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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2020

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: 001-35873

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

Delaware	**83-2026677**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
4900 N. Scottsdale Road, Suite 2000 Scottsdale, Arizona	**85251**
(Address of principal executive offices)	**(Zip Code)**

(480) 840-8100
(Registrant's telephone number, including area code)

N/A
(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, $0.00001 par value	TMHC	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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of November 2, 2020
Common stock, $0.00001 par value	129,943,094

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TAYLOR MORRISON HOME CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, unaudited)

	September 30, 2020	December 31, 2019
Assets		
Cash and cash equivalents	$ 547,916	$ 326,437
Restricted cash	1,144	2,135
Total cash, cash equivalents, and restricted cash	549,060	328,572
Owned inventory	5,300,106	3,967,359
Consolidated real estate not owned	122,776	19,185
Total real estate inventory	5,422,882	3,986,544
Land deposits	138,160	39,810
Mortgage loans held for sale	172,501	190,880
Derivative assets	6,800	2,099
Lease right of use assets	71,319	36,663
Prepaid expenses and other assets, net	223,891	85,515
Other receivables, net	90,722	70,447
Investments in unconsolidated entities	125,132	128,759
Deferred tax assets, net	273,983	140,466
Property and equipment, net	95,546	85,866
Intangible assets, net	950	637
Goodwill	663,502	149,428
Total assets	$ 7,834,448	$ 5,245,686
Liabilities		
Accounts payable	$ 188,470	$ 164,580
Accrued expenses and other liabilities	398,489	325,368
Lease liabilities	80,270	42,317
Income taxes payable	30,497	3,719
Customer deposits	256,295	167,328
Estimated development liability	35,444	36,705
Senior notes, net	2,452,526	1,635,008
Loans payable and other borrowings	332,953	182,531
Revolving credit facility borrowings	285,000	—
Mortgage warehouse borrowings	109,593	123,233
Liabilities attributable to consolidated real estate not owned	122,776	19,185
Total liabilities	4,292,313	2,699,974
COMMITMENTS AND CONTINGENCIES (Note 16)		
Stockholders' Equity		
Total stockholders' equity	3,542,135	2,545,712
Total liabilities and stockholders' equity	$ 7,834,448	$ 5,245,686

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements

TAYLOR MORRISON HOME CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts, unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Home closings revenue, net	$ 1,640,584	$ 1,073,110	$ 4,376,218	$ 3,205,252
Land closings revenue	6,756	4,420	40,241	14,391
Financial services revenue	47,451	23,254	115,787	62,117
Amenity and other revenue	4,643	4,321	39,572	13,863
Total revenue	1,699,434	1,105,105	4,571,818	3,295,623
Cost of home closings	1,358,196	874,102	3,672,923	2,619,968
Cost of land closings	5,217	2,934	42,636	9,418
Financial services expenses	22,207	12,829	65,650	36,595
Amenity and other expenses	4,125	4,166	38,986	12,754
Total cost of revenue	1,389,745	894,031	3,820,195	2,678,735
Gross margin	309,689	211,074	751,623	616,888
Sales, commissions and other marketing costs	102,015	76,765	282,380	226,809
General and administrative expenses	45,152	42,334	146,790	120,990
Equity in income of unconsolidated entities	(2,957)	(2,103)	(8,878)	(7,983)
Interest income, net	(347)	(959)	(1,244)	(2,250)
Other expense/(income), net	1,830	389	7,424	(1,492)
Transaction expenses	4,791	617	109,877	6,496
Loss on extinguishment of debt, net	10,247	3,610	10,247	5,806
Income before income taxes	148,958	90,421	205,027	268,512
Income tax provision	33,759	23,385	52,162	68,307
Net income before allocation to non-controlling interests	115,199	67,036	152,865	200,205
Net income attributable to non-controlling interests — joint ventures	(422)	(24)	(3,845)	(211)
Net income available to Taylor Morrison Home Corporation	$ 114,777	$ 67,012	$ 149,020	$ 199,994
Earnings per common share				
Basic	$ 0.88	$ 0.64	$ 1.17	$ 1.86
Diluted	$ 0.87	$ 0.63	$ 1.16	$ 1.84
Weighted average number of shares of common stock:				
Basic	129,775	105,472	127,113	107,389
Diluted	131,433	106,852	128,081	108,599

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Income before non-controlling interests, net of tax	$ 115,199	$ 67,036	$ 152,865	$ 200,205
Post-retirement benefits adjustments, net of tax	—	—	(13)	(284)
Comprehensive income	115,199	67,036	152,852	199,921
Comprehensive income attributable to non-controlling interests — joint ventures	(422)	(24)	(3,845)	(211)
Comprehensive income available to Taylor Morrison Home Corporation	$ 114,777	$ 67,012	$ 149,007	$ 199,710

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

TAYLOR MORRISON HOME CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands, except share data, unaudited)

For the three months ended September 30, 2020

	Common Stock		Additional Paid-in Capital	Treasury Stock		Stockholders' Equity			
	Shares	Amount	Amount	Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Non-controlling Interest - Joint Venture	Total Stockholders' Equity
Balance – June 30, 2020	129,678,751	$ 1	$ 2,915,702	25,379,911	$ (433,687)	$ 816,593	$ 871	$ 125,260	$ 3,424,740
Net income	—	—	—	—	—	114,777	—	422	115,199
Exercise of stock options	137,553	—	2,507	—	—	—	—	—	2,507
Issuance of restricted stock units, net of shares withheld for tax[1]	49,122	—	(1,403)	—	—	—	—	—	(1,403)
Settlement of equity in connection with business combinations	—	—	(1,301)	—	—	—	—	—	(1,301)
Stock compensation expense	—	—	5,272	—	—	—	—	—	5,272
Distributions to non-controlling interests of consolidated joint ventures	—	—	—	—	—	—	—	(12,628)	(12,628)
Changes in non-controlling interests of consolidated joint ventures	—	—	—	—	—	—	—	9,749	9,749
Balance – September 30, 2020	129,865,426	$ 1	$ 2,920,777	25,379,911	$ (433,687)	$ 931,370	$ 871	$ 122,803	$ 3,542,135

[1] Dollar amount represents the value of shares withheld for taxes.

For the three months ended September 30, 2019

	Common Stock		Additional Paid-in Capital	Treasury Stock		Stockholders' Equity			
	Shares	Amount	Amount	Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Income	Non-controlling Interest - Joint Venture	Total Stockholders' Equity
Balance – June 30, 2019	105,184,522	$ 1	$ 2,079,224	19,943,432	$ (343,526)	$ 660,680	$ 2,285	$ 4,587	$ 2,403,251
Net income	—	—	—	—	—	67,012	—	24	67,036
Exercise of stock options	635,524	—	10,841	—	—	—	—	—	10,841
Issuance of restricted stock units, net of shares withheld for tax[1]	6,513	—	(8)	—	—	—	—	—	(8)
Stock compensation expense	—	—	3,693	—	—	—	—	—	3,693
Distributions to non-controlling interests of consolidated joint ventures	—	—	—	—	—	—	—	(18)	(18)
Changes in non-controlling interests of consolidated joint ventures	—	—	—	—	—	—	—	1,183	1,183
Balance – September 30, 2019	105,826,559	$ 1	$ 2,093,750	19,943,432	$ (343,526)	$ 727,692	$ 2,285	$ 5,776	$ 2,485,978

[1] Dollar amount represents the value of shares withheld for taxes.

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

TAYLOR MORRISON HOME CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands, except share data, unaudited)

For the nine months ended September 30, 2020

	Common Stock		Additional Paid-in Capital	Treasury Stock		Stockholders' Equity			
	Shares	Amount	Amount	Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Income	Non-controlling Interest - Joint Venture	Total Stockholders' Equity
Balance – December 31, 2019	105,851,285	$ 1	$ 2,097,995	19,943,432	$ (343,524)	$ 782,350	$ 884	$ 8,006	$ 2,545,712
Net income	—	—	—	—	—	149,020	—	3,845	152,865
Other comprehensive loss	—	—	—	—	—	—	(13)	—	(13)
Exercise of stock options	440,075	—	7,878	—	—	—	—	—	7,878
Issuance of restricted stock units, net of shares withheld for tax[1]	683,255	—	(8,655)	—	—	—	—	—	(8,655)
Issuance of equity in connection with business combinations, including warrants	28,327,290	—	787,877	—	—	—	—	—	787,877
Repurchase of common stock	(5,436,479)	—		5,436,479	(90,163)	—	—	—	(90,163)
Stock compensation expense	—	—	22,154	—	—	—	—	—	22,154
Stock compensation expense related to WLH acquisition	—	—	5,107	—	—	—	—	—	5,107
WLH equity award accelerations due to change in control	—	—	8,421	—	—	—	—	—	8,421
Distributions to non-controlling interests of consolidated joint ventures	—	—	—	—	—	—	—	(36,301)	(36,301)
Changes in non-controlling interests of consolidated joint ventures	—	—	—	—	—	—	—	147,253	147,253
Balance – September 30, 2020	129,865,426	$ 1	$ 2,920,777	25,379,911	$ (433,687)	$ 931,370	$ 871	$ 122,803	$ 3,542,135

[1] Dollar amount represents the value of shares withheld for taxes.

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

TAYLOR MORRISON HOME CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands, except share data, unaudited)

For the nine months ended September 30, 2019

	Common Stock		Additional Paid-in Capital	Treasury Stock		Stockholders' Equity			
	Shares	Amount	Amount	Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Income	Non-controlling Interest - Joint Venture	Total Stockholders' Equity
Balance – December 31, 2018	112,965,856	$ 1	$ 2,071,579	11,554,084	$ (186,087)	$ 527,698	$ 2,001	$ 3,543	$ 2,418,735
Net income	—	—	—	—	—	199,994	—	211	200,205
Other comprehensive income	—		—			—	284	—	284
Exercise of stock options	754,880	—	12,746	—	—	—	—	—	12,746
Issuance of restricted stock units, net of shares withheld for tax[1]	495,171	—	(1,511)	—	—	—	—	—	(1,511)
Repurchase of common stock	(8,389,348)	—	—	8,389,348	(157,439)	—	—	—	(157,439)
Stock compensation expense	—	—	10,936	—	—	—	—	—	10,936
Distributions to non-controlling interests of consolidated joint ventures	—	—	—	—	—	—	—	(35)	(35)
Changes in non-controlling interests of consolidated joint ventures	—	—	—	—	—	—	—	2,057	2,057
Balance – September 30, 2019	105,826,559	$ 1	$ 2,093,750	19,943,432	$ (343,526)	$ 727,692	$ 2,285	$ 5,776	$ 2,485,978

[1] Dollar amount represents the value of shares withheld for taxes.

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

TAYLOR MORRISON HOME CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	Nine Months Ended September 30,	
	2020	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income before allocation to non-controlling interests	$ 152,865	$ 200,205
Adjustments to reconcile net income to net cash (used in)/provided by operating activities:		
Equity in income of unconsolidated entities	(8,878)	(7,983)
Stock compensation expense	27,260	10,936
Loss on extinguishment of debt	10,247	5,806
Distributions of earnings from unconsolidated entities	9,251	8,633
Depreciation and amortization	26,939	22,087
Operating lease expense	12,918	6,689
Debt issuance costs/(premium) amortization	(1,970)	325
Land held for sale write-downs	4,347	—
Deferred income taxes	11,696	524
Changes in operating assets and liabilities:		
Real estate inventory and land deposits	439,842	(244,276)
Mortgages held for sale, prepaid expenses and other assets	20,129	45,788
Customer deposits	84,475	19,543
Accounts payable, accrued expenses and other liabilities	(31,303)	77,502
Income taxes payable	40,211	7,598
Net cash provided by operating activities	798,029	153,377
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(25,276)	(18,675)
Payments for business acquisitions, net of cash acquired	(279,048)	—
Distributions of capital from unconsolidated entities	30,853	21,694
Investments of capital into unconsolidated entities	(24,011)	(10,166)
Net cash used in investing activities	(297,482)	(7,147)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in loans payable and other borrowings	72,848	13,909
Repayments of loans payable and other borrowings	(110,177)	(24,664)
Borrowings on revolving credit facility	830,000	95,000
Repayments on revolving credit facility	(545,000)	(95,000)
Borrowings on mortgage warehouse	1,750,669	752,501
Repayment on mortgage warehouse	(1,809,252)	(826,803)
Proceeds from the issuance of senior notes	500,000	950,000
Repayments on senior notes	(861,775)	(963,252)
Payment of deferred financing costs	(6,202)	(11,802)
Proceeds from stock option exercises	7,877	12,746
Payment of principle portion of finance lease	(1,325)	—
Repurchase of common stock, net	(90,163)	(157,439)
Payment of taxes related to net share settlement of equity awards	(8,654)	(1,511)
Changes and (distributions to)/contributions to non-controlling interests of consolidated joint ventures, net	(8,905)	2,022
Net cash used in financing activities	(280,059)	(254,293)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	$ 220,488	$ (108,063)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH — Beginning of period	328,572	331,859
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH — End of period	$ 549,060	$ 223,796
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income taxes paid, net	$ (2,490)	$ (20,605)
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Change in loans payable issued to sellers in connection with land purchase contracts	$ 136,803	$ 84,535
Change in inventory not owned	$ (86,390)	$ 8,444
Issuance of common stock in connection with business acquisition	$ 797,970	$ —
Net non-cash contributions from non-controlling interests	$ 5,784	$ —
Non-cash portion of loss on debt extinguishment	$ 1,723	$ —
Beginning operating lease right of use assets due to adoption of ASU 2016-02	$ —	$ 27,384
Beginning operating lease right of use liabilities due to adoption of ASU 2016-02	$ —	$ 30,331

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

TAYLOR MORRISON HOME CORPORATION
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS

Organization and Description of the Business — Taylor Morrison Home Corporation "TMHC" through its subsidiaries (together with TMHC referred to herein as "we," "our," "the Company" and "us"), owns and operates a residential homebuilding business and is a developer of lifestyle communities. As of September 30, 2020, we operated in the states of Arizona, California, Colorado, Florida, Georgia, Nevada, North and South Carolina, Oregon, Texas, and Washington. Our Company serves a wide array of consumer groups from coast to coast, including first time, move-up, luxury, and active adult. Our homebuilding segments operate under our Taylor Morrison, Darling Homes, and William Lyon Signature brand names. Our business is organized into multiple homebuilding operating components, and a financial services component, all of which are managed as four reportable segments: East, Central, West, and Financial Services. The communities in our homebuilding segments generally offer single and multi-family attached and detached homes. We are the general contractors for all real estate projects and retain subcontractors for home construction and land development. We also have an exclusive partnership with Christopher Todd Communities, a growing Phoenix-based developer of innovative, luxury rental communities to operate a "Build-to-Rent" homebuilding business. We serve as a land acquirer, developer, and homebuilder while Christopher Todd Communities provides community design and property management consultation. As part of our acquisition of William Lyon Homes ("WLH"), discussed below, we also acquired Urban Form Development, LLC ("Urban Form"), which primarily develops and constructs multi-use properties consisting of combinations of commercial space, retail, and multi-family units. Our Financial Services segment provides financial services to customers through our wholly owned mortgage subsidiary, operating as Taylor Morrison Home Funding, LLC ("TMHF"), title services through our wholly owned title services subsidiary, Inspired Title Services, LLC ("Inspired Title"), and homeowner's insurance policies through our insurance agency, Taylor Morrison Insurance Services, LLC ("TMIS").

On February 6, 2020, we completed the acquisition of WLH, one of the nation's largest homebuilders in the Western United States. WLH designs, constructs, markets and sells single-family detached and attached homes in California, Arizona, Nevada, Colorado, Washington, Oregon, and Texas. Refer to Note 3 - *Business Combinations* for additional information and a discussion of recent transaction settlements with certain WLH shareholders.

On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide and various state and local governments issued "shelter-in-place" orders which impacted and restricted various aspects of our business, primarily during the second quarter of 2020. The COVID-19 pandemic has had a widespread effect on the economy. During the third quarter, various states began a phased reopening of business operations; however, the United States continues to struggle with rolling outbreaks. As of the date of this filing, all of our operations are functioning, subject to regulated restrictions and safety constraints we have enacted in order to protect our employees, trade contractors, and customers. The impacts of COVID-19 are described throughout this filing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation — The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the Consolidated Financial Statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2019 (the "Annual Report"). In the opinion of management, the accompanying unaudited Condensed Consolidated Financial Statements include all normal and recurring adjustments that are considered necessary for the fair presentation of our results for the interim periods presented. Results for interim periods are not necessarily indicative of results to be expected for a full fiscal year.

Non-controlling interests - Joint Ventures
We consolidate certain joint ventures in accordance with Accounting Standards Codification ("ASC") Topic 810*,* "*Consolidation.*" The income from the percentage of the joint venture not owned by us is presented as "Net income attributable to non-controlling interests - joint ventures" on the Condensed Consolidated Statements of Operations.

Use of Estimates — The preparation of financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying notes. Significant estimates include real estate development costs to complete, valuation of real estate, valuation of acquired assets,

valuation of goodwill, valuation of development liabilities, valuation of equity awards, valuation allowance on deferred tax assets, and reserves for warranty and self-insured risks. Actual results could differ from those estimates.

Goodwill — The excess of the purchase price of a business acquisition over the net fair value of assets acquired and liabilities assumed is capitalized as goodwill in accordance with ASC Topic 350, *"Intangibles — Goodwill and Other."* ASC 350 requires that goodwill and intangible assets that do not have finite lives not be amortized, but rather assessed for impairment at least annually or more frequently if certain impairment indicators are present. We perform our annual impairment test during the fourth quarter or whenever impairment indicators are present. As a result of the COVID-19 pandemic, we performed a qualitative impairment test as of September 30, 2020. Taking into consideration the fluctuations in the equity markets, general economic conditions, homebuilding industry conditions, the Company's overall financial performance, and the gap between our net assets and market capitalization as of September 30, 2020, we concluded there were no indicators that goodwill was impaired. We will continue to evaluate factors affecting these conclusions throughout 2020, and beyond, if necessary. Refer to Item 2. Management's Discussion and Analysis — *COVID-19 Impact and Strategy* and Item 1A. Risk Factors for discussion regarding the impacts of COVID-19.

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment (*"ASU 2017-04"), which eliminates Step 2 from the goodwill impairment test and removes the requirement to determine the fair value of the individual assets and liabilities in order to calculate a reporting unit's implied goodwill. ASU 2017-04 was effective for us beginning on January 1, 2020. The adoption of ASU 2017-04 did not have a material impact on our condensed consolidated financial statement disclosures.

Real Estate Inventory — Inventory consists of raw land, land under development, homes under construction, completed homes, and model homes, all of which are stated at cost. In addition to direct carrying costs, we also capitalize interest, real estate taxes, and related development costs that benefit the entire community, such as field construction supervision and related direct overhead. Home vertical construction costs are accumulated and charged to cost of sales at the time of home closing using the specific identification method. Land acquisition, development, interest, real estate taxes and overhead are allocated to homes and units generally using the relative sales value method. These costs are capitalized to inventory from the point development begins to the point construction is completed. Changes in estimated costs to be incurred in a community are generally allocated to the remaining lots on a prospective basis. For those communities that have been temporarily closed or development has been discontinued, we do not allocate interest or other costs to the community's inventory until activity resumes. Such costs are expensed as incurred.

We capitalize qualifying interest costs to inventory during the development and construction periods. Capitalized interest is charged to cost of sales when the related inventory is charged to cost of sales.

We assess the recoverability of our inventory in accordance with the provisions of ASC Topic 360, *Property, Plant, and Equipment*. We review our real estate inventory for indicators of impairment on a community-level basis during each reporting period. If indicators of impairment are present for a community, we first perform an undiscounted cash flow analysis to determine if the carrying value of the assets in that community exceeds the expected undiscounted cash flows. Generally, if the carrying value of the assets exceeds their estimated undiscounted cash flows, then the assets are deemed to be impaired and are recorded at fair value as of the assessment date. Our determination of fair value is primarily based on a discounted cash flow model which includes projections and estimates relating to sales prices, construction costs, sales pace, and other factors. Changes in these expectations may lead to a change in the outcome of our impairment analysis, and actual results may also differ from our assumptions. For the three and nine months ended September 30, 2020 and 2019, no impairment charges were recorded. Refer to Item 2. Management's Discussion and Analysis — *COVID-19 Impact and Strategy* and Item 1A. Risk Factors for discussion regarding the impacts of COVID-19.

In certain cases, we may elect to cease development and/or marketing of an existing community if we believe the economic performance of the community would be maximized by deferring development for a period of time to allow for market conditions to improve. We refer to such communities as long-term strategic assets. The decision may be based on financial and/or operational metrics as determined by us. If we decide to cease development, we will evaluate the project for impairment and then cease future development and marketing activity until such a time when we believe that market conditions have improved and economic performance can be maximized. Our assessment of the carrying value of our long-term strategic assets typically includes subjective estimates of future performance, including the timing of when development will recommence, the type of product to be offered, and the margin to be realized. In the future, some of these inactive communities may be re-opened while others may be sold. As of September 30, 2020 and December 31, 2019, we had no inactive projects.

In the ordinary course of business, we enter into various specific performance agreements to acquire lots. Real estate not owned under these agreements is consolidated into Consolidated real estate not owned with a corresponding liability in Liabilities attributable to consolidated real estate not owned in the Condensed Consolidated Balance Sheets. As a method of acquiring land in staged takedowns, while limiting risk and minimizing the use of funds from our available cash or other financing sources, we may transfer our right under certain specific performance agreements acquired in the acquisition of WLH to entities owned by third parties ("land banking arrangements"). These entities use equity contributions from their owners and/or incur debt to finance the acquisition and development of the land. The entities grant us an option to acquire lots in staged takedowns. In consideration for this option, we make a non-refundable deposit of 15% to 25% of the total purchase price. We are not legally obligated to purchase the balance of the lots, but would forfeit any existing deposits and could be subject to financial and other penalties if the lots were not purchased. We do not have legal title to these entities or their assets and do not guarantee their liabilities. These land banking arrangements help us manage the financial and market risk associated with land holdings.

We evaluate our investments in unconsolidated and consolidated joint ventures for indicators of impairment. A series of operating losses of an investee or other factors may indicate that a decrease in value of our investment in the unconsolidated entity has occurred which is other-than-temporary. The amount of impairment recognized is the excess of the investment's carrying amount over its estimated fair value. Additionally, we consider various qualitative factors to determine if a decrease in the value of the investment is other-than-temporary. These factors include age of the venture, stage in its life cycle, our intent and ability to recover our investment in the unconsolidated entity, financial condition and long-term prospects of the unconsolidated entity, short-term liquidity needs of the unconsolidated entity, trends in the general economic environment of the land, entitlement status of the land held by the unconsolidated entity, overall projected returns on investment, defaults under contracts with third parties (including bank debt), recoverability of the investment through future cash flows and our relationship with the other partners. If we believe that the decline in the fair value of the investment is temporary, then no impairment is recorded. We did not record any impairment charges for the three and nine months ended September 30, 2020 and 2019. We will continue to evaluate these trends and their potential impact during the remainder of 2020. Refer to Item 2. Management's Discussion and Analysis — *COVID-19 Impact and Strategy* and Item 1A. Risk Factors for further discussion.

Prepaid Expenses and Other Assets, net — Prepaid expenses consist of sales commissions, model home costs, such as design fees and furniture, and the unamortized issuance costs for the Revolving Credit Facility. Other assets consist of various operating and escrow deposits, pre-acquisition costs, and other deferred costs. Build-to-rent assets consist of land and development costs relating to our projects under construction. In connection with the acquisition of WLH, Prepaid expenses and other assets, net also include the assets for Urban Form which primarily consist of land and development costs relating to projects under construction.

Revenue Recognition — We recognize revenue in accordance with ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09" or "Topic 606"). The standard's core principle requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

Home and land closings revenue
Under Topic 606, the following steps are applied to determine the proper home closings revenue and land closings revenue recognition: (1) we identify the contract(s) with our customer; (2) we identify the performance obligations in the contract; (3) we determine the transaction price; (4) we allocate the transaction price to the performance obligations in the contract; and (5) we recognize revenue when (or as) we satisfy the performance obligation. For our home sales transactions, we have one contract, with one performance obligation, with each customer to build and deliver the home purchased (or develop and deliver land). Based on the application of the five steps, the following summarizes the timing and manner of home and land sales revenue:

- Revenue from closings of residential real estate is recognized when closings have occurred, the buyer has made the required minimum down payment, obtained necessary financing, the risks and rewards of ownership are transferred to the buyer, and we have no continuing involvement with the property, which is generally upon the close of escrow. Revenue is reported net of any discounts and incentives.
- Revenue from land sales is recognized when a significant down payment is received, title passes and collectability of the receivable, if any, is reasonably assured, and we have no continuing involvement with the property, which is generally upon the close of escrow.

Amenity and other revenue
We own and operate certain amenities such as golf courses, club houses, and fitness centers, which require us to provide club members with access to the facilities in exchange for the payment of club dues. We collect club dues and other fees from the club members, which are invoiced on a monthly basis. Revenue from our golf club operations is also included in amenity and

other revenue. Amenity and other revenue also includes revenue from the sale of assets which include multi-use properties as part of our Urban Form operations.

Financial services revenue
Mortgage operations and hedging activity related to financial services are not within the scope of Topic 606. Loan origination fees (including title fees, points, and closing costs) are recognized at the time the related real estate transactions are completed, which is usually upon the close of escrow. All of the loans TMHF originates are sold to third party investors within a short period of time, on a non-recourse basis. Gains and losses from the sale of mortgages are recognized in accordance with ASC Topic 860-20, *Sales of Financial Assets.* TMHF does not have continuing involvement with the transferred assets; therefore, we derecognize the mortgage loans at time of sale, based on the difference between the selling price and carrying value of the related loans upon sale, recording a gain/loss on sale in the period of sale. Also included in financial services revenue/expenses are realized and unrealized gains and losses from hedging instruments.

Recently Issued Accounting Pronouncements —In December 2019, the FASB issued ASU No. 2019-12, "*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*" ("ASU 2019-12"), which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for us in our fiscal year beginning January 1, 2021. We are currently evaluating the impact of the adoption of ASU 2019-12 on our condensed consolidated financial statements and disclosures.

3. BUSINESS COMBINATIONS

In accordance with ASC Topic 805*, Business Combinations*, all assets acquired and liabilities assumed from our acquisition of WLH on February 6, 2020 were measured and recognized at fair value as of the date of the acquisition to reflect the purchase price paid. Total purchase consideration of the WLH acquisition was $1.1 billion, consisting of multiple components: (i) cash of $95.6 million, (ii) the issuance of approximately 30.6 million shares of TMHC Common Stock with a value of $836.1 million, (iii) the repayment of $160.8 million of borrowings under WLH's Revolving Credit Facility, and (iv) the conversion of WLH issued equity instruments consisting of restricted stock units, restricted stock awards, options and warrants to TMHC awards and warrants with a value of $24.1 million.

On June 3 and 4, 2020, three dissenting former WLH shareholders filed petitions for appraisal in the Delaware Court of Chancery, in connection with the merger transaction whereby we acquired WLH. The petitioners did not accept the merger consideration and sought a judicial determination of the "fair value" of their shares. On June 29, 2020, we entered into a settlement agreement pursuant to which the petitioners released their claims in exchange for a subsequent total cash payment of approximately $62.2 million. As a result, although the total purchase price for the acquisition remained unchanged, the total cash paid increased to $157.8 million, and the total equity issued, excluding warrants, comprised 28.3 million shares of TMHC Common Stock with a value of $773.9 million.

We performed a preliminary allocation of purchase price as of the acquisition date based on management's estimates of fair value. We determined the preliminary fair value of inventory on a community-level basis, using a reasonable range of market comparable gross margins based on the inventory geography and product type. These estimates are significantly impacted by assumptions related to expected average home selling prices and sales incentives, expected sales paces and cancellation rates, expected land development and construction timelines, and anticipated land development, construction, and overhead costs. Such estimates were made for each individual community and varied significantly between communities. We believe our estimates and assumptions are reasonable; however, the preliminary purchase price allocation is subject to further refinement and may require significant adjustments to arrive at the final purchase price allocation. The final determination of the fair value of certain assets and liabilities will be completed as soon as the necessary information is available, but no later than one year from the acquisition date.

The following is a summary as of September 30, 2020, of management's estimate of the fair value of assets acquired and liabilities assumed on the date of acquisition. These estimates have been updated and revised to reflect our continuing effort to value several long-term inventory assets of the former WLH. In addition, we incur various costs and expenses in connection with our acquisitions. For the acquisition of WLH such costs primarily consisted of investment banking fees, severance, compensation, and legal fees, among other items, and for the three and nine months ended September 30, 2020, totaled $4.8 million and $109.9 million, respectively, which are presented in Transaction expenses on the Condensed Consolidated Statements of Operations.

(Dollars in thousands)		
Acquisition Date		*February 6, 2020*
Assets acquired		
Real estate inventory	$	2,066,902
Prepaid expenses and other assets[1]		264,170
Deferred tax assets, net		145,213
Goodwill[2]		514,074
Total assets	$	2,990,359
Less liabilities assumed		
Accrued expenses and other liabilities	$	450,711
Total debt[3]		1,306,578
Non-controlling interest		116,157
Net assets acquired	$	1,116,913

[1] Includes cash acquired.
[2] Goodwill is not deductible for tax purposes. We allocated $466.5 million and $47.6 million of goodwill to the West and Central homebuilding segments, respectively.
[3] See *Note 9 - Debt* for discussion relating to acquired debt.

The following presents the measurement period adjustments in fair value estimates from the previously reported provisional balances as of March 31, 2020:

- Real estate inventory decreased by approximately $67.2 million
- Prepaid expenses and other assets increased by approximately $2.5 million
- Deferred tax assets, net increased by approximately $17.0 million
- Accrued expenses and other liabilities increased by approximately $3.4 million

As a result of the changes in fair value estimates above, goodwill increased by approximately $51.4 million since the date of our provisional estimate. The current period fair value adjustments relating to the first and second quarter of 2020 included a reduction to cost of home closings of $2.3 million and a reduction to general and administrative expense of $0.2 million for the changes in depreciation and amortization as a result of the current estimate of prepaid expenses and other assets.

Unaudited Pro Forma Results of Business Combinations

The following unaudited pro forma information for the periods presented include the results of operations of our acquisition of WLH as if it had been completed on January 1, 2019. The pro forma results are presented for informational purposes only and do not purport to be indicative of the results of operations or future results that would have been achieved if the acquisition had taken place one year prior to the acquisition year. The pro forma information combines the historical results of the Company with the historical results of WLH for the periods presented.

The unaudited pro forma results do not give effect to any synergies, operating efficiencies, or other costs savings that may result from the acquisition, or other significant non-reoccurring expenses or transactions that do not have a continuing impact. Earnings per share utilizes pro forma net income available to TMHC and total weighted average shares of common stock. The pro forma amounts are based on available information and certain assumptions that we believe are reasonable.

(Dollars in thousands except per share data)	For the three months ended September 30, 2020 *(Pro forma)*	For the three months ended September 30, 2019 *(Pro forma)*	For the nine months ended September 30, 2020 *(Pro forma)*	For the nine months ended September 30, 2019 *(Pro forma)*
Total revenue	$ 1,699,434	$ 1,571,994	$ 4,658,916	$ 4,683,845
Net income before allocation to non-controlling interests	$ 118,579	$ 81,165	$ 197,708	$ 166,559
Net income attributable to non-controlling interests — joint ventures	(422)	(8,054)	(2,958)	(19,235)
Net income available to TMHC	$ 118,157	$ 73,111	$ 194,750	$ 147,324
Weighted average shares - Basic	130,110	134,136	131,274	135,533
Weighted average shares - Diluted	131,769	135,515	132,242	136,743
Earnings per share - Basic	$ 0.91	$ 0.55	$ 1.48	$ 1.09
Earnings per share - Diluted	$ 0.90	$ 0.54	$ 1.47	$ 1.08

For the three and nine months ended September 30, 2020, total revenue included $431.3 million and $1.1 billion, respectively, from WLH since the date of acquisition. For the three and nine months ended September 30, 2020, income before income taxes included losses of $23.1 million and $119.3 million, respectively, from WLH since the date of acquisition.

4. EARNINGS PER SHARE

Basic earnings per common share is computed by dividing net income available to TMHC by the weighted average number of shares of Common Stock outstanding during the period. Diluted earnings per share gives effect to the potential dilution that could occur if all outstanding dilutive equity awards to issue shares of Common Stock were exercised or settled.

The following is a summary of the components of basic and diluted earnings per share (in thousands, except per share amounts):

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Numerator:				
Net income available to TMHC	$ 114,777	$ 67,012	$ 149,020	$ 199,994
Denominator:				
Weighted average shares – basic	129,775	105,472	127,113	107,389
Restricted stock units	812	938	669	912
Stock Options	520	442	252	298
Warrants	326	—	47	—
Weighted average shares – diluted	131,433	106,852	128,081	108,599
Earnings per common share – basic:				
Net income available to Taylor Morrison Home Corporation	$ 0.88	$ 0.64	$ 1.17	$ 1.86
Earnings per common share – diluted:				
Net income available to Taylor Morrison Home Corporation	$ 0.87	$ 0.63	$ 1.16	$ 1.84

The above calculations of weighted average shares excludes 1,098,706 and 3,013,093 anti-dilutive stock options for the three and nine months ended September 30, 2020 and 2019, respectively. Additionally, we excluded a total weighted average of 766,948 and 2,775,689 unvested restricted stock units ("RSUs") for the three and nine months ended September 30, 2020 and 2019, respectively.

5. REAL ESTATE INVENTORY AND LAND DEPOSITS

Inventory consists of the following (in thousands):

	As of	
	September 30, 2020	December 31, 2019
Real estate developed and under development	$ 3,873,698	$ 2,805,506
Real estate held for development or held for sale [1]	171,089	146,471
Operating communities [2]	1,104,646	899,789
Capitalized interest	150,673	115,593
Total owned inventory	5,300,106	3,967,359
Real estate not owned	122,776	19,185
Total real estate inventory	$ 5,422,882	$ 3,986,544

[1] Real estate held for development or held for sale includes properties which are not in active production. This includes raw land recently purchased or awaiting entitlement, and, if applicable, long-term strategic assets. As of December 31, 2019, all inventory relating to our Chicago operations were deemed held for sale and included in Total owned inventory on the Condensed Consolidated Balance Sheet. As of September 30, 2020, there was no held for sale inventory relating to our Chicago operations.
[2] Operating communities consist of all vertical construction costs relating to homes in progress and completed homes for all active inventory.

The development status of our land inventory is as follows (dollars in thousands):

	As of			
	September 30, 2020		December 31, 2019	
	Owned Lots	Book Value of Land and Development	Owned Lots	Book Value of Land and Development
Raw[1]	10,598	$ 284,326	13,804	$ 477,997
Partially developed	21,177	1,438,211	13,298	914,689
Finished	21,221	2,322,250	15,504	1,559,291
Total	52,996	$ 4,044,787	42,606	$ 2,951,977

[1] Commercial assets are included in number of owned lots and book value of land and development.

Land Deposits — We provide deposits related to land options and land purchase contracts, which are capitalized when paid and classified as Land deposits until the associated property is purchased.

As of September 30, 2020 and December 31, 2019, we had the right to purchase 7,670 and 4,263 lots under land option purchase contracts, respectively, for an aggregate purchase price of $515.8 million and $289.7 million, respectively. We do not have title to the properties, and the creditors generally have no recourse against us. As of September 30, 2020 and December 31, 2019, our exposure to loss related to our option contracts with third parties and unconsolidated entities consisted of non-refundable deposits totaling $138.2 million and $39.8 million, respectively.

In connection with our acquisition of WLH, we acquired various land banking arrangements. As of September 30, 2020, we had the right to purchase 2,699 lots under such land agreements for an aggregate purchase price of $334.9 million.

Capitalized Interest — Interest capitalized, incurred and amortized is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Interest capitalized - beginning of period	$ 143,440	$ 111,802	$ 115,593	$ 96,031
Interest incurred	41,554	29,018	122,366	85,770
Interest amortized to cost of home closings	(34,321)	(22,144)	(87,286)	(63,125)
Interest capitalized - end of period	$ 150,673	$ 118,676	$ 150,673	$ 118,676

6. INVESTMENTS IN CONSOLIDATED AND UNCONSOLIDATED ENTITIES

Unconsolidated Entities

We have investments in a number of joint ventures with third parties, with ownership interests up to 50.0%. These entities are generally involved in real estate development, homebuilding and/or mortgage lending activities. Some of these joint ventures develop land for the sole use of the joint venture participants, including us, and others develop land for sale to both the joint venture participants and to unrelated builders. Our share of the joint venture profit relating to lots we purchase from the joint ventures is deferred until homes are delivered by us and title passes to a homebuyer.

