Dividend Equivalents (including any Dividend Equivalent Account balance) will vest or be forfeited, as applicable, upon the vesting or forfeiture of the RSU with respect to which the Dividend Equivalent (including the Dividend Equivalent Account) relates.

(e) As used in this Agreement, "***Cause***" shall have the meaning provided in an applicable employment or other service agreement between the Company (or its Subsidiaries or affiliates) and Participant if such an agreement exists and contains a definition of Cause, or, if no such agreement exists or such agreement does not contain a definition of Cause, then Cause shall mean the occurrence of any of the following conditions:

(i) conviction or plea of guilty or nolo contendere to a charge of commission of a felony or a misdemeanor involving moral turpitude;

(ii) the commission of dishonest, fraudulent or deceptive acts or practices in connection with Participant's status as a Service Provider that are materially injurious to the Company, monetarily or otherwise;

(iii) Participant's material breach of any Company policy; or

(iv) Participant's ongoing willful refusal to follow the proper and lawful directions of the Company after a written demand for substantial performance is delivered to Participant by the Company that specifically identifies the manner in which the Company believes that Participant has refused to follow its instructions and Participant's failure to cure such refusal not later than 30 days following his or her receipt of such notice.

For purposes of this definition, no act, or failure to act, on the part of Participant shall be considered "willful" unless it is done, or omitted to be done, by Participant in bad faith or without reasonable belief that Participant's action or omission was in the best interests of the Company.

(f) As used in this Agreement, "***CIC Protection Period***" shall mean on or within 24 months following a Change in Control.

(g) As used in this Agreement, "***Severance Agreement***" shall mean an applicable employment, severance or other agreement between the Company (or its Subsidiaries or affiliates) and Participant if such an agreement exists and contains severance payments and/or benefits upon a qualifying termination of service in connection with a Change in Control.

2.2 Settlement. RSUs will be paid in Shares as soon as administratively practicable after the vesting of the applicable RSU, but in no event more than 60 days after the RSU's vesting date. Dividend Equivalents (including any Dividend Equivalent Account balance) will be paid in cash as soon as administratively practicable after the vesting of the applicable RSU, but in no event more than 60 days after the RSU's vesting date. Notwithstanding the foregoing, the Company may delay any payment under this Agreement that the Company reasonably determines would violate Applicable Law until the earliest date the Company reasonably determines the making of the payment will not cause such a violation (in accordance with Treasury Regulation Section 1.409A-2(b)(7)(ii)), provided the Company reasonably believes the delay will not result in the imposition of excise taxes under Section 409A.

Article III.
TAXATION AND TAX WITHHOLDING

3.1 Representation. Participant represents to the Company that Participant has reviewed with Participant's own tax advisors the tax consequences of this Award and the transactions contemplated by the Grant Notice and this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents.

3.2 Tax Withholding.

(a) The Company has the right and option, but not the obligation, to treat Participant's failure to provide timely payment in accordance with the Plan of any withholding tax arising in connection with the RSUs or Dividend Equivalents as Participant's election to satisfy all or any portion of the withholding tax by requesting the Company retain Shares otherwise issuable under the Award. The number of Shares which may be so withheld or surrendered shall be limited to the number of Shares which have a fair market value (determined by the Company in its sole discretion) on the date of withholding no greater than the aggregate amount of such liabilities based on the maximum statutory withholding rates in Participant's applicable jurisdictions for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such taxable income.

(b) Participant acknowledges that Participant is ultimately liable and responsible for all taxes owed in connection with the RSUs and the Dividend Equivalents, regardless of any action the Company or any Subsidiary takes with respect to any tax withholding obligations that arise in connection with the RSUs or Dividend Equivalents. Neither the Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the RSUs or the Dividend Equivalents or the subsequent sale of Shares. The Company and the Subsidiaries do not commit and are under no obligation to structure the RSUs or Dividend Equivalents to reduce or eliminate Participant's tax liability.

Article IV.
OTHER PROVISIONS

4.1 Adjustments. Participant acknowledges that the RSUs, the Shares subject to the RSUs and the Dividend Equivalents are subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan.

4.2 Notices. Any notice to be given under the terms of this Agreement to the Company must be in writing and addressed to the Company in care of the Company's Secretary at the Company's principal office or the Secretary's then-current email address or facsimile number. Any notice to be given under the terms of this Agreement to Participant must be in writing and addressed to Participant at Participant's last known mailing address, email address or facsimile number in the Company's personnel files. By a notice given pursuant to this Section, either party may designate a different address for notices to be given to that party. Any notice will be deemed duly given when actually received, when sent by email, when sent by certified mail (return receipt requested) and deposited with postage prepaid in a post office or branch post office regularly maintained by the United States Postal Service, when delivered by a nationally recognized express shipping company or upon receipt of a facsimile transmission confirmation.

4.3 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

4.4 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws and, to the extent Applicable Laws permit, will be deemed amended as necessary to conform to Applicable Laws.

4.5 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in this Agreement or the Plan, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

4.6 Clawback. This Award shall be subject to any clawback or recoupment policy currently in effect or as may be adopted by the Company, as may be amended from time to time.

4.7 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, then the Plan, the Grant Notice, this Agreement, the RSUs and the Dividend Equivalents will be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3) that are requirements for the application of such exemptive rule. To the extent Applicable Laws permit, this Agreement will be deemed amended as necessary to conform to such applicable exemptive rule.

4.8 Entire Agreement. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

4.9 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held illegal or invalid, the provision will be severable from, and the illegality or invalidity of the provision will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

4.10 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and may not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant will have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the RSUs and Dividend Equivalents, and rights no greater than the right to receive payment as a general unsecured creditor with respect to the RSUs and Dividend Equivalents, as and when settled pursuant to the terms of this Agreement.

4.11 Not a Contract of Employment. Nothing in the Plan, the Grant Notice or this Agreement confers upon Participant any right to continue in the employ or service of the Company or any Subsidiary or interferes with or restricts in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

4.12 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which will be deemed an original and all of which together will constitute one instrument.

* * * * *

Section 4: EX-10.3 (EXHIBIT 10.3)

Exhibit 10.3

SEPARATION AND RELEASE AGREEMENT

This Separation and Release Agreement (the "***Agreement***") is entered into by and between Thomas Redwitz ("***Employee***") and The New Home Company Inc. (the "***Company***"), effective as of the eighth (8th) day following the date on which Employee signs this Agreement if not revoked in accordance with Section 6(d) below (the "***Effective Date***"). Employee wishes to voluntarily resign his employment with the Company, effective as of the Separation Date (as defined below), and the Company wishes to accept his resignation. The purpose of this Agreement is to provide separation pay to ease Employee's transition from the Company and to settle and resolve any and all disputes and controversies of any nature existing between Employee and the Company, including, but not limited to, any claims arising out of Employee's employment with, and separation from, the Company.

