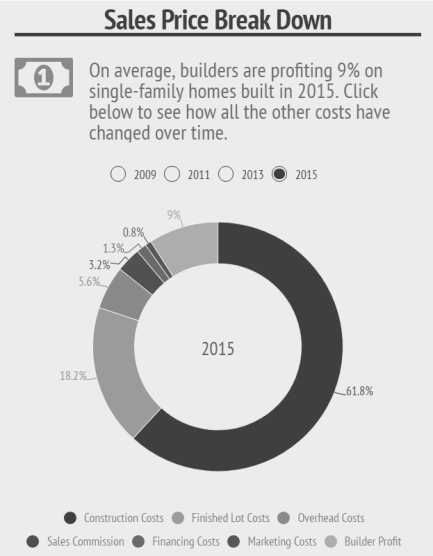
Key Definitions

Start	Event at which time construction begins on a fully developed lot
Sale	Event in which home or lot goes "under contract" with a buyer, meaning the buyer has made a commitment to purchase the asset
Closing	Event preceding sale where title of the asset changes from the seller to buyer and consideration (cash) is received by the seller. This is the point that revenue is recognized.
HUD	Short for Dept of Housing and Urban Development Settlement Statement 1, this form is generated for every closing (lots and homes)
IRR	Short for internal rate of return, this metric is commonly seen in land deals to guarantee the seller a specific return based on cash flows
Escalator	Gradual increases in lot prices by a set percentage over time. Commonly seen in land deals and used by the seller to incentivize the buyer to purchase lots more quickly
Draw	Request for funding/ cash based on work performed. Seen in construction lending and mechanics lien jobs
EM	Earnest money or up-front deposits made by a buyer prior to a purchase which are typically credited at closing

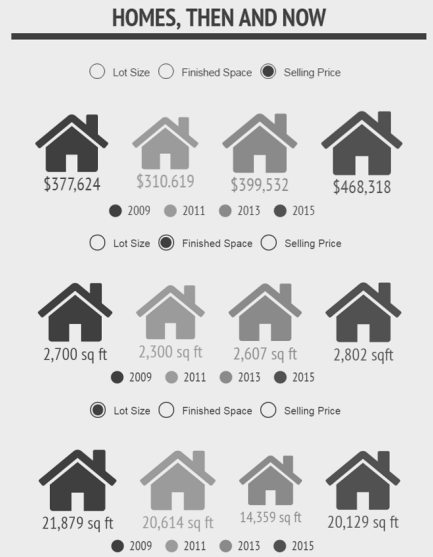
Key Definitions (cont)

Option Contract	Contract guaranteeing a buyer's right to purchase property. Homebuilders commonly supplement their lot inventory by optioning lots from third-party developers

Average Costs of a Home



Housing Trends



Construction Cycle

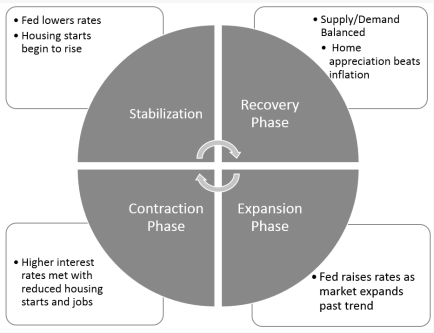
Acquisition	Raw undeveloped land is purchased by a developer.
Development	Process of clearing and grading the land so that construction can begin. Other tasks included in this stage include zoning changes, development of site plans, environmental impact studies, and construction of common area features (roads, green spaces, border walls, etc.). Time to complete this stage varies depending on the size of the property, but generally takes longer than one year. Large parcels of land are developed in phases.
Recordation/Plat	Site plan for community or specific phase is filed with the city
Sale of Finished Lots	Sale of Finished Lots
Home Construction	Homebuilder builds home on lot according to agreed upon elevations and model. Lead time can take anywere from 6 - 12 months depending on the type of home.
Sale/ Closing	Buyer commits to buying finished home. Generally after a 30-day window, home is closed to the buyer.

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Margin Definitions

Gross Margin	Sales revenue less all cost of sales items except for commission, warranty, and interest expenses
Direct Margin	Sales revenue less all cost of sales items except for warranty and interest expenses
Contribution Margin	Sales revenue less all applicable cost of sales amounts

Market Cycle



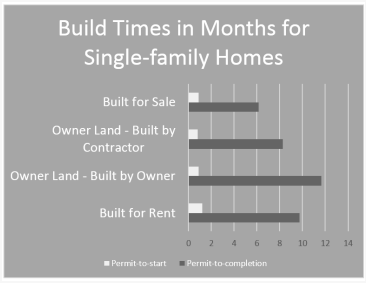
Inventory Classifications

Build-Job	Home where buyer selects floor plan and various interior and exterior details of the home
Mechanic's Lien Job	Home where the buyer purchases the lot prior to starting construction. The homebuilder then provides construction services at a "cost-plus" arrangement supported by regular draws or payments from the owner of the lot.
Spec	Homes that are either finished or under construction where no valid sales contract exists

Inventory Classifications (cont)

Backlog	Cumulative value of all completed homes and homes under construction where a valid sales contract exists
QI Date	Short for quality inspection, this final inspection of the home signifies that it is substantially complete (ie. no longer under construction)

Construction Lead Times



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