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

	As of	
	September 30, 2020	December 31, 2019
Assets:		
Real estate inventory	$ 323,079	$ 367,225
Other assets	152,684	132,812
Total assets	$ 475,763	$ 500,037
Liabilities and owners' equity:		
Debt	$ 184,995	$ 178,686
Other liabilities	21,497	20,490
Total liabilities	206,492	199,176
Owners' equity:		
TMHC	125,132	128,759
Others	144,139	172,102
Total owners' equity	269,271	300,861
Total liabilities and owners' equity	$ 475,763	$ 500,037

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues	$ 38,305	$ 68,734	$ 133,452	$ 228,002
Costs and expenses	(29,309)	(59,851)	(107,156)	(197,151)
Income of unconsolidated entities	$ 8,996	$ 8,883	$ 26,296	$ 30,851
TMHC's share in income of unconsolidated entities	$ 2,957	$ 2,103	$ 8,878	$ 7,983
Distributions to TMHC from unconsolidated entities	$ 11,849	$ 8,309	$ 40,104	$ 30,327

Consolidated Entities

As a result of the acquisition of WLH, we have a total of 25 joint ventures as of September 30, 2020 for the purpose of land development and homebuilding activities, which we have determined to be variable interest entities ("VIEs"). As the managing member, we oversee the daily operations and have the power to direct the activities of the VIEs, or joint ventures. Based upon the allocation of income and loss per the applicable joint venture agreements and certain performance guarantees, we have potentially significant exposure to the risks and rewards of the joint ventures. Therefore, we are the primary beneficiary of the joint ventures, and the entities are consolidated as of September 30, 2020.

As of September 30, 2020, the assets of the consolidated joint ventures totaled $400.2 million, of which $19.1 million was cash and cash equivalents and $344.7 million was owned inventory. The liabilities of the consolidated joint ventures totaled $180.1 million, primarily comprised of notes payable, accounts payable and accrued liabilities.

7. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following (in thousands):

	As of September 30, 2020	As of December 31, 2019
Real estate development costs to complete	$ 28,356	$ 20,598
Compensation and employee benefits	104,394	95,585
Self-insurance and warranty reserves	112,566	120,048
Interest payable	36,052	23,178
Property and sales taxes payable	25,353	12,537
Other accruals	91,768	53,422
Total accrued expenses and other liabilities	$ 398,489	$ 325,368

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Reserve - beginning of period	$ 117,462	$ 81,111	$ 120,048	$ 93,790
Net additions to reserves due to WLH acquisition	—	—	9,130	—
Other additions to reserves	12,268	10,114	39,011	18,809
Cost of claims incurred	(19,180)	(18,107)	(61,444)	(43,815)
Changes in estimates to pre-existing reserves	2,016	1,141	5,821	5,475
Reserve - end of period	$ 112,566	$ 74,259	$ 112,566	$ 74,259

8. ESTIMATED DEVELOPMENT LIABILITY

The estimated development liability consists primarily of estimated future utilities improvements in Poinciana, Florida and Rio Rico, Arizona for more than 8,000 home sites previously sold, in most cases prior to 1980. The estimated development liability is reduced by actual expenditures and is evaluated and adjusted, as appropriate, to reflect management’s estimate of potential completion costs. We obtained third-party engineer evaluations and recorded this liability at fair value during purchase accounting for our acquisition of AV Homes in 2018 to reflect the estimated completion costs. Future increases or decreases of costs for construction, material and labor, as well as other land development and utilities infrastructure costs, may have a significant effect on the estimated development liability.

9. DEBT

Total debt consists of the following (in thousands):

	As of					
	September 30, 2020			December 31, 2019		
	Principal	Unamortized Debt Issuance (Costs)/Premium	Carrying Value	Principal	Unamortized Debt Issuance Costs	Carrying Value
5.875% Senior Notes due 2023	$ 350,000	$ (1,442)	$ 348,558	$ 350,000	$ (1,867)	$ 348,133
5.625% Senior Notes due 2024	350,000	(1,839)	348,161	350,000	(2,244)	347,756
5.875% Senior Notes due 2027	500,000	(5,222)	494,778	500,000	(5,808)	494,192
6.625% Senior Notes due 2027[1]	300,000	21,715	321,715	—	—	—
5.75% Senior Notes due 2028	450,000	(4,603)	445,397	450,000	(5,073)	444,927
5.125% Senior Notes due 2030	500,000	(6,083)	493,917	—	—	—
Senior Notes subtotal	$ 2,450,000	$ 2,526	$ 2,452,526	$ 1,650,000	$ (14,992)	$ 1,635,008
Loans payable and other borrowings	332,953	—	332,953	182,531	—	182,531
Revolving Credit Facility	285,000	—	285,000	—	—	—
Mortgage warehouse borrowings	109,593	—	109,593	123,233	—	123,233
Total debt	$ 3,177,546	$ 2,526	$ 3,180,072	$ 1,955,764	$ (14,992)	$ 1,940,772

[1] Consists of remaining William Lyon Notes and New Notes issued by TM Communities in connection with the Exchange Offer as described below. Unamortized Debt Issuance (Cost)/Premium for such notes is reflective of fair value adjustments as a result of purchase accounting estimates.

Senior Notes

All of our senior notes (the "Senior Notes") described below and the related guarantees are senior unsecured obligations and are not subject to registration rights. The indentures governing our senior notes (except for the William Lyon Notes) contain covenants that limit our ability to incur debt secured by liens and enter into certain sale and leaseback transactions and contain customary events of default. None of the indentures for the senior notes have financial maintenance covenants.

In connection with our acquisition of WLH, TM Communities offered to exchange (the "Exchange Offers") any and all outstanding notes of three series of senior notes issued by WLH (the "William Lyon Notes") for up to $1.1 billion aggregate principal amount of new notes (the "New Notes") to be issued by TM Communities. The Exchange Offers were settled on February 10, 2020. All validly tendered and not validly withdrawn William Lyon Notes were accepted for exchange in the Exchange Offers and such William Lyon Notes were retired, canceled, and not reissued. Following such cancellation, $26.0 million aggregate principal amount of 6.00% Senior Notes due 2023 of WLH, $8.5 million aggregate principal amount of 5.875% Senior Notes due 2025 of WLH, and $9.6 million aggregate principal amount of 6.625% Senior Notes due 2027 of WLH remained outstanding. In connection with the consummation of the Exchange Offers, WLH entered into supplemental indentures to eliminate substantially all of the covenants in the indentures governing the William Lyon Notes, including the requirement to offer to purchase such notes upon a change of control and to eliminate certain other restrictive provisions and events that may lead to an "Event of Default" in such indentures. The New Notes were issued by TM Communities and consisted of $324.0 million aggregate principal amount of 6.00% Senior Notes due 2023, $428.4 million aggregate principal amount of 5.875% Senior Notes due 2025, and $290.4 million aggregate principal amount of 6.625% Senior Notes due 2027. The 6.00% Senior Notes due 2023 and 5.875% Senior Notes due 2025 were fully redeemed as of September 30, 2020. The William Lyon Notes and the New Notes are discussed further below.

As of September 30, we were in compliance with all of the covenants under the Senior Notes.

5.875% Senior Notes due 2023

On April 16, 2015, TM Communities issued $350.0 million aggregate principal amount of 5.875% Senior Notes due 2023 (the "2023 5.875% Senior Notes"), which mature on April 15, 2023. The 2023 5.875% Senior Notes are guaranteed by Taylor Morrison Home III Corporation, Taylor Morrison Holdings, Inc. and their homebuilding subsidiaries (collectively, the "Guarantors"). We are required to offer to repurchase the 2023 5.875% Senior Notes at a price equal to 101% of their aggregate principal amount (plus accrued and unpaid interest) upon certain change of control events where there is a credit rating downgrade that occurs in connection with the change of control.

Prior to January 15, 2023, the 2023 5.875% Senior Notes are redeemable at a price equal to 100% plus a "make-whole" premium for payments through January 15, 2023 (plus accrued and unpaid interest). Beginning January 15, 2023, the 2023 5.875% Senior Notes are redeemable at par (plus accrued and unpaid interest).

6.00% Senior Notes due 2023

On July 22, 2020, $266.9 million of our 6.00% Senior Notes due 2023 (the "2023 6.00% Senior Notes") were partially redeemed using the net proceeds from the issuance of the 2030 Senior Notes (as defined below) and cash on hand. On September 14, 2020, we redeemed the remaining $83.1 million of notes using cash on hand. The redemption price was equal to 100.0% of the principal amount, plus a make-whole premium of 0.11% plus 50 basis points, plus accrued and unpaid interest to, but excluding the redemption date. See "2030 Senior Notes and Redemption of the 2023 6.00% Senior Notes and Redemption of the 2025 Senior Notes" below for additional information regarding the redemption of the 2023 6.00% Senior Notes.

5.625% Senior Notes due 2024

On March 5, 2014, TM Communities issued $350.0 million aggregate principal amount of 5.625% Senior Notes due 2024 (the "2024 Senior Notes"), which mature on March 1, 2024. The 2024 Senior Notes are guaranteed by the Guarantors. The change of control provisions in the indenture governing the 2024 Senior Notes are similar to those contained in the indentures governing our other Senior Notes.

Prior to December 1, 2023, the 2024 Senior Notes are redeemable at a price equal to 100% plus a "make-whole" premium for payments through December 1, 2023 (plus accrued and unpaid interest). Beginning on December 1, 2023, the 2024 Senior Notes are redeemable at par (plus accrued and unpaid interest).

5.875% Senior Notes due 2025

On July 22, 2020 $333.1 million of our 5.875% Senior Notes due 2025 (the "2025 Senior Notes") were partially redeemed using the net proceeds from the issuance of the 2030 Senior Notes (as defined below) and cash on hand. On September 14, 2020, we redeemed the remaining $103.8 million of notes using cash on hand. The redemption price was equal to 102.938% of the principal amount, plus accrued and unpaid interest to, but excluding the redemption date. See "2030 Senior Notes and Redemption of the 2023 6.00% Notes and Redemption of the 2025 Senior Notes" below for additional information regarding the redemption of the 2025 Senior Notes.

5.875% Senior Notes due 2027

On June 5, 2019, TM Communities issued $500.0 million aggregate principal amount of 5.875% Senior Notes due 2027 (the "2027 5.875% Senior Notes"), which mature on June 15, 2027. The 2027 5.875% Senior Notes are guaranteed by the Guarantors. The change of control provisions in the indenture governing the 2027 5.875% Senior Notes are similar to those contained in the indentures governing our other Senior Notes.

Prior to March 15, 2027, the 2027 5.875% Senior Notes are redeemable at a price equal to 100% plus a "make-whole" premium for payments through March 15, 2027 (plus accrued and unpaid interest). Beginning on March 15, 2027, the 2027 5.875% Senior Notes are redeemable at par (plus accrued and unpaid interest).

6.625% Senior Notes due 2027

On February 10, 2020, we completed the Exchange Offers as described above following which we had $290.4 million aggregate principal amount of 6.625% Senior Notes due 2027 issued by TM Communities (the "2027 6.625% TM Communities Notes") and $9.6 million aggregate principal amount of 6.625% Senior Notes due 2027 issued by WLH (the "2027 6.625% WLH Notes" and together with the 2027 6.625% TM Communities Notes, the "2027 6.625% Senior Notes"). The 2027 6.625% TM Communities Notes are obligations of TM Communities and are guaranteed by the Guarantors. The change of control provisions in the indenture governing the 2027 6.625% TM Communities Notes are similar to those contained in the indentures governing our other Senior Notes.

The 2027 6.625% Senior Notes mature on July 15, 2027. Prior to July 15, 2022, the 2027 6.625% Senior Notes may be redeemed in whole or in part at a redemption price equal to 100% of the principal amount plus a "make-whole" premium, and accrued and unpaid interest, if any, to, but not including, the redemption date. On or after July 15, 2022, the 2027 6.625% Senior Notes are redeemable at a price equal to 103.313% of principal (plus accrued and unpaid interest). On or after July 15, 2023, the 2027 6.625% Senior Notes are redeemable at a price equal to 102.208% of principal (plus accrued and unpaid

interest). On or after July 31, 2024, the 2027 6.625% Senior Notes are redeemable at a price equal to a 101.104% of principal (plus accrued and unpaid interest). On or after July 15, 2025, the 2027 6.625% Senior Notes are redeemable at a price equal to 100% of principal (plus accrued and unpaid interest).

In addition, at any time prior to July 15, 2022, we may at the option on one or more occasions, redeem the 2027 6.625% Senior Notes (including any additional notes that may be issues in the future under the 2027 6.625% Senior Notes Indenture) in an aggregate principal amount not to exceed 40% of the aggregate principal amount of the 2027 6.625% Senior Notes at a redemption price (expressed as a percentage of principal amount) of 106.625%, plus accrued and unpaid interest, if any, to, but not including, the redemption date, with an amount equal to the net cash proceeds from one or more equity offerings.

5.75% Senior Notes due 2028

On August 1, 2019, TM Communities issued $450.0 million aggregate principal amount of 5.75% Senior Notes due 2028 (the "2028 Senior Notes"), which mature on January 15, 2028. The 2028 Senior Notes are guaranteed by the same Guarantors that guarantee our other Senior Notes. The change of control provisions in the indenture governing the 2028 Senior Notes are similar to those contained in the indentures governing our other Senior Notes.

Prior to October 15, 2027, the 2028 Senior Notes are redeemable at a price equal to 100% plus a "make-whole" premium for payments through October 15, 2027 (plus accrued and unpaid interest). Beginning on October 15, 2027, the 2028 Senior Notes are redeemable at par (plus accrued and unpaid interest).

Repayment of William Lyon Homes 7.00% Senior Notes due 2022

In connection with the acquisition, on February 6, 2020, we satisfied and discharged all $50.0 million of WLH's 7.00% Senior Notes due 2022 using cash on hand and borrowings from our $800.0 million Revolving Credit Facility, for a total redemption amount of $52.0 million.

5.125% 2030 Senior Notes and Redemption of the 2023 6.00% Senior Notes and Redemption of the 2025 Senior Notes

On July 22, 2020, we issued $500.0 million aggregate principal amount of 5.125% Senior Notes due 2030 (the "2030 Senior Notes"). The net proceeds of the offering, along with cash on hand, were used to redeem the entire principal amount of the 2023 6.00% Senior Notes, as well as the 2025 5.875% Senior Notes. As a result of the early redemption of the 2023 and 2025 Senior Notes, we recorded a total net loss on extinguishment of debt of approximately $10.2 million in Loss on extinguishment of debt, net in the Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2020.

The 2030 Senior Notes mature on August 1, 2030. The Senior Notes are guaranteed by the same Guarantors that guarantee our other Senior Notes. The 2030 Senior Notes and the related guarantees are senior unsecured obligations and are not subject to registration rights. The indenture governing the 2030 Senior Notes contains customary events of default that are similar to those contained in the indentures governing our other Senior Notes. The change of control provisions in the indenture governing the 2030 Senior Notes are similar to those contained in the indentures governing our other Senior Notes.

Prior to February 1, 2030, the 2030 Senior Notes are redeemable at a price equal to 100.0% plus a "make-whole" premium for payments through February 1, 2030 (plus accrued and unpaid interest). Beginning on February 1, 2030, the 2030 Senior Notes are redeemable at par (plus accrued and unpaid interest).

Revolving Credit Facility

On February 6, 2020 we terminated our $600.0 million Revolving Credit Facility, writing off $1.7 million of debt issuance costs during the first quarter of 2020 to Transaction expenses on the Condensed Consolidated Statement of Operations and entered into a new $800.0 million Revolving Credit Facility with a maturity date of February 6, 2024. As a precautionary measure during the COVID-19 pandemic, we made the decision in the first quarter to borrow $485.0 million on our Revolving Credit Facility. During the third quarter we repaid $200.0 million of such borrowings. The outstanding amount due on our Revolving Credit Facility as of September 30, 2020 was $285.0 million.

The Revolving Credit Facility includes $1.7 million and $1.8 million of unamortized debt issuance costs as of September 30, 2020 and December 31, 2019, respectively, which are included in Prepaid expenses and other assets, net on the Condensed Consolidated Balance Sheets. As of September 30, 2020 and December 31, 2019, we had $71.9 million and $77.7 million,

respectively, of utilized letters of credit, resulting in $443.1 million and $522.3 million, respectively, of availability under the Revolving Credit Facility.

The Revolving Credit Facility contains certain "springing" financial covenants, requiring us and our subsidiaries to comply with a maximum debt to capitalization ratio of not more than 0.60 to 1.00 and a minimum consolidated tangible net worth level of at least $2.0 billion. The financial covenants would be in effect for any fiscal quarter during which any (a) loans under the Revolving Credit Facility are outstanding during the last day of such fiscal quarter or on more than five separate days during such fiscal quarter or (b) undrawn letters of credit (except to the extent cash collateralized) issued under the Revolving Credit Facility in an aggregate amount greater than $40.0 million or unreimbursed letters of credit issued under the Revolving Credit Facility are outstanding on the last day of such fiscal quarter or for more than five consecutive days during such fiscal quarter. For purposes of determining compliance with the financial covenants for any fiscal quarter, the Revolving Credit Facility provides that we may exercise an equity cure by issuing certain permitted securities for cash or otherwise recording cash contributions to our capital that will, upon the contribution of such cash to the borrower, be included in the calculation of consolidated tangible net worth and consolidated total capitalization. The equity cure right is exercisable up to twice in any period of four consecutive fiscal quarters and up to five times overall.

The Revolving Credit Facility contains certain restrictive covenants including limitations on incurrence of liens, dividends and other distributions, asset dispositions and investments in entities that are not guarantors, limitations on prepayment of subordinated indebtedness and limitations on fundamental changes. The Revolving Credit Facility contains customary events of default, subject to applicable grace periods, including for nonpayment of principal, interest or other amounts, violation of covenants (including financial covenants, subject to the exercise of an equity cure), incorrectness of representations and warranties in any material respect, cross default and cross acceleration, bankruptcy, material monetary judgments, ERISA events with material adverse effect, actual or asserted invalidity of material guarantees and change of control.

As of September 30, 2020, we were in compliance with all of the covenants under the Revolving Credit Facility.

Mortgage Warehouse Borrowings

The following is a summary of our mortgage warehouse borrowings (in thousands):

	As of September 30, 2020				
Facility	Amount Drawn	Facility Amount	Interest Rate[1]	Expiration Date	Collateral [2]
Warehouse A	$ 40,232	$ 55,000	LIBOR + 1.75%	On Demand	Mortgage Loans
Warehouse B	30,238	75,000	LIBOR + 2.50%	On Demand	Mortgage Loans
Warehouse C	23,731	75,000	LIBOR + 1.70%	On Demand	Mortgage Loans and Restricted Cash
Warehouse D[3]	15,392	80,000	LIBOR + 1.75%	On Demand	Mortgage Loans
Total	$ 109,593	$ 285,000			

	As of December 31, 2019				
Facility	Amount Drawn	Facility Amount	Interest Rate	Expiration Date	Collateral [2]
Warehouse A	$ 25,074	$ 45,000	LIBOR + 1.75%	On Demand	Mortgage Loans
Warehouse B	38,481	85,000	LIBOR + 1.75%	On Demand	Mortgage Loans
Warehouse C	59,678	100,000	LIBOR + 1.70%	On Demand	Mortgage Loans and Restricted Cash
Total	$ 123,233	$ 230,000			

[1] Subject to certain interest rate floors.
[2]The mortgage warehouse borrowings outstanding as of September 30, 2020 and December 31, 2019 were collateralized by $172.5 million and $190.9 million, respectively, of mortgage loans held for sale, which comprise the balance of mortgage receivables, and approximately $1.1 million and $1.6 million, respectively, of cash which is included in restricted cash in the accompanying Condensed Consolidated Balance Sheets.

[3] Warehouse D is a mortgage warehouse facility assumed in connection with the acquisition of WLH. We renewed Warehouse D upon expiration on July 3, 2020 and the new expiration date is November 16, 2020. We intend on renewing this warehouse upon expiration.

Loans Payable and Other Borrowings

Loans payable and other borrowings as of September 30, 2020 and December 31, 2019 consist of project-level debt due to various land sellers and seller financing notes from current and prior year acquisitions. The debt is obtained for specific communities that contains land banking, profit participation, and joint ventures. Project-level debt is generally secured by the land that was acquired and the principal payments generally coincide with corresponding project lot sales or a principal reduction schedule. The increase in our Loans payable and other borrowings balance as of September 30, 2020 compared to December 31, 2019, is primarily due to borrowings within our consolidated joint ventures acquired from WLH. Loans payable bear interest at rates that ranged from 0% to 8% at each of September 30, 2020 and December 31, 2019. We impute interest for loans with no stated interest rates.

10. FAIR VALUE DISCLOSURES

We have adopted ASC Topic 820, *Fair Value Measurements,* for valuation of financial instruments. ASC Topic 820 provides a framework for measuring fair value under GAAP, expands disclosures about fair value measurements, and establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of the fair value hierarchy are summarized as follows:

Level 1 — Fair value is based on quoted prices for identical assets or liabilities in active markets.

Level 2 — Fair value is determined using quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active or are directly or indirectly observable.

Level 3 — Fair value is determined using one or more significant inputs that are unobservable in active markets at the measurement date, such as a pricing model, discounted cash flow, or similar technique.

The fair value of our mortgage loans held for sale is derived from negotiated rates with partner lending institutions. The fair value of derivative assets includes interest rate lock commitments ("IRLCs") and mortgage backed securities ("MBS"). The fair value of IRLCs is based on the value of the underlying mortgage loan, quoted MBS prices and the probability that the mortgage loan will fund within the terms of the IRLCs. We estimate the fair value of the forward sales commitments based on quoted MBS prices. The fair value of our mortgage warehouse borrowings, loans payable and other borrowings, the borrowings under our Revolving Credit Facility approximate carrying value due to their short term nature and variable interest rate terms. The fair value of our Senior Notes is derived from quoted market prices by independent dealers in markets that are not active. There were no changes to or transfers between the levels of the fair value hierarchy for any of our financial instruments as of September 30, 2020, when compared to December 31, 2019.

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

		September 30, 2020		December 31, 2019	
(Dollars in thousands)	Level in Fair Value Hierarchy	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Description:					
Mortgage loans held for sale	2	$ 172,501	$ 172,501	$ 190,880	$ 190,880
Derivative assets, net	2	6,708	6,708	1,932	1,932
Mortgage warehouse borrowings	2	109,593	109,593	123,233	123,233
Loans payable and other borrowings	2	332,953	332,953	182,531	182,531
5.875% Senior Notes due 2023 [1]	2	348,558	367,500	348,133	378,669
5.625% Senior Notes due 2024 [1]	2	348,161	372,750	347,756	379,453
5.875% Senior Notes due 2027 [1]	2	494,778	550,000	494,192	548,870
6.625% Senior Notes due 2027 [1]	2	321,715	321,600	—	—
5.75% Senior Notes due 2028[1]	2	445,397	489,375	444,927	491,913
5.125% Senior Notes due 2030[1]	2	493,917	532,500	—	—
Revolving Credit Facility	2	285,000	285,000	—	—

(1) Carrying value for Senior Notes, as presented, includes unamortized debt issuance costs and premiums. Debt issuance costs are not factored into the fair value calculation for the Senior Notes.

Fair value measurements are used for inventories on a nonrecurring basis when events and circumstances indicate that their carrying value is not recoverable. The following table presents the fair value for our inventories measured at fair value on a nonrecurring basis:

(Dollars in thousands)		For the Year Ended December 31,
Description:	Level in Fair Value Hierarchy	2019
Inventories	3	$ 16,509

As of September 30, 2020, the fair value for such inventories was not determined as there were no events and circumstances that indicated their carrying value was not recoverable. As of December 31, 2019, the fair value of our Chicago assets held for sale and active inventories are $25.1 million, which is excluded from the value in the table presented above.

11. INCOME TAXES

The effective tax rate for the three and nine months ended September 30, 2020 was 22.7% and 25.4%, respectively, compared to 25.9% and 25.4% for the same periods in 2019, respectively. For the three months ended September 30, 2020 the effective tax rate differed from the U.S. federal statutory income tax rate primarily due to state income taxes, non-deductible executive compensation, uncertain tax positions and special deductions and credits relating to home building activities. The effective tax rate for the nine months ended September 30, 2020 was driven primarily from expenses related to the acquisition of WLH which are currently not deductible for tax purposes.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted into law. The legislation contains a number of economic relief provisions in response to the COVID-19 pandemic, including the ability to carryback tax losses five years for losses generated in tax years 2018, 2019 and 2020. As of September 30, 2020, we have not recorded a tax benefit related to the CARES Act, but we are continuing to evaluate the impact of this legislation on the Company.

At September 30, 2020, our cumulative gross unrecognized tax benefits were $5.8 million compared to $6.2 million at December 31, 2019. If the unrecognized tax benefits as of September 30, 2020 were to be recognized, approximately $4.6 million would affect the effective tax rate. We had $0.6 million of gross interest and penalties related to unrecognized tax positions accrued as of September 30, 2020 and December 31, 2019.

As of September 30, 2020 and December 31, 2019, the net deferred tax assets included in the Condensed Consolidated Balance Sheet were $274.0 million and $140.5 million, respectively. The increase in deferred tax assets is primarily due to the addition of the estimated fair value of deferred tax assets recorded from the acquisition of WLH.

12. STOCKHOLDERS' EQUITY

Capital Stock

The Company's authorized capital stock consists of 400,000,000 shares of common stock, par value $0.00001 per share (the "Common Stock"), and 50,000,000 shares of preferred stock, par value $0.00001 per share.

Stock Repurchase Program

On February 28, 2020, we announced that our Board of Directors authorized a renewal of our stock repurchase program until December 31, 2020. The current stock repurchase program permits the repurchase of up to $100.0 million of our Common Stock. Repurchases of our Common Stock under the program will be effected, if at all, through open market purchases, privately negotiated transactions or other transactions through December 31, 2020. During the three and nine months ended September 30, 2020, we repurchased zero and 5,436,479 shares of Common Stock under the stock repurchase program, respectively. During the three and nine months ended September 30, 2019, we repurchased zero and 8,389,348 shares of Common Stock under our stock repurchase program, respectively.

(Dollars in thousands)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Amount available for repurchase — beginning of period	$ 9,837	$ —	$ —	$ 57,437
Additional amount authorized for repurchase	—	—	100,000	100,000
Amount repurchased	—	—	(90,163)	(157,437)
Amount available for repurchase — end of period	$ 9,837	$ —	$ 9,837	$ —

13. STOCK BASED COMPENSATION

Equity-Based Compensation

In April 2013, we adopted the Taylor Morrison Home Corporation 2013 Omnibus Equity Award Plan (the "Plan"). The Plan was most recently amended and restated in May 2017. The Plan provides for the grant of stock options, RSUs and other equity-based awards deliverable in shares of our Common Stock. As of September 30, 2020, we had an aggregate of 5,733,695 shares of Common Stock available for future grants under the Plan.

The following table provides information regarding the amount and components of stock-based compensation expense, all of which is included in general and administrative expenses in the Condensed Consolidated Statements of Operations (in thousands):

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Restricted stock units [1], [2]	$ 4,273	$ 2,747	$ 15,980	$ 8,105
Stock options	999	946	6,174	2,831
Total stock compensation	$ 5,272	$ 3,693	$ 22,154	$ 10,936

[1] Includes compensation expense related to time-based RSUs and performance-based RSUs. Outstanding performance-based RSUs reflected in the table above are reported at target level of performance.
[2] Stock-based compensation expense for the three and nine months ended September 30, 2020 includes expense recognized for equity awards associated with the acquisition of WLH, which were converted from WLH to TMHC equity awards.

At September 30, 2020 and December 31, 2019, the aggregate unrecognized value of all outstanding stock-based compensation awards was approximately $30.1 million and $20.8 million, respectively. The aggregate unrecognized value as of September 30, 2020 includes the stock-based compensation expense relating to the acquisition of WLH.

Restricted Stock Units – The following table summarizes the time-based RSU and performance-based RSU activity for the nine months ended September 30, 2020:

	Units	Weighted Average Grant Date Fair Value
Balance at December 31, 2019	1,708,393	$ 19.06
Granted	724,370	24.32
Vested	(632,464)	17.34
Forfeited [1]	(43,230)	16.29
Balance at September 30, 2020[2]	1,757,069	$ 22.04

[1] Forfeitures on time-based RSUs are a result of terminations of employment, while forfeitures on performance-based RSUs are a result of failing to attain certain goals as outlined in our stock based compensation awards or termination of employment. Outstanding performance-based RSUs reflected in the table above are reported at target level of performance.
[2] The balance as of September 30, 2020 excludes 120,792 unvested RSUs relating to the acquisition of WLH.

Our time-based RSUs consist of awards that settle in shares of Common Stock and have been awarded to our employees and members of our Board of Directors. Vesting of these RSUs is subject to continued employment with TMHC or an affiliate, or continued service on the Board of Directors, through the applicable vesting dates. Time-based RSUs granted to employees

generally vest ratably over a three to four year period, based on the grant date. Time-based RSUs granted to members of the Board of Directors generally vest on the first anniversary of the grant date.

Additionally, we granted performance-based RSUs to certain employees of the Company. These awards will vest in full based on the achievement of certain performance goals over a three-year performance period, subject to the employee's continued employment through the date the Compensation Committee certifies the applicable level of performance achieved and will be settled in shares of our Common Stock. The number of shares that may be issued in settlement of the performance-based RSUs to the award recipients may be greater or less than the target award amount depending on actual performance achieved as compared to the performance targets set forth in the awards.

Stock Options – The following table summarizes the stock option activity for the nine months ended September 30, 2020:

	Units	Weighted Average Exercise Price Per Share
Outstanding at December 31, 2019	3,339,244	$ 18.98
Granted[1]	828,253	21.95
Exercised[2]	(372,021)	17.43
Canceled/Forfeited[1]	(96,817)	18.84
Outstanding at September 30, 2020[2]	3,698,659	$ 19.81
Options exercisable at September 30, 2020[2]	1,803,042	$ 18.78

[1]Excludes the number of options granted and canceled in the same period.
[2]Amount excludes 68,054 of options exercised relating to the acquisition of WLH.
[3]Amount excludes 214,416 of outstanding and exercisable options relating to the acquisition of WLH.

Options granted to employees generally vest and become exercisable ratably on the first, second, third, and fourth anniversary of the date of grant. Options granted to members of the Board of Directors vest and become exercisable ratably on the first, second and third anniversary of the date of grant. Vesting of the options is subject to continued employment with TMHC or an affiliate, or continued service on the Board of Directors, through the applicable vesting dates, and options expire within ten years from the date of grant.

14. ACCUMULATED OTHER COMPREHENSIVE INCOME

The table below provides the components of accumulated other comprehensive income ("AOCI") for the periods presented (in thousands). There was no activity in the three months ended September 30, 2020 and September 30, 2019. Therefore, such periods are not presented.

	Nine Months Ended September 30,	
Total Post-Retirement Benefits Adjustments:	2020	2019
Balance, beginning of period	$ 884	$ 2,001
Other comprehensive income, net of tax	$ (13)	$ 284
Balance, end of period	$ 871	$ 2,285

15. REPORTING SEGMENTS

We have multiple homebuilding operating components which are engaged in the business of acquiring and developing land, constructing homes, marketing and selling those homes, and providing warranty and customer service. We aggregate our homebuilding operating components into three reporting segments, East, Central, and West, based on similar long-term economic characteristics. The activity from our Build-to-Rent and Urban Form operations are included in our Corporate segment. We also have a financial services reporting segment. We have no inter-segment sales as all sales are to external customers.

In the current year, we experienced two reconsideration events with respect to our reporting segments. On February 6, 2020, we completed the acquisition of WLH. In addition, the COVID-19 pandemic created operational management and structural challenges which could result in potential changes to our chief operating decision maker function. Therefore,

for purposes of our 2020 segment reporting, the operating financial information of WLH has been categorized within our existing homebuilding reporting segments based on geography. We will continue to analyze our segment categorizations and expect to finalize our conclusions in conjunction with the finalization of purchase accounting for WLH as well as the finalization of operational alignment decisions resulting from changes made in response to COVID-19.

Our reporting segments are as follows:

East	Atlanta, Charlotte, Jacksonville, Orlando, Raleigh, Sarasota, Naples, and Tampa
Central	Austin, Dallas, Denver, and Houston
West	Bay Area, Phoenix, Las Vegas, Portland, Seattle, Sacramento, and Southern California
Financial Services	Taylor Morrison Home Funding, Inspired Title Services, and Taylor Morrison Insurance Services

Segment information is as follows (in thousands):

	Three Months Ended September 30, 2020					
	East	Central	West	Financial Services	Corporate and Unallocated[1]	Total
Total revenues	$ 507,541	$ 426,275	$ 718,167	$ 47,451	$ —	$ 1,699,434
Gross margin	90,018	87,352	107,075	25,244	—	309,689
Selling, general and administrative expenses	(41,450)	(33,181)	(45,525)	—	(27,011)	(147,167)
Equity in (loss)/income of unconsolidated entities	—	(5)	325	2,637	—	2,957
Interest and other expense, net [2]	(194)	(359)	(2,880)	(1,442)	(1,399)	(6,274)
Loss on extinguishment of debt, net	—	—	—	—	(10,247)	(10,247)
Income/(loss) before income taxes	$ 48,374	$ 53,807	$ 58,995	$ 26,439	$ (38,657)	$ 148,958

[1] Includes the activity from our Build-To-Rent and Urban Form operations.
[2] Interest and other expense, net includes transaction related expenses and pre-acquisition write-offs of terminated projects.

	Three Months Ended September 30, 2019					
	East	Central	West	Financial Services	Corporate and Unallocated	Total
Total revenues	$ 439,498	$ 313,643	$ 328,710	$ 23,254	$ —	$ 1,105,105
Gross margin	74,368	58,021	68,260	10,425	—	211,074
Selling, general and administrative expenses	(39,560)	(29,918)	(23,366)	—	(26,255)	(119,099)
Equity in (loss)/income of unconsolidated entities	—	(50)	1,215	939	(1)	2,103
Interest and other (expense)/income, net	(531)	(159)	63	—	(3,030)	(3,657)
Income/(loss) before income taxes	$ 34,277	$ 27,894	$ 46,172	$ 11,364	$ (29,286)	$ 90,421

	Nine Months Ended September 30, 2020					
	East	Central	West	Financial Services	Corporate and Unallocated[1]	Total
Total revenues	$ 1,405,556	$ 1,280,479	$ 1,745,279	$ 115,787	$ 24,717	$ 4,571,818
Gross margin	226,771	234,723	240,864	50,137	(872)	751,623
Selling, general and administrative expenses	(118,249)	(101,405)	(121,337)	—	(88,179)	(429,170)
Equity in (loss)/income of unconsolidated entities	—	(166)	899	8,164	(19)	8,878
Interest and other expense, net [2]	(308)	(4,230)	(16,170)	(8,880)	(86,469)	(116,057)
Loss on extinguishment of debt	—	—	—	—	$ (10,247)	$ (10,247)
Income/(loss) before income taxes	$ 108,214	$ 128,922	$ 104,256	$ 49,421	$ (185,786)	$ 205,027

[1] Includes the activity from our Build-To-Rent and Urban Form operations.
[2] Interest and other income expense, net includes transaction related expenses and pre-acquisition write-offs of terminated projects.

	Nine Months Ended September 30, 2019					
	East	Central	West	Financial Services	Corporate and Unallocated	Total
Total revenues	$ 1,279,826	$ 931,592	$ 1,022,088	$ 62,117	$ —	$ 3,295,623
Gross margin	212,693	163,015	215,658	25,522	—	616,888
Selling, general and administrative expenses	(116,579)	(87,478)	(68,906)	—	(74,836)	(347,799)
Equity in (loss)/income of unconsolidated entities	—	(220)	3,771	4,274	158	7,983
Interest and other expense, net	(4,066)	(715)	(148)	—	(3,631)	(8,560)
Income/(loss) before income taxes	$ 92,048	$ 74,602	$ 150,375	$ 29,796	$ (78,309)	$ 268,512

	As of September 30, 2020					
	East	Central	West	Financial Services	Corporate and Unallocated[1]	Total
Real estate inventory and land deposits	$ 1,761,739	$ 1,179,559	$ 2,619,723	$ —	$ 21	$ 5,561,042
Investments in unconsolidated entities	—	47,338	73,307	4,477	10	125,132
Other assets	157,634	189,543	598,127	261,045	941,925	2,148,274
Total assets	$ 1,919,373	$ 1,416,440	$ 3,291,157	$ 265,522	$ 941,956	$ 7,834,448

[1] Includes the assets from our Build-To-Rent and Urban Form operations.

	As of December 31, 2019					
	East	Central	West	Financial Services	Corporate and Unallocated	Total
Real estate inventory and land deposits	$ 1,841,904	$ 965,039	$ 1,219,411	$ —	$ —	$ 4,026,354
Investments in unconsolidated entities	—	37,506	86,996	4,015	242	128,759
Other assets	165,777	121,724	60,060	257,760	485,252	1,090,573
Total assets	$ 2,007,681	$ 1,124,269	$ 1,366,467	$ 261,775	$ 485,494	$ 5,245,686

16. COMMITMENTS AND CONTINGENCIES

Letters of Credit and Surety Bonds — We are committed, under various letters of credit and surety bonds, to perform certain development and construction activities and provide certain guarantees in the normal course of business. Outstanding letters of credit and surety bonds under these arrangements totaled $1.1 billion and $623.3 million as of September 30, 2020 and December 31, 2019, respectively. Although significant development and construction activities have been completed related to these site improvements, the bonds are generally not released until all development and construction activities are completed. We do not believe that it is probable that any outstanding bonds as of September 30, 2020 will be drawn upon.