1. Separation of Employment.

(a) *Separation; Termination of Employment Agreement*. Employee's last day of employment with the Company shall be March 1, 2019 (the "***Separation Date***"). Effective as of the Separation Date, (i) Employee shall resign his employment with the Company and all of its affiliates and shall cease to be an employee of all of the foregoing and (ii) the employment agreement by and between the Company and Employee, dated January 30, 2014, as amended by those certain amendments dated February 16, 2017, March 23, 2017 and February 16, 2018 (collectively, the "***Employment Agreement***"), shall terminate, and neither the Company nor Employee shall have any further obligations thereunder except as expressly provided herein.

(b) *Return of Company Property*. Employee represents and warrants that he shall, prior to the Separation Date, to the extent requested, return to the Company any and all property and equipment of the Company, including (i) all keys, files, lists, books and records (and copies thereof) of, or in connection with, the Company's business, equipment (including, but not limited to, computer hardware, software and printers, wireless handheld devices, cellular phones and pagers), access or credit cards, Company identification, and all other property belonging to the Company in Employee's possession or control, and (ii) all documents and copies, including hard and electronic copies, of documents in Employee's possession relating to any Confidential Information (as defined below), including without limitation, internal and external business forms, manuals, correspondence, notes and computer programs, and that Employee shall not make or retain any copy or extract of any of the foregoing; provided, however, that Employee may retain Employee's telephone and address book and copies of Employee's own personnel, payroll and benefit documents (provided that such documents do not contain any Confidential Information and that the Company has the prior opportunity to review, redact and/or retain any such documents containing Confidential Information).

2. Accrued Obligations. Upon the Separation Date, the Company will pay to Employee (i) all accrued salary and all accrued, unused paid time off through the Separation Date, and (ii) any unreimbursed business expenses incurred by Employee, in accordance with Company policy, prior to the Separation Date (collectively, the "***Accrued Obligations***"). Employee acknowledges and agrees that he is not eligible to receive an annual bonus for the 2018 fiscal year.

3. Separation Benefits. Subject to Section 4 below, in consideration of, and subject to and conditioned upon (i) Employee's timely execution of this Agreement on or within twenty-one (21) days following the Separation Date and non-revocation of this Agreement, and (ii) Employee's continued

compliance with the terms and conditions of Sections 6-9 of this Agreement, the Company will pay or provide Employee the following separation benefits:

(a) A severance payment equal to $1,100,000 payable in a single cash lump sum on the 60th day following the Separation Date.

(b) Notwithstanding anything to the contrary contained in any equity award agreement or any other written agreement entered into between Employee and the Company, Employee shall forfeit all equity awards, including but not limited to stock option awards, restricted stock units and performance share units, outstanding as of the Separation Date to the extent such awards are unvested as of such date, and such unvested portion of such awards will terminate on the Separation Date. Employee acknowledges and agrees that he is not entitled to any payment with respect to any dividend equivalent rights granted in connection with any restricted stock units granted to Employee.

(c) During the period commencing on the Separation Date and ending on the earlier of (i) the twelve (12)-month anniversary of the Separation Date, or (ii) the date on which Employee obtains substantially similar healthcare coverage (in each case, the "***COBRA Period***"), subject to Employee's valid election to continue healthcare coverage under Section 4980B of the Internal Revenue Code of 1986, as amended (the "***Code***") and the regulations thereunder, the Company shall reimburse Employee and Employee's dependents for, coverage under its group health plan at the same or reasonably equivalent levels in effect on the Separation Date and at the same cost to Employee that would have applied had Employee's employment not terminated based on Employee's elections in effect on the Separation Date; provided, however, that if (x) any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the COBRA Period to be, exempt from the application of Section 409A of the Code under Treasury Regulation Section 1.409A-1(a)(5), (y) the Company is otherwise unable to continue to cover Employee or Employee's dependents under its group health plans, or (z) the Company cannot provide the benefit without violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then, in any such case, an amount equal to each remaining Company subsidy shall thereafter be paid to Employee in substantially equal monthly installments over the remaining portion of the COBRA Period.

4. Withholdings and Other Deductions. All compensation payable to Employee hereunder shall be subject to such withholdings and deductions as the Company is from time to time required to make pursuant to law, governmental regulation or order.

5. Warranty. Employee acknowledges that all payments and benefits under Section 3 of this Agreement constitute additional compensation to which Employee would not be entitled except for Employee's decision to sign this Agreement and to abide by the terms of this Agreement. Employee acknowledges that, upon receipt of the Accrued Obligations, Employee has received all monies and other benefits due to Employee as a result of his employment with and separation from the Company. Employee further represents that to the best of Employee's knowledge he has not sustained a work-related injury or illness which he has not previously reported to the Company.

6. Release of Known and Unknown Claims.

(a) *General Release*. In exchange for the consideration set forth in this Agreement (including the payment to Employee of the payments and benefits set forth in Section 3 hereof), and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Employee agrees unconditionally and forever to release and discharge the Company and the Company's

affiliated, related, parent and subsidiary corporations, as well as their respective past and present parents, subsidiaries, affiliates, associates, members, stockholders, employee benefit plans, attorneys, agents, representatives, partners, joint venturers, predecessors, successors, assigns, insurers, owners, employees, officers, directors and all persons acting by, through, under, or in concert with them, or any of them (hereinafter the "***Releasees***") from any and all manner of claims, actions, causes of action, in law or in equity, demands, rights, or damages of any kind or nature which he may now have, or ever have, whether known or unknown, fixed or contingent, including any claims, causes of action or demands of any nature (hereinafter called "***Claims***"), that Employee now has or may hereafter have against the Releasees by reason of any and all acts, omissions, events or facts occurring or existing prior to Employee's execution of this Agreement. The Claims released hereunder specifically include, but are not limited to, any claims for fraud; breach of contract; breach of implied covenant of good faith and fair dealing; inducement of breach; interference with contract; wrongful or unlawful discharge or demotion; violation of public policy; sexual or any other type of assault and battery; invasion of privacy; intentional or negligent infliction of emotional distress; intentional or negligent misrepresentation; conspiracy; failure to pay wages, benefits, vacation pay, severance pay, commissions, equity, attorneys' fees, or other compensation of any sort; failure to accommodate disability, including pregnancy; discrimination or harassment on the basis of pregnancy, race, color, sex, gender, national origin, ancestry, religion, disability, handicap, medical condition, marital status, sexual orientation or any other protected category; any claim under the Age Discrimination in Employment Act, as amended, 29 U.S.C. § 621 et seq. ("***ADEA***"); the Older Workers' Protection Benefit Act of 1990; Title VII of the Civil Rights Act of 1964, as amended, by the Civil Rights Act of 1991, 42 U.S.C. § 2000 et seq.; Equal Pay Act, as amended, 29 U.S.C. § 206(d); the Civil Rights Act of 1866, 42 U.S.C. § 1981; the Family and Medical Leave Act of 1993, 29 U.S.C. § 2601 et seq.; the Americans with Disabilities Act of 1990, 42 U.S.C. § 12101 et seq.; the False Claims Act, 31 U.S.C. § 3729 et seq.; the Employee Retirement Income Security Act, as amended, 29 U.S.C. § 1001 et seq.; the Worker Adjustment and Retraining Notification Act ("***WARN***"), as amended, 29 U.S.C. § 2101 et seq.; the Fair Labor Standards Act, 29 U.S.C. § 215 et seq.; the California Fair Employment and Housing Act, as amended, Cal. Lab. Code § 12940 et seq.; the California Equal Pay Law, as amended, Cal. Lab. Code §§ 1197.5(a),1199.5; the Moore-Brown-Roberti Family Rights Act of 1991, as amended, Cal. Gov't Code §§12945.2, 19702.3; the California WARN Act, Cal. Lab. Code § 1400 et seq.; the California False Claims Act, Cal. Gov't Code § 12650 et seq.; the California Corporate Criminal Liability Act, Cal. Penal Code § 387; the California Labor Code; and any federal, state or local laws of similar effect.

(b) *Claims Not Released*. This release shall not apply to: the Company's obligations to provide the separation benefits under Section 3 of this Agreement; Employee's right to indemnification under any applicable indemnification agreement with the Company; the Company's governing documents or applicable law; Employee's right to assert claims for workers' compensation or unemployment benefits; Employee's right to bring to the attention of the Equal Employment Opportunity Commission ("***EEOC***") claims of discrimination (provided, however, that Employee releases his right to secure any damages for alleged discriminatory treatment); any right to communicate directly with, cooperate with, or provide information to, any federal, state or local government regulator; any right to file an unfair labor practice charge under the National Labor Relations Act ("***NLRA***"); Employee's vested rights under any retirement or welfare benefit plan of the Company; Employee's rights in his capacity as an equityholder of the Company; or any other rights that may not be waived by an employee under applicable law.

(c) *Unknown Claims*. Employee acknowledges that Employee has been advised of and is familiar with the provisions of California Civil Code section 1542, which provides as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER

MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Employee, being aware of said Code section, hereby expressly waives any rights he may have thereunder, as well as under any other statutes or common law principles of similar effect.

(d) *Older Worker's Benefit Protection Act.* In accordance with the Older Worker's Benefit Protection Act, Employee is hereby advised as follows:

(i) Employee has read this Agreement and understands its terms and effect, including the fact that Employee is agreeing to release and forever discharge the Company and each of the Releasees from any Claims released in this Section 6.

(ii) Employee understands that, by entering into this Agreement, Employee does not waive any Claims that may arise after the date of Employee's execution of this Agreement, including without limitation any rights or claims that Employee may have to secure enforcement of the terms and conditions of this Agreement.

(iii) Employee has signed this Agreement voluntarily and knowingly in exchange for the consideration described in this Agreement, which Employee acknowledges is adequate and satisfactory to Employee and in addition to any other benefits to which Employee is otherwise entitled.

(iv) The Company advises Employee to consult with an attorney prior to executing this Agreement.

(v) Employee has twenty-one (21) days to review and decide whether or not to sign this Agreement. If Employee signs this Agreement prior to the expiration of such period, Employee acknowledges that Employee has done so voluntarily, had sufficient time to consider the Agreement, to consult with counsel and that Employee does not desire additional time and hereby waives the remainder of the twenty-one (21) day period. In the event of any changes to this Agreement, whether or not material, Employee waives the restarting of the twenty-one (21) day period.

(vi) Employee has seven (7) days after signing this Agreement to revoke this Agreement and this Agreement will become effective upon the expiration of that revocation period. If Employee revokes this Agreement during such seven (7)-day period, this Agreement will be null and void and of no force or effect on either the Company or Employee and Employee will not be entitled to any of the payments or benefits which are expressly conditioned upon the execution and non-revocation of this Agreement.

If Employee wishes to revoke this Agreement, Employee shall deliver written notice stating his intent to revoke this Agreement to Miek Harbur, VP, General Counsel and Secretary, 85 Enterprise, Suite 450, Aliso Viejo, CA 92656, on or before 5:00 p.m. on the seventh (7th) day after the date on which Employee signs this Agreement.

(e) *Representations*. Employee represents and warrants that there has been no assignment or other transfer of any interest in any Claim which he may have against Releasees, or any of them, and Employee agrees to indemnify and hold Releasees, and each of them, harmless from any liability, Claims, demands, damages, costs, expenses and attorneys' fees incurred by Releasees, or any of them, as the result of any such assignment or transfer or any rights or Claims under any such assignment or transfer. It is the intention of the parties that this indemnity does not require payment as a condition precedent to recovery by the Releasees against Employee under this indemnity. Employee agrees that if he hereafter commences any suit arising out of, based upon, or relating to any of the Claims released hereunder or in any manner asserts against Releasees, or any of them, any of the Claims released hereunder, then Employee agrees to pay to Releasees, and each of them, in addition to any other damages caused to Releasees thereby, all attorneys' fees incurred by Releasees in defending or otherwise responding to said suit or Claim.

(f) *No Actions*. Employee represents and warrants to the Company that Employee has no pending actions, Claims or charges of any kind. Employee agrees that if Employee hereafter commences, joins in, or in any manner seeks relief through any suit arising out of, based upon, or relating to any of the Claims released hereunder or in any manner asserts against the Releasees any of the Claims released hereunder, then Employee will pay to the Releasees against whom such Claim(s) is asserted, in addition to any other damages caused thereby, all attorneys' fees incurred by such Releasees in defending or otherwise responding to said suit or Claim; provided, however, that Employee shall not be obligated to pay the Releasees' attorneys' fees to the extent such fees are attributable to: (i) claims under the ADEA or a challenge to the validity of the release of claims under the ADEA; or (ii) Employee's right to file a charge with the EEOC; however, Employee hereby waives any right to any damages or individual relief resulting from any such charge.

(g) *No Admission*. Employee understands and agrees that neither the payment of money nor the execution of this Agreement shall constitute or be construed as an admission of any liability whatsoever by the Releasees.

7. Reaffirmation of Restrictive Covenants. Notwithstanding anything in this Agreement to the contrary, the parties acknowledge and agree that Employee previously made certain representations with respect to confidential information and non-solicitation, as set forth in Sections 5 – 7 of the Employment Agreement, and Employee hereby acknowledges and agrees that such provisions shall remain in full force and effect in accordance with their terms and that Employee shall be bound by their terms. In addition, the Company acknowledges and agrees that the Company's representations with respect to indemnification and insurance policies, as set forth in Section 8 of the Employment Agreement, shall remain in full force and effect in accordance with their terms and that the Company shall be bound by their terms.