Legal Proceedings — We are involved in various litigation and legal claims in the normal course of our business operations, including actions brought on behalf of various classes of claimants. We are also subject to a variety of local, state, and federal laws and regulations related to land development activities, house construction standards, sales practices, mortgage lending operations, employment safety practices, and protection of the environment. As a result, we are subject to periodic examination or inquiry by various governmental agencies that administer these laws and regulations. We establish liabilities for legal claims and regulatory matters when such matters are both probable of occurring and any potential loss is reasonably estimable. At September 30, 2020 and December 31, 2019, our legal accruals were $25.9 million and $12.7 million, respectively. We accrue for such matters based on the facts and circumstances specific to each matter and revise these estimates as the matters evolve. In such cases, there may exist an exposure to loss in excess of any amounts currently accrued. Predicting the ultimate resolution of the pending matters, the related timing or the eventual loss associated with these matters is inherently difficult. Accordingly, the liability arising from the ultimate resolution of any matter may exceed the estimate reflected in the recorded reserves relating to such matters. While the outcome of such contingencies cannot be predicted with certainty, we do not believe that the resolution of such matters will have a material adverse impact on our results of operations, financial position, or cash flows.

Leases — Our leases primarily consist of office space, construction trailers, model home leasebacks, a ground lease, equipment, and storage units. We assess each of these contracts to determine whether the arrangement contains a lease as defined by ASC 842, *Leases*. Lease obligations were $80.3 million and $42.3 million as of September 30, 2020 and December 31, 2019, respectively. We recorded lease expense of approximately $4.3 million and $12.9 million, respectively, for the three and nine months ended September 30, 2020, and $2.5 million and $6.7 million for the three and nine months ended September 30, 2019, respectively, within General and administrative expenses on our Condensed Consolidated Statement of Operations.

17. MORTGAGE HEDGING ACTIVITIES

We enter into IRLCs to originate residential mortgage loans held for sale, at specified interest rates and within a specified period of time (generally between 30 and 60 days), with customers who have applied for a loan and meet certain credit and underwriting criteria. These IRLCs meet the definition of a derivative and are reflected on the balance sheet at fair value with changes in fair value recognized in Financial Services revenue/expenses on the condensed Consolidated Statements of Operations and Comprehensive Income. Unrealized gains and losses on the IRLCs, reflected as derivative assets or liabilities, are measured based on the fair value of the underlying mortgage loan, quoted Agency MBS prices, estimates of the fair value of the mortgage servicing rights ("MSRs") and the probability that the mortgage loan will fund within the terms of the IRLC, net of commission expense and broker fees. The fair value of the forward loan sales commitment and mandatory delivery commitments being used to hedge the IRLCs and mortgage loans held for sale not committed to be purchased by investors are based on quoted Agency MBS prices.

The following summarizes derivative instrument assets (liabilities) as of the periods presented:

	As of			
	September 30, 2020		December 31, 2019	
(Dollars in thousands)	Fair Value	Notional Amount	Fair Value	Notional Amount
IRLCs	$ 6,800	$ 305,170	$ 2,099	$ 86,434
MBSs[(1)]	(92)	460,000	(167)	158,000
Total	$ 6,708		$ 1,932	

(1) Fair value of MBSs included in Accrued expenses and other liabilities on the Condensed Consolidated Balance Sheets.

Total commitments to originate loans approximated $337.6 million and $94.5 million as of September 30, 2020 and December 31, 2019, respectively. This amount represents the commitments to originate loans that have been locked and approved by underwriting. The notional amounts in the table above includes mandatory and best effort loans, that have been locked and approved by underwriting.

We have exposure to credit loss in the event of contractual non-performance by our trading counterparties in derivative instruments that we use in our rate risk management activities. We manage this credit risk by selecting only counterparties that we believe to be financially strong, spreading the risk among multiple counterparties, by placing contractual limits on the amount of unsecured credit extended to any single counterparty, and by entering into netting agreements with counterparties, as appropriate. Commitments to originate loans do not necessarily reflect future cash requirements as some commitments are expected to expire without being drawn upon.

18. RELATED-PARTY TRANSACTIONS

From time to time we may engage in transactions with entities or persons that are affiliated with us. For the three and nine months ended September 30, 2020 and the three months ended September 30, 2019, we had no such activity. During the nine months ended September 30, 2019, we engaged in a stock repurchase of 2.1 million shares of Common Stock, totaling $43.7 million, from one of our former principal equityholders, TPG Advisors VI, Inc.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For purposes of this "Management's Discussion and Analysis of Financial Condition and Results of Operations," the terms "the Company," "we," "us," or "our" refer to Taylor Morrison Home Corporation ("TMHC") and its subsidiaries. The Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our condensed consolidated financial statements included elsewhere in this quarterly report.

Forward-Looking Statements

This quarterly report includes certain forward-looking statements within the meaning of the federal securities laws regarding, among other things, our or management's intentions, plans, beliefs, expectations or predictions of future events, which are considered forward-looking statements. You should not place undue reliance on those statements because they are subject to numerous uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business and operations strategy with respect to COVID-19. These statements often include words such as "may," "will," "should," "believe," "expect," "anticipate," "intend," "plan," "estimate," "can," "could," "might," "project" or similar expressions. These statements are based upon assumptions that we have made in light of our experience in the industry, as well as our perceptions of historical trends, current conditions, expected future developments and other factors that we believe are appropriate under the circumstances. As you read this quarterly report, you should understand that these statements are not guarantees of performance or results. They involve known and unknown risks, uncertainties and assumptions, including those described under the heading "Risk Factors" in the Annual Report and this quarterly report, and in our subsequent filings with the U.S. Securities and Exchange Commission (the "SEC"). Although we believe that these forward-looking statements are based upon reasonable assumptions and currently available information, you should be aware that many factors, including those described under the heading "Risk Factors" in the Annual Report and this quarterly report, and in our subsequent filings with the SEC, could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements.

Our forward-looking statements made herein are made only as of the date of this quarterly report. We expressly disclaim any intent, obligation or undertaking to update or revise any forward-looking statements made herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based, except as required by applicable law.

Business Overview

Our principal business is residential homebuilding and the development of lifestyle communities with operations geographically focused as of September 30, 2020, in Arizona, California, Colorado, Florida, Georgia, Nevada, North and South Carolina, Oregon, Texas, and Washington. We serve a wide array of consumer groups from coast to coast, including first time, move-up, luxury, and active adult buyers, building single and multi-family attached and detached homes. Our homebuilding company operates under our Taylor Morrison, Darling Homes, and recently acquired William Lyon Signature, brand names. We also have an exclusive partnership with Christopher Todd Communities, a growing Phoenix-based developer of innovative, luxury rental communities to operate a "Build-to-Rent" homebuilding business. We serve as a land acquirer, developer, and homebuilder while Christopher Todd Communities provides community design and property management consultation. As part of our acquisition of William Lyon Homes ("WLH"), we also acquired Urban Form Development, LLC ("Urban Form"), which primarily develops and constructs multi-use properties consisting of combinations of commercial space, retail, and multi-family units. We also have operations which provide financial services to customers through our wholly owned mortgage subsidiary, Taylor Morrison Home Funding ("TMHF"), title services through our wholly owned title services subsidiary, Inspired Title Services, LLC ("Inspired Title"), and homeowner's insurance policies through our insurance agency, Taylor Morrison Insurance Services, LLC ("TMIS"). Our business as of September 30, 2020, is organized into multiple homebuilding operating components, and a financial services component, all of which are managed as four reportable segments: East, Central, West and Financial Services, as follows:

East	Atlanta, Charlotte, Jacksonville, Orlando, Raleigh, Sarasota, Naples, and Tampa
Central	Austin, Dallas, Denver, and Houston
West	Bay Area, Phoenix, Las Vegas, Portland, Seattle, Sacramento, and Southern California
Financial Services	Taylor Morrison Home Funding, Inspired Title Services, and Taylor Morrison Insurance Services

As of September 30, 2020 we employed approximately 2,700 full-time equivalent persons. Of these, approximately 2,400 were

engaged in corporate and homebuilding operations, and the remaining approximately 300 were engaged in financial services.

In our homebuilding operations, we either directly, or indirectly through our subcontractors, purchase our significant materials necessary to construct a home such as drywall, cement, steel, lumber, insulation and the other building materials. While these materials are generally widely available from a variety of sources, from time to time we experience material shortages on a localized basis which can substantially increase the price for such materials and our construction process can be slowed. We generally have multiple sources for the materials we purchase and have not experienced significant delays due to unavailability of necessary materials.

Factors Affecting Comparability of Results

The Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our condensed consolidated financial statements included elsewhere in this quarterly report. The primary factors that affect the comparability of our results of operations are COVID-19 and the acquisition of WLH.

COVID-19 Impact and Strategy

Notwithstanding the challenges brought by the COVID-19 pandemic, which began to impact our financial condition and results of operations in March 2020, our results for the first three quarters of 2020 were strong, with our net sales orders, average monthly sales pace and home closings each increasing significantly over the comparable prior year period. While certain regions of the United States are in various stages of reopening, the United States continues to struggle with rolling outbreaks of the virus and the effects of COVID-19 could continue to impact our financial condition and results of operations. Due to uncertainty surrounding this ongoing public health crisis and its continued impact on the U.S. economy, we cannot fully predict either the near-term or long-term effects that the pandemic will have on our business. Although customer traffic and sales initially slowed following the imposition of social distancing and government-mandated economic shutdowns in March 2020, resulting in higher rates of cancellation than usual as a result of buyers' economic uncertainty, we saw a recovery in net sales orders and average sales pace per community in the second and third quarters, with a 3.8 sales pace per community in the third quarter, the highest level since at least 2013. Similarly, home closings for the third quarter of 2020 were strong, as discussed further below. However, the duration and magnitude of the impact of the COVID-19 pandemic remains unknown, and could adversely affect our business in future periods.

Because residential construction was designated as an essential business in nearly all of our operating markets, our construction operations continued wherever appropriate during the first three quarters of 2020, despite the shelter-in-place orders and other restrictions on commercial activity. However, all Company operations have been conducted in compliance with federal, state, and local COVID-19 guidelines, orders, and ordinances governing construction and homebuilding activities. Since the height of the pandemic, the majority of the states in which we operate have begun to gradually resume normal business operations, and we have continued our construction operations in each of those states. From the beginning of the pandemic, we have and continue to take a number of strategic and actions in response to the COVID-19 crisis to continue to provide uninterrupted service to our customers while protecting their health and safety, as well as that of our employees and vendors. Specifically, we have focused on transforming our customer experience online through innovative digital options, including (i) shifting to a remote selling environment; (ii) providing virtual options for online home tours, design center selections and new home demonstrations; and (iii) offering "curbside" or "drive thru" closings nationwide.

We believe that our liquidity position is strong, and we have nearly $1.0 billion in available liquidity through a combination of cash on hand and available capacity under our revolving credit facility as of September 30, 2020. Our strong closings during the first three quarters of 2020 helped to bolster our already healthy liquidity position. Additionally, in July 2020, we issued $500.0 million of 5.125% Senior Notes due 2030 and completed certain Senior Notes redemptions with the net proceeds therefrom and cash on hand.

To mitigate the inherent business impacts and the uncertainty of the duration of the COVID-19 pandemic, we implemented initiatives across the company to reduce all non-essential expenses and capital expenditures, including but not limited to temporarily reducing or deferring new land acquisitions, phasing development, and implementing a revised cadence on all new inventory home starts. These actions are expected to reduce the growth and may cause a decline of our lot count and the volume of homes delivered in the fourth quarter of 2020 and future periods.

We continue to monitor the impacts of COVID-19 and adjust our operations to limit and mitigate risk to our customers, employees, and business.

Acquisition of WLH

On February 6, 2020, we completed the acquisition of WLH and incurred costs and expenses, primarily consisting of investment banking fees, severance, compensation, and legal fees, among other items. For the three and nine months ended September 30, 2020, we recognized $4.8 million and $109.9 million, respectively, of such costs which are presented in Transaction expenses on the condensed consolidated statement of operations. In addition, our homebuilding gross margin was impacted by purchase accounting. For the three and nine months ended September 30, 2020 we recognized an unfavorable purchase accounting adjustment of $8.9 million and $69.4 million, respectively, in Cost of home closings on the Condensed Consolidated Statement of Operations.

Recent Developments

On July 22, 2020, we issued $500.0 million aggregate principal amount of 5.125% Senior Notes due 2030 (the "2030 Senior Notes"). We used the net proceeds from the 2030 Senior Notes offering, together with cash on hand, to partially redeem the 2023 6.00% TM Communities Notes and the 2025 5.875% TM Communities Notes. On September 14, 2020, we redeemed the remaining balance of such notes. A total net loss on extinguishment of debt of approximately $10.2 million is included in *Loss on extinguishment of debt, net* in the Condensed Consolidated Statement of Operations for the three months ended September 30, 2020. Refer to Note 9 — Debt for additional information regarding these redemptions.

Third Quarter 2020 Highlights:

- Monthly absorptions increased 53 percent to 3.8 net sales per community, the highest level in our public company history.
- Total revenue increased 54 percent to $1.70 billion.
- GAAP home closings gross margin equaled 17.2 percent.
- Adjusted home closings gross margin, exclusive of purchase accounting impacts, equaled 17.8 percent.
- SG&A as a percentage of home closings revenue declined 210 basis points to 9.0 percent.

Results of Operations

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

(Dollars in thousands)	Three Months Ended September 30, 2020		Nine Months Ended September 30,	
	2020	2019	2020	2019
Statements of Operations Data:				
Home closings revenue, net	$ 1,640,584	$ 1,073,110	$ 4,376,218	$ 3,205,252
Land closings revenue	6,756	4,420	40,241	14,391
Financial services revenue	47,451	23,254	115,787	62,117
Amenity and other revenue	4,643	4,321	39,572	13,863
Total revenue	1,699,434	1,105,105	4,571,818	3,295,623
Cost of home closings	1,358,196	874,102	3,672,923	2,619,968
Cost of land closings	5,217	2,934	42,636	9,418
Financial services expenses	22,207	12,829	65,650	36,595
Amenity and other expenses	4,125	4,166	38,986	12,754
Gross margin	309,689	211,074	751,623	616,888
Sales, commissions and other marketing costs	102,015	76,765	282,380	226,809
General and administrative expenses	45,152	42,334	146,790	120,990
Equity in income of unconsolidated entities	(2,957)	(2,103)	(8,878)	(7,983)
Interest income, net	(347)	(959)	(1,244)	(2,250)
Other expense/(income), net	1,830	389	7,424	(1,492)
Transaction expenses	4,791	617	109,877	6,496
Loss on extinguishment of debt, net	10,247	3,610	10,247	5,806
Income before income taxes	148,958	90,421	205,027	268,512
Income tax provision	33,759	23,385	52,162	68,307
Net income before allocation to non-controlling interests	115,199	67,036	152,865	200,205
Net income attributable to non-controlling interests — joint ventures	(422)	(24)	(3,845)	(211)
Net income available to Taylor Morrison Home Corporation	$ 114,777	$ 67,012	$ 149,020	$ 199,994
Home closings gross margin	17.2 %	18.5 %	16.1 %	18.3 %
Sales, commissions and other marketing costs as a percentage of home closings revenue, net	6.2 %	7.2 %	6.5 %	7.1 %
General and administrative expenses as a percentage of home closings revenue, net	2.8 %	3.9 %	3.4 %	3.8 %

Non-GAAP Measures

In addition to the results reported in accordance with accounting principles generally accepted in the United States ("GAAP"), we have provided information in this Quarterly Report relating to: (i) adjusted income before income taxes, (ii) EBITDA and adjusted EBITDA, (iii) adjusted net income and adjusted earnings per share, (iv) net homebuilding debt to capitalization ratio, (v) adjusted home closings gross margin, and (vi) adjusted income before income taxes margin.

Adjusted income before income taxes is a non-GAAP financial measure that reflects our income before income taxes excluding the impact of purchase accounting adjustments related to the acquisition of William Lyon Homes ("WLH"), transaction expenses and loss on extinguishment of debt, as applicable. EBITDA and Adjusted EBITDA are non-GAAP financial measures that measure performance by adjusting net income before allocation to non-controlling interests to exclude interest income/(expense), net, amortization of capitalized interest, income taxes, depreciation and amortization (EBITDA), non-cash compensation expense, if any, purchase accounting adjustments relating to the acquisition of WLH, transaction expenses and loss on extinguishment of debt, as applicable. Adjusted net income and adjusted earnings per share are non-GAAP financial measures that reflect the net income available to the Company excluding the impact of purchase accounting adjustments relating to the acquisition of WLH, transaction expenses, loss on extinguishment of debt and the tax impact due to such adjustments. Net homebuilding debt to capitalization ratio is a non-GAAP financial measure we calculate by dividing (i) total debt, less unamortized debt issuance costs/premiums and mortgage warehouse borrowings, net of unrestricted cash and cash

equivalents, by (ii) total capitalization (the sum of net homebuilding debt and total stockholders' equity). Adjusted home closings gross margin is a non-GAAP financial measure based on GAAP home closings gross margin (which is inclusive of capitalized interest), excluding purchase accounting adjustments relating to the acquisition of WLH.

Management uses these non-GAAP financial measures to evaluate our performance on a consolidated basis, as well as the performance of our regions, and to set targets for performance-based compensation. We also use the ratio of net homebuilding debt to total capitalization as an indicator of overall leverage and to evaluate our performance against other companies in the homebuilding industry. In the future, we may include additional adjustments in the above described non-GAAP financial measures to the extent we deem them appropriate and useful to management and investors.

We believe that adjusted income before income taxes and related margin, adjusted net income and adjusted earnings per share, as well as EBITDA and adjusted EBITDA, are useful for investors in order to allow them to evaluate our operations without the effects of various items we do not believe are characteristic of our ongoing operations or performance and also because such metrics assist both investors and management in analyzing and benchmarking the performance and value of our business. Adjusted EBITDA also provides an indicator of general economic performance that is not affected by fluctuations in interest rates or effective tax rates, levels of depreciation or amortization, or unusual items. Because we use the ratio of net homebuilding debt to total capitalization to evaluate our performance against other companies in the homebuilding industry, we believe this measure is also relevant and useful to investors for that reason. We believe that adjusted home closings gross margin is useful to investors because it allows investors to evaluate the performance of our homebuilding operations without the varying effects of items or transactions we do not believe are characteristic of our ongoing operations or performance.

These non-GAAP financial measures should be considered in addition to, rather than as a substitute for, the comparable U.S. GAAP financial measures of our operating performance or liquidity. Although other companies in the homebuilding industry may report similar information, their definitions may differ. We urge investors to understand the methods used by other companies to calculate similarly-titled non-GAAP financial measures before comparing their measures to ours.

Adjusted Net Income and Adjusted Earnings Per Share

	Three Months Ended September 30,	
(Dollars in thousands, except per share data)	**2020**	**2019**
Net income available to TMHC	$ 114,777	$ 67,012
William Lyon Homes related purchase accounting adjustments	8,913	—
Transaction expenses	4,791	617
Loss on extinguishment of debt, net	10,247	3,610
Tax impact due to Transaction expenses and Loss on extinguishment of debt	(5,810)	(1,095)
Adjusted net income	$ 132,918	$ 70,144
Basic weighted average shares	129,775	105,472
Adjusted earnings per common share - Basic	$ 1.02	$ 0.67
Adjusted diluted weighted average shares	131,433	106,852
Adjusted earnings per common share - Diluted	$ 1.01	$ 0.66

Adjusted Income Before Income Taxes and Related Margin

(Dollars in thousands)	Three Months Ended September 30, 2020	2019
Income before income taxes	**$ 148,958**	**$ 90,421**
William Lyon Homes related purchase accounting adjustments	8,913	—
Transaction expenses	4,791	617
Loss on extinguishment of debt, net	10,247	3,610
Adjusted income before income taxes	**$ 172,909**	**$ 94,648**
Total revenues	$ 1,699,434	$ 1,105,105
Income before income taxes margin	**8.8 %**	**8.2 %**
Adjusted income before income taxes margin	**10.2 %**	**8.6 %**

Adjusted Home Closings Gross Margin

(Dollars in thousands)	Three Months Ended September 30, 2020	2019
Home closings revenue	$ 1,640,584	$ 1,073,110
Cost of home closings	1,358,196	874,102
Home closings gross margin	**$ 282,388**	**$ 199,008**
William Lyon Homes homebuilding related purchase accounting adjustments	8,913	—
Adjusted home closings gross margin	**$ 291,301**	**$ 199,008**
Home closings gross margin as a percentage of home closings revenue	17.2 %	18.5 %
Adjusted home closings gross margin as a percentage of home closings revenue	17.8 %	18.5 %

EBITDA and Adjusted EBITDA Reconciliation

(Dollars in thousands)	Three Months Ended September 30, 2020	2019
Net income before allocation to non-controlling interests	**$ 115,199**	**$ 67,036**
Interest income, net	(347)	(959)
Amortization of capitalized interest	34,321	22,144
Income tax provision	33,759	23,385
Depreciation and amortization	1,714	1,262
EBITDA	**$ 184,646**	**$ 112,868**
Non-cash compensation expense	5,272	3,693
William Lyon Homes related purchase accounting adjustments	8,913	—
Transaction expenses	4,791	617
Loss on extinguishment of debt, net	10,247	3,610
Adjusted EBITDA	**$ 213,869**	**$ 120,788**
Total revenues	**$ 1,699,434**	**$ 1,105,105**
EBITDA as a percentage of total revenues	**10.9 %**	**10.2 %**
Adjusted EBITDA as a percentage of total revenues	**12.6 %**	**10.9 %**

Net Homebuilding Debt to Capitalization Ratio Reconciliation

(Dollars in thousands)	As of September 30, 2020	As of June 30, 2020
Total debt	$ 3,180,072	$ 3,769,740
Less unamortized debt issuance premiums, net	2,526	23,832
Less mortgage warehouse borrowings	109,593	149,784
Total homebuilding debt	**$ 3,067,953**	**$ 3,596,124**
Less cash and cash equivalents	547,916	674,685
Net homebuilding debt	**$ 2,520,037**	**$ 2,921,439**
Total equity	3,542,135	3,424,740
Total capitalization	**$ 6,062,172**	**$ 6,346,179**
Net homebuilding debt to capitalization ratio	**41.6 %**	**46.0 %**

Three and Nine Months Ended September 30, 2020 Compared to Three and Nine Months Ended September 30, 2019

Average Active Selling Communities

	Three Months Ended September 30,		
	2020	2019	Change
East	145	153	(5.2)%
Central	122	135	(9.6)
West	126	58	117.2
Total	393	346	13.6 %

	Nine Months Ended September 30,		
	2020	2019	Change
East	146	162	(9.9)%
Central	130	138	(5.8)
West	116	59	96.6
Total	392	359	9.2 %

Average active selling communities for the three and nine months ended September 30, 2020 compared to the three and nine months ended September 30, 2019 increased by 13.6% and 9.2%, respectively. The increases are primarily attributable to new communities from our acquisition of WLH, which were partially offset by scheduled and unscheduled community close outs. The unscheduled close outs are a result of our strong sales environment which is driving certain communities to sell out ahead of schedule. The legacy WLH operations are primarily in the Western United States which drove the increases in the West region for both periods.

Net Sales Orders

	Three Months Ended September 30,								
	Net Sales Orders [1]			Sales Value [1]			Average Selling Price		
(Dollars in thousands)	2020	2019	Change	2020	2019	Change	2020	2019	Change
East	1,548	1,161	33.3 %	$ 682,744	$ 463,201	47.4 %	$ 441	$ 399	10.5 %
Central	1,133	759	49.3	537,265	360,413	49.1	474	475	(0.2)
West	1,744	620	181.3	946,439	331,133	185.8	543	534	1.7
Total	4,425	2,540	74.2 %	$ 2,166,448	$ 1,154,747	87.6 %	$ 490	$ 455	7.7 %

	Nine Months Ended September 30,								
	Net Sales Orders [1]			Sales Value [1]			Average Selling Price		
(Dollars in thousands)	2020	2019	Change	2020	2019	Change	2020	2019	Change
East	4,085	3,611	13.1 %	$ 1,728,989	$ 1,469,468	17.7 %	$ 423	$ 407	3.9 %
Central	3,042	2,380	27.8	1,398,896	1,129,506	23.9	460	475	(3.2)
West	4,217	1,974	113.6	2,221,838	1,061,312	109.3	527	538	(2.0)
Total	11,344	7,965	42.4 %	$ 5,349,723	$ 3,660,286	46.2 %	$ 472	$ 460	2.6 %

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

East:

The number of net sales orders increased by 33.3% and 13.1%, for the three and nine months ended September 30, 2020 compared to the same periods in the prior year, respectively. The increase in net sales orders was primarily due to increased

demand in most of our Florida markets compared to the prior year. Our Florida markets, including the active adult market, gained strength during the three months ended September 30, 2020, despite the impacts of COVID-19. In addition, sales order pace increased 44% and 24% for the three and nine months ended September 30, 2020 compared to the same periods in the prior year, respectively, which further contributed to the increase in net sales orders. Product and geographical mix contributed to the change in average selling price for both periods.

Central:

The number of net sales orders increased by 49.3% and 27.8% for the three and nine months ended September 30, 2020 compared to the same periods in the prior year, respectively, while the average selling price decreased by 0.2% and 3.2% for the three and nine months ended September 30, 2020 compared to the same periods in the prior year, respectively. The increase in net sales orders stemmed primarily from our Austin and Denver markets as a result of an increase in average outlets from the acquisition of WLH in those two particular markets. In addition, sales order pace increased 63% and 37% for the three and nine months ended September 30, 2020 compared to the same periods in the prior year, respectively. The decrease in average selling prices was a result of product and geographical mix.

West:

The number of net sales orders increased by 181.3% and 113.6% for the three and nine months ended September 30, 2020 compared to the same periods in the prior year, respectively, while the average selling price increased by 1.7% and decreased by 2.0% for the three and nine months ended September 30, 2020 compared to the same periods in the prior year, respectively. Additional active selling communities resulting from the acquisition of WLH was the primary contributor to the increase in net sales orders. The decrease in average selling prices for the nine month period was a result of product and geographical mix driven by the acquired WLH communities which have a lower average selling price than legacy TMHC communities.

Sales Order Cancellations

	Cancellation Rate[1]			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
East	8.1 %	10.9 %	11.7 %	11.6 %
Central	12.1 %	13.8 %	16.3 %	12.8 %
West	9.4 %	11.0 %	13.9 %	13.3 %
Total Company	**9.7 %**	**11.8 %**	**13.8 %**	**12.4 %**

[1] Cancellation rate represents the number of canceled sales orders divided by gross sales orders.

The total company cancellation rate decreased to 9.7% from 11.8% and increased to 13.8% from 12.4%, respectively for the three and nine months ended September 30, 2020 compared to the same periods in the prior year. We believe the increase in cancellations for the nine months ended September 30, 2020 occurred as a result of the early impacts of COVID-19 during the first and second quarters, including an overall decrease in consumer confidence in general and the confidence of potential homebuyers in particular. However, the decrease for the three months ended September 30, 2020, exemplifies the returning consumer confidence after several months have passed since the onset of the pandemic. Refer to Item 2. Management's Discussion and Analysis — COVID-19 Impact and Strategy and Item 1A. Risk Factors for further discussion.

Sales Order Backlog

	As of September 30,								
	Sold Homes in Backlog [1]			Sales Value			Average Selling Price		
(Dollars in thousands)	2020	2019	Change	2020	2019	Change	2020	2019	Change
East	2,603	2,186	19.1 %	$ 1,158,391	$ 935,273	23.9 %	$ 445	$ 428	4.0 %
Central	2,331	1,856	25.6	1,119,626	936,889	19.5	480	505	(5.0)
West	2,827	1,253	125.6	1,474,011	662,440	122.5	521	529	(1.5)
Total	7,761	5,295	46.6 %	$ 3,752,028	$ 2,534,602	48.0 %	$ 483	$ 479	0.8 %

[1] Sales order backlog represents homes under contract for which revenue has not yet been recognized at the end of the period (including homes sold but not yet started). Some of the contracts in our sales order backlog are subject to contingencies including mortgage loan approval and buyers selling their existing homes, which can result in cancellations.

Total backlog units and total sales value increased by 46.6% and 48.0% at September 30, 2020, respectively, compared to September 30, 2019. The increase in backlog units and sales value was primarily due to increased active selling communities resulting from the acquisition of WLH, which contributed approximately 1,700 backlog units for the third quarter of 2020. The change in average selling price in each region for the nine months ended September 30, 2020 compared to the same period in the prior year was as a result of product and geographical mix shifts across all segments.

Home Closings Revenue

	Three Months Ended September 30,								
	Homes Closed			Home Closings Revenue, Net			Average Selling Price		
(Dollars in thousands)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
East	1,216	1,029	18.2 %	$ 499,212	$ 434,446	14.9 %	$ 411	$ 422	(2.6)%
Central	913	653	39.8	423,642	309,954	36.7	464	475	(2.3)
West	1,340	614	118.2	717,730	328,710	118.3	536	535	0.2
Total	3,469	2,296	51.1 %	$ 1,640,584	$ 1,073,110	52.9 %	$ 473	$ 467	1.3 %

	Nine Months Ended September 30,								
	Homes Closed			Home Closings Revenue, Net			Average Selling Price		
(Dollars in thousands)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
East	3,298	3,063	7.7 %	$ 1,362,082	$ 1,258,758	8.2 %	$ 413	$ 411	0.5 %
Central	2,791	1,944	43.6	1,270,215	924,411	37.4	455	476	(4.4)
West	3,353	1,821	84.1	1,743,921	1,022,083	70.6	520	561	(7.3)
Total	9,442	6,828	38.3 %	$ 4,376,218	$ 3,205,252	36.5 %	$ 463	$ 469	(1.3)%

East:

The number of homes closed and home closings revenue, net increased by 18.2% and 14.9%, respectively, for the three months ended September 30, 2020 compared to the same period in the prior year, and increased by 7.7% and 8.2%, respectively, for the nine months ended September 30, 2020 compared to the same period in the prior year. The increase in both units and dollars for the three and nine months ended September 30, 2020 compared to the same periods in the prior year was primarily due to higher opening backlog in the current year period compared to the prior year period. In addition, with respect to the nine-month period ended September 30, 2020, the East region experienced a decrease in both units and dollars during the second quarter of 2020 as a result of COVID-19 impacts, resulting in a lower year-over-year percentage increase in home closings and home closings revenues, net for the nine months ended September 30, 2020 compared to the third quarter ended September 30, 2020.

Central:

The number of homes closed and home closings revenue, net increased by 39.8% and 36.7%, respectively, for the three months ended September 30, 2020 compared to the same period in the prior year, and increased by 43.6% and 37.4% respectively, for the nine months ended September 30, 2020 compared to the same period in the prior year. These increases in both units and dollars were primarily due to the acquisition of WLH, as well as the Central region experiencing a higher opening backlog in the current year period compared to the same period in the prior year.

West:

The number of homes closed and home closings revenue, net each increased by approximately 118%, for the three months ended September 30, 2020 compared to the same period in the prior year, and increased by 84.1% and 70.6% respectively, for the nine months ended September 30, 2020 compared to the same period in the prior year. The increase in both units and dollars was primarily due to the increase in active selling communities resulting from the acquisition of WLH. The increases for the nine months ended September 30, 2020 were partially offset by the impacts of COVID-19 during the second quarter of 2020.

Land Closings Revenue

(Dollars in thousands)	Three Months Ended September 30, 2020	2019	Change
East	$ 4,123	$ 731	$ 3,392
Central	2,633	3,689	(1,056)
West	—	—	—
Total	$ 6,756	$ 4,420	$ 2,336

(Dollars in thousands)	Nine Months Ended September 30, 2020	2019	Change
East	$ 29,977	C $ 7,205	$ 22,772
Central	10,264	7,181	3,083
West	—	5	(5)
Total	$ 40,241	$ 14,391	$ 25,850

We generally purchase land and lots with the intent to build and sell homes. However, in some locations where we act as a developer, we occasionally purchase land that includes commercially zoned parcels or areas designated for school or government use, which we typically sell to commercial developers or municipalities, as applicable. We also sell residential lots or land parcels to manage our land and lot supply on larger tracts of land. Land and lot sales occur at various intervals and varying degrees of profitability. Therefore, the revenue and gross margin from land closings will fluctuate from period to period, depending upon market opportunities. The increase in land closings revenue for the nine months ended September 30, 2020 in the East region was due to the sale of our Chicago operations and certain commercial assets we previously acquired in the AV Homes acquisition in 2018.

Amenity and Other Revenue

(Dollars in thousands)	Three Months Ended September 30, 2020	2019	Change
East	4,206	4,321	$ (115)
Central	—	—	—
West	437	—	437
Corporate	—	—	—
Total	$ 4,643	$ 4,321	$ 322

(Dollars in thousands)	Nine Months Ended September 30, 2020	2019	Change
East	$ 13,497	C $ 13,863	$ (366)
Central	—	—	—
West	1,358	—	1,358
Corporate	$ 24,717	$ —	$ 24,717
Total	$ 39,572	$ 13,863	$ 25,709

Several of our communities operate amenities such as golf courses, club houses, and fitness centers. We provide club members access to the amenity facilities and other services in exchange for club dues and fees. Our Corporate region also includes the activity relating to our Urban Form operations from the acquisition of WLH. Urban Form primarily develops and constructs multi-use properties which consist of combinations of commercial space, retail, and multi-family units. Urban Form sold an asset in the quarter ended March 31, 2020, generating $24.7 million in revenue.

Home Closings Gross Margin and Adjusted Home Closings Gross Margin

	Three Months Ended September 30,							
	East		Central		West		Consolidated	
(Dollars in thousands)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Home closings revenue, net	$ 499,213	$ 434,446	$ 423,641	$ 309,954	$ 717,730	$ 328,710	$ 1,640,584	$ 1,073,110
Cost of home closings	410,248	360,071	337,222	253,581	610,726	260,450	1,358,196	874,102
Home closings gross margin	88,965	74,375	86,419	56,373	107,004	68,260	282,388	199,008
Purchase accounting adjustment	—	—	3,027	—	5,886	—	8,913	—
Adjusted home closings gross margin	$ 88,965	$ 74,375	$ 89,446	$ 56,373	$ 112,890	$ 68,260	$ 291,301	$ 199,008
Home closings gross margin %	17.8 %	17.1 %	20.4 %	18.2 %	14.9 %	20.8 %	17.2 %	18.5 %
Adjusted home closings gross margin %	17.8 %	17.1 %	21.1 %	18.2 %	15.7 %	20.8 %	17.8 %	18.5 %

	Nine Months Ended September 30,							
	East		Central		West		Consolidated	
(Dollars in thousands)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Home closings revenue, net	$ 1,362,082	$ 1,258,758	$ 1,270,215	$ 924,411	$ 1,743,921	$ 1,022,083	$ 4,376,218	$ 3,205,252
Cost of home closings	1,133,448	1,048,841	1,036,691	764,699	1,502,784	806,428	3,672,923	2,619,968
Home closings gross margin	228,634	209,917	233,524	159,712	241,137	215,655	703,295	585,284
Purchase accounting adjustment	—	—	25,440	—	43,978	—	69,418	—
Adjusted home closings gross margin	$ 228,634	$ 209,917	$ 258,964	$ 159,712	$ 285,115	$ 215,655	$ 772,713	$ 585,284
Home closings gross margin %	16.8 %	16.7 %	18.4 %	17.3 %	13.8 %	21.1 %	16.1 %	18.3 %
Adjusted home closings gross margin %	16.8 %	16.7 %	20.4 %	17.3 %	16.3 %	21.1 %	17.7 %	18.3 %

East:

Home closings gross margin percentage increased to 17.8% from 17.1% for the three months ended September 30, 2020 and 2019, respectively, and increased to 16.8% from 16.7% for the nine months ended September 30, 2020 and 2019, respectively. The primary driver for the increases were product mix in our Florida markets. In addition, several markets in the East experienced higher vendor rebates, which was partially offset by by higher land and development costs for the current year period compared to the prior year period.

Central:
Home closings gross margin percentage increased to 20.4% from 18.2% for the three months ended September 30, 2020 and 2019, respectively, and to 18.4% from 17.3% for the nine months ended September 30, 2020. The increase for the three and nine months ended September 30, 2020 was primarily driven by an increase in demand in the majority of our Central region's markets, which had lower construction costs. Geographic mix, product mix, and market appreciation also contributed to the increase in home closings margin percentage for the three and nine months ended September 30, 2020 compared to the same period in the prior year.

West:

Home closings gross margin percentage decreased to 14.9% from 20.8% for the three months ended September 30, 2020 and 2019, respectively, and to 13.8% from 21.1% for the nine months ended September 30, 2020 and 2019, respectively. The

primary driver for the decrease was purchase accounting adjustments from the acquisition of WLH in several of the markets in the West. In addition, the product and geographical mix within legacy WLH yielded a lower homebuilding gross margin than our legacy markets.