8. Exceptions. Notwithstanding anything in this Agreement to the contrary, nothing contained in this Agreement shall prohibit Employee (or Employee's attorney) from (i) filing a charge with, reporting possible violations of federal law or regulation to, participating in any investigation by, or cooperating with the U.S. Securities and Exchange Commission ("***SEC***"), the Financial Industry Regulatory Authority ("***FINRA***"), the EEOC, the NLRB, the Occupational Safety and Health Administration, the U.S. Commodity Futures Trading Commission, the U.S. Department of Justice or any other securities regulatory agency, self-regulatory authority or federal, state or local regulatory authority (collectively, "***Government Agencies***"), or making other disclosures that are protected under the whistleblower provisions of applicable law or regulation, (ii) communicating directly with, cooperating with, or providing information (including trade secrets) in confidence to any Government Agencies for the purpose of reporting or investigating a suspected violation of law, or from providing such information to Employee's attorney or in a sealed complaint or other document filed in a lawsuit or other governmental proceeding, and/or (iii) receiving an award for

information provided to any Government Agency. Pursuant to 18 USC Section 1833(b), Employee will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (x) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (y) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Further, nothing in this Agreement is intended to or shall preclude Employee from providing truthful testimony in response to a valid subpoena, court order, regulatory request or other judicial, administrative or legal process or otherwise as required by law. If Employee is required to provide testimony, then unless otherwise directed or requested by a Governmental Agency or law enforcement, Employee shall notify the Company in writing as promptly as practicable after receiving any such request of the anticipated testimony and at least ten (10) days prior to providing such testimony (or, if such notice is not possible under the circumstances, with as much prior notice as is possible) to afford the Company a reasonable opportunity to challenge the subpoena, court order or similar legal process.

9. Ongoing Cooperation. Subject to Section 8, Employee agrees that Employee will assist and cooperate with the Company and its affiliates (i) concerning reasonable requests for information about the business of the Company or its affiliates or Employee's involvement and participation therein, (ii) in connection with the defense, prosecution or investigation of any claims or actions now in existence or which may be brought in the future against or on behalf of the Company or its subsidiaries or affiliates, including any proceeding before any arbitral, administrative, judicial, legislative, or other body or agency, including testifying in any proceeding to the extent such claims, actions, investigations or proceedings relate to services performed or required to be performed by Employee, pertinent knowledge possessed by Employee, or any act or omission by Employee, and (iii) and in connection with any investigation or review by any federal, state or local regulatory, quasi- or self-regulatory or self-governing authority or organization (including, without limitation, the SEC and FINRA) as any such investigation or review relates to services performed or required to be performed by Employee, pertinent knowledge possessed by Employee, or any act or omission by Employee. Employee's full cooperation shall include, but not be limited to, being available to meet and speak with officers or employees of the Company, its affiliates and/or their counsel at reasonable times and locations, executing accurate and truthful documents, appearing at the Company's request as a witness at depositions, trials or other proceedings without the necessity of a subpoena, and taking such other actions as may reasonably be requested by the Company and/or its counsel to effectuate the foregoing. In requesting such services, the Company will consider other commitments that Employee may have at the time of the request. The Company agrees to reimburse Employee for any reasonable, out-of-pocket expenses incurred in connection with Employee's performance of obligations pursuant to this Section for which Employee has obtained prior approval from the Company, and in the event that the services performed by Employee at the request of the Company pursuant to this Section require a material and ongoing time commitment by Employee, the parties will in negotiate in good faith the amount of compensation to be paid by the Company to Employee with respect to such services.

10. Arbitration.

(a) Employee and the Company agree that any dispute, controversy or claim, however significant, arising out of or in any way relating to Employee's employment with or termination of employment from the Company, including without limitation any dispute, controversy or claim arising out of or in any way relating to any provision of this Agreement (including the validity, scope and enforceability of this arbitration clause), to the fullest extent authorized by applicable law, shall be submitted to final and binding arbitration before a single neutral arbitrator in accordance with the rules of JAMS pursuant to its Employment Arbitration Rules and Procedures, which are available at http://www.jamsadr.com/rules-

employment-arbitration/, and the Company will provide a copy upon Employee's request, as the exclusive remedy for resolving any and all such disputes.

(b) The tribunal will consist of a sole neutral arbitrator selected by mutual agreement of the parties (or, absent such mutual agreement, in accordance with the rules of JAMS) and the place of arbitration will be Irvine, California. Each party shall be entitled to all types of remedies and relief otherwise available in court (subject to the limitations set forth herein). The parties agree that any arbitration pursuant to this Agreement shall be brought on an individual, rather than class, collective, or representative basis, and waive the right to pursue any claim subject to arbitration on a class, collective, or representative basis.

(c) The parties to this Agreement hereby expressly and irrevocably submit themselves to the personal jurisdiction of the Superior Court of the State of California (the "***Superior Court***") for the purpose of compelling arbitration pursuant to this Agreement and for the purpose of any judicial proceedings seeking to confirm, modify or vacate any arbitration award.

(d) To the extent required by applicable law, the fees of the arbitrator and all other costs that are unique to arbitration shall be paid by the Company initially, but if Employee initiates a claim subject to arbitration, Employee shall pay any filing fee up to the amount that Employee would be required to pay if Employee initiated such claim in the Superior Court. Each party shall be solely responsible for paying its own further costs for the arbitration, including, but not limited to, its own attorneys' fees and/or its own witnesses' fees. The arbitrator may award fees and costs (including attorneys' fees) to the prevailing party where authorized by applicable law.

(e) WAIVER OF TRIAL BY JURY OR COURT. EMPLOYEE AND THE COMPANY UNDERSTAND THAT BY AGREEING TO ARBITRATE ANY ARBITRATION CLAIM, THEY WILL NOT HAVE THE RIGHT TO HAVE ANY ARBITRATION CLAIM DECIDED BY A JURY OR A COURT, BUT SHALL INSTEAD HAVE ANY ARBITRATION CLAIM DECIDED THROUGH ARBITRATION.

(f) WAIVER OF OTHER RIGHTS. EMPLOYEE AND THE COMPANY WAIVE ANY CONSTITUTIONAL OR OTHER RIGHT TO BRING CLAIMS COVERED BY THIS AGREEMENT OTHER THAN IN THEIR INDIVIDUAL CAPACITIES. EXCEPT AS MAY BE PROHIBITED BY LAW, THIS WAIVER INCLUDES THE ABILITY TO ASSERT CLAIMS AS A PLAINTIFF OR CLASS MEMBER IN ANY PURPORTED CLASS OR REPRESENTATIVE PROCEEDING.

(g) The parties acknowledge that they are entering into this arbitration provision voluntarily, and are represented by counsel. If any part of this arbitration provision is deemed unenforceable, it is entirely severable from the rest and shall not effect or limit the validity or enforceability of the remainder of the provision, or the Agreement.

11. Code Section 409A.

(a) To the extent applicable, this Agreement shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other such guidance that may be issued after the Effective Date (collectively, "***Section 409A***"). Notwithstanding any provision of this Agreement to the contrary, in the event that following the Effective Date, the Company determines that any compensation or benefits payable under this Agreement may be subject to Section 409A, the Company may adopt such amendments to this Agreement or adopt other policies or procedures (including amendments, policies and procedures with retroactive effect), or take any other actions that the Company determines are necessary or

appropriate to preserve the intended tax treatment of the compensation and benefits payable hereunder, including without limitation actions intended to (i) exempt the compensation and benefits payable under this Agreement from Section 409A, and/or (ii) comply with the requirements of Section 409A, provided, however, that this Section 11 does not, and shall not be construed so as to, create any obligation on the part of the Company to adopt any such amendments, policies or procedures or to take any other such actions. In no event shall the Company, its affiliates or any of their respective officers, directors or advisors be liable for any taxes, interest or penalties imposed under Section 409A or any corresponding provision of state or local law.

(b) Any right under this Agreement to a series of installment payments shall be treated as a right to a series of separate payments. Notwithstanding anything to the contrary in this Agreement, no compensation or benefits shall be paid to Employee during the six (6)-month period following Employee's "separation from service" with the Company (within the meaning of Section 409A) if the Company determines that paying such amounts at the time or times indicated in this Agreement would be a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code. If the payment of any such amounts is delayed as a result of the previous sentence, then on the first business day following the end of such six (6)-month period (or such earlier date upon which such amount can be paid under Section 409A without resulting in a prohibited distribution, including as a result of Employee's death), the Company shall pay Employee a lump-sum amount equal to the cumulative amount that would have otherwise been payable to Employee during such period (without interest).

(c) To the extent any reimbursements or in-kind benefits due to Employee under this Agreement constitute "deferred compensation" to which Treasury Regulation Section 1.409A-3(i)(1)(iv) would apply, any such reimbursements or in-kind benefits shall be paid or reimbursed reasonably promptly, but in no event later than December 31st of the year following the year in which the expense was incurred. The amount of any such payments eligible for reimbursement in one year shall not affect the payments or expenses that are eligible for payment or reimbursement in any other taxable year, and Employee's right to such payments or reimbursements of any such expenses shall not be subject to liquidation or exchange for any other benefit.

12. Governing Law. This Agreement shall be construed under the laws of the State of California, both procedural and substantive.

13. Waiver. The failure to enforce any provision of this Agreement shall not be construed to be a waiver of such provision or to affect the validity of this Agreement or the right of any party to enforce this Agreement.

14. Headings. The headings in this Agreement are provided solely for convenience, and are not intended to be part of, nor to affect or alter the interpretation or meaning of, this Agreement.

15. Severability. If any sentence, phrase, section, subsection or portion of this Agreement is found to be illegal or unenforceable, such action shall not affect the validity or enforceability of the remaining sentences, phrases, sections, subsections or portions of this Agreement, which shall remain fully valid and enforceable.

16. Assignment. This Agreement is personal to Employee and shall not be assignable by Employee. The rights of the Company under this Agreement may be assigned by the Company, in its sole discretion, including to any of its affiliates or any person, firm, corporation or other business entity which at any time, whether by purchase, merger or otherwise, directly or indirectly, acquires all or substantially all

of the assets or business of the Company. This Agreement shall insure to the benefit of, and be binding on, the Company and its successors and assigns.

17. Ambiguities. Both parties have participated in the negotiation of this Agreement and, thus, it is understood and agreed that the general rule that ambiguities are to be construed against the drafter shall not apply to this Agreement. In the event that any language of this Agreement is found to be ambiguous, each party shall have an opportunity to present evidence as to the actual intent of the parties with respect to any such ambiguous language.

18. Entire Agreement/Integration. This Agreement, together with the Employment Agreement and the award agreements evidencing the Options (as amended by this Agreement), constitute the entire agreement between Employee and the Company concerning the subject matter hereof. No covenants, agreements, representations, or warranties of any kind, other than those set forth herein, have been made to any party hereto with respect to this Agreement. All prior discussions and negotiations have been and are merged and integrated into, and are superseded by, this Agreement. No amendments to this Agreement will be valid unless written and signed by Employee and an authorized representative of the Company.

19. Consultation with Counsel. Employee acknowledges (i) that Employee has thoroughly read and considered all aspects of this Agreement, that Employee understands all its provisions and that Employee is voluntarily entering into this Agreement, (ii) that he has been represented by, or had the opportunity to be represented by independent counsel of his own choice in connection with the negotiation and execution of this Agreement and has been advised to do so by the Company, and (iii) that he has read and understands the Agreement, is fully aware of its legal effect, and has entered into it freely based on his own judgment. Without limiting the generality of the foregoing, Employee acknowledges that he has had the opportunity to consult with his own independent tax advisors with respect to the tax consequences to him of this Agreement and the payments hereunder, and that he is relying solely on the advice of his independent advisors for such purposes. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in the construction or interpretation of this Agreement.

20. Notices. All notices, requests and other communications hereunder shall be in writing and shall be delivered by courier or other means of personal service (including by means of a nationally recognized courier service or professional messenger service), or sent by email or facsimile and also mailed first class, postage prepaid, by certified mail, return receipt requested, in all cases addressed to:

If to Employee:

At Employee’s last known address evidenced on the Company’s payroll records.

If to the Company:

The New Home Company Inc.
85 Enterprise, Suite 450
Aliso Viejo, California 92656
Attention: Miek Harbur

All notices, requests and other communications shall be deemed given on the date of actual receipt or delivery as evidenced by written receipt, acknowledgement or other evidence of actual receipt or delivery to the address. In case of service by telecopy, a copy of such notice shall be personally delivered or sent by registered

or certified mail, in the manner set forth above, within three business days thereafter. Any party hereto may from time to time by notice in writing served as set forth above designate a different address or a different or additional person to which all such notices or communications thereafter are to be given.

PLEASE READ CAREFULLY. THIS AGREEMENT CONTAINS A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS. EMPLOYEE AGREES TO THE TERMS OF THIS AGREEMENT AND VOLUNTARILY ENTERS INTO IT WITH THE INTENT TO BE BOUND HEREBY.

If the above accurately reflects Employee's understanding, please date and sign the enclosed copy of this Agreement in the places indicated below and return that copy to Miek Harbur by February 14, 2019.