Financial Services

Our Financial Services segment provides mortgage lending through our subsidiary, TMHF, title services through our subsidiary, Inspired Title, and homeowner's insurance policies through our insurance agency, TMIS. The following is a summary for the periods presented of financial services income before income taxes as well as supplemental data:

	Three Months Ended September 30,			Nine Months Ended September 30,		
($ In thousands)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Financial services revenue	$ 40,341	$ 18,904	113.4 %	$ 97,158	$ 50,632	91.9 %
Title services revenue	5,789	3,170	82.6	14,780	8,596	71.9
Financial services revenue - other	1,321	1,180	11.9	3,849	2,889	33.2
Total financial services revenue	47,451	23,254	104.1 %	115,787	62,117	86.4 %
Financial services equity in income of unconsolidated entities	2,637	939	180.8	8,164	4,274	91.0 %
Total revenue	50,088	24,193	107.0	123,951	66,391	86.7
Financial services expenses	22,207	12,829	73.1	65,650	36,595	79.4
Financial services transaction expenses	1,442	—	—	8,880	—	—
Financial services income before income taxes	$ 26,439	$ 11,364	132.7 %	$ 49,421	$ 29,796	65.9
Total originations:						
Number of Loans	2,355	1,372	71.6 %	6,136	3,663	67.5 %
Principal	$ 843,744	$ 474,332	77.9 %	$ 2,107,622	$ 1,279,905	64.7 %

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Supplemental data:				
Average FICO score	753	748	751	749
Funded origination breakdown:				
Government (FHA,VA,USDA)	17 %	15 %	16 %	14 %
Other agency	80 %	73 %	79 %	72 %
Total agency	97 %	88 %	95 %	86 %
Non-agency	3 %	12 %	5 %	14 %
Total funded originations	100 %	100 %	100 %	100 %

Financial services revenue increased by 104.1% and 86.4% for the three and nine months ended September 30, 2020, respectively compared to the same periods in the prior year. The increase in financial services revenue was due to increased mortgage closings primarily arising from the acquisition of WLH.

Sales, Commissions and Other Marketing Costs

Sales, commissions and other marketing costs, as a percentage of home closings revenue, net, decreased to 6.2% from 7.2% for the three months ended September 30, 2020 compared to the same period in 2019 and to 6.5% from 7.1% for the nine months ended September 30, 2020, compared to the same period in 2019. The decreases were primarily driven by our initiatives to reduce all non-essential expenses as a result of COVID-19 as well as sustained leverage in our sales and marketing functions.

General and Administrative Expenses

General and administrative expenses as a percentage of home closings revenue, net, decreased to 2.8% from 3.9% for the three months ended September 30, 2020 and 2019, respectively and to 3.4% from 3.8% for the nine months ended September 30, 2020 and 2019, respectively. The decreases were primarily driven by an increase in home closings revenue, net as well as our initiatives to reduce all non-essential expenses as a result of COVID-19.

Equity in Income of Unconsolidated Entities

Equity in income of unconsolidated entities was $3.0 million and $2.1 million for the three months ended September 30, 2020 and 2019, respectively, and $8.9 million and $8.0 million for the nine months ended September 30, 2020 and 2019, respectively. Our joint ventures relating to our financial services segment experienced an increase in income for the three and nine months ended September 30, 2020, compared to the same periods in the prior year, which was partially offset by several of our homebuilding joint ventures nearing close out.

Interest Income, Net

Interest income, net was $0.3 million and $1.0 million for the three months ended September 30, 2020 and 2019, respectively, and $1.2 million and $2.3 million for the nine months ended September 30, 2020 and 2019, respectively. Interest income, net includes interest earned on cash balances offset by interest incurred but not capitalized on our long-term debt and other borrowings.

Other Income/Expense, Net

Other income/expense, net was $1.8 million and $0.4 million in expense for the three months ended September 30, 2020 and 2019, respectively, and $7.4 million in expense and $1.5 million in income for the nine months ended September 30, 2020 and 2019, respectively. The increase in other expense for the nine months ended September 30, 2020 resulted from write-offs of higher pre-acquisition costs from projects we are no longer pursuing.

Transaction Expenses

Transaction expenses were $4.8 million and $0.6 million for the three months ended September 30, 2020 and 2019, respectively and $109.9 million and $6.5 million for the nine months ended September 30, 2020 and 2019. Transaction expenses for the three and nine months ended September 30, 2020 consisted of acquisition related costs from the acquisition of WLH, which include investment banking fees, severance, compensation, legal fees, expenses relating to credit facility paydowns and terminations, and other various integration costs. Transaction expenses for the three and nine months ended September 30, 2019 consisted of acquisition related costs from the acquisition of AV Homes which closed in the fourth quarter of 2018 and includes compensation, legal fees, and other various integration costs.

Income Tax Provision

The effective tax rate for the three and nine months ended September 30, 2020 was 22.7% and 25.4%, respectively, compared to 25.9% and 25.4% for the same periods in 2019, respectively. The decrease in the effective tax rate for the three months ended September 30, 2020 relates to deductions and credits relating to homebuilding activities.

Net Income

Net income and diluted earnings per share for the three months ended September 30, 2020 was $115.2 million and $0.87, respectively. Net income and diluted earnings per share for the three months ended September 30, 2019 was $67.0 million and $0.63, respectively. The increases in net income and earnings per share from the prior year were primarily attributable to higher homebuilding revenues, net as a result of the acquisition of WLH and higher gross margin dollars.

Liquidity and Capital Resources

Liquidity

We finance our operations through the following:

- Borrowings under our Revolving Credit Facility;
- Our various series of Senior Notes;
- Mortgage warehouse facilities;

- Project-level real estate financing (including non-recourse loans, land banking, and joint ventures);
- Performance, payment and completion surety bonds, and letters of credit; and
- Cash generated from operations.

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

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

We may also access the capital markets to obtain additional liquidity through debt and equity offerings on an opportunistic basis. Generally, our principal uses of capital relate to land purchases, lot development, home construction, operating expenses, payment of debt service, income taxes, investments in joint ventures, stock repurchases, and the payment of various liabilities.

Cash flows for each of our communities depend on the status of the development cycle and can differ substantially from reported earnings. Early stages of development or expansion require significant cash expenditures for land acquisitions, on and off-site development, construction of model homes, general landscaping and other amenities. Because these costs are a component of our inventory and are not recognized in our statement of operations until a home closes, we incur significant cash outflows prior to recognition of earnings.

In response to emerging trends in the mortgage business, our wholly-owned mortgage subsidiary, TMHF, began retaining MSRs on certain of the loans it originates during the first quarter of 2020. Servicing advances TMHF makes may be subject to delays in recovery to the extent the loans we service go into forbearance or delinquency. We do not currently expect our MSR portfolio to become a significant part of TMHF's business, though a substantial increase in the volume of loans that we service coupled with a significant increase in the number of such loans which become delinquent or subject to forbearance, could affect TMHF's short-term liquidity and revenue from operations.

We believe we have adequate capital resources and sufficient access to external financing sources to satisfy our current and reasonably anticipated requirements for funds to conduct our operations and meet other needs in the ordinary course of our business. Refer to Item 2. Management's Discussion and Analysis — COVID-19 Impact and Strategy and Item 1A. Risk Factors for further discussion.

The table below summarizes our total cash and liquidity as of the dates indicated (in thousands):

	As of	
(Dollars in thousands)	**September 30, 2020**	**December 31, 2019**
Cash, excluding restricted cash	$ 547,916	$ 326,437
Revolving credit facility	800,000	600,000
Letters of credit outstanding	(71,898)	(77,719)
Revolving credit facility borrowings outstanding [(1)]	(285,000)	—
Revolving credit facility availability	443,102	522,281
Total liquidity	$ 991,018	$ 848,718

[(1)]As a precautionary measure during the COVID-19 pandemic, we made the decision in the first quarter of 2020 to borrow $485.0 million on our Revolving Credit Facility. We repaid $200.0 million on the Revolving Credit Facility in the third quarter of 2020.

Cash Flow Activities

Operating Cash Flow Activities

Our net cash provided by operating activities was $798.0 million for the nine months ended September 30, 2020 compared to $153.4 million for the nine months ended September 30, 2019. The increase in cash provided by operating activities during 2020 was due to less spend on real estate inventory, land deposits, and an increase in customer deposits.

Investing Cash Flow Activities

Net cash used in investing activities was $297.5 million for the nine months ended September 30, 2020, as compared to $7.1 million used in investing activities for the nine months ended September 30, 2019. The increase in cash used in investing activities during 2020 was due to the WLH acquisition.

Financing Cash Flow Activities

Net cash used in financing activities was $280.1 million for the nine months ended September 30, 2020 compared to $254.3 million for the nine months ended September 30, 2019. The cash used in financing activities during 2020 was due to the repayments of senior notes in which we redeemed 7.00% Senior Notes 2022 for $52.0 million during the first quarter of 2020, the 2023 6.00% Senior Notes for $350.0 million and the 2025 5.875% Senior Notes for $436.9 million in the third quarter of 2020. These redemptions were partially offset by the issuance of our 2030 Senior Notes for $500.0 million. In addition, we borrowed $485.0 million on our Revolving Credit Facility as a precautionary measure as a result of COVID-19 during the first quarter and repaid $200.0 million of the borrowings during the third quarter. The cash used in financing activities during 2019 was primarily for net repayments of debt and Common Stock repurchases.

Debt Instruments

For information regarding our debt instruments, including the terms governing our Senior Notes and our Revolving Credit Facility, see Note 9 - Debt to the Unaudited Condensed Consolidated Financial Statements included in this quarterly report.

Off-Balance Sheet Arrangements as of September 30, 2020

Investments in Land Development and Homebuilding Joint Ventures or Unconsolidated Entities

We participate in strategic land development and homebuilding joint ventures with third parties. Our participation in these entities, in some instances, enables us to acquire land to which we could not otherwise obtain access, or could not obtain access on terms that are as favorable. Our partners in these joint ventures historically have been land owners/developers, other homebuilders and financial or strategic partners. Joint ventures with land owners/developers have given us access to sites owned or controlled by our partners. Joint ventures with other homebuilders have provided us with the ability to bid jointly with our partners for large or expensive land parcels. Joint ventures with financial partners have allowed us to combine our homebuilding expertise with access to our partners' capital.

In certain of our unconsolidated joint ventures, we enter into loan agreements, whereby we or one of our subsidiaries will provide the lenders with customary guarantees, including completion, indemnity and environmental guarantees subject to usual non-recourse terms.

As of September 30, 2020, total cash invested in unconsolidated joint ventures was $24.0 million.

Land Purchase and Land Option Contracts

We enter into land purchase and option contracts to procure land or lots for the construction of homes in the ordinary course of business. Lot option contracts enable us to control significant lot positions with a minimal initial capital investment and substantially reduce the risks associated with land ownership and development. As of September 30, 2020, we had outstanding land purchase and lot option contracts, excluding any land banking arrangements, of $515.8 million. We are obligated to close the transaction under our land purchase contracts. However, our obligations with respect to the option contracts are generally limited to the forfeiture of the related non-refundable cash deposits and/or letters of credit provided to obtain the options. At September 30, 2020, we had non-refundable deposits totaling $138.2 million.

In connection with our acquisition of WLH, we acquired various land banking arrangements. As of September 30, 2020, we had the right to purchase 2,699 lots under such land agreements for an aggregate purchase price of $334.9 million.

Seasonality

Our business is seasonal. We have historically experienced, and in the future expect to continue to experience, variability in our results on a quarterly basis. We generally have more homes under construction, close more homes and have greater revenues and operating income in the third and fourth quarters of the year. Therefore, although new home contracts are obtained throughout the year, a higher portion of our home closings occur during the third and fourth calendar quarters. Our revenue therefore may fluctuate significantly on a quarterly basis, and we must maintain sufficient liquidity to meet short-term operating requirements. Factors expected to contribute to these fluctuations include:

- the timing of the introduction and start of construction of new projects;
- the timing of project sales;
- the timing of closings of homes, lots and parcels;
- the timing of receipt of regulatory approvals for development and construction;
- the condition of the real estate market and general economic conditions in the areas in which we operate, including the duration and extent of the impact of the COVID-19 pandemic and our planned reduced land investments and phased development as discussed above under "COVID-19 Impact and Strategy";
- mix of homes closed;
- construction timetables;
- prevailing interest rates and the availability of financing, both for us and for the purchasers of our homes;
- the cost and availability of materials and labor; and
- weather conditions in the markets in which we build.

As a result of seasonal activity and the COVID-19 pandemic, our quarterly results of operations and financial position are not necessarily representative of the results we expect for the full year.

Inflation

We and the homebuilding industry in general may be adversely affected during periods of high inflation, primarily because of higher land, financing, labor and construction material costs. In addition, higher mortgage interest rates can significantly affect the affordability of mortgage financing to prospective homebuyers. We attempt to pass through to our customers increases in our costs through increased sales prices. However, during periods of soft housing market conditions, we may not be able to offset our cost increases with higher selling prices.

Critical Accounting Policies

There have been no significant changes to our critical accounting policies during the nine months ended September 30, 2020 compared to those disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our operations are interest rate sensitive. We monitor our exposure to changes in interest rates and incur both fixed rate and variable rate debt. At September 30, 2020, approximately 88% of our debt was fixed rate and 12% was variable rate. None of our market sensitive instruments were entered into for trading purposes. For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. Conversely, for variable rate debt, changes in interest rates generally do not impact the fair value of the debt instrument but may affect our future earnings and cash flows, and may also impact our variable rate borrowing costs, which principally relate to any borrowings under our Revolving Credit Facility and borrowings by TMHF under its various warehouse facilities. As of September 30, 2020, we had $285.0 million in outstanding borrowings under our Revolving Credit Facility. We had $443.1 million of additional availability for borrowings including $128.1 million of additional availability for letters of credit under our Revolving Credit Facility as of September 30, 2020 (giving effect to $71.9 million of letters of credit outstanding as of such date). We are required to offer to purchase all of our outstanding Senior Notes at 101% of their aggregate principal amount upon the occurrence of specified change of control events. Other than in those circumstances, we do not have an obligation to prepay fixed rate debt prior to maturity and, as a result, we would not expect interest rate risk and changes in fair value to have a significant impact on our cash flows related to our fixed rate debt until such time as we are required to refinance, repurchase or repay such debt.

The following table sets forth principal cash flows by scheduled maturity and effective weighted average interest rates and estimated fair value of our debt obligations as of September 30, 2020. The interest rate for our variable rate debt represents the interest rate on our borrowings under our Revolving Credit Facility and mortgage warehouse facilities. Because the mortgage warehouse facilities are secured by certain mortgage loans held for sale which are typically sold within approximately 20 - 30 days, its outstanding balance is included as a variable rate maturity in the most current period presented.

	Expected Maturity Date							
(In millions, except percentage data)	**2020**	**2021**	**2022**	**2023**	**2024**	**Thereafter**	**Total**	**Fair Value**
Fixed Rate Debt	$ 39.6	$ 121.3	$ 82.8	$ 404.0	$ 360.7	$ 1,774.6	$ 2,783.0	$ 2,966.7
Weighted average interest rate[(1)]	2.9 %	2.9 %	2.9 %	5.4 %	5.7 %	5.7 %	5.4 %	
Variable Rate Debt[(2),(3)]	$ 394.6	$ —	$ —	$ —	$ —	$ —	$ 394.6	$ 394.6
Weighted average interest rate	2.6 %	—	—	—	—	—	2.6 %	

[(1)] Represents the coupon rate of interest on the full principal amount of the debt.
[(2)] Based upon the amount of variable rate debt outstanding at September 30, 2020, and holding the variable rate debt balance constant, each 1% increase in interest rates would increase the interest incurred by us by approximately $3.9 million per year.
[(3)] Amount in 2020 includes the outstanding balance on our Revolving Credit Facility which may be repaid at anytime, however the maturity of the facility is February 6, 2024.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our principal executive officer, principal financial officer and principal accounting officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of September 30, 2020. Based on this evaluation, our principal executive officer, principal financial officer and principal accounting officer concluded that, as of September 30, 2020, the Company's disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level. Management excluded from its assessment the internal control over financial reporting for WLH, which was acquired on February 6, 2020, and represented 28.3% of the Company's consolidated total assets and 26.3% of the Company's consolidated homebuilding revenues as of and for the three months ended September 30, 2020.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

As mentioned above, the Company acquired WLH on February 6, 2020. The Company is in the process of reviewing the internal control structure as a result of the acquisition and, if necessary, will make appropriate changes to its overall internal control over financial reporting process

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in various litigation and legal claims in the normal course of our business operations, including actions brought on behalf of various classes of claimants. We are also subject to a variety of local, state, and federal laws and regulations related to land development activities, house construction standards, sales practices, mortgage lending operations, employment practices, and protection of the environment. As a result, we are subject to periodic examination or inquiry by various governmental agencies that administer these laws and regulations. We establish liabilities for legal claims and regulatory matters when such matters are both probable of occurring and any potential loss is reasonably estimable. We accrue for such matters based on the facts and circumstances specific to each matter and revise these estimates as the matters evolve. In such cases, there may exist an exposure to loss in excess of any amounts currently accrued. In view of the inherent difficulty of predicting the outcome of these legal and regulatory matters, we generally cannot predict the ultimate resolution of the pending matters, the related timing or the eventual loss. While the outcome of such contingencies cannot be predicted with certainty, we do not believe that the resolution of such matters will have a material adverse impact on our results of operations, financial position, or cash flows. However, to the extent the liability arising from the ultimate resolution of any matter exceeds the estimates reflected in the recorded reserves relating to such matter, we could incur additional charges that could be significant.

ITEM 1A. RISK FACTORS

Part I, Item 1A. of our Annual Report include risk factors may materially affect our business, financial condition or results of operations. Below is an update to the risk factors which affect our industry and our business. You should carefully consider the risk factors set forth in our Annual Report, the information below and other information set forth elsewhere in this quarterly report. You should be aware that these risk factors and other information may not describe every risk facing our Company.

The scale and scope of the recent COVID-19 (coronavirus) outbreak and resulting pandemic is unknown and will adversely impact our business. The overall impact on our business, operating results, cash flows and/or financial condition could be material.

In December 2019, a novel coronavirus disease was reported, and in March 2020, the WHO characterized COVID-19 as a pandemic. Also in March 2020, the United States declared a national emergency and several states have declared public health emergencies concerning the outbreak and have taken preventative measures to try to contain the spread of the coronavirus. These measures have included “stay at home” orders and similar mandates for many individuals to restrict daily activities and for many businesses to curtail or cease normal operations.

We curtailed our investments in land acquisitions and phased development during 2020. These actions may reduce growth, and may cause a decline of our lot count and the volume of homes delivered in future periods. While certain jurisdictions have begun to ease the restrictions imposed at the outset of the pandemic, concerns remain regarding additional surges of the pandemic or the expansion of the economic impact thereof as a result of lifting these restrictions prematurely. Accordingly, the extent to which the COVID-19 pandemic may impact our future results of operations and overall financial performance remains uncertain.

The COVID-19 pandemic has adversely affected global economies, financial markets and the overall environment for our business. The scale and scope of the COVID-19 pandemic may heighten the potential adverse effects on our business, operating results, cash flows and/or financial condition described in the risk factors contained in our Annual Report on Form 10-K, including the impact of:

- A decrease in consumer confidence generally and the confidence of potential homebuyers in particular,
- Unfavorable general and local economic conditions for our customers, the markets in which we operate and the homebuilding industry generally, including a slowdown or severe downturn in the housing market,
- Potential delays in home closings or higher rates of cancellations,
- A significant disruption in service within our operations, including as a result of having to increasingly shift towards a remote selling environment, virtual appointments for house tours and new home demonstrations and “curbside” or “drive thru” closings,
- A disruption to our financial services businesses, including our ability to sell and service the mortgages that we originate, as a result of evolving government regulation, liquidity concerns or otherwise,
- Increased costs associated with compliance with substantial government regulation, including new laws or regulations or changes in existing laws or regulations, such as the classification of residential construction as “essential” business

in the markets in which we operate and any changes to such classification, which laws or regulations may vary significantly by jurisdiction,
- Economic and market conditions affecting the value of our land inventory or our option contracts or our investments in unconsolidated entities,
- An increase in unemployment levels leading to a potential decrease in demand for our homes and/or an increase in the number of loan delinquencies and property repossessions,
- Disruptions in our business strategy due to our curtailment of non-essential cash expenditures including, but not limited to, temporarily reducing or deferring new land acquisitions, phasing development and implementing a revised cadence on all new inventory homes starts,
- Increase in the cost or availability of building materials or the availability of subcontractors, vendors or other third parties,
- Demand from foreign buyers for our homes, particularly due to the widespread impact of the COVID-19 pandemic,
- Fluctuations in equity market prices, interest rates and credit spreads limiting our ability to raise or deploy capital and affecting our overall liquidity,
- Significant stock market declines resulting affecting the price of our common stock, and
- Cyberattacks or other privacy or data security incidents due to the increased use of remote work environments and virtual platforms.

In addition, the COVID-19 pandemic may adversely impact our business and financial condition in other areas. We may experience decreased employee productivity, including as a result of division and corporate office team members shifting to a work-from-home protocol. Our operations could be disrupted if key members of our senior management, our directors or a significant percentage of our employees are unable to continue to work because of illness, government directives or otherwise. Additionally, we have incurred, and may continue to incur, increased costs associated with implementing additional personal and workplace safety protocols and employee-related measures, including providing additional paid time off for all field team members and any team members testing positive for COVID-19 and covering out-of-pocket costs for any team members testing positive for COVID-19. We may also encounter delays in responsiveness by governments, municipalities, and other third parties in other matters arising in the ordinary course of business due to their prioritization of matters relating to COVID-19, including but not limited to the timely issuance of building permits, inspections, and entitlement approvals.

The COVID-19 pandemic caused stock market valuations to be highly volatile. As with many other companies, our stock price suffered a significant decline early in the second quarter of 2020 due to COVID-19 related uncertainty; however, our valuation had substantially recovered by the end of the current quarter. The potential magnitude and duration of the business and economic impacts from the unprecedented public health effort to contain and combat the spread of COVID-19 remain uncertain and could include, among other things, continued volatility in financial markets and the value of our common stock.

In connection with the preparation of our quarterly financial statements, we assessed the changes in circumstances that occurred during the quarter to determine whether it is more likely than not that the fair values of any of our reporting units were below their carrying amounts. Significant factors we took into consideration included the fluctuations in the equity markets, general economic conditions, homebuilding industry conditions, the Company's overall financial performance, and the gap between our net assets and market capitalization as of September 30, 2020. We concluded there were no indicators that goodwill was impaired and did not perform a quantitative test. We will continue to monitor events and circumstances for changes that indicate goodwill would need to be reevaluated for impairment during current and future interim periods prior to the annual impairment test. These future events and circumstances include, but are not limited to, changes in the overall financial performance of our respective reporting units, potential changes in reporting units, impacts to our business as a result of the ongoing COVID-19 pandemic, as well as other quantitative and qualitative factors relevant to the analysis.

There is significant uncertainty about the duration and extent of the impact from the COVID-19 pandemic, as well as its impact on the U.S. economy and consumer confidence, the extent of which depends on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of the virus, the extent and effectiveness of containment actions, the scope and timeline of efforts to restart the economy in various markets in which we operate and the impact of these and other factors on our employees, customers, suppliers and partners. Such impact on our business, operating results, cash flows and/or financial condition could be material.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On February 28, 2020, we announced that our Board of Directors had authorized a renewal of the Company's stock repurchase program. The stock repurchase program previoulsy approved by the Board of Directors permitted the repurchase of up to $100 million of the Company's Common Stock until December 31, 2020. Repurchases of the Company's Common Stock under the

program will occur from time to time, if at all, in open market purchases, privately negotiated transactions or other transactions until December 31, 2020. There were no repurchases by the Company of its Common Stock during the three months ended September 30, 2020. Refer to Note 12. - Stockholders' Equity for additional discussion of the Company's stock repurchase program and repurchase activity as of September 30, 2020.

Any stock repurchase program is subject to prevailing market conditions and other considerations, including our liquidity, the terms of our debt instruments, legal requirements, planned land investment and development spending, acquisition and other investment opportunities and ongoing capital requirements.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description
2.1†^	Agreement and Plan of Merger, dated June 7, 2018, by and among Taylor Morrison Home Corporation, Taylor Morrison Communities, Inc., Thor Merger Sub, Inc. and AV Homes, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on June 7, 2018).
2.2	Agreement and Plan of Merger, dated as of October 26, 2018, by and among Taylor Morrison Home Corporation, Taylor Morrison Home II Corporation and Second Half 2018 Mergerco Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on October 26, 2018).
2.3†^	Agreement and Plan of Merger, dated November 5, 2019, by and among Taylor Morrison Home Corporation, Tower Merger Sub, Inc. and William Lyon Homes (incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form S-4 (File No. 333-235410)).
3.1	Amended and Restated Certificate of Incorporation. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 30, 2019).
3.2	Amended and Restated By-laws. (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on October 26, 2018).
3.3	Amendment to the Amended and Restated By-laws. (incorporated by reference to Exhibit 3.4 to the Company's Current Report on Form 8-K filed on October 26, 2018).
4.1*	Indenture, dated as of July 22, 2020, relating to Taylor Morrison Communities, Inc.'s 5.125% Senior Notes Due 2030, by and among Taylor Morrison Communities, Inc., the guarantors party thereto and U.S. Bank National Association, as trustee.
31.1*	Certification of Sheryl D. Palmer, Chief Executive Officer, pursuant to Section 302 of the Sarbanes–Oxley Act of 2002.
31.2*	Certification of C. David Cone, Chief Financial Officer, pursuant to Section 302 of the Sarbanes–Oxley Act of 2002.
32.1**	Certification of Sheryl D. Palmer, Chief Executive Officer, pursuant to Section 906 of the Sarbanes–Oxley Act of 2002.
32.2**	Certification of C. David Cone, Chief Financial Officer, pursuant to Section 906 of the Sarbanes–Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104.1*	Cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, formatted in inline XBRL (and contained in Exhibit 101).

* Filed herewith
** Furnished herewith
†^ Schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them other than for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

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.

TAYLOR MORRISON HOME CORPORATION
Registrant

DATE: November 2, 2020

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

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

/s/ Joseph Terracciano
Joseph Terracciano
Chief Accounting Officer
(Principal Accounting Officer)

TAYLOR MORRISON COMMUNITIES, INC.

Issuer

5.125% SENIOR NOTES DUE 2030
INDENTURE

Dated as of July 22, 2020

U.S. BANK National association,
Trustee

[[5471418]]

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EXHIBITS

INDENTURE, dated as of July 22, 2020, among Taylor Morrison Communities, Inc., a Delaware corporation (the "*Issuer*"), the Guarantors (as defined herein) and U.S. Bank National Association, a national banking association, as trustee (the "*Trustee*").

The Issuer, the Guarantors and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders (as defined herein) of the Issuer's 5.125% Senior Notes due 2030 (the "*Notes*"):

ARTICLE 1.

DEFINITIONS AND INCORPORATION
BY REFERENCE

Section a. *Definitions.*

"*144A Global Note*" means a Global Note substantially in the form of Exhibit A1 hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of, and registered in the name of, the Depositary or its nominee, issued in a denomination equal to the outstanding principal amount of the Notes sold in reliance on Rule 144A.

"*Additional Notes*" means any Notes (other than the Initial Notes), if any, issued under this Indenture in accordance with Sections 2.02 and 2.14.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

"*Agent*" means any Registrar, co-registrar, Paying Agent or additional paying agent.

"*Applicable Accounting Standards*" means, as of the Issue Date, U.S. GAAP; *provided*, *however*, that the Issuer may, upon not less than sixty (60) days' prior written notice to the Trustee, change the Applicable Accounting Standards to IFRS; *provided*, *however*, that notwithstanding the foregoing, if the Issuer so changes to IFRS, it may elect, in its sole discretion, to continue to utilize U.S. GAAP for the purposes of making all calculations under this Indenture that are subject to Applicable Accounting Standards and the notice to the Trustee required upon the change to IFRS shall set forth whether or not the Issuer intends to continue to use U.S. GAAP for purposes of making all calculations under this Indenture. In the event the Issuer elects to change to IFRS for purposes of making calculations under this Indenture, references in this Indenture to a standard or rule under U.S. GAAP shall be deemed to refer to the most nearly comparable standard or rule under IFRS.

"*Applicable Premium*" means, with respect to any Note on any redemption date, the excess, if any, of (a) the present value at such redemption date of (i) 100% of the principal amount of the notes redeemed, plus (ii) all required interest payments due on such Note (excluding accrued but unpaid interest to the redemption date) to, but excluding, February 1, 2030, computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over (b) the principal amount of such Note.

"*Applicable Procedures*" means, with respect to any transfer or exchange of or for beneficial interests in any Global Note, the rules and procedures of the Depositary, Euroclear and Clearstream that apply to such transfer or exchange.

"*Attributable Debt"* means, in respect of a Sale and Leaseback Transaction, the present value (discounted at the weighted average effective interest rate per annum of the Notes, compounded

semiannually) of the obligation of the lessee for rental payments during the remaining term of the lease included in such transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended or, if earlier, until the earliest date on which the lessee may terminate such lease upon payment of a penalty (in which case the obligation of the lessee for rental payments shall include such penalty), after excluding all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water and utility rates and similar charges.

"*Bankruptcy Law*" means Title 11, U.S. Code or any similar federal or state law for the relief of debtors.

"*Below Investment Grade Rating Event*" means that the Notes become rated below an Investment Grade Rating by each of the Rating Agencies on any date from the date of the public notice of an arrangement that results in a Change of Control until the end of the 60 day period following public notice of the occurrence of a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) (the *"Ratings Decline Period"*). In determining whether a Change of Control has occurred for purposes of this definition, clause (E) of the last paragraph of the definition of "Change of Control" shall be disregarded.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Business Day*" means each day that is not a Saturday, a Sunday or a day on which banking institutions are not required to be open in the State of New York, the State of Arizona or the Province of British Columbia. If a payment date is not a Business Day at such place, payment may be made at such place on the next succeeding Business Day, and no interest shall accrue for the intervening period.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with Applicable Accounting Standards, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all

of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Cash Equivalents*" means:

(1) United States dollars or any other currencies held from time to time in the ordinary course of business;

(2) securities issued or directly and fully and unconditionally guaranteed or insured by the United States government or any agency or instrumentality thereof the securities of which are unconditionally guaranteed as a full faith and credit obligation of such government with maturities of 24 months or less from the date of acquisition;

(3) certificates of deposit, time deposits and eurodollar time deposits with maturities of two years or less from the date of acquisition, bankers' acceptances with maturities not exceeding two years and overnight bank deposits, in each case with any domestic commercial bank having capital and surplus of not less than $250.0 million;

(4) repurchase obligations for underlying securities of the types described in clauses (2), (3) and (7) entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper rated at least P-1 by Moody's or at least A-1 by S&P (or, if at any time neither Moody's nor S&P shall be rating such obligations, an equivalent rating from another nationally recognized statistical rating agency selected by the Issuer) and in each case maturing within 24 months after the date of creation thereof and Indebtedness or preferred stock issued by Persons with a rating of "A" or higher from S&P or "A2" or higher from Moody's with maturities of 24 months or less from the date of acquisition;

(6) marketable short-term money market and similar funds either having (A) assets in excess of $250.0 million or (B) a rating of at least P-2 or A-2 from either Moody's or S&P, respectively (or, if at any time neither Moody's nor S&P shall be rating such obligations, an equivalent rating from another nationally recognized statistical rating agency selected by the Issuer);

(7) readily marketable direct obligations issued by any state, commonwealth or territory of the United States or any political subdivision or taxing authority thereof having an Investment Grade Rating from either Moody's or S&P (or, if at any time neither Moody's nor S&P shall be rating such obligations, an equivalent rating from another nationally recognized statistical rating agency selected by the Issuer) with maturities of 24 months or less from the date of acquisition;

(8) readily marketable direct obligations issued by any foreign government or any political subdivision or public instrumentality thereof, in each case having an Investment Grade Rating from either Moody's or S&P (or, if at any time neither Moody's nor S&P shall be rating such obligations, an equivalent rating from another nationally recognized statistical rating agency selected by the Issuer) with maturities of 24 months or less from the date of acquisition; and

(9) investment funds investing at least 90% of their assets in securities of the types described in clauses (1) through (8) above.

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Restricted Parent and its Restricted Subsidiaries, taken as a

whole, to any "person" (as that term is used in Section 13(d) of the Exchange Act) other than Permitted Holders;

(2) the adoption of a plan relating to the liquidation or dissolution of Holdings, the Restricted Parent or the Issuer; or

(3) Holdings, the Restricted Parent or the Issuer becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) the acquisition by (A) any Person (other than any Permitted Holder) or (B) Persons (other than any Permitted Holder) that are together a group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any such group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act), in a single transaction or in a related series of transactions, by way of merger, consolidation or other business combination or purchase of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision) of more than 50.0% of the total voting power of the Voting Stock of Holdings directly or indirectly through any direct or indirect parent holding companies of Holdings (including Taylor Morrison Home Corporation); *provided* that a Change of Control shall not be deemed to have occurred solely as a result of Holdings becoming a Subsidiary of any direct or indirect parent holding companies so long as no Person or Persons that are together a group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision), including any such group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act), in a single transaction or in a related series of transactions, by way of merger, consolidation or other business combination or purchase of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision), in each case other than the Permitted Holders, owns or holds, directly or indirectly, more than 50.0% of the total voting power of the ultimate parent holding company. For purposes of calculating beneficial ownership of any Person under this clause (3), such Person will be deemed to also have beneficial ownership of all securities that such Person has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time.

Notwithstanding the foregoing: (A) the transfer of assets between or among the Restricted Subsidiaries, Holdings and the Restricted Parent shall not itself constitute a Change of Control; (B) the term "Change of Control" shall not include a merger or consolidation of the Restricted Parent (or any direct or indirect parent thereof) with, or the sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of the assets of the Restricted Parent (or direct or indirect parent thereof) to, an Affiliate incorporated or organized solely for the purpose of reincorporating or reorganizing the Restricted Parent or the Issuer in another jurisdiction and/or for the sole purpose of forming or collapsing a holding company structure; (C) a "person" or "group" shall not be deemed to have beneficial ownership of securities subject to a stock purchase agreement, merger agreement or similar agreement (or voting or option agreement related thereto) until the consummation of the transactions contemplated by such agreement; (D) a sale of assets pursuant to a Designated Asset Sale or a transfer of Excess Designated Proceeds shall not itself constitute a Change of Control; and (E) any of the events described above in clauses (1) through (3) shall not constitute a "Change of Control" (i) after a Covenant Termination Event unless a Below Investment Grade Rating Event also occurs in connection therewith and (ii) if the Notes are rated below an Investment Grade Rating prior to the announcement of such event, unless a Ratings Decline also occurs in connection therewith.

"*Clearstream*" means Clearstream Banking, S.A.

"*Consolidated Adjusted Tangible Assets*" means, as at any date of determination, the total amount of all assets of Holdings and its Restricted Subsidiaries as shown on the consolidated balance sheet of Holdings for the then most recently completed fiscal quarter for which internal financial statements are available, less, without duplication, Intangible Assets and assets purchased, constructed, leased, installed or

improved after the Issue Date with the proceeds of Indebtedness secured by a Lien described in any of clauses (b), (c) or (e) of the definition of "Permitted Liens"; *provided* that assets of Restricted Subsidiaries that are not Wholly Owned Subsidiaries of the Restricted Parent will be included in the calculation of Consolidated Adjusted Tangible Assets only to the extent the Capital Stock of such Restricted Subsidiaries is owned by the Restricted Parent and/or any Restricted Subsidiary of the Restricted Parent, in each case, determined on a consolidated basis in accordance with Applicable Accounting Standards. In addition, for purposes of calculating the Consolidated Adjusted Tangible Assets, investments, acquisitions, mergers, consolidations, dispositions, amalgamations, discontinued operations (as determined in accordance with Applicable Accounting Standards) any operational changes and changes in the composition of the Restricted Subsidiaries that have been made by Holdings or any of its Restricted Subsidiaries, or any Person or any of its Restricted Subsidiaries acquired by, merged or consolidated with Holdings or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, subsequent to the end of the most recently completed fiscal quarter and on or prior to the date of determination will be given *pro forma* effect as if they had occurred at the end of such fiscal quarter. For purposes of this definition, whenever *pro forma* effect is given to a transaction or other event, the *pro forma* calculations shall be made in good faith by a responsible financial or accounting officer of the Issuer.

"*Consolidated Total Indebtedness*" means, as at any date of determination, an amount equal to the sum of (1) the aggregate amount of all outstanding Indebtedness of Holdings and its Restricted Subsidiaries on a consolidated basis consisting of Indebtedness for borrowed money, Obligations in respect of Capital Lease Obligations and debt obligations evidenced by promissory notes and similar instruments, as determined in accordance with Applicable Accounting Standards (but excluding the effects of any discounting of Indebtedness resulting from the application of purchase accounting in connection with any permitted acquisition under this Indenture) and (2) the aggregate amount of all outstanding Disqualified Stock of Holdings and its Restricted Subsidiaries on a consolidated basis, with the amount of such Disqualified Stock equal to the greater of their respective voluntary or involuntary liquidation preferences and maximum fixed repurchase prices, in each case determined on a consolidated basis in accordance with Applicable Accounting Standards; *provided* that Consolidated Total Indebtedness shall not include Indebtedness in respect of (i) letters of credit, except to the extent of unreimbursed amounts thereunder, (ii) Unrestricted Subsidiaries, (iii) Hedging Obligations and (iv) Guarantees, except to the extent Holdings or any of its Restricted Subsidiaries has made any payment in respect of any such Guarantee. For purposes hereof, the "maximum fixed repurchase price" of any Disqualified Stock or preferred stock that does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock or preferred stock as if such Disqualified Stock were purchased on any date on which Consolidated Total Indebtedness shall be required to be determined pursuant to this Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value shall be determined reasonably and in good faith by the Issuer.