Dated: ___February 14_, 2019____/s/ Thomas Redwitz______________________

Thomas Redwitz

Dated: ____February 14__, 2019The New Home Company Inc.

____/s/ H. Lawrence Webb

H. Lawrence Webb
Chief Executive Officer

(Back To Top)

Section 5: EX-10.4 (EXHIBIT 10.4)

Exhibit 10.4

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (the "Agreement") is made and entered into as of February 14, 2019 by and between The New Home Company Inc. (the "Company") and Thomas Redwitz ("Consultant").

RECITALS

A. Consultant currently serves as Chief Investment Officer of the Company.

B. Consultant desires to resign, and the Company and Consultant mutually desire to transition Consultant's role with the Company from that of Chief Investment Officer of the Company to that of a non-employee consultant to the Company, effective as of March 1, 2019 (the "Transition Date").

C. Consultant and the Company (i) previously agreed, pursuant to that certain Separation and Release Agreement by and between the Company and Consultant effective as of February 14, 2019 (the "Separation Agreement") that, effective as of the Transition Date, the employment agreement by and between the Company and Consultant, dated January 30, 2014, as amended by those certain amendments dated February 16, 2017, March 23, 2017 and February 16, 2018 (collectively, the "Employment

Agreement”), shall terminate, and neither the Company nor Consultant shall have any further obligations thereunder except as expressly provided in the Separation Agreement and (ii) mutually desire that Consultant will cease to be an employee of the Company and will thereupon become an independent contractor of the Company performing consulting services.

D. Consultant desires to perform such services on the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Consultant hereby agree as follows:

1. Term. The term of this Agreement shall be for a period commencing as of the Transition Date and ending on the one-year anniversary thereof (the “Initial Termination Date”) and shall include any extensions pursuant to the following sentences of this Section 1 (collectively, the “Consulting Period”). The Consulting Period may be extended for such appropriate period of time as the parties may agree. Notwithstanding the foregoing, either party hereto may terminate the Consulting Period and Consultant’s services hereunder at any time, for any reason or no reason.

2. Services.

(a) During the Consulting Period, Consultant shall provide consulting services with regard to the business and operations of the Company, its subsidiaries and its affiliates as requested by the Company’s President, and may include all or some of the services set forth on Exhibit A attached hereto (collectively, the “Services”).

(b) Consultant shall devote such time as is necessary for the proper performance of the Services, but is expected to devote approximately, but no more than, 40 hours per month during the Consulting Period.

3. Compensation for Services. During the Consulting Period, the Company shall pay Consultant a fee (the "Consulting Fee") of $10,000 per month. The monthly Consulting Fee shall be paid to Consultant in arrears on each monthly anniversary of the Transition Date during the Consulting Period (beginning on the first monthly anniversary of the Transition Date). In addition, each outstanding vested Company stock option held by Consultant as of the Transition Date (each, a "Pre-Consulting Stock Option") shall, during the Consulting Period, remain outstanding and exercisable in accordance with its terms starting on the Transition Date (based on Consultant's continued provision of Services thereafter rather than continued employment), but in no event beyond the outside expiration date of such Pre-Consulting Stock Option.

4. Expenses. During the Consulting Period, the Company shall reimburse Consultant for reasonable expenses in accordance with the Company's substantiation and reimbursement policies applicable to independent contractors, as in effect from time to time.

5. Termination of Consultancy. Either the Company or Consultant may terminate the Consulting Period and Consultant's Services hereunder at any time, for any reason, upon written notice to the other party, subject to the following requirements upon termination.

(a) Termination Without Cause. If the Company terminates the Consulting Period and Consultant's Services hereunder without Cause (as defined below) after the three-month anniversary of the Transition Date, then, subject to Consultant's timely execution and non-revocation of a general release of claims in a form prescribed by the Company (and notwithstanding anything in Section 4 hereof to the contrary), the Company shall pay Consultant $10,000, in a single lump-sum payable on the 30th day following the termination date.

(b) Any Termination. If the Consulting Period and the Consultant's Services hereunder are terminated for any reason, (i) the Company shall pay to Consultant any portion of the Consulting Fee that has been earned but unpaid through such date of termination, and (ii) unless such termination was by the Company for Cause, all remaining Pre-Consulting Stock Options shall remain exercisable for three months following the termination date (but in no event beyond the outside expiration date of such Pre-Consulting Stock Option). In addition, if the Consulting Period and the Consultant's Services hereunder are terminated for any reason not described in Section 5(a) hereof, Consultant shall immediately forfeit all Consulting Fees payable with respect to periods of service following such termination date.

(c) Return of Property. Upon the termination of the Consulting Period and Consultant's Services hereunder for any reason, Consultant agrees to return to the Company all documents of the Company and its affiliates (and all copies thereof) and all other Company or Company affiliate property that Consultant has in its possession, custody or control. Such property includes, without limitation: (i) any materials of any kind that Consultant knows contain or embody any proprietary or confidential information of the Company or an affiliate of the Company (and all reproductions thereof), (ii) computers (including, but not limited to, laptop computers, desktop computers and similar devices) and other portable electronic devices (including, but not limited to, tablet computers), cellular phones/smartphones, credit cards, phone cards, entry cards, identification badges and keys, and (iii) any correspondence, drawings, manuals, letters, notes, notebooks, reports, programs, plans, proposals, financial documents, or any other documents concerning the customers, business plans, marketing strategies, products and/or processes of the Company

or any of its affiliates and any information received from the Company or any of its affiliates regarding third parties.

(d) Exclusivity of Benefits. Except as expressly provided in this Agreement, the Company shall have no further obligations to Consultant upon termination of the Consulting Period and Consultant's Services hereunder.

(e) Definition of "Cause". For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following conditions:

(i) any act or omission that constitutes a material breach by Consultant of any of his material obligations under this Agreement, after a written demand for substantial performance is delivered to Consultant by the President that specifically identifies the manner in which the President believes that Consultant has materially breached such obligations and Consultant's failure to cure such alleged breach not later than 30 days following his receipt of such notice;

(ii) conviction or plea of guilty or nolo contendere to a charge of commission of a felony or a misdemeanor involving moral turpitude;

(iii) the commission of dishonest, fraudulent or deceptive acts or practices in connection with Consultant's services that are materially injurious to the Company, monetarily or otherwise; or

(iv) Consultant's ongoing willful refusal to follow the proper and lawful directions of the President after a written demand for substantial performance is delivered to Consultant by the President that specifically identifies the manner in which the President believes that Consultant has refused to follow its instructions and Consultant's failure to cure such refusal not later than 30 days following his receipt of such notice.

For purposes of this definition, no act, or failure to act, on the part of Consultant shall be considered "willful" unless it is done, or omitted to be done, by Consultant in bad faith or without reasonable belief that Consultant's action or omission was in the best interests of the Company. Any act, or failure to act, based upon (A) authority given by the President or (B) the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by Consultant in good faith and in the best interests of the Company.