"*Corporate Trust Office of the Trustee*" shall be at the address of the Trustee specified in Section 12.02 or such other address as to which the Trustee may give notice to the Issuer.

"*Credit Agreement*" means that certain Credit Agreement, dated as of February 6, 2020, by and among the Issuer, as borrower, Holdings, the Restricted Parent, Taylor Morrison Finance, Inc., Citibank N.A., as administrative agent, and various lenders providing for revolving credit borrowings, including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced by any other term or revolving Indebtedness (including by means of sales of debt securities and including any amendment, restatement, modification, renewal, refunding, replacement or refinancing that increases the amount borrowed thereunder or extends the maturity thereof) in whole or in part from time to time subsequent to the Reference Date. Any agreement or instrument other than the Credit Agreement, as it has been amended and restated as of the Issue Date, must be designated in a writing delivered to the Trustee by the Issuer as a "Credit Agreement" for purposes of this Indenture in order to be deemed a Credit Agreement. For the avoidance of doubt, the Credit Agreement, dated as of

February 6, 2020, by and among the Issuer, as borrower, Holdings, the Restricted Parent, Taylor Morrison Finance, Inc., the lenders from time to time party thereto and Citibank N.A., as administrative agent, as heretofore amended, restated, modified or supplemented, shall be a "Credit Agreement."

"*Credit Facilities*" means one or more debt facilities or commercial paper facilities (including the credit facilities provided under the Credit Agreement), in each case, with banks or other lenders or credit providers or a Trustee providing for the revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), bankers acceptances, letters of credit or issuances of debt securities, including any related notes, guarantees, collateral documents, instruments, documents and agreements executed in connection therewith and in each case, as amended, restated, modified, renewed, extended, supplemented, restructured, refunded, replaced in any manner (whether upon or after termination or otherwise) or in part from time to time, in one or more instances and including any amendment increasing the amount of Indebtedness incurred or available to be borrowed thereunder, extending the maturity of any Indebtedness incurred thereunder or contemplated thereby or deleting, adding or substituting one or more parties thereto (whether or not such added or substituted parties are banks or other institutional lenders), including one or more separate instruments or facilities, in each case, whether any such amendment, restatement, modification, renewal, extension, supplement, restructuring, refunding, replacement or refinancing occurs simultaneously or not with the termination or repayment of a prior Credit Facility. Any agreement or instrument other than the Credit Agreement, as it has been amended and restated and in effect as of the Issue Date must be designated in a writing delivered to the Trustee by the Issuer as a "Credit Facility" for purposes of this Indenture in order to be a Credit Facility. For the avoidance of doubt, the Credit Agreement, dated as of February 6, 2020, by and among the Issuer, as borrower, Holdings, the Restricted Parent, Taylor Morrison Finance, Inc., the lenders from time to time party thereto and Citibank N.A., as administrative agent, as heretofore amended, restated, modified or supplemented, shall be a "Credit Facility."

"*Custodian*" means the Trustee, as custodian with respect to the Notes in global form, or any successor entity thereto.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Definitive Note*" means a certificated Note registered in the name of the Holder thereof and issued in accordance with Section 2.06, substantially in the form of Exhibit A1 hereto except that such Note shall not bear the Global Note Legend and shall not have the "Schedule of Exchanges of Interests in the Global Note" attached thereto.

"*Depositary*" means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.03 as the Depositary with respect to the Notes, and any and all successors thereto appointed as depositary hereunder and having become such pursuant to the applicable provision of this Indenture.

"*Designated Asset Sale*" means the sale, conveyance, transfer or other disposition, whether in a single transaction or a series of related transactions, of Designated Assets (including by way of a sale and lease-back transaction and including the disposition of Capital Stock of any Subsidiary) of Holdings, the Restricted Parent, the Issuer or any of their respective Restricted Subsidiaries such that, on a *pro forma* basis, after giving effect to such sale, conveyance, transfer or other disposition (and the repayment, prepayment, purchase or other retirement (if any) of any Indebtedness of Holdings or any of its Restricted Subsidiaries related to such transaction), the Specified Inventory Ratio of Holdings and its Restricted Subsidiaries is greater than 2.00 to 1.00; *provided*, *however*, that the aggregate amount of all Designated Asset Sales shall not exceed $150.0 million since the Reference Date.

"*Designated Assets*" means any property or assets (including Capital Stock of any Subsidiary) of Holdings, the Restricted Parent, the Issuer and their respective Restricted Subsidiaries

constituting a business, a line or unit of a business or used in operating a business substantially as an entirety.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 90 days after the date on which the Notes mature. Notwithstanding the preceding sentence, (x) any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Person that issued such Capital Stock to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock and (y) any Capital Stock issued to any plan for the benefit of employees will not constitute Disqualified Stock solely because it may be required to be repurchased by the Person that issued such Capital Stock in order to satisfy applicable statutory or regulatory obligations. The amount of Disqualified Stock deemed to be outstanding at any time for purposes of this Indenture will be the maximum amount that the Restricted Parent and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Euroclear*" means Euroclear Bank, S.A./N.V., as operator of the Euroclear system.

"*Excess Designated Proceeds*" means, with respect to any Designated Asset Sale:

(1) that portion of the Net Proceeds from such Designated Asset Sale that remains after giving effect to the repayment or prepayment, purchase or other retirement of Indebtedness in connection with such Designated Asset Sale; and

(2) any non-cash proceeds of any Designated Asset Sale.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended from time to time.

"*Excluded Subsidiary*" means (a) any Subsidiary that is restricted by applicable law from guaranteeing the Notes, (b) any Immaterial Subsidiary (provided that Immaterial Subsidiaries shall not be excluded from guaranteeing the Notes to the extent that (i) the aggregate amount of gross revenue for all Immaterial Subsidiaries excluded by this clause (b) exceeds 5% of the consolidated gross revenues of Holdings, the Restricted Parent, the Issuer and their Restricted Subsidiaries for Holdings' most recently ended four full fiscal quarters for which internal financial statements are available or (ii) the aggregate amount of total assets for all Immaterial Subsidiaries excluded by this clause (b) exceeds 5% of Consolidated Adjusted Tangible Assets), (c) any Mortgage Subsidiary, (d) any Insurance Subsidiary and (e) any Non-U.S. Subsidiary. In the event it is necessary for one or more Immaterial Subsidiaries to guarantee the Notes to comply with the proviso to clause (b) above, the Restricted Parent will cause one or more Immaterial Subsidiaries to Guarantee the Notes as and to the extent required to comply with such proviso within 30 days from when the financial statements referred to above are available.

"*Existing Senior Notes*" means the 5.875% senior notes due 2023 of the Issuer, the 6.00% senior notes due 2023 of the Issuer, the 5.625% senior notes due 2024 of the Issuer, the 5.875% senior notes due 2025 of the Issuer, the 5.875% senior notes due 2027 of the Issuer, the 6.625% senior notes due 2027 of the Issuer and the 5.750% senior notes due 2028 of the Issuer.

"*Global Note Legend*" means the legend set forth in Section 2.06(f)(2) which is required to be placed on all Global Notes issued under this Indenture.

"*Global Notes*" means, individually and collectively, each of the Restricted Global Notes and the Unrestricted Global Notes deposited with or on behalf of and registered in the name of the Depositary or its nominee, substantially in the form of Exhibit A1 and A2 hereto and that bears the Global Note Legend and that has the "Schedule of Exchanges of Interests in the Global Note" attached thereto, issued in accordance with Section 2.01, 2.06(b)(3), 2.06(b)(4), 2.06(d)(2) or 2.06(e).

"*Government Securities*" means direct obligations of, or obligations guaranteed by, the United States of America (including any agency or instrumentality thereof) and the payment for which the United States pledges its full faith and credit.

"*Guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

"*Guarantors*" means (a) each Person that executes this Indenture on the date hereof (other than the Issuer and the Trustee) and (b) each Person that subsequently executes a Note Guarantee in accordance with the provisions of this Indenture, and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of this Indenture.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

"*Holder*" means a Person in whose name a Note is registered.

"*Holdings*" means Taylor Morrison Home III Corporation, a Delaware corporation, and any of its successors under the terms of this Indenture.

"*Housing Unit*" means a detached or attached (including townhouse condominium or condominium) single-family house (but excluding mobile homes) owned by the Restricted Parent or a Subsidiary of the Restricted Parent (i) which is completed or for which there has been a start of construction and (ii) which has been or is being constructed on any real estate which immediately prior to the start of construction constituted a Lot.

"*IFRS*" means the International Financial Reporting Standards, as promulgated by the International Accounting Standards Board (or any successor board or agency), as in effect on the date of the election, if any, by the Issuer to change Applicable Accounting Standards to IFRS; *provided* that IFRS shall not include any provision of such standards that would require a lease that would be classified as an operating lease under U.S. GAAP to be classified as indebtedness or a finance or capital lease.

"*Immaterial Subsidiary*" means, at any date of determination, any Subsidiary of the Restricted Parent whose total assets at the last day of the most recently ended fiscal quarter ending immediately prior to such date for which internal financial statements are available were less than 5.0% of

Consolidated Adjusted Tangible Assets at such last day and whose gross revenues for the most recently ended four fiscal quarters ending immediately prior to such date for which internal financial statements are available were less than 5.0% of the consolidated gross revenues of Holdings, the Restricted Parent, the Issuer and their Restricted Subsidiaries for such period, in each case determined in accordance with Applicable Accounting Standards.

"*Indebtedness*" means, with respect to any specified Person, the principal and premium (if any) of any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent (without duplication):

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) (other than letters of credit issued in respect of trade payables);

(3) in respect of banker's acceptances;

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than twelve months after such property is acquired or such services are completed (except any such balance that constitutes a trade payable or similar obligation to a trade creditor); or

(6) representing the net obligations under any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with Applicable Accounting Standards. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person. Notwithstanding the foregoing, the term "Indebtedness" shall not include (a) in connection with the purchase by the Restricted Parent or any of its Restricted Subsidiaries of any business, post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing unless such payments are required under Applicable Accounting Standards to appear as a liability on the balance sheet (excluding the footnotes); *provided*, *however*, that at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter; (b) contingent obligations incurred in the ordinary course of business and not in respect of borrowed money; (c) deferred or prepaid revenues; (d) any Capital Stock other than Disqualified Stock; or (e) purchase price holdbacks in respect of a portion of the purchase price of an asset to satisfy warranty or other unperformed obligations of the respective seller. Notwithstanding anything in this Indenture to the contrary, Indebtedness shall not include, and shall be calculated without giving effect to, the effects of ASC Topic 815 and related interpretations to the extent such effects would otherwise increase or decrease an amount of Indebtedness for any purpose under this Indenture as a result of accounting for any embedded derivatives created by the terms of such Indebtedness; and any such amounts that would have constituted Indebtedness under this Indenture but for the application of this sentence shall not be deemed an incurrence of Indebtedness under this Indenture.

"*Indenture*" means this Indenture, as amended or supplemented from time to time.

"*Indirect Participant*" means a Person who holds a beneficial interest in a Global Note through a Participant.

"*Initial Notes*" means the first $500.0 million aggregate principal amount of Notes issued under this Indenture.

"*Initial Purchasers*" means Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Goldman Sachs & Co. LLC, U.S. Bancorp Investments, Inc., Wells Fargo Securities, LLC, BofA Securities, Inc., SunTrust Robinson Humphrey, Inc., Mizuho Securities USA LLC, WoodRock Securities, L.P., BBVA Securities Inc., Zions Direct, Inc., Comerica Securities, Inc. and Zelman Partners LLC.

"*Insurance Subsidiaries*" means (1) Taylor Morrison Insurance Services, Inc. (f/k/a Taylor Woodrow Insurance Services, Inc.), (2) Beneva Indemnity Company, (3) Inspired Title Services, LLC, (4) ClosingMark Holdings, LLC, (5) ClosingMark Settlement Services, LLC, (6) ClosingMark Title TX, LLC, (7) ClosingMark Title Agency, LLC and (8) any other corporation, limited partnership, limited liability company or business trust that is (A) organized after the Issue Date or designated by the Issuer as an Insurance Subsidiary pursuant to an Officer's Certificate delivered to the Trustee and (B) a Subsidiary of the Restricted Parent; *provided* that, in the case of clauses (1) through (8), such Person is primarily engaged in the business it is engaging in on the Reference Date or is otherwise primarily engaged in the business of providing title insurance, captive insurance (whether for the Issuer and its Subsidiaries or otherwise) or insurance agency or other ancillary or complementary services that in each case is subject to state regulation and/or licensing requirements.

"*Intangible Assets*" means all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights, write-ups of assets over their prior carrying value (other than write-ups which occurred prior to July 14, 2011 and other than, in connection with the acquisition of an asset, the write-up of the value of such asset (within one year of its acquisition) to its fair market value in accordance with Applicable Accounting Standards) and all other items which would be treated as intangible on the consolidated balance sheet of Holdings, the Restricted Parent, the Issuer and their Restricted Subsidiaries prepared in accordance with Applicable Accounting Standards.

"Investment Grade Rating" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's, BBB- (or the equivalent) by S&P or an equivalent rating by any other Rating Agency.

"*Issue Date*" means July 22, 2020.

"*Issuer*" shall have the meaning assigned to such term in the introductory statement of this Indenture.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"*Lots*" means all land owned by the Restricted Parent or a Subsidiary of the Restricted Parent which is zoned by the applicable governmental authority having jurisdiction for construction and use as Housing Units.

"March 2012 Offering Circular" means the final Offering Circular dated March 30, 2012, related to the 7.750% senior notes due 2020 of the Issuer.

"*Model Home Unit*" means a completed Housing Unit to be used as a model home in connection with the sale of Housing Units in a residential housing project.

"*Moody's*" means Moody's Investors Service, Inc. and its successors.

"*Mortgage Subsidiary*" means (1) Taylor Morrison Home Funding, LLC, (2) Mortgage Funding Direct Ventures LLC, (3) ClosingMark Financial Group LLC, (4) ClosingMark Financial Services LLC, (5) ClosingMark Home Loans, Inc., (6) Polygon Mortgage LLC, (7) ClosingMark Funding, Inc. (f/k/a Übermortgage, Inc.) and (8) any corporation, limited partnership, limited liability company or business trust that is (A) organized after the Issue Date or designated by the Issuer as a Mortgage Subsidiary pursuant to an Officer's Certificate delivered to the Trustee and (B) a Subsidiary of the Restricted Parent; *provided* that, in the case of clauses (1) through (8), such Person is primarily engaged in the business it is engaging in on the Reference Date or is otherwise primarily engaged in the business of issuing mortgage loans on residential properties (whether for purchase of homes or refinancing of existing mortgages), purchasing and selling mortgage loans, issuing securities backed by mortgage loans, acting as a broker of mortgage loans and other activities customarily associated with mortgage banking and related businesses.

"*Net Proceeds*" means the aggregate cash proceeds received by the Restricted Parent or any Restricted Subsidiary of the Restricted Parent in respect of any Designated Asset Sale (including any cash received upon the sale or other disposition of any non-cash consideration received in any Designated Asset Sale), net of the direct costs relating to such Designated Asset Sale, including legal, accounting and investment banking fees, payments made in order to obtain a necessary consent or required by applicable law, and sales commissions, and any relocation expenses incurred as a result of the Designated Asset Sale, taxes paid or payable as a result of the Designated Asset Sale, including taxes resulting from the transfer of the proceeds of such Designated Asset Sale to the Issuer, in each case, after taking into account:

(1) any available tax credits or deductions and any tax sharing arrangements;

(2) amounts required to be applied to the repayment of Indebtedness secured by a Lien on the asset or assets that were the subject of such Designated Asset Sale;

(3) any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with Applicable Accounting Standards;

(4) any reserve for adjustment in respect of any liabilities associated with the asset disposed of in such transaction and retained by the Restricted Parent or any Restricted Subsidiary of the Restricted Parent after such sale or other disposition thereof;

(5) any distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Designated Asset Sale; and

(6) in the event that a Restricted Subsidiary of the Restricted Parent consummates a Designated Asset Sale and makes a pro rata payment of dividends to all of its stockholders from any cash proceeds of such Designated Asset Sale, the amount of dividends paid to any stockholder other than the Restricted Parent or any Restricted Subsidiary of the Restricted Parent.

"*New York Office of the Trustee*" means the office of U.S. Bank National Association at 100 Wall Street, Suite 1600, New York, New York 10005.

"*Non-Guarantor Subsidiaries*" means, at any time, any Subsidiary of the Restricted Parent that at such time (1) is an Unrestricted Subsidiary, (2) is an Excluded Subsidiary, (3) is not a Wholly Owned U.S. Subsidiary or (4) has not created, incurred, issued, assumed, guaranteed or otherwise become directly or indirectly liable, contingently or otherwise, with respect to any Indebtedness that is owed or otherwise outstanding at such time. The Board of Directors of the Restricted Parent may designate any Subsidiary of the Restricted Parent as a Non-Guarantor Subsidiary by filing with the Trustee a certified copy of a resolution of such Board of Directors giving effect to such designation and an Officer's Certificate certifying as to the applicable clause of the definition of "Non-Guarantor Subsidiaries" that warrants such designation.

"*Non-Recourse Debt*" means Indebtedness:

(1) as to which neither the Restricted Parent nor any Restricted Subsidiary of the Restricted Parent (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;

(2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of the Restricted Parent or any Restricted Subsidiary of the Restricted Parent to declare a default on such other Indebtedness or cause the payment of such other Indebtedness to be accelerated or payable prior to its Stated Maturity; and

(3) as to which the lenders have been notified in writing or have agreed in writing (in the agreement relating thereto or otherwise) that they will not have any recourse to the stock or assets of the Restricted Parent or any Restricted Subsidiary of the Restricted Parent.

"*Non-U.S. Subsidiary*" means, with respect to any Person, any Subsidiary of such Person that is not a U.S. Subsidiary and any Subsidiary of such a Subsidiary, whether or not a U.S. Subsidiary.

"*Note Guarantee*" means the Guarantee by each Guarantor of the Issuer's obligations under this Indenture and the Notes, executed pursuant to the provisions of this Indenture.

"*Notes*" has the meaning assigned to it in the preamble to this Indenture.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*Offering Memorandum*" means the final Offering Memorandum dated July 8, 2020 for the Initial Notes.

"*Officer*" means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, the Controller, the Secretary or any Vice-President of such Person.

"*Officer's Certificate*" means a certificate signed on behalf of the Issuer by one Officer of the Issuer, who must be the principal executive officer, the principal financial officer, the principal legal officer, the treasurer or the principal accounting officer of the Issuer that meets the requirements of Section 12.05.

"*Opinion of Counsel*" means an opinion from legal counsel that meets the requirements of Section 12.05, which opinion may be subject to customary assumptions, qualifications and exceptions. The counsel may be an employee of or counsel to Holdings or any Subsidiary of Holdings.

"*PAPA*" means an arrangement, other than with an Affiliate of Holdings, which may be unsecured or secured by a Lien granted in conjunction with purchase contracts for the purchase of real estate and which provides for future payments due to the sellers of such real estate at the time of the sale of homes constructed on such real estate and which payments may be contingent on the sale price of such homes, which arrangement may include (1) adjustments to the land purchase price, (2) profit participations, (3) community marketing fees and community enhancement fees and (4) reimbursable costs paid by the land developer.

"*Pari Passu Indebtedness*" means:

(1) all Indebtedness of the Restricted Parent, the Issuer or any Subsidiary Guarantor outstanding under a Credit Agreement or under any other Credit Facilities (including post-petition

interest at the rate provided in the documentation with respect thereto, whether or not allowed as a claim in any bankruptcy proceeding), and all Hedging Obligations and Treasury Management Obligations with respect thereto;

(2) any other Indebtedness of the Restricted Parent, the Issuer or any Subsidiary Guarantor permitted to be incurred under the terms of this Indenture, unless the instrument under which such Indebtedness is incurred expressly provides that it is subordinated in right of payment to the Notes or any Note Guarantee; and

(3) all Obligations with respect to the items listed in the preceding clauses (1) and (2).

Notwithstanding anything to the contrary in the preceding clauses (1), (2) and (3), Pari Passu Indebtedness will not include:

(1) any intercompany Indebtedness of the Restricted Parent or any of its Subsidiaries to any of its Affiliates;

(2) any trade payables;

(3) the portion of any Indebtedness that is incurred in violation of this Indenture (but only to the extent so incurred); *provided* that Indebtedness outstanding under Credit Facilities will not cease to be Pari Passu Indebtedness as a result of this clause (3) if the lenders or agents thereunder obtained a representation from the Restricted Parent or any of its Subsidiaries on the date such Indebtedness was incurred to the effect that such Indebtedness was not prohibited by this Indenture; or

(4) Indebtedness which is classified as non-recourse in accordance with Applicable Accounting Standards or any unsecured claim arising in respect thereof by reason of the application of Section 1111(b)(1) of the Bankruptcy Code.

"*Participant*" means, with respect to the Depositary, Euroclear or Clearstream, a Person who has an account with the Depositary, Euroclear or Clearstream, respectively (and, with respect to DTC, shall include Euroclear and Clearstream).

"*Permitted Holders*" means (i) any Person or any of the Persons who were a group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision) whose ownership of assets or Voting Stock has triggered a Change of Control in respect of which a Change of Control Offer has been made and all Notes that were tendered therein have been accepted and paid, (ii) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing beneficially own, without giving effect to the existence of such group or any other group, more than 50.0% of the total voting power of the aggregate Voting Stock of the Issuer held directly or indirectly by such group and (iii) any members of a group described in clause (ii) for so long as such Person is a member of such group.

"*Permitted Liens*" means:

(a) Liens in favor of the Restricted Parent or the Subsidiary Guarantors;

(b) Liens on property or assets of a Person, plus renewals and extensions of such Liens, existing at the time such Person is merged with or into, consolidated with or acquired by the Restricted Parent or any Subsidiary of the Restricted Parent, whether in existence prior to the merger, consolidation or acquisition or incurred in contemplation thereof; *provided* that such Liens do not extend to any assets other than those of the Person merged into, consolidated with or acquired by the Restricted Parent or such Subsidiary and additions, accessions, improvements and replacements and customary

deposits in connection therewith and proceeds and products therefrom, and other than pursuant to customary after-acquired property clauses;

(c) Liens on property (including Capital Stock), and additions, accessions, improvements and replacements and customary deposits in connection therewith and proceeds and products therefrom, existing at the time of acquisition of the property by the Restricted Parent or any Restricted Subsidiary of the Restricted Parent, whether such Liens were in existence prior to such acquisition, or were incurred in contemplation of such acquisition;

(d) Liens (including deposits and pledges) to secure the performance of public or statutory obligations, progress payments, surety or appeal bonds, performance bonds, completion bonds, completion guarantees or other obligations of a like nature incurred in the ordinary course of business;

(e) Liens to secure Indebtedness (including Capital Lease Obligations) covering only the assets acquired, constructed or improved with or financed by such Indebtedness, and additions, accessions, improvements and replacements and customary deposits in connection therewith and proceeds and products therefrom; *provided* that individual financings of equipment provided by one lender may be cross collateralized to other financings of equipment provided by such lender;

(f) Liens existing on the Issue Date, plus renewals and extensions of such Liens;

(g) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with Applicable Accounting Standards has been made therefor;

(h) Liens imposed by law, such as carriers', warehousemen's, landlord's, materialmen's, repairmen's, construction contractors', laborers', employees', suppliers' and mechanics' Liens, in each case, incurred in the ordinary course of business;

(i) survey exceptions, title defects, encumbrances, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that do not materially interfere with the ordinary conduct of the business of the Restricted Parent and its Subsidiaries, taken as a whole;

(j) Liens created for the benefit of (or to secure) the Notes (or the Note Guarantees);

(k) Liens to secure any Permitted Refinancing Indebtedness; *provided*, *however*, that:

(i) the new Lien shall be limited to all or part of the same property and assets securing the original Indebtedness (and additions, accessions, improvements and replacements and customary deposits in connection therewith and proceeds and products therefrom); and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Indebtedness; and

(ii) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, the committed amount, of the Permitted Refinancing Indebtedness, plus

accrued interest thereon and (y) an amount necessary to pay any fees, commissions, discounts and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(l) Liens on any collateral securing the Notes or the Note Guarantees that rank junior in priority to the Liens on such collateral securing the Notes or the Note Guarantees (as applicable) pursuant to customary intercreditor arrangements;

(m) Liens incurred or pledges or deposits made in connection with workers' compensation, unemployment insurance and other types of social security or similar legislation, or to secure the performance of tenders, statutory obligations, surety, stay, customs and appeal bonds, bids, leases, government contracts, trade contracts, performance and return-of-money bonds, utility services, developer's or others' obligations to make on-site or off-site improvements and other similar obligations (including those to secure health, safety and environmental obligations) incurred in the ordinary course of business but not including any Liens imposed under the Pension Benefits Act (Ontario) or any pension standards legislation of any other applicable jurisdiction in Canada;

(n) zoning restrictions, easements, licenses, reservations, provisions, encroachments, encumbrances, protrusion permits, servitudes, covenants, conditions, waivers, restrictions on the use of property or minor irregularities of title (and with respect to leasehold interests, mortgages, obligations, liens and other encumbrances incurred, created, assumed or permitted to exist and arising by, through or under a landlord or owner of the leased property, with or without consent of the lessee), in each case, not materially interfering with the ordinary conduct of the business of the Restricted Parent and its Subsidiaries, taken as a whole;

(o) leases, subleases, licenses or sublicenses to third parties entered into in the ordinary course of business;

(p) Liens securing Hedging Obligations and cash management obligations;

(q) Liens arising out of judgments, decrees, orders or awards in respect of which the Issuer shall in good faith be prosecuting an appeal or proceedings for review which appeal or proceedings shall not have been finally terminated, or if the period within which such appeal or proceedings may be initiated shall not have expired;

(r) Liens on Capital Stock of an Unrestricted Subsidiary that secure Indebtedness or other obligation of such Unrestricted Subsidiary;

(s) Liens for homeowner, condominium and similar association fees, assessments and other payments;

(t) rights of purchasers and borrowers with respect to security deposits, escrow funds and other amounts held by the Restricted Parent or any Subsidiary of the Restricted Parent;

(u) Liens on specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(v) Liens arising from Uniform Commercial Code financing statement filings regarding operating leases entered into by the Restricted Parent and any Restricted Subsidiary of the Restricted Parent in the ordinary course of business;

(w) deposits made in the ordinary course of business to secure liability to insurance carriers;

(x) judgment and attachment Liens not giving rise to an Event of Default and notices of lis pendens and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(y) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(z) Liens incurred to secure cash management services or to implement cash pooling arrangements in the ordinary course of business;

(aa) any amounts held by a trustee in the funds and accounts under an indenture securing any revenue bonds issued for the benefit of the Restricted Parent or any Restricted Subsidiary of the Restricted Parent;

(bb) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository or financial institution;

(cc) pledges, deposits and other Liens existing under, or required to be made in connection with, (i) earnest money obligations, escrows or similar purpose undertakings or indemnifications in connection with any purchase and sale agreement, (ii) development agreements or other contracts entered into with governmental authorities (or an entity sponsored by a governmental authority) in connection with the entitlement of real property or (iii) agreements for the funding of infrastructure, including in respect of the issuance of community facility district bonds, metro district bonds, subdivision improvement bonds and similar bonding requirements arising in the ordinary course of business of a homebuilder;

(dd) Liens on Model Home Units and additions, accessions, improvements and replacements and customary deposits in connection therewith and proceeds and products therefrom;

(ee) Liens deemed to exist by reason of (i) any encumbrance or restriction (including put and call arrangements) with respect to the Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement or (ii) any encumbrance or restriction imposed under any contract for the sale by the Restricted Parent or any Subsidiary of the Restricted Parent of the Capital Stock of any Subsidiary of the Restricted Parent, or any business unit or division of the Restricted Parent or any Subsidiary of the Restricted Parent permitted by this Indenture; *provided* that in each case such Liens shall extend only to the relevant Capital Stock;

(ff) Liens securing Specified SPE Debt of the Restricted Parent or a Restricted Subsidiary of the Restricted Parent; *provided* that such Liens do not at any time encumber any property, other than the Equity Interests of the relevant SPE and the property financed by such Indebtedness and additions, accessions, improvements and replacements and customary deposits in connection therewith and proceeds and products therefrom;

(gg) Liens securing obligations of the Restricted Parent or any Restricted Subsidiary of the Restricted Parent to any third party in connection with PAPAs, any option, repurchase right or right of first refusal to purchase real property granted to the master developer or the seller of real property that arises as a result of the non-use or non-development of such real property by the Restricted Parent or any Restricted Subsidiary

of the Restricted Parent and joint development agreements with third parties to perform and/or pay for or reimburse the costs of construction and/or development related to or benefiting property (and additions, accessions, improvements and replacements and customary deposits in connection therewith and proceeds and products therefrom) of the Restricted Parent or any Restricted Subsidiary of the Restricted Parent and property belonging to such third parties, in each case entered into in the ordinary course of business; *provided* that such Liens do not at any time encumber any property, other than the property (and additions, accessions, improvements and replacements and customary deposits in connection therewith and proceeds and products therefrom) financed by such Indebtedness and the proceeds and products thereof;

(hh) Liens on "land under development," "land held for future development" or "improved lots and parcels" (as such categories of assets are determined in accordance with Applicable Accounting Standards) securing Non-Recourse Debt;

(ii) Liens on assets of Mortgage Subsidiaries securing Indebtedness incurred by Mortgage Subsidiaries in their ordinary course of business or consistent with past practice; and

(jj) Purchase money mortgages and mortgages securing construction, improvement or development loans (including Capital Lease Obligations and purchase money Indebtedness), covering only the assets acquired, constructed, improved, developed or financed by such Indebtedness (and additions, accessions, improvements and replacements and customary deposits in connection therewith and proceeds and products of the foregoing); *provided* that any such Liens are established within 365 days of such purchase, construction, improvement or development.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Restricted Parent or any Restricted Subsidiary of the Restricted Parent issued in exchange for, or the net proceeds of which are used to extend, renew, refund, refinance, replace, defease or discharge other Indebtedness of the Restricted Parent or any Restricted Subsidiary of the Restricted Parent (other than intercompany Indebtedness); *provided* that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness extended, renewed, refunded, refinanced, replaced, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees, commissions, discounts and expenses, including premiums, incurred in connection therewith);

(2) either (a) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged or (b) all scheduled payments on or in respect of such Permitted Refinancing Indebtedness (other than interest payments) shall be at least 91 days following the final scheduled maturity of the Notes; and if such Indebtedness is Pari Passu Indebtedness and has a final stated maturity later than the final stated maturity of the Notes, such Permitted Refinancing Indebtedness has a final stated maturity later than the final stated maturity of the Notes;

(3) if the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes on terms at least as favorable to the Holders of Notes as those contained in the documentation governing the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged; and

(4) Permitted Refinancing Indebtedness may not be incurred by a Person other than the Issuer and any of the Guarantors to renew, refund, refinance, replace, defease or discharge any Indebtedness of the Issuer or a Guarantor.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Private Placement Legend*" means the legend set forth in Section 2.06(f)(1) to be placed on all Notes issued under this Indenture except where otherwise permitted by the provisions of this Indenture.

"*QIB*" means a "qualified institutional buyer" as defined in Rule 144A.

"*Rating Agencies*" means Moody's and S&P or if Moody's or S&P or both shall not make a rating on the Notes publicly available, a nationally recognized statistical rating agency or agencies, as the case may be, selected by the Issuer (as certified by a resolution by its Board of Directors) which shall be substituted for Moody's or S&P or both, as the case may be.

"*Ratings Category*" means:

(1) with respect to Moody's, any of the following categories: Ba, B, Caa, Ca, C and D (or equivalent successor categories); and

(2) with respect to S&P, any of the following categories: BB, B, CCC, CC, C and D (or equivalent successor categories).

In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Ratings Categories (1, 2 and 3 for Moody's; or + and - for S&P) will be taken into account (e.g., with respect to S&P a decline in rating from BB+ to BB, as well as from BB to B+, will constitute a decrease of one gradation).

"*Ratings Decline*" means a downgrade by one or more gradations (including gradations within Ratings Categories as well as between Ratings Categories) or withdrawal of the rating of the Notes within the Ratings Decline Period by each of the Rating Agencies (unless the applicable Rating Agency shall have put forth a written statement to the effect that such downgrade is not attributable in whole or in part to the applicable Change of Control).

"*Reference Date*" means April 13, 2012.

"*Regulation S*" means Regulation S promulgated under the Securities Act.

"*Regulation S Global Note*" means a Regulation S Temporary Global Note or Regulation S Permanent Global Note, as appropriate.

"*Regulation S Permanent Global Note*" means a permanent Global Note in the form of Exhibit A1 hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depositary or its nominee, issued in a denomination equal to the outstanding principal amount of the Regulation S Temporary Global Note upon expiration of the Restricted Period.

"*Regulation S Temporary Global Note*" means a temporary Global Note in the form of Exhibit A2 hereto deposited with or on behalf of and registered in the name of the Depositary or its nominee, issued in a denomination equal to the outstanding principal amount of the Notes initially sold in reliance on Rule 903 of Regulation S.

"*Responsible Officer*" when used with respect to the Trustee, means any officer within the corporate trust administration of the Trustee (or any successor group of the Trustee) or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject and who shall have responsibility for the administration of this Indenture.

"*Restricted Definitive Note*" means a Definitive Note bearing the Private Placement Legend.

"*Restricted Global Note*" means a Global Note bearing the Private Placement Legend.

"*Restricted Parent*" means Taylor Morrison Holdings, Inc., a Delaware corporation, and any of its successors under the terms of this Indenture.

"*Restricted Period*" means the 40-day distribution compliance period as defined in Regulation S.

"*Restricted Subsidiary*" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary. For the avoidance of doubt, (a) the Restricted Subsidiaries of the Restricted Parent shall be the Issuer and the Restricted Subsidiaries of the Issuer; and (b) a reference to the Restricted Subsidiaries of Holdings for purposes of the calculation of Consolidated Adjusted Tangible Assets and Specified Inventory Ratio (and components of any of the foregoing) shall be deemed to include the Restricted Parent, the Issuer and all Restricted Subsidiaries of the Restricted Parent (and any intermediate holding companies between Holdings and the Restricted Parent).

"*Rule 144*" means Rule 144 promulgated under the Securities Act.

"*Rule 144A*" means Rule 144A promulgated under the Securities Act.

"*Rule 903*" means Rule 903 promulgated under the Securities Act.

"*Rule 904*" means Rule 904 promulgated under the Securities Act.

"*S&P*" means Standard & Poor's Financial Services LLC and its successors.

"*Sale and Leaseback Transaction*" means a sale or transfer made by the Restricted Parent, the Issuer or a Subsidiary Guarantor (except a sale or transfer made to the Restricted Parent, the Issuer or another Subsidiary Guarantor) of any property which is either (a) a manufacturing facility, office building or warehouse whose book value equals or exceeds 1% of Consolidated Adjusted Tangible Assets as of the date of determination or (b) another property or group of properties (not including Model Home Units) whose book value exceeds 5% of Consolidated Adjusted Tangible Assets as of the date of determination, in each case if such sale or transfer is made with the agreement, commitment or intention of leasing such property to the Restricted Parent, the Issuer or any Subsidiary Guarantor.

"*SEC*" means the Securities and Exchange Commission.

"*Secured Indebtedness*" means any Indebtedness which is secured by (i) a Lien in or on any property of the Restricted Parent, the Issuer or any Subsidiary Guarantor or (ii) a Lien in or on shares of Capital Stock owned directly or indirectly by the Restricted Parent, the Issuer or any Subsidiary Guarantor or in respect of Indebtedness of a Person in which the Restricted Parent, the Issuer or any Subsidiary Guarantor has an equity interest. The securing in the foregoing manner of any Indebtedness which immediately prior thereto was not Secured Indebtedness shall be deemed to be the creation of Secured Indebtedness at the time the Lien is created, incurred, assumed or otherwise caused to exist or become effective.

"*Securities Act*" means the Securities Act of 1933, as amended from time to time.

"*Significant Subsidiary*" means, with respect to any specified Person, any Subsidiary of such Person that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Issue Date.

"*SPE*" means (i) an entity formed for the purpose of holding, acquiring, constructing, developing or improving assets whose acquisition, construction, development or improvement will be financed by Specified SPE Debt or equity investments in such entity or (ii) an entity acquired by the Restricted Parent or a Restricted Subsidiary of the Restricted Parent whose outstanding Indebtedness is all Specified SPE Debt.

"*Specified Inventory Ratio*" means, as at any date of determination, the ratio of (a) the aggregate amount of inventory (other than real estate not owned) of Holdings and its Restricted Subsidiaries as of the end of the most recent fiscal quarter for which internal financial statements are available plus the aggregate amount of unrestricted cash and Cash Equivalents of Holdings and its Restricted Subsidiaries as of the end of such fiscal quarter to (b) Consolidated Total Indebtedness of Holdings and its Restricted Subsidiaries as of the end of such fiscal quarter, in each case determined on a consolidated basis in accordance with Applicable Accounting Standards. In the event that Holdings or any of its Restricted Subsidiaries incurs, assumes, Guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock or Disqualified Stock on or prior to the date on which the event for which the calculation of the Specified Inventory Ratio is made (the "*Calculation Date*") and subsequent to the end of the most recent fiscal quarter for which internal financial statements are available, then the Specified Inventory Ratio will be calculated giving *pro forma* effect to such incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock or Disqualified Stock, and the use of the proceeds therefrom. In addition, investments, acquisitions, mergers, consolidations, dispositions, amalgamations, discontinued operations (as determined in accordance with Applicable Accounting Standards), any operational changes and changes in the composition of the Restricted Subsidiaries that have been made by Holdings or any of its Restricted Subsidiaries, or any Person or any of its Restricted Subsidiaries acquired by, merged or consolidated with Holdings or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries, subsequent to the end of the most recently completed fiscal quarter and on or prior to the Calculation Date will be given *pro forma* effect as if they had occurred at the end of such fiscal quarter. For purposes of this definition, whenever *pro forma* effect is given to a transaction or other event, the *pro forma* calculations shall be made in good faith by a responsible financial or accounting officer of the Issuer.

"*Specified SPE Debt*" means, with respect to any SPE, Indebtedness of such SPE for which the sole legal recourse for collection of principal and interest on such Indebtedness is against the assets of such SPE and its Subsidiaries or the assets of any projects, land, lots or Housing Units acquired, developed or improved by such SPE and its Subsidiaries. Notwithstanding the foregoing, Indebtedness which otherwise constitutes Specified SPE Debt will not lose its character as Specified SPE Debt because there is recourse to the Issuer, any Guarantor or any other Person with respect to such Indebtedness for or in respect of (a) environmental warranties and indemnities, (b) indemnities for and losses arising from fraud, misrepresentation, misapplication or nonpayment of rents, profits, insurance and condemnation proceeds and other sums actually received by the relevant borrower from secured assets to be paid to the lender, waste and mechanics' liens, (c) a voluntary bankruptcy filing (or similar filing or action) or collusive involuntary bankruptcy filings by such borrower, and other events, actions and circumstances customarily excluded by institutional lenders from exculpation provisions and/or included in separate indemnification agreements or guarantees in non-recourse financings of real estate, (d) performance and completion guarantees, or (e) financial guarantees by the Restricted Parent or any of its Restricted Subsidiaries.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

"*Subsidiary Guarantors*" means each Restricted Subsidiary of the Restricted Parent (other than the Issuer) that executes a Note Guarantee in accordance with the provisions of this Indenture, and their respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of this Indenture.

"*TIA*" means the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbbb), as amended from time to time.

"*Treasury Management Obligations*" means obligations under any agreement governing the provision of treasury or cash management services, including deposit accounts, funds transfer, automated clearinghouse, zero balance accounts, returned check concentration, controlled disbursement, lockbox, account reconciliation and reporting and trade finance services. Treasury Management Obligations shall not constitute Indebtedness.

"*Treasury Rate*" means, as of any redemption date or date of deposit, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date or date of deposit (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to February 1, 2030; *provided* that if the period from the redemption date to February 1, 2030 is less than one year, the weekly average yield on actively traded United States Treasury securities adjusted to a constant maturity of one year will be used.

"*Trustee*" means the party named as such in the preamble to this Indenture until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

"*Unrestricted Definitive Note*" means a Definitive Note that does not bear and is not required to bear the Private Placement Legend.

"*Unrestricted Global Note*" means a Global Note that does not bear and is not required to bear the Private Placement Legend.

"*Unrestricted Subsidiary*" means any Subsidiary of the Restricted Parent and any Subsidiary of an Unrestricted Subsidiary that is designated by the Board of Directors of the Restricted Parent as an Unrestricted Subsidiary pursuant to a resolution of such Board of Directors, but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) is a Person with respect to which neither the Restricted Parent nor any Restricted Subsidiary of the Restricted Parent has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(3) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Restricted Parent or any Restricted Subsidiary of the Restricted Parent.

"*U.S. GAAP*" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the Reference Date.

"*U.S. Person*" means a U.S. Person as defined in Rule 902(k) promulgated under the Securities Act.

"*U.S. Subsidiary*" means, with respect to any Person, any Subsidiary of such Person that is organized or existing under the laws of the United States, any state thereof, or the District of Columbia.

"*Voting Stock*" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

"*Wholly Owned Subsidiary*" of any specified Person means a Subsidiary of such Person all of the outstanding Capital Stock or other ownership interest of which (other than directors' qualifying shares) will at that time be owned by such Person or by one or more Wholly Owned Subsidiaries of such person.

"*Wholly Owned U.S. Subsidiary*" means any Restricted Subsidiary of the Restricted Parent that was formed under the laws of the United States or any state of the United States or the District of Columbia that is a Wholly Owned Subsidiary of the Restricted Parent.

Section b. *Other Definitions.*

Term	Defined in Section
"*Aggregate Payments*"	10.01(e)
"*Authentication Order*"	2.02
"*Calculation Date*"	1.01 (Definition of "Specified Inventory Ratio")
"*Change of Control Offer*"	4.09(a)
"*Change of Control Payment*"	4.09(a)
"*Change of Control Payment Date*"	4.09(a)
"*Contributing Guarantors*"	10.01(e)
"*Covenant Defeasance*"	8.03
"*Covenant Termination Event*"	4.13
"*Covenant Termination Event Notice*"	4.13
"*DTC*"	2.03
"*Event of Default*"	6.01
"*Equal and Ratable Secured Indebtedness*"	4.08(a)
"*Exchange Rate*"	12.17
"*Exempt Sale and Leaseback Transaction*"	4.07(c)
"*Fair Share*"	10.01(e)
"*Fair Share Contribution Amount*"	10.01(e)
"*Financial Reports*"	4.03(g)
"*Funding Guarantor*"	10.01(e)
"*Increased Amount*"	4.08(d)
"*Legal Defeasance*"	8.02
"*OID Legend*"	2.06(f)
"*Paying Agent*"	2.03
"*Payment Default*"	6.01
"*Permitted Sale and Leaseback Transaction*"	4.07(b)
"*Registrar*"	2.03
"*Substitute Reports*"	4.03(i)
"*Triggering Lien*"	4.08(a)

Section c. *Incorporation by Reference of Trust Indenture Act.*

Whenever this Indenture refers to a provision of the TIA and subject to Section 12.01, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms if and to the extent used in this Indenture by virtue of Section 7.10 have the following meanings:

"*indenture securities*" means the Notes;

"*indenture security Holder*" means a Holder of a Note;

"*indenture to be qualified*" means this Indenture;

"*indenture trustee*" or "institutional trustee" means the Trustee; and

"*obligor*" on the Notes and the Note Guarantees means the Issuer and the Guarantors, respectively, and any successor obligor upon the Notes and the Note Guarantees, respectively.

Section d. *Rules of Construction and Calculation.*

(i) Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with Applicable Accounting Standards;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular;

(5) "will" shall be interpreted to express a command;

(6) provisions apply to successive events and transactions;

(7) references to sections of or rules under the Securities Act will be deemed to include substitute, replacement or successor sections or rules adopted by the SEC from time to time;

(8) "including" shall be interpreted to mean "including without limitation";

(9) references to Sections refer to Sections of this Indenture; and

(10) the term "all or substantially all," when applied to the assets of a Person and/or its Subsidiaries shall not be read to mean "any" of such assets as a result of such Person and/or its Subsidiaries being in the "zone of insolvency."

ARTICLE 2.

THE NOTES

Section a. *Form and Dating.*

(i) *General*. The Notes and the Trustee's certificate of authentication shall be substantially in the form of Exhibits A1 or A2 attached hereto. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage (*provided* that any such notation, legend or endorsement required by usage is in a form reasonably acceptable to the Issuer). Each Note shall be dated the date of its authentication. The Notes shall be in denominations of $2,000 and integral multiples of $1,000 in excess thereof.

The terms and provisions contained in the Notes shall constitute, and are hereby expressly made, a part of this Indenture and the Issuer, the Guarantors and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Note conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

(ii) *Global Notes*. Notes issued in global form shall be substantially in the form of Exhibits A1 or A2 attached hereto (including the Global Note Legend thereon and the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Notes issued in definitive form shall be substantially in the form of Exhibit A1 attached hereto (but without the Global Note Legend thereon and

without the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Each Global Note shall represent such of the outstanding Notes as shall be specified therein and each shall provide that it represents the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges, repurchases, and redemptions. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Notes represented thereby shall be made by the Trustee or the Custodian, at the direction of the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.06 and shall be made on the records of the Trustee and the Depositary.

(iii) *Temporary Global Notes*. Notes offered and sold in reliance on Regulation S shall be issued initially in the form of the Regulation S Temporary Global Note, which shall be deposited on behalf of the purchasers of the Notes represented thereby with the Custodian, at its New York office and registered in the name of the Depositary or the nominee of the Depositary for the accounts of designated agents holding on behalf of Euroclear or Clearstream, duly executed by the Issuer and authenticated by the Trustee as hereinafter provided. Following the expiration of the Restricted Period, beneficial interests in the Regulation S Temporary Global Note shall be exchanged for beneficial interests in the Regulation S Permanent Global Note upon the receipt by the Trustee of:

(1) a written certificate from the Depositary, together with copies of certificates from Euroclear and Clearstream certifying that they have received certification of non-United States beneficial ownership of 100% of the aggregate principal amount of the Regulation S Temporary Global Note (except to the extent of any beneficial owners thereof who acquired an interest therein during the Restricted Period pursuant to another exemption from registration under the Securities Act and who shall take delivery of a beneficial ownership interest in a 144A Global Note bearing a Private Placement Legend, all as contemplated by, and in accordance with, Section 2.06(b)); and

(2) an Officer's Certificate from the Issuer.

Any such exchange of beneficial interests in the Regulation S Temporary Global Note for beneficial interests in the Regulation S Permanent Global Note shall be subject to the Applicable Procedures. Simultaneously with the authentication of the Regulation S Permanent Global Note, the Trustee shall cancel the Regulation S Temporary Global Note. The aggregate principal amount of the Regulation S Temporary Global Note and the Regulation S Permanent Global Note may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depositary or its nominee, as the case may be, in connection with transfers of interest as hereinafter provided.

(iv) *Euroclear and Clearstream Procedures Applicable*. The provisions of the "Operating Procedures of the Euroclear System" and "Terms and Conditions Governing Use of Euroclear" and the "General Terms and Conditions of Clearstream Banking" and "Customer Handbook" of Clearstream shall be applicable to transfers of beneficial interests in the Regulation S Temporary Global Note and the Regulation S Permanent Global Notes that are held by Participants through Euroclear or Clearstream.

Section b. *Execution and Authentication.*

At least one Officer of the Issuer must sign the Notes for the Issuer by manual or facsimile signature.

If an Officer whose signature is on a Note no longer holds that office at the time a Note is authenticated, the Note shall nevertheless be valid.

A Note shall not be valid until authenticated by the manual signature of the Trustee. The signature shall be conclusive evidence that the Note has been duly authenticated under this Indenture.

The Trustee shall authenticate and deliver: (i) on the Issue Date, an aggregate principal amount of $500.0 million 5.125% Senior Notes due 2030 and (ii) Additional Notes for an original issue in an aggregate principal amount specified in an Authentication Order pursuant to this Section 2.02 and Section 2.14, in each case upon a written order of the Issuer signed by one Officer of the Issuer (an "*Authentication Order*"). Such Authentication Order shall specify the amount of the Notes to be authenticated and the date on which the original issue of the Notes is to be authenticated.

The Trustee may appoint an authenticating agent acceptable to the Issuer to authenticate Notes. An authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with Holders or an Affiliate of the Issuer.

Section c. *Registrar and Paying Agent.*

The Issuer shall maintain an office or agency where Notes may be presented for registration of transfer or for exchange ("*Registrar*") and an office or agency where Notes may be presented for payment ("*Paying Agent*"). The Registrar shall keep a register of the Notes and of their transfer and exchange. The Issuer may appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar and the term "Paying Agent" includes any additional paying agent. The Issuer may change any Paying Agent or Registrar without notice to any Holder. The Issuer shall notify the Trustee in writing of the name and address of any Agent not a party to this Indenture. If the Issuer fails to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar.

The Issuer initially appoints The Depository Trust Company ("*DTC*") to act as Depositary with respect to the Global Notes.

The Issuer initially appoints the Trustee to act as the Registrar and Paying Agent and to act as Custodian with respect to the Global Notes.

Section d. *Paying Agent to Hold Money in Trust.*

The Issuer shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent shall hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal, premium, if any, or interest on the Notes, and shall notify the Trustee in writing of any default by the Issuer in making any such payment. While any such default continues, the Trustee may require in writing a Paying Agent to pay all money held by it in trust to the Trustee. The Issuer at any time may require in writing a Paying Agent to pay all money held by it in trust to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than Holdings or any of its Subsidiaries) shall have no further liability for the money. If Holdings or any of its Subsidiaries acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to Holdings or any of its Subsidiaries, the Trustee shall serve as Paying Agent for the Notes.

Section e. *Holder Lists.*

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders. If the Trustee is not the Registrar, the Issuer shall furnish to the Trustee at least seven Business Days before each interest payment date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of the Holders.

Section f. *Transfer and Exchange.*

(i) *Transfer and Exchange of Global Notes*. A Global Note may not be transferred except in whole (but not in part) by the Depositary to a nominee of the Depositary, by a nominee of the Depositary to

the Depositary or to another nominee of the Depositary, or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. All Global Notes shall be exchanged by the Issuer for Definitive Notes if:

(1) the Depositary (a) notifies the Issuer that it is unwilling or unable to continue as Depositary for the Global Notes or (b) has ceased to be a clearing agency registered under the Exchange Act and, in either case, a successor Depositary is not appointed by the Issuer within 120 days after the date of such notice from the Depositary;

(2) the Issuer in its sole discretion determines that the Global Notes (in whole but not in part) should be exchanged for Definitive Notes and delivers a written notice to such effect to the Trustee; *provided* that in no event shall the Regulation S Temporary Global Note be exchanged by the Issuer for Definitive Notes prior to (x) the expiration of the Restricted Period and (y) the receipt by the Registrar of any certificates required pursuant to Rule 903(b)(3)(ii)(B) under the Securities Act; or

(3) there has occurred and is continuing an Event of Default with respect to the Notes.

Upon the occurrence of any of the preceding events in (1), (2) or (3) above, Definitive Notes shall be issued in such names as the Depositary shall instruct the Trustee. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.07 and 2.10. Every Note authenticated and delivered in exchange for, or in lieu of, a Global Note or any portion thereof, pursuant to this Section 2.06 or Sections 2.07 or 2.10, shall be authenticated and delivered in the form of, and shall be, a Global Note. A Global Note may not be exchanged for another Note other than as provided in this Section 2.06(a); however, beneficial interests in a Global Note may be transferred and exchanged as provided in Section 2.06(b) or (c).

(ii) *Transfer and Exchange of Beneficial Interests in the Global Notes*. The transfer and exchange of beneficial interests in the Global Notes shall be effected through the Depositary, in accordance with the provisions of this Indenture and the Applicable Procedures. Beneficial interests in the Restricted Global Notes shall be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Notes also shall require compliance with either subparagraph (1) or (2) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

(1) *Transfer of Beneficial Interests in the Same Global Note*. Beneficial interests in any Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Note in accordance with the transfer restrictions set forth in the Private Placement Legend; *provided*, *however*, that prior to the expiration of the Restricted Period, transfers of beneficial interests in the Regulation S Temporary Global Note may not be made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Beneficial interests in any Unrestricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 2.06(b)(1).

(2) *All Other Transfers and Exchanges of Beneficial Interests in Global Notes*. In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.06(b)(1) above, the transferor of such beneficial interest must deliver to the Registrar either:

(a) both:

(i) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase; or

(b) both:

(i) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to cause to be issued a Definitive Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given by the Depositary to the Registrar containing information regarding the Person in whose name such Definitive Note shall be registered to effect the transfer or exchange referred to in clause (i) above; *provided* that in no event shall Definitive Notes be issued upon the transfer or exchange of beneficial interests in the Regulation S Temporary Global Note prior to (A) the expiration of the Restricted Period and (B) the receipt by the Registrar of any certificates required pursuant to Rule 903 under the Securities Act.

Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture and the Notes or otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Note(s) pursuant to Section 2.06(g).

(3) *Transfer of Beneficial Interests to Another Restricted Global Note*. A beneficial interest in any Restricted Global Note may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Note if the transfer complies with the requirements of Section 2.06(b)(2) above and the Registrar receives the following:

(a) if the transferee shall take delivery in the form of a beneficial interest in the 144A Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof; and

(b) if the transferee shall take delivery in the form of a beneficial interest in the Regulation S Global Note then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof.

(4) *Transfer and Exchange of Beneficial Interests in a Restricted Global Note for Beneficial Interests in an Unrestricted Global Note*. A beneficial interest in any Restricted Global Note may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Note or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note if the exchange or transfer complies with the requirements of Section 2.06(b)(2) above and the Registrar receives the following:

(i) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(a) thereof; or

(ii) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case, if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer is effected at a time when an Unrestricted Global Note has not yet been issued, the Issuer shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred.

Beneficial interests in an Unrestricted Global Note cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Note.

(iii) *Transfer or Exchange of Beneficial Interests for Definitive Notes.*

(1) *Beneficial Interests in Restricted Global Notes to Restricted Definitive Notes*. If any holder of a beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Definitive Note, then, upon receipt by the Registrar of the following documentation:

(a) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (2)(a) thereof;

(b) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(c) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(d) if such beneficial interest is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(e) if such beneficial interest is being transferred to the Issuer or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(f) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(g), and the Issuer shall execute and, upon receipt of an Authentication Order, the Trustee shall authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c) shall be registered in such name or names

and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c)(1) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(2) *Beneficial Interests in Regulation S Temporary Global Note to Definitive Notes*. Notwithstanding Sections 2.06(c)(1)(A) and (C), a beneficial interest in the Regulation S Temporary Global Note may not be exchanged for a Definitive Note or transferred to a Person who takes delivery thereof in the form of a Definitive Note prior to (A) the expiration of the Restricted Period and (B) the receipt by the Registrar of any certificates required pursuant to Rule 903(b)(3)(ii)(B) under the Securities Act, except in the case of a transfer pursuant to an exemption from the registration requirements of the Securities Act other than Rule 903 or Rule 904.

(3) *Beneficial Interests in Restricted Global Notes to Unrestricted Definitive Notes*. A holder of a beneficial interest in a Restricted Global Note may exchange such beneficial interest for an Unrestricted Definitive Note or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note only if the Registrar receives the following:

(i) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(b) thereof; or

(ii) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

(iii) and, in each such case, if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(4) *Beneficial Interests in Unrestricted Global Notes to Unrestricted Definitive Notes*. If any holder of a beneficial interest in an Unrestricted Global Note proposes to exchange such beneficial interest for a Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Note, then, upon satisfaction of the conditions set forth in Section 2.06(b)(2), the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(g), and the Issuer shall execute and, upon receipt of an Authentication Order, the Trustee shall authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(4) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest requests through instructions to the Registrar from or through the Depositary and the Participant or Indirect Participant. The Trustee shall deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note

issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(4) shall not bear the Private Placement Legend.

(iv) *Transfer and Exchange of Definitive Notes for Beneficial Interests.*

(1) *Restricted Definitive Notes to Beneficial Interests in Restricted Global Notes*. If any Holder of a Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note or to transfer such Restricted Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Note, then, upon receipt by the Registrar of the following documentation:

(a) if the Holder of such Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (2)(b) thereof;

(b) if such Restricted Definitive Note is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(c) if such Restricted Definitive Note is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(d) if such Restricted Definitive Note is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(e) if such Restricted Definitive Note is being transferred to the Issuer or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(f) if such Restricted Definitive Note is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cancel the Restricted Definitive Note and increase or cause to be increased the aggregate principal amount of the applicable Global Note.

(2) *Restricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes*. A Holder of a Restricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Restricted Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note only if the Registrar receives the following:

(i) if the Holder of such Definitive Notes proposes to exchange such Notes for a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(c) thereof; or

(ii) if the Holder of such Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case, if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the subparagraphs in this Section 2.06(d)(2), the Trustee shall cancel the Definitive Notes and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Note.

(3) *Unrestricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes*. A Holder of an Unrestricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note at any time. Upon receipt of a request for such an exchange or transfer, the Trustee shall cancel the applicable Unrestricted Definitive Note and increase or cause to be increased the aggregate principal amount of one of the Unrestricted Global Notes.

If any such exchange or transfer from a Definitive Note to a beneficial interest is effected at a time when an Unrestricted Global Note has not yet been issued, the Issuer shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of Definitive Notes transferred or exchanged.

(v) *Transfer and Exchange of Definitive Notes for Definitive Notes*. Upon request by a Holder of Definitive Notes and such Holder's compliance with the provisions of this Section 2.06(e), the Registrar shall register the transfer or exchange of Definitive Notes. Prior to such registration of transfer or exchange, the requesting Holder must present or surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by its attorney, duly authorized in writing. In addition, the requesting Holder must provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.06(e).

(1) *Restricted Definitive Notes to Restricted Definitive Notes*. Any Restricted Definitive Note may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Definitive Note if the Registrar receives the following:

(a) if the transfer shall be made pursuant to Rule 144A, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(b) if the transfer shall be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(c) if the transfer shall be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications required by item (3) thereof, if applicable.

(2) *Restricted Definitive Notes to Unrestricted Definitive Notes*. Any Restricted Definitive Note may be exchanged by the Holder thereof for an Unrestricted Definitive Note or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Definitive Note if the Registrar receives the following:

(i) if the Holder of such Restricted Definitive Notes proposes to exchange such Notes for an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(d) thereof; or

(ii) if the Holder of such Restricted Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case, if the Registrar so requests, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(3) *Unrestricted Definitive Notes to Unrestricted Definitive Notes*. A Holder of Unrestricted Definitive Notes may transfer such Notes to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note. Upon receipt of a request to register such a transfer, the Registrar shall register the Unrestricted Definitive Notes pursuant to the instructions from the Holder thereof.

(vi) *Legends*. The following legends shall appear on the face of all Global Notes and Definitive Notes issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture.

(1) Private Placement Legend.

(a) Except as permitted by subparagraph (B) below, each Global Note and each Definitive Note (and all Notes issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form:

"THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE SECURITY EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER:

(1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A "U.S. PERSON" (WITHIN THE MEANING OF RULE 902 OF REGULATION S UNDER THE SECURITIES ACT), AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT, AND

(2) AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE RESALE RESTRICTION TERMINATION DATE (AS DEFINED IN THE NEXT PARAGRAPH), EXCEPT:

a. TO TAYLOR MORRISON COMMUNITIES, INC., TAYLOR MORRISON HOME III CORPORATION OR ANY SUBSIDIARY THEREOF;

b. PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT;

c. TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT;

d. IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT; OR

e. PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE RESALE RESTRICTION TERMINATION DATE WILL BE THE DATE (1) THAT IS AT LEAST ONE YEAR AFTER THE ORIGINAL ISSUE DATE HEREOF AND (2) ON WHICH THE ISSUER INSTRUCTS THE TRUSTEE THAT THIS LEGEND SHALL BE DEEMED REMOVED FROM THIS SECURITY, IN ACCORDANCE WITH THE PROCEDURES DESCRIBED IN THE INDENTURE RELATED TO THIS SECURITY. PRIOR TO THE REGISTRATION OF ANY TRANSFER OTHER THAN IN ACCORDANCE WITH 2(B) ABOVE, THE ISSUER AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT."

f. Notwithstanding the foregoing, any Global Note or Definitive Note issued pursuant to subparagraphs (b)(4), (c)(3), (c)(4), (d)(2), (d)(3), (e)(2) or (e)(3) of this Section 2.06 (and all Notes issued in exchange therefor or substitution thereof) shall not bear the Private Placement Legend.

(1) *Global Note Legend*. Each Global Note shall bear a legend in substantially the following form:

"THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.01 AND SECTION 2.06 OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (4) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE ISSUER.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK,

NEW YORK) ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

(2) *Regulation S Temporary Global Note Legend*. Each Regulation S Temporary Global Note shall bear a legend in substantially the following form:

"THE RIGHTS ATTACHING TO THIS REGULATION S TEMPORARY GLOBAL NOTE, AND THE CONDITIONS AND PROCEDURES GOVERNING ITS EXCHANGE FOR CERTIFICATED NOTES, ARE AS SPECIFIED IN THE INDENTURE (AS DEFINED HEREIN).

THIS NOTE AND THE GUARANTEES ENDORSED HEREON HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS NOTE NOR THE GUARANTEES ENDORSED HEREON NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS NOTE AND THE GUARANTEES ENDORSED HEREON BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS NOTE AND THE GUARANTEES ENDORSED HEREON (OR ANY PREDECESSOR OF THIS NOTE AND THE GUARANTEES ENDORSED HEREON) (THE "RESALE RESTRICTION TERMINATION DATE") ONLY (A)(1) TO TAYLOR MORRISON COMMUNITIES, INC., TAYLOR MORRISON HOME III CORPORATION OR ANY OF THEIR SUBSIDIARIES, (2) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (3) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (4) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT ("REGULATION S") IN AN OFFSHORE TRANSACTION COMPLYING WITH REGULATION S OR (5) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSE (A)(4) PRIOR TO THE END OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD WITHIN THE MEANING OF REGULATION S OR PURSUANT TO CLAUSE (A)(5) PRIOR TO THE RESALE RESTRICTION TERMINATION DATE, TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (ii) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER APPLICABLE JURISDICTIONS. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF A HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE."

(3) *OID Legend.* To the extent required by Section 1275(c)(1)(A) of the Internal Revenue Code of 1986, as amended, and Treasury Regulation Section 1.1275-3(b)(1), each Note issued at a discount to its stated redemption price at maturity shall bear a legend (the "*OID Legend*") in substantially the following form (with any necessary amendments thereto to reflect any amendments occurring after the Issue Date to the applicable sections):

"FOR THE PURPOSES OF SECTIONS 1272, 1273 AND 1275 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, THIS NOTE IS BEING ISSUED WITH ORIGINAL ISSUE DISCOUNT. YOU MAY CONTACT THE ISSUER AT TAYLOR MORRISON COMMUNITIES, INC., 4900 NORTH SCOTTSDALE ROAD, SUITE 2000, SCOTTSDALE, ARIZONA 85251, ATTENTION: TREASURER, AND THE ISSUER WILL PROVIDE YOU WITH THE ISSUE PRICE, THE AMOUNT OF ORIGINAL ISSUE DISCOUNT, THE ISSUE DATE AND THE YIELD TO MATURITY OF THIS NOTE."

1. *Cancellation and/or Adjustment of Global Notes*. At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or canceled in whole and not in part, each such Global Note shall be returned to or retained and canceled by the Trustee in accordance with Section 2.11. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who shall take delivery thereof in the form of a beneficial interest in another Global Note or for Definitive Notes, the principal amount of Notes represented by such Global Note shall be reduced accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who shall take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note shall be increased accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such increase.

2. *General Provisions Relating to Transfers and Exchanges.*

(4) To permit registrations of transfers and exchanges, the Issuer shall execute and the Trustee shall authenticate Global Notes and Definitive Notes upon receipt of an Authentication Order in accordance with Section 2.02 or at the Registrar's request.

(5) No service charge shall be made to a Holder of a beneficial interest in a Global Note or to a Holder of a Definitive Note for any registration of transfer or exchange, but the Issuer may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 2.10, 3.06 and 9.05).

(6) The Registrar shall not be required to register the transfer of or exchange of any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(7) All Global Notes and Definitive Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Notes shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Global Notes or Definitive Notes surrendered upon such registration of transfer or exchange.

(8) The Issuer shall not be required:

g. to issue, to register the transfer of or to exchange any Notes during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption under Section 3.02 and ending at the close of business on the day of selection;

h. to register the transfer of or to exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part; or

i. to register the transfer of or to exchange a Note between a record date and the next succeeding interest payment date.

(9) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Issuer may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Notes and for all other purposes, and none of the Trustee, any Agent or the Issuer shall be affected by notice to the contrary.

(10) The Trustee shall authenticate Global Notes and Definitive Notes in accordance with the provisions of Section 2.02.

(11) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 2.06 to effect a registration of transfer or exchange may be submitted by facsimile.

(12) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Notes (including any transfers between or among Depositary Participants or beneficial owners of interests in any Global Notes) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by the terms of, this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof. Neither the Trustee nor any Agent shall have any responsibility or liability for any actions taken or not taken by the Depositary.

Section g. *Replacement Notes.*

If any mutilated Note is surrendered to the Trustee or the Issuer and the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Issuer shall issue and the Trustee, upon receipt of an Authentication Order, shall authenticate a replacement Note if the Trustee's requirements are met. If required by the Trustee or the Issuer, an indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee and the Issuer to protect the Issuer, the Trustee, any Agent and any authenticating agent from any loss that any of them may suffer if a Note is replaced. The Issuer may charge for its expenses, including the Trustee's expenses, in replacing a Note.

Every replacement Note is an additional obligation of the Issuer and shall be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

Section h. *Outstanding Notes.*

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest in a Global Note effected by the Trustee in accordance with the provisions hereof, and those described in this Section 2.08 as not outstanding. Except as set forth in Section 2.09, a Note does not cease to be outstanding because the Issuer or an Affiliate of the Issuer holds the Note.

If a Note is replaced pursuant to Section 2.07, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a protected purchaser.

If the principal amount of any Note is considered paid under Section 4.01, it ceases to be outstanding and interest on it ceases to accrue.

If the Paying Agent (other than the Issuer, a Subsidiary or an Affiliate of any thereof) holds, on a redemption date or maturity date, money sufficient to pay Notes payable on that date, then on and after that date such Notes shall be deemed to be no longer outstanding and shall cease to accrue interest.

Section i. *Treasury Notes.*

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Issuer or any Guarantor, or by any Person directly or indirectly controlled by the Issuer or any Guarantor, shall be considered as though not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes that a Responsible Officer of the Trustee actually knows are so owned shall be so disregarded.

Section j. *Temporary Notes.*

Until certificates representing Notes are ready for delivery, the Issuer may prepare and the Trustee, upon receipt of an Authentication Order, shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of certificated Notes but may have variations that the Issuer considers appropriate for temporary Notes and as may be reasonably acceptable to the Trustee. Without unreasonable delay, the Issuer shall prepare and the Trustee shall authenticate definitive Notes in exchange for temporary Notes.

Holders of temporary Notes shall be entitled to all of the benefits of this Indenture.

Section k. *Cancellation.*

The Issuer at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and shall dispose of such canceled Notes (subject to the record retention requirement of the Exchange Act) in accordance with its customary procedures. Certification of the disposal of all canceled Notes shall be delivered to the Issuer upon its written request therefor. The Issuer may not issue new Notes to replace Notes that it has paid or that have been delivered to the Trustee for cancellation.

Section l. *Defaulted Interest.*

If the Issuer defaults in a payment of interest on the Notes, it shall pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, in each case at the rate provided in the Notes and in Section 4.01. The Issuer shall notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment. The Issuer shall fix or cause to be fixed each such special record date and payment date; *provided* that no such special record date may be less than 10 days prior to the related payment date for such defaulted interest. At least 15 days before the special record date, the Issuer (or, upon five Business Days' prior written request of the Issuer, the Trustee in the name and at the expense of the Issuer) shall mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

Section m. *CUSIP Numbers.*

The Issuer in issuing the Notes may use CUSIP numbers (if then generally in use), and, if so, the Trustee will use CUSIP numbers in notices of redemption as a convenience to Holders; *provided* that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption will not be affected by any

defect in or omission of such numbers. The Issuer will promptly notify the Trustee in writing of any change in the CUSIP numbers.

Section n. *Issuance of Additional Notes.*

The Issuer will be entitled, from time to time, without consent of the Holders, to issue Additional Notes under this Indenture with identical terms as the Initial Notes issued on the Issue Date other than with respect to (i) the date of issuance and initial accrual of interest, (ii) the issue price, (iii) the amount of interest payable on the first interest payment date and (iv) any adjustments in order to conform to and ensure compliance with the Securities Act (or other applicable securities laws). The Initial Notes issued on the Issue Date and any Additional Notes will be treated as a single class for all purposes under this Indenture, except that Additional Notes issued with "original issue discount" within the meaning of the Internal Revenue Code of 1986, as amended, shall not have the same CUSIP number as any Initial Notes and, to the extent required by applicable tax regulations, may be treated as a separate class for purposes of transfer and exchanges of Notes.

With respect to any Additional Notes, the Issuer will set forth in an Officer's Certificate pursuant to a resolution of the Board of Directors of the Issuer, copies of which will be delivered to the Trustee, the following information:

(1) the aggregate principal amount of such Additional Notes to be authenticated and delivered pursuant to this Indenture;

(2) the issue price, the issue date and the CUSIP number of such Additional Notes; and

(3) whether such Additional Notes will be subject to transfer restrictions.

ARTICLE 3.

REDEMPTION AND PREPAYMENT

Section a. *Notices to Trustee.*

If the Issuer elects to redeem Notes pursuant to the optional redemption provisions of Section 3.07, it must furnish to the Trustee, at least 15 days but not more than 60 days before the redemption date (or such shorter or longer period as the Trustee may agree (but no less than 10 days prior to the redemption date)), an Officer's Certificate setting forth:

(1) the clause of this Indenture pursuant to which the redemption shall occur;

(2) the redemption date;

(3) the principal amount of Notes to be redeemed; and

(4) the redemption price.

Section b. *Selection of Notes to Be Redeemed or Purchased.*

If less than all of the Notes are to be redeemed or are required to be purchased at any time, the Trustee shall select Notes for redemption or purchase on a *pro rata* basis except:

(1) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed; or

(2) if otherwise required by law or the procedures of DTC.

If less than all of the Notes are to be redeemed or are required to be purchased, the particular Notes to be redeemed or purchased shall be selected, unless otherwise provided herein, not less than 10 nor more than 60 days prior to the redemption or purchase date by the Trustee from the outstanding Notes not previously called for redemption or purchase; *provided*, *however*, that the Issuer has delivered to the Trustee, at least 15 days prior to the redemption date (or such shorter or longer period as the Trustee may agree (but in no case less than 10 days prior to the redemption date)), an Officer's Certificate requesting that the Trustee make such selection as provided in the preceding paragraph.

The Trustee shall promptly notify the Issuer in writing of the Notes selected for redemption or purchase and, in the case of any Note selected for partial redemption or purchase, the principal amount thereof to be redeemed or purchased. Notes and portions of Notes selected shall be in amounts of $2,000 or integral multiples of $1,000; except that if all of the Notes of a Holder are to be redeemed or purchased, the entire outstanding amount of Notes held by such Holder, even if not a multiple of $1,000, shall be redeemed or purchased. Except as provided in the preceding sentence, provisions of this Indenture that apply to Notes called for redemption or purchase also apply to portions of Notes called for redemption or purchase.

Section c. *Notice of Redemption.*

At least 10 days but not more than 60 days before a redemption date, the Issuer shall mail or cause to be mailed, by first class mail, or otherwise deliver or cause to be delivered in accordance with the procedures of DTC, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be delivered more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of this Indenture pursuant to Articles 8 or 11 of this Indenture.

The notice shall identify the Notes to be redeemed (including CUSIP Number(s)) and shall state:

(1) the redemption date;

(2) the redemption price;

(3) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the redemption date upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion shall be issued in the name of the applicable Holder upon cancellation of the original Note;

(4) the name and address of the Paying Agent;

(5) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(6) that, unless the Issuer defaults in making such redemption payment, interest on Notes called for redemption ceases to accrue on and after the redemption date;

(7) the paragraph of the Notes and/or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed;

(8) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Notes; and

(9) any condition precedent to the redemption and related information as required by Section 3.04.

At the Issuer's request, the Trustee shall give the notice of redemption in the Issuer's name and at its expense; *provided*, *however*, that the Issuer has delivered to the Trustee, at least 15 days prior to the redemption date (or such shorter period as the Trustee may agree (but in no case less than 10 days prior to the redemption date)), an Officer's Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph. The Issuer may provide in a notice of redemption that payment of the redemption price and the performance of the Issuer's obligations with respect to such redemption may be performed by another Person.

Section d. *Effect of Notice of Redemption.*

Once a notice of redemption is delivered in accordance with Section 3.03, subject to the satisfaction (or waiver) of any conditions precedent, Notes called for redemption become irrevocably due and payable on the redemption date at the redemption price. Any such redemption or notice of redemption may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent, including the occurrence of a Change of Control. In addition, if any such redemption is subject to the satisfaction of one or more conditions precedent, the notice of redemption shall describe each such condition and, if applicable, shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied (or waived by the Issuer in its sole discretion), and/or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied (or waived by the Issuer in its sole discretion) by the redemption date, or by the redemption date as so delayed, and/or that such notice may be rescinded at any time by the Issuer if the Issuer determines in its sole discretion that any or all of such conditions will not be satisfied (or waived). In addition, the Issuer may provide in such redemption notice that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person.