6. Cooperation. In addition to the Services (and without further compensation), Consultant agrees that, following the Transition Date, Consultant will use commercially reasonable efforts to cooperate with the Company, to the extent reasonably requested by the Company, to consult, advise and provide relevant input with respect to any internal investigation or administrative, regulatory or judicial proceeding involving matters that were within the scope of Consultant' duties and responsibilities to the Company and its affiliates during employment with the Company.

7. Covenants.

(a) Notwithstanding anything in this Agreement to the contrary, the parties acknowledge and agree that Consultant previously made certain representations with respect to confidential information and non-solicitation, as set forth in Sections 5 – 7 of the Employment Agreement, and Consultant hereby acknowledges and agrees that such provisions shall remain in full force and effect in accordance with their terms and that Consultant shall be bound by their terms. In addition, the Company acknowledges and

agrees that the Company's representations with respect to indemnification and insurance policies, as set forth in Section 8 of the Employment Agreement, shall remain in full force and effect in accordance with their terms and that the Company shall be bound by their terms.

(b) During the Consulting Period, Consultant shall not be engaged in any other business activity which would interfere with the performance of duties hereunder or be competitive with the business of the Company (a "Restricted Business"). The foregoing restrictions shall not be construed as preventing Consultant from making passive investments in other businesses or enterprises; provided, however, that such other investments will not require services on the part of Consultant which would in any manner impair the performance of his duties under this Agreement, and provided further that such other businesses or enterprises are not engaged in any business competitive to the business of the Company; provided that nothing herein shall prevent Consultant from owning up to 3 percent of the capital stock of a publicly held entity carrying on a Restricted Business so long as the Consultant does not actively participate in the control of such Restricted Business.

8. Non-Disparagement. Consultant agrees not to disparage the Company, any affiliate of the Company and/or any officers, directors, employees, shareholders and/or agents of the Company or any affiliate of the Company in any manner intended or reasonably likely to be harmful to them or their business, business reputation or personal reputation.

9. Exceptions. Notwithstanding anything in this Agreement to the contrary, nothing contained in this Agreement shall prohibit Consultant (or Consultant's attorney) from (a) filing a charge with, reporting possible violations of federal law or regulation to, participating in any investigation by, or cooperating with the U.S. Securities and Exchange Commission ("SEC"), the Financial Industry Regulatory Authority ("FINRA"), the EEOC, the NLRB, the Occupational Safety and Health Administration, the U.S. Commodity Futures Trading Commission, the U.S. Department of Justice or any other securities regulatory agency, self-regulatory authority or federal, state or local regulatory authority (collectively, "Government Agencies"), or making other disclosures that are protected under the whistleblower provisions of applicable law or regulation, (b) communicating directly with, cooperating with, or providing information (including trade secrets) in confidence to any Government Agencies for the purpose of reporting or investigating a suspected violation of law, or from providing such information to Consultant's attorney or in a sealed complaint or other document filed in a lawsuit or other governmental proceeding, and/or (c) receiving an award for information provided to any Government Agency. Pursuant to 18 USC Section 1833(b), Consultant will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Further, nothing in this Agreement is intended to or shall preclude Consultant from providing truthful testimony in response to a valid subpoena, court order, regulatory request or other judicial, administrative or legal process or otherwise as required by law. If Consultant is required to provide testimony, then unless otherwise directed or requested by a Governmental Agency or law enforcement, Consultant shall notify the Company in writing as promptly as practicable after receiving any such request of the anticipated testimony and at least ten days prior to providing such testimony (or, if such notice is not possible under the circumstances, with as much prior notice as is possible) to afford the Company a reasonable opportunity to challenge the subpoena, court order or similar legal process.

10. Representations.

(a) Consultant represents and warrants that Consultant has no outstanding agreement, relationship or obligation that is in conflict with any of the provisions of this Agreement, or that would preclude Consultant from performing hereunder or complying with the provisions hereof, and further agrees that Consultant will not enter into any such conflicting agreement or relationship during the Consulting Period. Consultant agrees to comply with any insider trading policy, ethics policy and business conduct policy of the Company during the term of this Agreement. Consultant agrees to not use information received by Consultant during the term of this Agreement for personal gain or take advantage of any business opportunities that arise as a result of this Agreement that might be of interest to the Company. Consultant agrees that if Consultant makes any "reportable transactions" under Section 16 of the Exchange Act of 1934, as amended, Consultant shall immediately notify the Company of such transactions.

(b) Consultant hereby acknowledges (i) that Consultant has consulted with or has had the opportunity to consult with independent counsel of Consultant's own choice concerning this Agreement, and has been advised to do so by the Company, and (ii) that Consultant has read and understands this Agreement, is fully aware of its legal effect, and has entered into it freely based on Consultant's own judgment.

11. Independent Contractor. Consultant expressly acknowledges and agrees that, as of the Transition Date, Consultant is solely an independent contractor and shall not be construed to be an employee of the Company in any matter under any circumstances or for any purposes whatsoever. Except as expressly contemplated by this Agreement, the Company shall not be obligated to (a) pay on the account of Consultant any unemployment tax or other taxes required under the law to be paid with respect to employees, (b) withhold any monies from the fees of Consultant for income tax purposes or (c) provide Consultant with any benefits, including without limitation health, welfare, pension, retirement, or any kind of insurance benefits, including workers' compensation insurance. Notwithstanding the foregoing, any amounts payable to Consultant in respect of his service as an employee of the Company prior to the Transition Date shall be subject to withholding in accordance with applicable law. Consultant acknowledges and agrees that Consultant is obligated to report as income all compensation received by Consultant pursuant to this Agreement, and to pay any applicable income, self-employment and other taxes thereon. Consultant and the Company hereby acknowledge and agree that this Agreement does not impose any obligation on the Company to offer employment to Consultant at any time.

12. Assignment. This Agreement and the rights and duties hereunder are personal to Consultant and shall not be assigned, delegated, transferred, pledged or sold by either Consultant without the prior written consent of the Company. Consultant hereby acknowledges and agrees that the Company may assign, delegate, transfer, pledge or sell this Agreement and the rights and duties hereunder (a) to an affiliate of the Company or (b) to any third party (i) that acquires all or substantially all of the assets of the Company or (ii) that is the surviving or acquiring corporation in connection with a merger, consolidation or other acquisition involving the Company. This Agreement shall inure to the benefit of and be enforceable by the parties hereto, and their respective heirs, personal representatives, successors and assigns.

13. Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Consultant: at Consultant's most recent address on the records of the Company.

If to the Company:
The New Home Company Inc.

85 Enterprise, Suite 450
Aliso Viejo, CA 92656
Attn: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

14. Section 409A. To the extent applicable, this Agreement shall be interpreted in accordance with Section 409A of the Internal Revenue Code and Department of Treasury regulations and other interpretive guidance issued thereunder ("Section 409A"). Notwithstanding any provision of this Agreement to the contrary, if the Company determines that any compensation or benefits payable under this Agreement may be subject to Section 409A, the Company shall work in good faith with Consultant to adopt such amendments to this Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Company determines are necessary or appropriate to avoid the imposition of taxes under Section 409A, including without limitation, actions intended to (a) exempt the compensation and benefits payable under this Agreement from Section 409A, and/or (b) comply with the requirements of Section 409A; *provided, however,* that this Section 14 shall not create an obligation on the part of the Company to adopt any such amendment, policy or procedure or take any such other action, nor shall the Company have any liability for failing to do so. Any right to a series of installment payments pursuant to this Agreement is to be treated as a right to a series of separate payments. To the extent permitted under Section 409A, any separate payment or benefit under this Agreement or otherwise shall not be deemed "nonqualified deferred compensation" subject to Section 409A to the extent provided in the exceptions in Treasury Regulation Section 1.409A-1(b)(4), Section 1.409A-1(b)(9) or any other applicable exception or provision of Section 409A.

(a) Survival. Section 6 (Cooperation), Section 7 (Covenants), Section 8 (Non-Disparagement), Section 9 (Exceptions), and Section 11 (Independent Contractor) hereof shall survive any termination of this Agreement and shall continue in effect.

15. Governing Law. Any dispute, controversy, or claim of whatever nature arising out of or relating to this Agreement or breach thereof shall be governed by and interpreted under the laws of the State of California, without regard to conflict of law principles.

16. Entire Agreement; Counterparts. Effective as of the Transition Date, this Agreement, together with the Separation Agreement (and any equity award agreements referenced therein), constitute the complete and final agreement of the parties and supersede any prior agreements between them, whether written or oral, with respect to the subject matter hereof. No waiver, alteration, or modification of any of the provisions of this Agreement shall be binding unless in writing and signed by duly authorized representatives of the parties hereto. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

17. Severability. The invalidity or unenforceability of any provision of this Agreement, or any terms thereof, shall not affect the validity of this Agreement as a whole, which shall at all times remain in full force and effect.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Consultant has hereunto set Consultant's hand, and the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

THE NEW HOME COMPANY INC.,
a Delaware corporation

By: /s/ Leonard Miller
Name: Leonard Miller
Title: President and Chief Operating Officer

"CONSULTANT"

/s/ Thomas Redwitz
Thomas Redwitz

EXHIBIT A

CONSULTING SERVICES

1. **Meetings.** Consultant is expected to meet with the Company's President and other personnel at the request of the Company's President at the Company's headquarters or one of its divisional headquarters at such times as mutually agreed between Consultant and the Company's President.

2. **Design and Product Services**. Consultant shall devote significant energy to design and product services, including review of the Division's architectural plans and site planning and aiding the President in the oversight of the design review process.

3. **Land Transactions**. Provide advice at the request of the Company's President regarding certain land purchase and fee deal transactions, including maintenance and transition of relationships with land owners.

4. **President Requests**. Consultation and participation with other Company's matters as reasonably requested by the Company's President.

(Back To Top)

Section 6: EX-10.5 (EXHIBIT 10.5)

Exhibit 10.5

THE NEW HOME COMPANY INC.
NON-EMPLOYEE DIRECTOR COMPENSATION

At a meeting of the Board of Directors (the "Board") of The New Home Company Inc. (the "Company") held April 30, 2019, the Board approved the following Non-Employee Director Compensation Program for payment of the Company's non-employee directors ("Directors"). The cash and equity compensation described below shall be paid or be made, as applicable, automatically and without further action of the Board.

Effective as of April 30, 2019, until amended, modified or terminated by the Board in the future at its sole discretion:

Cash Compensation

All annual retainers will be paid in cash quarterly in arrears promptly following the end of the applicable calendar quarter, but in no event more than sixty (60) days after the end of such quarter. The Directors are entitled to receive annual retainers in the following amounts, pro-rated for any partial year of service:

Director:	$ 45,000	
Audit Committee:	$ 25,000	(Chair); $10,000 (Other Members)

Compensation Committee:	$ 18,000	(Chair); $9,000 (Other Members)
Nominating and Corporate Governance Committee:	$ 15,000	(Chair); $6,000 (Other Members)
Related Party Review Committee:	$ 16,000	(Chair); $8,000 (Other Members)
Lead Independent Director:	$ 25,000	

Equity Compensation

Each Director who is serving on the Board as of the date of each annual meeting of the Company's stockholders and who is re-elected for another year of service as a Director at such annual meeting shall be granted restricted stock units with a value of $60,000 on the date of the applicable annual shareholder meeting (the "Annual Grant").

Each Annual Grant will vest in full on the earlier of (i) the date of the next annual meeting of the Company's stockholders following the applicable grant date (it being understood that the Annual Grant shall vest on the date of such annual meeting whether or not the Director is re-elected at such meeting, so long as the Director serves through such meeting) and (ii) the first anniversary of the applicable grant date, subject in each case to continued service.

The Annual Grants will be granted under and shall be subject to the terms and provisions of the Company's 2016 Incentive Award Plan or any other applicable Company equity incentive plan then-maintained by the Company.

Other

The Company reimburses Directors for reasonable out-of-pocket expenses incurred in connection with the performance of their duties as directors, including without limitation travel expenses in connection with their attendance in-person at Board and committee meetings. Each member of the Board that is an employee of the Company will not receive any compensation for their services as a director.

(Back To Top)

Section 7: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

Section 302 CERTIFICATION

I, H. Lawrence Webb, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of The New Home Company 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 15(d)-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: May 3, 2019

/s/ H. Lawrence Webb

H. Lawrence Webb

Chief Executive Officer (Principal Executive Officer)

(Back To Top)

Section 8: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

Section 302 CERTIFICATION

I, John M. Stephens, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of The New Home Company 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 15(d)-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: May 3, 2019

/s/ John M. Stephens

John M. Stephens

Chief Financial Officer (Principal Financial Officer)

(Back To Top)

Section 9: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

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 Quarterly Report on Form 10-Q of The New Home Company Inc. (the "Company") for the period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, H. Lawrence Webb, 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: May 3, 2019

/s/ H. Lawrence Webb

H. Lawrence Webb

Chief Executive Officer (Principal Executive Officer)

(Back To Top)

Section 10: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

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 Quarterly Report on Form 10-Q of The New Home Company Inc. (the "Company") for the period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John M. Stephens, 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:	May 3, 2019	
		/s/ John M. Stephens
		John M. Stephens
		Chief Financial Officer (Principal Financial Officer)

(Back To Top)