Section e. *Deposit of Redemption or Purchase Price.*

Prior to 11:00 a.m., New York City time, on the relevant redemption date or required purchase date, the Issuer shall deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption or purchase price of, and accrued interest on, all Notes to be redeemed or purchased on that date. The Trustee or the Paying Agent shall promptly return to the Issuer any money deposited with the Trustee or the Paying Agent by the Issuer in excess of the amounts necessary to pay the redemption or purchase price of, and accrued interest on, all Notes to be redeemed or purchased.

If the Issuer complies with the provisions of the preceding paragraph, on and after the redemption or required purchase date, interest shall cease to accrue on the Notes or the portions of Notes called for redemption or purchase. If a Note is redeemed or purchased on or after an interest record date but on or prior to the related interest payment date, then any accrued and unpaid interest shall be paid to the Person in whose name such Note was registered at the close of business on such record date. If any Note called for redemption or purchase is not so paid upon surrender for redemption or purchase because of the failure of the Issuer to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption or purchase date until such principal is paid, and to the extent lawful on any interest not paid on such unpaid principal, in each case at the rate provided in the Notes and in Section 4.01.

Section f. *Notes Redeemed or Purchased in Part.*

Upon surrender of a Note that is redeemed or purchased in part, the Issuer shall issue and, upon receipt of an Authentication Order, the Trustee shall authenticate for the Holder at the expense of the Issuer a new Note equal in principal amount to the unredeemed or unpurchased portion of the Note surrendered.

Section g. *Optional Redemption.*

At any time prior to February 1, 2030, the Issuer is entitled to redeem all or a part of the Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest to, but excluding, the date of redemption, subject to the rights of Holders of record of Notes on the relevant record date to receive interest due on the relevant interest payment date.

On or after February 1, 2030, the Issuer is entitled to redeem all or a part of the Notes upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest to, but excluding, the date of redemption, subject to the rights of Holders of record of Notes on the relevant record date to receive interest due on the relevant interest payment date. Any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Sections 3.01 through 3.06.

Section h. *Mandatory Redemption.*

The Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

ARTICLE 4.

COVENANTS

Section a. *Payment of Notes.*

The Issuer shall pay or cause to be paid the principal of, premium, if any, and interest on the Notes on the dates and in the manner provided in the Notes. Principal, premium, if any, and interest shall be considered paid on the date due if the Paying Agent, if other than the Issuer or a Subsidiary thereof, holds as of 11:00 a.m., New York City time, on the due date money deposited by or on behalf of the Issuer in immediately available funds and designated for and sufficient to pay all principal, premium, if any, and interest then due.

The Issuer shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at the rate equal to the then applicable interest rate on the Notes. The Issuer shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace period) at the rate equal to the then applicable interest rate on the Notes. Interest on the Notes shall accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

Section b. *Maintenance of Office or Agency.*

The Issuer shall maintain in the Borough of Manhattan, the City of New York, an office or agency (which may be an office of the Trustee or an affiliate of the Trustee, Registrar or co-registrar) where Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Issuer in respect of the Notes and this Indenture may be served. The Issuer shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuer fails to maintain any such required office or agency or fails to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Issuer may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided*, *however*, that no such designation or rescission shall in any manner relieve the Issuer of its obligation to maintain an office or agency in the Borough of Manhattan, the City of

New York for such purposes. The Issuer shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Issuer hereby designates the New York Office of the Trustee as one such office or agency of the Issuer in accordance with Section 2.03.

Section c. *Reports.*

3. So long as any Notes are outstanding, the Issuer shall distribute, as provided in this Section 4.03, the following information:

(1) within 90 days after the end of each fiscal year (or such later time period specified in the SEC's rules and regulations for large accelerated filers, including any extension as would be permitted by Rule 12b-25 under the Exchange Act or any special order of the SEC), annual consolidated reports of Holdings and its Subsidiaries containing substantially all of the information that would have been required to be contained (pursuant to applicable rules and regulations in effect on the Reference Date) in an Annual Report on Form 10-K under the Exchange Act if Holdings had been a reporting company under the Exchange Act (but only to the extent similar information was included in the March 2012 Offering Circular), including (A) "Management's Discussion and Analysis of Financial Condition and Results of Operations" and (B) audited financial statements prepared in accordance with Applicable Accounting Standards, but, without limiting the generality of the foregoing, such reports (i) will not be required to contain information required by Items 1B, 4, 5, 9A or 14 of Form 10-K and (ii) will not be required to contain information required by Items 10 and 11 of Form 10-K (relating to management and compensation) but in lieu of such information will include information of the type and scope contained in the March 2012 Offering Circular under the caption "Management";

(2) within 45 days after the end of each of the first three fiscal quarters of each fiscal year (or such later time period specified in the SEC's rules and regulations for large accelerated filers, including any extension as would be permitted by Rule 12b-25 under the Exchange Act or any special order of the SEC), quarterly consolidated reports of Holdings and its Subsidiaries containing substantially all of the information that would have been required to be contained (pursuant to applicable rules and regulations in effect on the Reference Date) in a Quarterly Report on Form 10-Q under the Exchange Act if Holdings had been a reporting company under the Exchange Act (but only to the extent similar information was provided in the March 2012 Offering Circular), including (A) "Management's Discussion and Analysis of Financial Condition and Results of Operations" and (B) unaudited quarterly financial statements prepared in accordance with Applicable Accounting Standards but, without limiting the generality of the foregoing, such reports will not be required to contain information required by Items 2 or 4 of Part II of Form 10-Q; and

(3) within five Business Days after the occurrence of each event that would have been required to be reported (pursuant to applicable rules and regulations in effect on the Reference Date) in a Current Report on Form 8-K under the Exchange Act if Holdings had been a reporting company under the Exchange Act, current reports containing substantially all of the information that would have been required to be contained (pursuant to applicable rules and regulations in effect on the Reference Date) in a Current Report on Form 8-K under the Exchange Act if Holdings had been a reporting company under the Exchange Act; *provided*, *however*, that (A) no such current report will be required to be furnished if Holdings determines in its good faith judgment that such event is not material to Holders or the business, assets, operations, financial positions or prospects of the Issuer and its Restricted Subsidiaries, taken as a whole and (B) such reports will not be required to contain information required by Items 2.02, 3.01, 3.02 of Form 8-K or Items 5.02(c), (d) or (e) (except to the extent similar information is contained in the March 2012 Offering Circular under the caption "Management") of Form 8-K;

provided, *however*, that all of the foregoing reports (A) will not be required to comply with Section 302 or Section 404 of the Sarbanes-Oxley Act of 2002, or related Items 307 and 308 of Regulation S-K promulgated by the SEC, or Item 10(e)(l)(ii) of Regulation S-K promulgated by the SEC (with respect to any non-GAAP financial measures contained therein), (B) will not be required to contain the separate financial information for Guarantors and non-guarantor subsidiaries contemplated by Rule 3-10 of Regulation S-X promulgated by the SEC and (C) will not be required to contain information required by Item 601 of Regulation S-K.

4. At any time that there shall be one or more Unrestricted Subsidiaries that, in the aggregate, hold more than 15.0% of Consolidated Adjusted Tangible Assets, the quarterly and annual financial information required by the preceding paragraph shall include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto of the financial condition and results of operations of Holdings and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries.

5. References under this Section 4.03 to the laws, rules, forms, items, articles and sections shall be to such laws, rules, forms, items, articles and sections as they exist on the Reference Date, without giving effect to amendments thereto that may take effect after the Reference Date.

6. All such reports will be prepared in all material respects in accordance with all of the rules and regulations applicable to such reports. Each annual report will include a report on the relevant entity's consolidated financial statements by the relevant entity's certified independent accountants. Notwithstanding the deadlines for the reports set forth in Section 4.03(a), such report by the certified independent accountants need not be provided until 120 days after the end of the relevant fiscal year, so long as the related annual report contains unaudited financial statements as of the time it is distributed in accordance with the deadlines set forth in Section 4.03(a).

7. In addition, the Issuer agrees that, for so long as any Notes remain outstanding, if at any time it is not required to file with the SEC the reports required by the foregoing provisions of this Section 4.03, it will furnish to the Holders and beneficial owners of Notes and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

8. Any subsequent restatement of financial statements shall have no retroactive effect for purposes of calculations previously made pursuant to the covenants contained in this Indenture.

9. The Issuer shall (1) distribute the information and reports described in Section 4.03(a) (the "*Financial Reports*") electronically to the Trustee and (2) make the Financial Reports available to any Holder or beneficial owner of Notes, any prospective investor, any security analyst and any market maker affiliated with any Initial Purchaser by posting the Financial Reports on Intralinks or any comparable password protected online data system; *provided* that the Issuer shall not be required to make available any password or other login information to any person other than any such Holder, beneficial owner, prospective investor, security analyst or market maker that establishes its identity as such to the reasonable satisfaction of the Issuer. The Trustee will have no responsibility whatsoever to determine if such posting or filing (or any other filing referenced below) has occurred.

10. In addition, the Issuer (or any direct or indirect parent of the Issuer) shall:

(1) hold a quarterly conference call to discuss the information contained in the Financial Reports or the relevant Substitute Reports not later than ten business days from the time the Issuer furnishes the Financial Reports or the relevant Substitute Reports to the Trustee (or from the time the same are filed or furnished to the SEC as provided in Section 4.03(i)); and

(2) no fewer than three Business Days prior to the date of the conference call required to be held in accordance with clause (1) above, issue a press release to the appropriate

U.S. wire services announcing the time and date of such conference call and directing the Holders and beneficial owners of, and prospective investors in, the Notes and securities analysts and market makers to contact an individual at the Issuer (for whom contact information shall be provided in such press release) to obtain the Financial Reports or the relevant Substitute Reports and information on how to access such conference call.

11. If at any time the Notes are guaranteed by a direct or indirect parent of Holdings, and such company has furnished the Financial Reports described herein with respect to such company as required by this Section 4.03 as if such company were Holdings (including any financial information required hereby), Holdings and the Issuer shall be deemed to be in compliance with the provisions of this Section 4.03. Any information filed with, or furnished to, the SEC within the time periods specified in this Section 4.03 shall be deemed to have been made available as required by this Section 4.03, and to the extent such filings comply with the rules and regulations of the SEC regarding such filings, they will be deemed to comply with the requirements of this Section 4.03. If Holdings or a direct or indirect parent of Holdings files with or furnishes to the SEC (a) an Annual Report on Form 10-K with respect to a fiscal year that complies in all material respects with the rules and regulations of the SEC regarding such filing, then such filing shall be deemed to satisfy the requirements of Section 4.03(a)(1) with respect to the relevant fiscal year; (b) a quarterly report on Form 10-Q with respect to a fiscal quarter that complies in all material respects with the rules and regulations of the SEC regarding such filing, then such filing shall be deemed to satisfy the requirements of Section 4.03(a)(2) with respect to the relevant fiscal quarter; and (c) a current report on Form 8-K with respect to any of the events described Section 4.03(a)(3) that complies in all material respects with the rules and regulations of the SEC regarding such filing, then such filing shall be deemed to satisfy the requirements of Section 4.03(a)(3) with respect to such event (each of (a), (b) and (c), "*Substitute Reports*"); *provided*, in each case of clause (a) through (c), that such filings include such disclosure as is reasonably necessary to describe any material differences between the consolidated financial information of such direct or indirect parent and the consolidated financial information of Holdings. The subsequent filing or making available of any materials or conference call required by this Section 4.03 shall be deemed automatically to cure any Default or Event of Default resulting from the failure to file or make available such materials or conference call within the required time frame. The Trustee shall have no obligation whatsoever to determine whether or not such filings referred to in this Section 4.03 have been made.

Section d. *Compliance Certificate.*

12. The Issuer shall deliver to the Trustee, within 105 days after the end of each fiscal year of Holdings, an Officer's Certificate signed by the principal executive officer or the principal financial officer stating that a review of the activities of Holdings and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Issuer and the Guarantors have kept, observed, performed and fulfilled their obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to his or her knowledge the Issuer and the Guarantors have kept, observed, performed and fulfilled each and every covenant contained in this Indenture and are not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture (or, if a Default or Event of Default has occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Issuer is taking or propose to take with respect thereto) and that to his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest, if any, on the Notes is prohibited or if such event has occurred, a description of the event and what action the Issuer is taking or propose to take with respect thereto.

13. So long as any of the Notes are outstanding, the Issuer shall deliver to the Trustee, within 30 days after any Officer becoming aware of any Default or Event of Default, an Officer's Certificate specifying such Default or Event of Default and what action the Issuer is taking or propose to take with respect thereto.

Section e. *Taxes.*

The Restricted Parent shall pay, and shall cause each of its Subsidiaries to pay, prior to delinquency, all material taxes, assessments, and governmental levies except such as are contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the Holders.

Section f. *Stay, Extension and Usury Laws.*

The Issuer and each of the Guarantors covenant (to the extent that they may lawfully do so) that they shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Issuer and each of the Guarantors (to the extent that they may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenant that they shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law has been enacted.

Section g. *Restrictions on Sale and Leaseback Transactions.*

14. The Restricted Parent shall not, and shall not permit the Issuer or any of the Subsidiary Guarantors to, enter into any Sale and Leaseback Transaction after the Issue Date, unless:

(1) notice is given by Holdings or the Restricted Parent to the Trustee of the Sale and Leaseback Transaction within 30 days after its completion;

(2) the Restricted Parent, the Issuer or the relevant Subsidiary Guarantor receive fair value for the property sold, as determined in good faith by the Restricted Parent or the Issuer (evidenced by a resolution of the Board of Directors of such entity delivered to the Trustee, in the case of a Sale and Leaseback Transaction with respect to property whose fair value exceeds $20.0 million), it being understood that, for the avoidance of doubt, fair value may take into account all circumstances of the Sale and Leaseback Transaction, including, without limitation, the lease back arrangement; and

(3) the Restricted Parent, the Issuer or a Subsidiary Guarantor, within 365 days after the completion of the Sale and Leaseback Transaction, applies, or enters into a definitive agreement to apply within such 365-day period, an amount equal to the net proceeds therefrom either:

j. to the redemption, repayment or other retirement for value of (a) the Notes or (b) any indebtedness of the Restricted Parent, the Issuer or any Subsidiary Guarantor that is for borrowed money or is evidenced by a bond, note, debenture, guarantee or similar instrument (other than a trade payable or a current liability arising in the ordinary course of business) and which indebtedness ranks equally in right of payment with the Notes or a Note Guarantee, as applicable or

k. to the purchase by the Restricted Parent, the Issuer or a Subsidiary Guarantor of property used in the trade or business of the Restricted Parent, the Issuer or any Subsidiary Guarantor.

15. Any Sale and Leaseback Transaction that fulfills the requirements of Section 4.07(a) (1), (2) and (3) is a "*Permitted Sale and Leaseback Transaction*".

16. The provisions of Section 4.07(a) will not apply to (each, an "*Exempt Sale and Leaseback Transaction*"):

(4) a Sale and Leaseback Transaction if, at the time such Sale and Leaseback Transaction is entered into, the term of the related lease to the Restricted Parent, the Issuer or the relevant Subsidiary Guarantor of the property being sold pursuant to such transaction is three years or less;

(5) a Sale and Leaseback Transaction for which the encumbrance on the relevant property would be a Permitted Lien; and

(6) a Sale and Leaseback Transaction relating to a property entered into within 180 days after the latest of (x) the date of acquisition of such property by the Restricted Parent, the Issuer or any Subsidiary Guarantor, (y) the date of completion of construction of such property and (z) the date of commencement of full operations of such property.

17. In addition, the Restricted Parent, the Issuer and the Subsidiary Guarantors may enter into a Sale and Leaseback Transaction if immediately thereafter the sum of (a) the aggregate principal amount of all Secured Indebtedness outstanding (excluding Indebtedness secured by Permitted Liens and any Equal and Ratable Secured Indebtedness) and (b) all Attributable Debt in respect of Sale and Leaseback Transactions (excluding Attributable Debt in respect of Permitted Sale and Leaseback Transactions or Exempt Sale and Leaseback Transactions) as of the date of determination would not exceed 20% of Consolidated Adjusted Tangible Assets as of such date.

Section h. *Liens.*

18. The Restricted Parent shall not, and shall not permit the Issuer or any of the Subsidiary Guarantors to, create, incur, assume or otherwise cause to exist or become effective any Lien (a "*Triggering Lien*") of any kind (other than Permitted Liens) securing Indebtedness upon any of their property or assets, now owned or hereafter acquired, or any income or profits therefrom unless all payments due under this Indenture and the Notes (or under a Note Guarantee in the case of Liens of a Guarantor) are secured on an equal and ratable basis with the obligations so secured (such Indebtedness in respect of which the Notes or Note Guarantees have been so secured, the "*Equal and Ratable Secured Indebtedness*") until such time as such obligations are no longer secured by a Triggering Lien.

19. In addition, the Restricted Parent, the Issuer or the Subsidiary Guarantors may create, incur, assume or otherwise cause to exist or become effective any Lien of any kind (other than Permitted Liens) securing Indebtedness, without equally and ratably securing the Notes (or a Note Guarantee in the case of Liens of a Guarantor) pursuant to the preceding paragraph, if immediately thereafter the sum of (a) the aggregate principal amount of all Secured Indebtedness outstanding (excluding Indebtedness secured by Permitted Liens and any Equal and Ratable Secured Indebtedness) and (b) all Attributable Debt in respect of Sale and Leaseback Transactions (excluding Attributable Debt in respect of Permitted Sale and Leaseback Transactions and Exempt Sale and Leaseback Transactions) would not exceed 20% of Consolidated Adjusted Tangible Assets as of such date.

20. For purposes of determining compliance with Section 4.07 and this Section 4.08, (A) a Lien securing an item of Indebtedness need not be permitted solely by reference to either of Sections 4.08(a) or (b) or to one category (or portion thereof) of Permitted Liens described in clauses (a) through (jj) of the definition of "Permitted Liens" but may be permitted in part under any combination thereof and (B) in the event that a Lien securing an item of Indebtedness, Disqualified Stock or preferred stock (or any portion thereof) meets the criteria of either of Sections 4.08(a) or (b) or one or more of the categories (or portions thereof) of Permitted Liens described in clauses (a) through (jj) of the definition of "Permitted Liens," the Issuer shall, in its sole discretion, divide, classify or reclassify, or later divide, classify, or reclassify, such Lien securing such item of Indebtedness (or any portion thereof) in any manner that complies (based on circumstances existing at the time of such division, classification or reclassification) with this Section 4.08. For the avoidance of doubt, if and to the extent that any Indebtedness is incurred to refinance, refund or replace any Indebtedness secured by Liens permitted under any clause of the definition of "Permitted Liens" or Section 4.08(b) that is limited by a percentage of

Consolidated Adjusted Tangible Assets, the Indebtedness so incurred may be secured by Liens pursuant to such clause or subclause, or Section 4.08(b) at such time.

21. With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The "*Increased Amount*" of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms or in the form of common equity of the Restricted Parent or any direct or indirect parent of the Restricted Parent, the payment of dividends on preferred stock in the form of additional shares of preferred stock of the same class, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Indebtedness described in the definition of "Indebtedness."

Section i. *Offer to Repurchase Upon Change of Control.*

22. If a Change of Control occurs after the Issue Date, unless, prior to the time the Issuer is required to make a Change of Control Offer, the Issuer has previously or concurrently delivered a redemption notice that is or has become unconditional with respect to all the outstanding Notes as described under Section 3.07 or 11.01, the Issuer shall make an offer to purchase all of the Notes pursuant to the offer described below (the "*Change of Control Offer*") at a price in cash (the "*Change of Control Payment*") equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest to, but excluding, the date of purchase, subject to the right of Holders on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, the Issuer shall send notice of such Change of Control Offer by first class mail, with a copy to the Trustee, to each Holder of Notes to the address of such Holder appearing in the security register with a copy to the Trustee or otherwise in accordance with the procedures of DTC, with the following information:

(1) that a Change of Control Offer is being made pursuant to this Section 4.09 and that all Notes tendered pursuant to such Change of Control Offer will be accepted for payment by the Issuer;

(2) the purchase price and the purchase date, which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed (the "*Change of Control Payment Date*");

(3) that any Note not properly tendered will remain outstanding and continue to accrue interest;

(4) that, unless the Issuer defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date;

(5) that Holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender such Notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of such Notes completed, to the Paying Agent specified in the notice at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(6) that Holders will be entitled to withdraw their tendered Notes and their election to require the Issuer to purchase such Notes; *provided* that the Paying Agent receives, not later than the expiration time of the Change of Control Offer, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of Notes tendered for purchase, and a statement that such Holder is withdrawing its tendered Notes and its election to have such Notes purchased;

(7) that if a Holder requests that only a portion of a Note held by it be purchased, such Holder will be issued a new Note equal in principal amount to the unpurchased portion of the Note surrendered. The unpurchased portion of the Note must be equal to $2,000 or an integral multiple of $1,000 in excess thereof;

(8) if such notice is delivered prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control; and

(9) the other instructions, as determined by the Issuer, consistent with this Section 4.09, that a Holder must follow.

While the Notes are in global form and the Issuer makes an offer to purchase all of the Notes pursuant to the Change of Control Offer, a holder of Notes may exercise its option to elect for the purchase of the Notes through the facilities of DTC, subject to its rules and regulations.

The Issuer shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Section 4.09, the Issuer shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section 4.09 by virtue of such compliance.

23. On the Change of Control Payment Date, the Issuer shall, to the extent lawful:

(10) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(11) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(12) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer.

The Paying Agent shall promptly deliver to each Holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee shall, upon receipt of an Authentication Order, promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Issuer shall publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

24. Notwithstanding anything to the contrary in this Section 4.09, the Issuer shall not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Section 4.09 and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) a notice of redemption that is or has become unconditional has been given pursuant to Section 3.07 unless and until there is a Default in payment of the applicable redemption price.

25. Notwithstanding anything to the contrary in this Section 4.09, a Change of Control Offer may be made in advance of a Change of Control, conditional upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of the making of such Change of Control Offer.

Section j. *Designation of Restricted and Unrestricted Subsidiaries.*

The Board of Directors of the Restricted Parent may designate any Restricted Subsidiary of the Restricted Parent to be an Unrestricted Subsidiary if (1) that designation would not cause a Default and (2) the Board of Directors of the Restricted Parent concurrently designates such Restricted Subsidiary to be an Unrestricted Subsidiary pursuant to and in compliance with the corresponding Indenture provisions from time to time in effect, if any, governing the Existing Senior Notes and any other similar debt securities of the Issuer then outstanding. The Board of Directors of the Issuer or the Restricted Parent may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary.

Any designation of a Subsidiary of the Restricted Parent as an Unrestricted Subsidiary shall be evidenced to the Trustee by filing with the Trustee a certified copy of a resolution of the Board of Directors of the Restricted Parent giving effect to such designation and an Officer's Certificate certifying that such designation complied with the preceding conditions. If, at any time, any Unrestricted Subsidiary would fail to meet the requirements of an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Liens of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Restricted Parent as of such date and, if such Liens are not permitted to be incurred as of such date under Section 4.08, the Restricted Parent shall be in Default of Section 4.08. The Board of Directors of the Restricted Parent may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of the Restricted Parent; *provided* that such designation shall be deemed to be an incurrence of Liens by a Restricted Subsidiary of the Restricted Parent of any outstanding Liens of such Unrestricted Subsidiary, and such designation shall only be permitted if (1) such Liens are permitted under Section 4.08 and (2) no Default or Event of Default would be in existence following such designation.

Section k. *[Reserved].*

Section l. *Additional Note Guarantees.*

If at any time any existing or future Restricted Subsidiary of the Restricted Parent does not qualify as a Non-Guarantor Subsidiary and such Subsidiary is not at that time a Guarantor, then that Restricted Subsidiary will, within 30 days from being acquired, created or ceasing to qualify as a Non-Guarantor Subsidiary, as applicable, become a Guarantor and execute a supplemental indenture and deliver an Officer's Certificate and Opinion of Counsel reasonably satisfactory to the Trustee; *provided* that no such Restricted Subsidiary will be required to so become a Guarantor for so long as such Subsidiary does not Guarantee any Obligations or otherwise become an obligor under any Credit Agreement. The form of such supplemental indenture is attached as Exhibit E hereto.

Section m. *Covenant Termination.*

At any time after the Notes have received Investment Grade Ratings from two Rating Agencies (a "*Covenant Termination Event*"), upon notice by the Issuer to the Trustee certifying that a Covenant Termination Event has occurred and that at the time of the giving of such notice no Default has occurred and is continuing under this Indenture (a "*Covenant Termination Event Notice*"), the Restricted Parent and its Restricted Subsidiaries will not thereafter be subject to the provisions of this Indenture described under Section 4.12. Upon the delivery of a Covenant Termination Event Notice pursuant to a Covenant Termination Event, the Guarantees of the Guarantors will also be released.

ARTICLE 5.

SUCCESSORS

Section a. *Merger, Consolidation, or Sale of Assets.*

26. None of Holdings, the Restricted Parent nor the Issuer shall, directly or indirectly: (i) consolidate or merge with or into another Person (whether or not it is the surviving corporation); or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Restricted Parent and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:

(1) in the case of a consolidation or merger of, or a sale, assignment, transfer, conveyance or other disposition by, the Issuer or the Restricted Parent, the Person formed by or surviving any such consolidation or merger (if other than the Issuer or the Restricted Parent) or to which such sale, assignment, transfer, conveyance or other disposition has been made is a corporation or other Person, organized or existing under the laws of the United States, any state of the United States or the District of Columbia; *provided* that if any successor Issuer is not a corporation, then a Person that is a corporation shall become a co-issuer or co-obligor of the Notes and the Issuer's obligations under this Indenture;

(2) the Person formed by or surviving any such consolidation or merger (if other than Holdings, the Restricted Parent or the Issuer) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of Holdings, the Restricted Parent and/or the Issuer, as applicable, under the Notes or the Note Guarantees, as applicable, and this Indenture pursuant to agreements reasonably satisfactory to the Trustee; and

(3) immediately after such transaction, no Default or Event of Default exists.

In addition, the Restricted Parent shall not, and shall not permit its Restricted Subsidiaries to, directly or indirectly, lease all or substantially all of the properties and assets of the Restricted Parent and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to any other Person.

27. The provisions of Section 5.01(a) shall not apply to:

(4) a merger of Holdings, the Restricted Parent or the Issuer with an Affiliate solely for the purpose of reincorporating Holdings, the Restricted Parent or the Issuer in another jurisdiction; *provided* that in the case of the Issuer and the Restricted Parent such other jurisdiction is any state of the United States or the District of Columbia;

(5) any consolidation or merger, or any sale, assignment, transfer, conveyance, lease or other disposition of assets between or among the Restricted Parent and its Restricted Subsidiaries; or

(6) any sale or other transfer of assets pursuant to a Designated Asset Sale or that constitute Excess Designated Proceeds.

Section b. *Successor Corporation Substituted.*

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of properties or assets in a transaction that is subject to, and that complies with the provisions of, Section 5.01, the successor Person formed by such consolidation or into or with which Holdings, the Restricted Parent or the Issuer is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition, the provisions of this Indenture referring to "Holdings", the "Restricted Parent" or the "Issuer", as applicable, shall refer instead to the successor Person and not to Holdings, the Restricted Parent or the Issuer), and may exercise every right and power of Holdings, the Restricted Parent or the Issuer, as applicable, under this Indenture with the same effect as if such successor Person had been named as Holdings, the Restricted Parent or the Issuer herein; *provided*, *however*, that the predecessor Holdings, the Restricted Parent or the

Issuer, if any, shall not be relieved from the obligation to pay the principal of and interest on the Notes except in the case of a sale of all or substantially all of the properties or assets of Holdings, the Restricted Parent and their Restricted Subsidiaries, taken as whole, in a transaction that is subject to, and that complies with the provisions of, Section 5.01.

ARTICLE 6.

DEFAULTS AND REMEDIES

Section a. *Events of Default.*

Each of the following is an "*Event of Default*":

(1) default for 30 days in the payment when due of interest on the Notes;

(2) default in the payment when due (at maturity, upon redemption, acceleration or otherwise) of the principal of, or premium, if any, on, the Notes;

(3) failure by the Restricted Parent or any Restricted Subsidiary of the Restricted Parent to comply with Section 5.01;

(4) failure by Holdings or any Restricted Subsidiary of Holdings for 60 days after notice to the Issuer by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the other agreements in this Indenture;

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed (other than Non-Recourse Debt and any such Indebtedness owed to Holdings, the Restricted Parent or a Restricted Subsidiary of the Restricted Parent) by the Restricted Parent or any Significant Subsidiary of the Restricted Parent (or the payment of which is guaranteed by the Restricted Parent or any Significant Subsidiary of the Restricted Parent), whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, if that default:

l. is caused by a failure to pay principal at the final Stated Maturity of such Indebtedness (a "*Payment Default*"); or

m. results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $40.0 million or more;

(6) with respect to any judgment or decree for the payment of money (net of any amount covered by insurance issued by a reputable and creditworthy insurer that has not contested coverage or reserved rights with respect to an underlying claim) in excess of $40.0 million or its foreign currency equivalent against the Restricted Parent or any Restricted Subsidiary of the Restricted Parent, the failure by the Restricted Parent or such Restricted Subsidiary, as applicable, to pay such judgment or decree, which judgment or decree has remained outstanding for a period of 60 days after such judgment or decree became final and nonappealable without being paid, discharged, waived or stayed;

(7) except as permitted by this Indenture, any Note Guarantee of the Restricted Parent or any Significant Subsidiary of the Restricted Parent is declared to be unenforceable or invalid by any final and nonappealable judgment or decree or ceases for any reason to be in full

force and effect, or the Restricted Parent or any Subsidiary Guarantor that is a Significant Subsidiary of the Restricted Parent or any Person acting on behalf of the Restricted Parent or any such Subsidiary Guarantor denies or disaffirms its obligations in writing under its Note Guarantee and such Default continues for 10 days after receipt of the notice specified in this Indenture;

(8) any of Holdings, the Restricted Parent, the Issuer or any Subsidiary of any of the foregoing that is a Significant Subsidiary pursuant to or within the meaning of Bankruptcy Law:

n. commences a voluntary case;

o. consents to the entry of an order for relief against it in an involuntary case;

p. consents to the appointment of a custodian of it or for all or substantially all of its property;

q. makes a general assignment for the benefit of its creditors; or

r. generally is not paying its debts as they become due; and

(9) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

s. is for relief against any of Holdings, the Restricted Parent, the Issuer or any Subsidiary of any of the foregoing that is a Significant Subsidiary in an involuntary case;

t. appoints a custodian of any of Holdings, the Restricted Parent, the Issuer or any Subsidiary of any of the foregoing that is a Significant Subsidiary for all or substantially all of the property of Holdings, the Restricted Parent, the Issuer or such Significant Subsidiary, as applicable; or

u. orders the liquidation of any of Holdings, the Restricted Parent, the Issuer or any Subsidiary of any of the foregoing that is a Significant Subsidiary;

and the order or decree remains unstayed and in effect for 60 consecutive days.

Section b. *Acceleration.*

In the case of an Event of Default specified in clause (8) or (9) of Section 6.01, all outstanding Notes shall become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately.

Upon any such declaration, the Notes shall become due and payable immediately. The Holders of a majority in aggregate principal amount of the then outstanding Notes by written notice to the Trustee may, on behalf of all of the Holders, rescind an acceleration or waive any existing Default or Event of Default and its consequences under this Indenture except a continuing Default or Event of Default in the payment of interest or premium, if any, on, or the principal of, the Notes.

Section c. *Other Remedies.*

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal, premium, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

Section d. *Waiver of Past Defaults.*

Holders of a majority in aggregate principal amount of the then outstanding Notes by written notice to the Trustee may, on behalf of all of the Holders, waive any existing Default or Event of Default and its consequences hereunder, except a continuing Default or Event of Default in the payment of the principal of, premium, if any, or interest on, the Notes; *provided*, *however*, that the Holders of a majority in aggregate principal amount of the then outstanding Notes may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section e. *Control by Majority.*

Holders of a majority in aggregate principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture that the Trustee determines may be unduly prejudicial to the rights of other Holders or that may involve the Trustee in personal liability.

Section f. *Limitation on Suits.*

Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no Holder may pursue any remedy with respect to this Indenture or the Notes unless:

(1) such Holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) Holders of at least 25% in aggregate principal amount of the then outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee indemnity or security reasonably satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) Holders of a majority in aggregate principal amount of the then-outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

Section g. *Rights of Holders to Receive Payment.*

Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of principal, premium, if any, and interest on the Notes, on or after the respective due dates expressed in the Notes (including in connection with an offer to purchase), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section h. *Collection Suit by Trustee.*

If an Event of Default specified in Section 6.01(1) or (2) occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as Trustee of an express trust against the Issuer and each Guarantor for the whole amount of principal of, premium, if any, and interest remaining unpaid on the Notes and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section i. *Trustee May File Proofs of Claim.*

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders of the Notes allowed in any judicial proceedings relative to the Issuer (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due to the Trustee hereunder. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee hereunder out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section j. *Priorities.*

If the Trustee collects any money pursuant to this Article 6, it shall pay out the money in the following order:

First: to the Trustee, its agents and attorneys for amounts due hereunder, including payment of all compensation, expenses and liabilities incurred, and all advances made, by the Trustee and the costs and expenses of collection;

Second: to Holders for amounts due and unpaid on the Notes for principal, premium, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium, if any, and interest, respectively; and

Third: to the Issuer or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders pursuant to this Section 6.10.

Section k. *Undertaking for Costs.*

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the

party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder of a Note pursuant to Section 6.07, or a suit by Holders of more than 10% in principal amount of the then outstanding Notes.

ARTICLE 7.

TRUSTEE

Section a. *Duties of Trustee.*

28. If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

29. Except during the continuance of an Event of Default:

(1) the duties of the Trustee shall be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, in the case of certificates or opinions specifically required by any provision hereof to be furnished to it, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture (but need not to confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

30. The Trustee may not be relieved from liabilities for its own grossly negligent action, its own grossly negligent failure to act, or its own willful misconduct, except that:

(3) this paragraph does not limit the effect of paragraph (b) of this Section 7.01;

(4) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(5) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.

31. Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), and (c) of this Section 7.01.

32. No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability.

33. The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Issuer. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

Section b. *Rights of Trustee.*

34. The Trustee may conclusively rely in good faith upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

35. Before the Trustee acts or refrains from acting, it may require an Officer's Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officer's Certificate or Opinion of Counsel. The Trustee may consult with counsel of its own selection and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

36. The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

37. The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture *provided*, *however*, that the Trustee's conduct does not constitute willful misconduct or gross negligence.

38. Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Issuer shall be sufficient if signed by an Officer of the Issuer.

39. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee security and indemnity reasonably satisfactory to it against any loss, liability or expense that might be incurred by it in compliance with such request or direction.

40. The Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and this Indenture.

41. The rights, privileges, protections, immunities and benefits given to the Trustee, including, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder.

42. The Trustee may request that the Issuer deliver an Officer's Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officer's Certificate may be signed by any person authorized to sign an Officer's Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

43. In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

44. The Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder.

Section c. *Individual Rights of Trustee.*

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuer or any Affiliate of the Issuer with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest it must

eliminate such conflict within 90 days or resign. Any Agent may do the same with like rights and duties. The Trustee is also subject to Sections 7.09 and 7.10.

Section d. *Trustee's Disclaimer.*

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Issuer's use of the proceeds from the Notes or any money paid to the Issuer or upon the Issuer's direction under any provision of this Indenture, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it shall not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

Section e. *Notice of Defaults.*

If a Default or Event of Default occurs and is continuing and if it is actually known to the Trustee, the Trustee shall mail to Holders a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default relating to the payment of principal of, premium, if any, or interest on, any Note, the Trustee may withhold the notice if and so long as it in good faith determines that withholding the notice is in the interests of the Holders of the Notes.

Section f. *Compensation and Indemnity.*

45. The Issuer shall pay to the Trustee from time to time such compensation for its acceptance of this Indenture and services hereunder as agreed to in writing between the Issuer and the Trustee. The Trustee's compensation shall not be limited by any law on compensation of a Trustee of an express trust. The Issuer shall reimburse the Trustee promptly upon request for all disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

46. The Issuer and the Guarantors, jointly and severally, shall indemnify the Trustee against any and all losses, liabilities, claims, damages or expenses incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture against the Issuer and the Guarantors (including this Section 7.06) and defending itself against any claim (whether asserted by the Issuer, the Guarantors, any Holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense shall be determined to have been caused by its own gross negligence or willful misconduct. The Trustee shall notify the Issuer promptly of any claim of which a Responsible Officer has received written notice for which it may seek indemnity. Failure by the Trustee to so notify the Issuer shall not relieve the Issuer or any of the Guarantors of their obligations hereunder. The Issuer or such Guarantor shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Issuer shall pay the reasonable fees and expenses of such counsel. Neither the Issuer nor any Guarantor need pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

47. The obligations of the Issuer and the Guarantors under this Section 7.06 shall survive the satisfaction and discharge of this Indenture and the resignation or removal of the Trustee.

48. To secure the Issuer's and the Guarantors' payment obligations in this Section 7.06, the Trustee shall have a Lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Notes. Such Lien shall survive the satisfaction and discharge of this Indenture.

49. When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(8) or 6.01(9) occurs, the expenses and the compensation for the services

(including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

Section g. *Replacement of Trustee.*

50. A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.07.

51. The Trustee may resign in writing at any time and be discharged from the trust hereby created by so notifying the Issuer. The Holders of a majority in principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Issuer in writing. The Issuer may remove the Trustee if:

(1) the Trustee fails to comply with Section 7.09;

(2) the Trustee is adjudged bankrupt or insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(3) a custodian or public officer takes charge of the Trustee or its property; or

(4) the Trustee becomes incapable of acting.

52. If the Trustee resigns or is removed or if a vacancy exists in the office of the Trustee for any reason, the Issuer shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Issuer.

53. If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer, or the Holders of at least 10% in principal amount of the then outstanding Notes may petition, at the expense of the Issuer, any court of competent jurisdiction for the appointment of a successor Trustee.

54. If the Trustee, after written request by any Holder who has been a Holder for at least six months, fails to comply with Section 7.09, such Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

55. A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Issuer. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to the Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, *provided* all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 7.06. Notwithstanding replacement of the Trustee pursuant to this Section 7.07, the Issuer's obligations under Section 7.06 shall continue for the benefit of the retiring Trustee.

Section h. *Successor Trustee by Merger, etc.*

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee.

Section i. *Eligibility; Disqualification.*

There shall at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such

laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities and that together with its affiliates has a combined capital and surplus of at least $50.0 million as set forth in its most recent published annual report of condition. No Person directly or indirectly controlling, controlled by or under common control with the Issuer or any Guarantor shall serve as the Trustee.

Section j. *Preferential Collection of Claims Against Issuer.*

The provisions of TIA § 311 are hereby expressly incorporated by reference herein and made a part hereof with the same force and effect as if reproduced in its entirety herein. If any provision of this Indenture limits, qualifies or conflicts with § 311 of the TIA, the provision of § 311 of the TIA shall control.

ARTICLE 8.

LEGAL DEFEASANCE AND COVENANT DEFEASANCE

Section a. *Option to Effect Legal Defeasance or Covenant Defeasance.*

The Issuer may, at any time, elect to have either Section 8.02 or 8.03 applied to all outstanding Notes and all obligations of the Guarantors with respect to the Note Guarantees upon compliance with the conditions set forth below in this Article 8.

Section b. *Legal Defeasance and Discharge.*

Upon the Issuer's exercise under Section 8.01 of the option applicable to this Section 8.02, the Issuer and each of the Guarantors shall, subject to the satisfaction of the conditions set forth in Section 8.04, be deemed to have been discharged from their obligations with respect to all outstanding Notes (including the Note Guarantees) on the date the conditions set forth in Section 8.04 are satisfied (hereinafter, "*Legal Defeasance*"). For this purpose, Legal Defeasance means that the Issuer and the Guarantors shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes (including the Note Guarantees), which shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.05 and the other Sections of this Indenture referred to in clauses (1) and (2) below, and to have satisfied all their other obligations under such Notes, the Note Guarantees and this Indenture (and the Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder:

(1) the rights of Holders of outstanding Notes to receive payments in respect of the principal of, or interest or premium, if any, on, such Notes when such payments are due from the trust referred to in Section 8.04;

(2) the Issuer's obligations with respect to such Notes under Article 2 and Section 4.02;

(3) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Issuer's and the Guarantors' obligations in connection therewith; and

(4) this Article 8.

Subject to compliance with this Section 8.02, the Issuer may exercise its option under this Section 8.02 notwithstanding the prior exercise of their option under Section 8.03.

Section c. *Covenant Defeasance.*

Upon the Issuer's exercise under Section 8.01 of the option applicable to this Section 8.03, Holdings, the Restricted Parent and their Restricted Subsidiaries shall, subject to the satisfaction of the conditions set forth in Section 8.04, be released from each of their obligations under the covenants contained in Sections 4.03, 4.04(a), 4.05, 4.06, 4.07, 4.08, 4.09, 4.10 and Section 5.01 with respect to the outstanding Notes on and after the date the conditions set forth in Section 8.04 are satisfied (hereinafter, "*Covenant Defeasance*"), and the Notes shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes and the Note Guarantees, Holdings, the Restricted Parent and their Restricted Subsidiaries may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.01, but, except as specified above, the remainder of this Indenture and such Notes and Note Guarantees shall be unaffected thereby. In addition, upon the Issuer's exercise under Section 8.01 of the option applicable to this Section 8.03 subject to the satisfaction of the conditions set forth in Section 8.04, Sections 6.01(3) through 6.01(7) and, to the extent relating to a Significant Subsidiary of the Issuer, Sections 6.01(8) and 6.01(9) shall not constitute Events of Default.

Section d. *Conditions to Legal or Covenant Defeasance.*

In order to exercise either Legal Defeasance or Covenant Defeasance under either Section 8.02 or 8.03:

(1) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Notes, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as shall be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest and premium, if any, on, the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Issuer must deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that (a) the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the outstanding Notes shall not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and shall be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the Holders of the outstanding Notes shall not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and shall be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, any material agreement (including the Credit Agreement) or instrument (other than this Indenture) to which the Issuer or any Subsidiary of the Issuer is a party or by which the Issuer or any Subsidiary of the Issuer is bound;

(5) the Issuer must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the Holders over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer or others; and

(6) the Issuer must deliver to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Section e. *Deposited Money and Government Securities to be Held in Trust; Other Miscellaneous Provisions.*

Subject to Section 8.06, all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.05, the "*Trustee*") pursuant to Section 8.04 in respect of the outstanding Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Issuer acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

The Issuer shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 8.04 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Notwithstanding anything in this Article 8 to the contrary, the Trustee shall deliver or pay to the Issuer from time to time upon the request of the Issuer any money or non-callable Government Securities held by it as provided in Section 8.04 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.04(1)), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

Section f. *Repayment to Issuer.*

Any money deposited with the Trustee or any Paying Agent, or then held by the Issuer, in trust for the payment of the principal of, premium, if any, or interest on any Note and remaining unclaimed for two years after such principal, premium, if any, or interest has become due and payable shall be paid to the Issuer on its request or (if then held by the Issuer) shall be discharged from such trust; and the Holder of such Note shall thereafter be permitted to look only to the Issuer for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Issuer as trustee thereof, shall thereupon cease.

Section g. *Reinstatement.*

If the Trustee or Paying Agent is unable to apply any United States dollars or non-callable Government Securities in accordance with Section 8.02 or 8.03, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Issuer's and the Guarantors' obligations under this Indenture and the Notes and the Note Guarantees shall be revived and reinstated as though no deposit had occurred pursuant

to Section 8.02 or 8.03 until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.02 or 8.03, as the case may be; *provided*, *however*, that, if the Issuer makes any payment of principal of, premium, if any, or interest on any Note following the reinstatement of their obligations, the Issuer shall be subrogated to the rights of the Holders of such Notes to receive such payment from the cash or Government Securities held by the Trustee or Paying Agent.

ARTICLE 9.

AMENDMENT, SUPPLEMENT AND WAIVER

Section a. *Without Consent of Holders.*

56. Notwithstanding Section 9.02, the Issuer, the Guarantors and the Trustee may amend or supplement this Indenture, the Note Guarantees or the Notes (and any other documents related thereto) without the consent of any Holder of a Note:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(3) to provide for the assumption of the Issuer's or a Guarantor's obligations to the Holders under the Notes and/or the Note Guarantees by a successor to the Issuer or such Guarantor pursuant to Article 5 or Section 10.04;

(4) to make any change that would provide any additional rights or benefits (including the addition of collateral) to the Holders or that does not adversely affect in any material respect the legal rights hereunder of any such Holder;

(5) to comply with requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA (to the extent this Indenture is or becomes so qualified);

(6) to conform the text of this Indenture, the Note Guarantees or the Notes to any provision of the "Description of Notes" section of the Offering Memorandum;

(7) to provide for the issuance of Additional Notes in accordance with the limitations set forth in this Indenture as of the Issue Date;

(8) to allow any Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes; or

(9) to comply with the rules of any applicable securities depository.

57. Upon the request of the Issuer accompanied by a resolution of its Board of Directors authorizing the execution of any such amendment or supplement to this Indenture, and upon receipt by the Trustee of the documents described in Section 7.02(b), the Trustee shall join with the Issuer and the Guarantors in the execution of any amendment or supplement to this Indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to enter into such amended or supplemental indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

Section b. *With Consent of Holders.*

58. Except as provided below in this Section 9.02, the Issuer, the Guarantors and the Trustee may amend or supplement this Indenture (including, without limitation, Section 4.09), the Note

Guarantees or the Notes (and any documents related thereto) with the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and, subject to Sections 6.04 and 6.07, any existing Default or Event of Default or compliance with any provision of this Indenture, the Note Guarantees or the Notes may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

59. Upon the request of the Issuer accompanied by a resolution of its Board of Directors authorizing the execution of any such amendment or supplement to this Indenture, and upon the filing with the Trustee of evidence reasonably satisfactory to the Trustee of the consent of the Holders as aforesaid, and upon receipt by the Trustee of the documents described in Section 7.02(b), the Trustee shall join with the Issuer and the Guarantors in the execution of such amendment or supplement to this Indenture unless such amendment or supplement directly affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such amendment or supplement.

60. It is not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed amendment or waiver, but it is sufficient if such consent approves the substance thereof.

61. After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Issuer shall mail to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Issuer to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment, supplement or waiver. Subject to Sections 6.04 and 6.07, the Holders of a majority in aggregate principal amount of the Notes then outstanding, voting as a single class, may waive compliance in a particular instance by the Issuer and the Guarantors with any provision of this Indenture, the Notes, or the Note Guarantees. However, without the consent of each Holder affected, an amendment, supplement or waiver under this Section 9.02 may not (with respect to any Notes held by a non-consenting Holder):

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes, except as provided above with respect to Section 4.09 and except with respect to provisions specifying the notice periods for effecting a redemption;

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(4) waive a Default or Event of Default in the payment of principal of, or interest or premium, if any, on, the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);

(5) make any Note payable in money other than that stated in the Notes;

(6) make any change in the provisions of this Indenture relating to waivers of past Defaults or the rights of Holders to receive payments of principal of, or interest or premium, if any, on, the Notes;

(7) waive a redemption payment with respect to any Note (other than a payment required by Section 4.09);

(8) release any Guarantor from any of its obligations under its Note Guarantee or this Indenture, except in accordance with the terms of this Indenture;

(9) impair the right of any Holder of the Notes to receive payment of principal of, or interest on such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's Notes;

(10) make any change to or modify the ranking as to contractual right of payment of any such Note or related Note Guarantee that would adversely affect the Holders; or

(11) make any change in the preceding amendment and waiver provisions.

Section c. *Compliance with Trust Indenture Act.*

Every amendment or supplement to this Indenture or the Notes shall be set forth in an amended or supplemental indenture that complies with the TIA as then in effect if this Indenture is then qualified under the TIA.

Section d. *Revocation and Effect of Consents.*

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by the Holder of a Note and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder of a Note or subsequent Holder of a Note may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date the waiver, supplement or amendment becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

Section e. *Notation on or Exchange of Notes.*

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Issuer in exchange for all Notes may issue and the Trustee shall, upon receipt of an Authentication Order, authenticate new Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment, supplement or waiver.

Section f. *Trustee to Sign Amendments, etc.*

The Trustee shall sign any amendment or supplement to this Indenture authorized pursuant to this Article 9 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. The Issuer may not sign an amendment or supplement to this Indenture until the Board of Directors of the Issuer approves of such amendment or supplement. In executing any amendment or supplement to this Indenture, the Trustee shall be provided with and (subject to Section 7.01) shall be fully protected in relying upon, in addition to the documents required by Section 12.03, an Officer's Certificate and an Opinion of Counsel stating that the execution of such amendment or supplement is authorized or permitted by this Indenture.

ARTICLE 10.

NOTE GUARANTEES

Section a. *Guarantee.*

62. Subject to this Article 10, each of the Guarantors hereby, jointly and severally, unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the obligations of the Issuer hereunder or thereunder, that:

(1) the principal of, premium, if any, and interest on the Notes shall be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of and interest on the Notes, if any, if lawful, and all other Obligations of the Issuer to the Holders or the Trustee hereunder or thereunder shall be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and

(2) in case of any extension of time of payment or renewal of any Notes or any of such other Obligations, that same shall be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Guarantors shall be jointly and severally obligated to pay the same immediately. Each Guarantor agrees that this is a guarantee of payment and not a guarantee of collection.

63. The Guarantors hereby agree that their obligations hereunder are unconditional, irrespective of the validity, regularity or enforceability of the Notes or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuer, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor. Each Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, protest, notice and all demands whatsoever and covenant that this Note Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes and this Indenture or by release in accordance with the provisions of this Indenture.

64. If any Holder or the Trustee is required by any court or otherwise to return to the Issuer, the Guarantors or any custodian, trustee, liquidator or other similar official acting in relation to either the Issuer or the Guarantors, any amount paid by either the Issuer or the Guarantors to the Trustee or such Holder, this Note Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect.

65. Each Guarantor agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all Obligations guaranteed hereby. Each Guarantor further agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (1) the maturity of the Obligations guaranteed hereby may be accelerated as provided in Article 6 for the purposes of this Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the Obligations guaranteed hereby, and (2) in the event of any declaration of acceleration of such Obligations as provided in Article 6, such Obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of this Note Guarantee.

66. All Guarantors desire to allocate among themselves (collectively, the "*Contributing Guarantors*"), in a fair and equitable manner, the economic consequences resulting from the performance of their respective obligations arising under this Indenture. Accordingly, in the event any payment or distribution is made on any date by a Guarantor (a "*Funding Guarantor*") under its Notes Guarantee such that its Aggregate Payments exceed its Fair Share as of such date, such Funding Guarantor shall be entitled to a contribution from each of the other Contributing Guarantors in an amount sufficient to

cause each Contributing Guarantor's Aggregate Payments to equal its Fair Share as of such date. "*Fair Share*" means, with respect to a Contributing Guarantor as of any date of determination, an amount equal to (a) the ratio of (i) the Fair Share Contribution Amount with respect to such Contributing Guarantor, to (ii) the aggregate of the Fair Share Contribution Amounts with respect to all Contributing Guarantors, multiplied by (b) the aggregate amount paid or distributed on or before such date by all Funding Guarantors under their respective Notes Guarantees in respect of the obligations guaranteed. "*Fair Share Contribution Amount*" means, with respect to a Contributing Guarantor as of any date of determination, the maximum aggregate amount of the obligations of such Contributing Guarantor under its Notes Guarantee that would not render its obligations hereunder or thereunder subject to avoidance as a fraudulent transfer or conveyance under Section 548 of the Bankruptcy Code or any comparable applicable provisions of state law; *provided* that solely for purposes of calculating the Fair Share Contribution Amount with respect to any Contributing Guarantor for purposes of this Section 10.01, any assets or liabilities of such Contributing Guarantor arising by virtue of any rights to subrogation, reimbursement or indemnification or any rights to or obligations of contribution hereunder shall not be considered as assets or liabilities of such Contributing Guarantor. "*Aggregate Payments*" means, with respect to a Contributing Guarantor as of any date of determination, an amount equal to (1) the aggregate amount of all payments and distributions made on or before such date by such Contributing Guarantor in respect of its Notes Guarantee (including in respect of this Section 10.01), minus (2) the aggregate amount of all payments received on or before such date by such Guarantor from the other Contributing Guarantors as contributions under this Section 10.01. The amounts payable as contributions hereunder shall be determined as of the date on which the related payment or distribution is made by the applicable Funding Guarantor. Each Contributing Guarantor is a third party beneficiary to the contribution agreement set forth in this Section 10.01(e). For the avoidance of doubt, nothing in this Section 10.01(e) shall limit or impair, by implication or otherwise, each Guarantor's obligations under its Note Guarantee.

Section b. *Limitation on Guarantor Liability.*

Each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Note Guarantee of such Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to any Note Guarantee. To effectuate the foregoing intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of such Guarantor shall be limited to the maximum amount that shall, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under this Article 10, result in the obligations of such Guarantor under its Note Guarantee not constituting a fraudulent transfer or conveyance.

Section c. *Execution and Delivery of Note Guarantee.*

To evidence its Note Guarantee set forth in Section 10.01, each Guarantor hereby agrees that a notation of such Note Guarantee substantially in the form attached as Exhibit D hereto shall be endorsed by an Officer of such Guarantor on each Note authenticated and delivered by the Trustee and that this Indenture shall be executed on behalf of such Guarantor by one of its Officers.

Each Guarantor hereby agrees that its Note Guarantee set forth in Section 10.01 shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Note Guarantee.

If an Officer whose signature is on this Indenture or on the Note Guarantee no longer holds that office at the time the Trustee authenticates the Note on which a Note Guarantee is endorsed, the Note Guarantee shall be valid nevertheless.

The delivery of any Note by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of the Note Guarantee set forth in this Indenture on behalf of the Guarantors.

Section d. *Guarantors May Consolidate, etc., on Certain Terms.*

Except as otherwise provided in this Section 10.04, no Subsidiary Guarantor may sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not it is the surviving Person) another Person, other than the Restricted Parent, the Issuer or another Subsidiary Guarantor, unless:

(1) immediately after giving effect to such transaction, no Default or Event of Default exists; and

(2) either:

(a) the Person (if other than the Restricted Parent, the Issuer or a Subsidiary Guarantor) acquiring the property in any such sale or disposition or the Person (if other than the Restricted Parent, the Issuer or a Subsidiary Guarantor) formed by or surviving any such consolidation or merger assumes all the obligations of that Subsidiary Guarantor under this Indenture and its Note Guarantee pursuant to a supplemental indenture reasonably satisfactory to the Trustee; or

(b) such transaction is (i) a sale or other disposition of all or substantially all of the assets of such Subsidiary Guarantor (including by way of merger or consolidation) to a Person or Persons that are not (either before or after giving effect to such transaction) the Restricted Parent or a Restricted Subsidiary of the Restricted Parent; or (ii) a sale or other disposition of all of the Capital Stock of that Subsidiary Guarantor to a Person or Persons that are not (either before or after giving effect to such transaction) the Restricted Parent or a Restricted Subsidiary of the Restricted Parent.

In case of any such consolidation, merger, sale or conveyance and upon the assumption by the successor Person, by supplemental indenture, executed and delivered to the Trustee and reasonably satisfactory in form to the Trustee, of the Note Guarantee endorsed upon the Notes and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Guarantor, such successor Person shall succeed to and be substituted for the Guarantor with the same effect as if it had been named herein as a Guarantor. Such successor Person thereupon may cause to be signed any or all of the Note Guarantees to be endorsed upon all of the Notes issuable hereunder which theretofore shall not have been signed by the Issuer and delivered to the Trustee. All the Note Guarantees so issued shall in all respects have the same legal rank and benefit under this Indenture as the Note Guarantees theretofore and thereafter issued in accordance with the terms of this Indenture as though all of such Note Guarantees had been issued at the date of the execution hereof.

Except as set forth in Articles 4 and 5, and notwithstanding subclauses (a) and (b) of the second preceding paragraph, nothing in this Indenture or in any of the Notes shall prevent any consolidation or merger of the Restricted Parent or a Subsidiary Guarantor with or into the Restricted Parent, the Issuer or another Subsidiary Guarantor, or shall prevent any sale or conveyance of the property of the Restricted Parent or a Subsidiary Guarantor as an entirety or substantially as an entirety to the Restricted Parent, the Issuer or another Subsidiary Guarantor.

Section e. *Releases.*

The Note Guarantee of a Subsidiary Guarantor will be released:

(a) in connection with any sale or other disposition of all or substantially all of the assets of that Subsidiary Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Restricted Parent or a Restricted Subsidiary of the Restricted Parent;

(b) in connection with any sale or other disposition of all of the Capital Stock of that Subsidiary Guarantor to a Person that is not (either before or after giving effect to such transaction) the Restricted Parent or a Restricted Subsidiary of the Restricted Parent;

(c) if, in the case of a Subsidiary Guarantor, the Restricted Parent designates such Subsidiary to be a Non-Guarantor Subsidiary in accordance with the definition of "*Non-Guarantor Subsidiary*";

(d) if that Subsidiary Guarantor is released from its obligations under all Credit Agreements (other than upon the release of all Subsidiary Guarantors from their guarantees under all Credit Agreements in connection with the termination or discharge in full of all Credit Agreements);

(e) upon legal defeasance in accordance with Article 8 or satisfaction and discharge in accordance with Article 11; or

(f) upon delivery of a Covenant Termination Event Notice pursuant to a Covenant Termination Event.

If any Subsidiary Guarantor is released from its Note Guarantee (other than a Subsidiary Guarantor so released pursuant to clause (c) above in reliance upon clause (2) or clause (4) of the definition of "Non-Guarantor Subsidiary"), any of its Subsidiaries that are Subsidiary Guarantors will also be released from their Note Guarantees, if any. Notwithstanding the foregoing, the Restricted Parent shall not be released from its Note Guarantee.

Any Guarantor not released from its obligations under its Note Guarantee as provided in this Section 10.05 shall remain liable for the full amount of principal of and interest on the Notes and for the other obligations of any Guarantor under this Indenture as provided in and subject to any limitations contained in this Article 10.

ARTICLE 11.

SATISFACTION AND DISCHARGE

Section a. *Satisfaction and Discharge.*

This Indenture shall be discharged and shall cease to be of further effect as to all Notes issued hereunder, when:

(1) either:

(a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption that is or has become unconditional or otherwise or shall become due and payable within one year and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the Holders, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as shall be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption (for the avoidance of doubt, in the case of a discharge that occurs in connection with a redemption that is to occur on a redemption

date, the amount to be deposited shall be the amount that, as of the date of such deposit, is deemed reasonably sufficient to make such payment and discharge on the redemption date, in the good-faith determination of the Board of Directors of Holdings pursuant to a resolution of the Board of Directors of Holdings and as evidenced by an Officer's Certificate);

(2) no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and the incurrence of any Lien in respect thereof) and the deposit shall not result in a breach or violation of, or constitute a default under, any other instrument to which the Issuer or any Guarantor is a party or by which the Issuer or any Guarantor is bound;

(3) the Issuer or any Guarantor has paid or caused to be paid all sums payable by it under this Indenture; and

(4) the Issuer has delivered irrevocable instructions to the Trustee under this Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be, (subject to the proviso in the first paragraph of Section 11.02).

In addition, the Issuer must deliver an Officer's Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Notwithstanding the satisfaction and discharge of this Indenture, if money has been deposited with the Trustee pursuant to sub-clause (b) of clause (1) of this Section 11.01, the provisions of Sections 12.02 and 8.06 shall survive. In addition, nothing in this Section 11.01 shall be deemed to discharge those provisions of Section 7.06, that, by their terms, survive the satisfaction and discharge of this Indenture.

Section b. *Application of Trust Money.*

Subject to the provisions of Section 8.06, all money deposited with the Trustee pursuant to Section 11.01 shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Issuer acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law; *provided* that, if there is a tender offer by the Issuer for outstanding Notes that is in progress at the time of such deposit, such money deposited with the Trustee pursuant to Section 11.01 may be applied to pay any cash consideration for any Notes validly tendered into such tender offer and not validly withdrawn so long as prior to any such application the Issuer delivers an Officer's Certificate to the Trustee certifying that after giving effect to such application, the amount remaining on deposit with the Trustee will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes (excluding Notes delivered to the Trustee for cancellation and Notes to be repurchased in such tender offer) for principal, premium, if any, and accrued interest to the date of maturity or redemption, as the case may be.

To the extent that and so long as the Trustee or Paying Agent is unable to apply any money or Government Securities in accordance with Section 11.01 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Issuer's and any Guarantor's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 11.01; *provided*, *however*, that if the Issuer has made any payment of principal of, premium, if any, or interest on any Notes following the reinstatement of their obligations, the Issuer shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or Government Securities held by the Trustee or Paying Agent.

ARTICLE 12.

MISCELLANEOUS

Section a. *Indenture Shall Control.*

In the event of a conflict between the terms and provisions of this Indenture on the one hand and the terms and provisions of any Note or Note Guarantee on the other hand, the terms and provisions of this Indenture shall govern and be controlling.

Section b. *Notices.*

Any notice or communication by the Issuer, any Guarantor or the Trustee to the others is duly given if in writing and delivered in Person or mailed by first class mail (registered or certified, return receipt requested), telecopier or overnight air courier guaranteeing next day delivery, to the others' address:

If to the Issuer and/or any Guarantor:

Taylor Morrison Communities, Inc.
Attention: General Counsel
4900 North Scottsdale Road, Suite 2000
Scottsdale, Arizona 85251
Telecopy: (866) 629-4310

If to the Trustee:

U.S. Bank National Association, as Trustee
Global Corporate Trust Services
Mailcode: EP-MN-WS3C
60 Livingston Avenue
St. Paul, MN 55107-2292
Attn: Taylor Morrison Administrator
Telecopy: (651) 466-7430

The Issuer, any Guarantor or the Trustee, by notice to the others, may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Any notice or communication to a Holder shall be mailed by first class mail, certified or registered, return receipt requested, or by courier to its address shown on the register kept by the Registrar. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Issuer mails a notice or communication to Holders, it shall provide a copy to the Trustee and each Agent at the same time.

Section c. *U.S.A. Patriot Act.*

The parties hereto acknowledge that in accordance with Section 326 of the U.S.A. Patriot Act, the Trustee, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The parties to this Indenture agree that they will provide the Trustee with such information as it may request in order for the Trustee to satisfy the requirements of the U.S.A. Patriot Act.

Section d. *Certificate and Opinion as to Conditions Precedent.*

Upon any request or application by the Issuer or the Restricted Parent to the Trustee to take any action under this Indenture, the Issuer or Restricted Parent, as applicable, shall furnish to the Trustee:

(1) an Officer's Certificate in form and substance reasonably satisfactory to the Trustee (which must include the statements set forth in Section 12.05) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(2) except with respect to the issuance of the Initial Notes, an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which must include the statements set forth in Section 12.05) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

Section e. *Statements Required in Certificate or Opinion.*

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture must include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant has been complied with or such condition has been satisfied; and

(4) a statement as to whether or not, in the opinion of such Person, such condition has been satisfied or such covenant has been complied with.

Section f. *Rules by Trustee and Agents.*

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

Section g. *No Personal Liability of Directors, Officers, Employees and Stockholders.*

No director, officer, employee, incorporator, stockholder, member or other holder of Equity Interests of the Issuer or any Guarantor, in their capacities as such and without limiting the Note Guarantees, shall have any liability for any obligations of the Issuer or the Guarantors under the Notes, this Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability that may arise other

than pursuant to a Note Guarantee. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

Section h. *Governing Law.*

THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE, THE NOTES AND THE NOTE GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section i. *No Adverse Interpretation of Other Agreements.*

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Issuer or its Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section j. *Successors.*

All agreements of the Issuer in this Indenture and the Notes shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors. All agreements of each Guarantor in this Indenture shall bind its successors, except as otherwise provided in Section 10.05.

Section k. *Severability.*

In case any provision in this Indenture or in the Notes is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section l. *Counterpart Originals.*

The parties may sign any number of copies of this Indenture. Each signed copy (including copies transmitted via telecopy or electronic mail) shall be an original, but all of them together represent the same agreement.

Section m. *Table of Contents, Headings, etc.*

The Table of Contents and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

Section n. *Waiver of Jury Trial.*

EACH OF THE ISSUER, THE GUARANTORS AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTION CONTEMPLATED HEREBY.

Section o. *Force Majeure.*

In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall

use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed as of July 22, 2020.

ISSUER:

TAYLOR Morrison Communities, INC.

By: _____

Name: Darrell C. Sherman
Title: Executive Vice President, Chief Legal Officer and Secretary

TRUSTEE:

U.S. Bank National ASSOCIATION, as Trustee

By: _____

Name: Richard Prokosch
Title: Vice President

GUARANTORS:

TAYLOR MORRISON HOME III CORPORATION

By: _____

Name: Darrell C. Sherman
Title: Executive Vice President, Chief Legal Officer and Secretary

TAYLOR MORRISON HOLDINGS, INC.

By: _____

Name: Darrell C. Sherman
Title: Executive Vice President, Chief Legal Officer and Secretary

ATPD, LLC
AV HOMES OF ARIZONA, LLC
AV HOMES OF RALEIGH, LLC
AV HOMES, INC.
AVATAR PROPERTIES INC.
AVH CAROLINAS, LLC
AVH DFW, LLC
AVH EM, LLC
AVH NORTH FLORIDA, LLC
BONTERRA BUILDERS, LLC
DARLING HOMES OF TEXAS, LLC
DFP TEXAS (GP), LLC
JCH GROUP, LLC
ROYAL OAK HOMES, LLC
TAYLOR MORRISON AT CRYSTAL FALLS, LLC
TAYLOR MORRISON ESPLANADE NAPLES, LLC
TAYLOR MORRISON FINANCE, INC.
TAYLOR MORRISON HOLDINGS OF ARIZONA, INC.
TAYLOR MORRISON MARBLEHEAD HOLDINGS, LLC
TAYLOR MORRISON OF CALIFORNIA, LLC
TAYLOR MORRISON OF CAROLINAS, INC.
TAYLOR MORRISON OF COLORADO, INC.
TAYLOR MORRISON OF FLORIDA, INC.
TAYLOR MORRISON OF GEORGIA, LLC
TAYLOR MORRISON OF ILLINOIS, INC.
TAYLOR MORRISON OF TEXAS, INC.
TAYLOR MORRISON PACIFIC POINT HOLDINGS, LLC
TAYLOR MORRISON SERVICES, INC.
TAYLOR MORRISON TRAMONTO HOLDINGS, LLC
TAYLOR MORRISON, INC.
TAYLOR MORRISON/ARIZONA, INC.
TAYLOR WOODROW COMMUNITIES – LEAGUE CITY, LTD.
TAYLOR WOODROW COMMUNITIES AT ARTISAN LAKES, L.L.C.
TAYLOR WOODROW COMMUNITIES AT MIRASOL, LTD.
TAYLOR WOODROW COMMUNITIES AT PORTICO, L.L.C.
TAYLOR WOODROW COMMUNITIES AT ST. JOHNS FOREST, L.L.C.
TAYLOR WOODROW HOMES – CENTRAL FLORIDA DIVISION, L.L.C.
TAYLOR WOODROW HOMES – SOUTHWEST FLORIDA DIVISION, L.L.C.
TM CALIFORNIA SERVICES, INC.
TM HOMES OF ARIZONA, INC.
TM OYSTER HARBOR, LLC
TM RIDGE GP, LLC
TM RIDGE LP, LLC
TW ACQUISITIONS, INC.
TWC/FALCONHEAD WEST, L.L.C.
TWC/MIRASOL, INC.
TWC/STEINER RANCH, LLC
VITALIA AT TRADITION, LLC
TAYLOR MORRISON BTR, INC.

On behalf of each of the above named entities,

By: _____
Name: Darrell C. Sherman
Title: Executive Vice President, Chief Legal Officer and Secretary

CALIFORNIA EQUITY FUNDING, INC.
DUXFORD FINANCIAL, INC.
HSP INC.
PH VENTURES-SAN JOSE
PH-LP VENTURES
PH-RIELLY VENTURES
POLYGON WLH LLC
PRESLEY CMR, INC.
PRESLEY HOMES
RSI COMMUNITIES – CALIFORNIA LLC
RSI CONSTRUCTION SERVICES LLC
RSI JURUPA VALLEY LLC
SYCAMORE CC, INC.
WILLIAM LYON HOMES
WILLIAM LYON HOMES, INC.
WILLIAM LYON SOUTHWEST, INC.
WLH COMMUNITIES – ALDERWOOD LLC
WLH COMMUNITIES – TEXAS LLC
WLH COMMUNITIES LLC
WLH COMMUNITIES REALTY INC.
WLH ONION CREEK LLC
WLH PRADO LLC
WLH STILLWATER LLC
WLH STONEWALL LLC
WLH TRAILS AT LEANDER LLC

On behalf of each of the above named entities,

By: _____
Name: Darrell C. Sherman
Title: Executive Vice President, Chief Legal Officer and Secretary

LYON EAST GARRISON COMPANY I, LLC
LYON WATERFRONT, LLC
MOUNTAIN FALLS, LLC
CIRCLE G AT THE CHURCH FARM NORTH JOINT VENTURE, LLC

By: William Lyon Homes, Inc.
Its: Sole Member

By: _____
Name: Darrell C. Sherman
Title: Executive Vice President, Chief Legal Officer and Secretary

WLH ENTERPRISES

By: William Lyon Homes, Inc.
Its: General Partner

By: _____
Name: Darrell C. Sherman
Title: Executive Vice President, Chief Legal Officer and Secretary

By: Presley CMR, Inc.
Its: General Partner

By:_____
Name: Darrell C. Sherman
Title: Executive Vice President, Chief Legal Officer and Secretary

MOUNTAIN FALLS GOLF COURSE, LLC

By: WLH Enterprises
Its: Managing Member

By: William Lyon Homes, Inc.
Its: General Partner

By:_____
Name: Darrell C. Sherman
Title: Executive Vice President, Chief Legal Officer and Secretary

By: Presley CMR, Inc.

Its: General Partner

By:_____
Name: Darrell C. Sherman
Title: Executive Vice President, Chief Legal Officer and Secretary

460 CENTRAL, L.L.C.
BASELINE WOODS SFD I, L.L.C.
BASELINE WOODS SFD II, L.L.C.
BASELINE WOODS WEST, L.L.C.
BETHANY CREEK FALLS, L.L.C.
BROWNSTONE AT ISSAQUAH HIGHLANDS, L.L.C.
BRYANT HEIGHTS, L.L.C.
BULL MOUNTAIN RIDGE, L.L.C.
CALAIS AT VILLEBOIS, L.L.C
CASCADIAN KING COMPANY, L.L.C.
CASCARA AT REDMOND RIDGE, L.L.C.
CEDAR FALLS WAY LLC
CORNELIUS PASS TOWNHOMES, L.L.C.
EDGEWATER TUALATIN, L.L.C.
GRANDE POINTE AT VILLEBOIS, L.L.C.
HIGH POINT III, L.L.C.
HIGHCROFT AT SAMMAMISH, L.L.C.
ISSAQUAH HIGHLANDS INVESTMENT FUND, L.L.C.
LES BOIS AT VILLEBOIS, L.L.C.
MILL CREEK TERRACE, L.L.C.
MURRAY & WEIR SFD, L.L.C.
ORENCO WOODS SFD, L.L.C.
PEASLEY CANYON HOMES, L.L.C.
PNW CASCADIAN COMPANY, L.L.C.
POLYGON AT BRENCHLEY ESTATES, L.L.C.
POLYGON AT SUNSET RIDGE, L.L.C.
POLYGON AT VILLEBOIS II, L.L.C.
POLYGON AT VILLEBOIS III, L.L.C.
POLYGON AT VILLEBOIS IV, L.L.C.
POLYGON AT VILLEBOIS V, L.L.C.
POLYGON NORTHWEST COMPANY, L.L.C.
POLYGON PAYMASTER, L.L.C.
RIDGEVIEW TOWNHOMES, L.L.C.
RIVERFRONT MF, L.L.C.
RIVERFRONT SF, L.L.C.
SILVERLAKE CENTER, L.L.C.
SPANAWAY 230, L.L.C.
SPARROW CREEK, L.L.C.
THE RESERVE AT MAPLE VALLEY, L.L.C.
THE RESERVE AT NORTH CREEK, L.L.C.
TWIN CREEKS AT COOPER MOUNTAIN, L.L.C.
VIEWRIDGE AT ISSAQUAH HIGHLANDS, L.L.C.
W.R. TOWNHOMES F, L.L.C.
CASCADIAN SOUTH L.L.C.

By: Polygon WLH LLC
Its: Sole Member

By:_____
Name: Darrell C. Sherman
Title: Executive Vice President, Chief Legal Officer and Secretary

EXHIBIT A1

[Face of Note]

CUSIP: ____

5.125% Senior Notes due 2030

No._____ $_____

TAYLOR MORRISON COMMUNITIES, INC.

promise to pay to CEDE & CO. or registered assigns,

the principal sum of _____ DOLLARS on August 1, 2030.

Interest Payment Dates: February 1 and August 1, commencing February 1, 2021

Record Dates: January 15 and July 15

Dated: _____

TAYLOR MORRISON COMMUNITIES, INC.
By:

Name:
Title:

This is one of the Notes referred to

in the within-mentioned Indenture:
U.S. BANK NATIONAL ASSOCIATION, as Trustee

By:

Authorized Signatory

[Back of Note]

5.125% Senior Notes due 2030

[Insert the Global Note Legend, if applicable pursuant to the provisions of the Indenture]

[Insert the Private Placement Legend, if applicable pursuant to the provisions of the Indenture]

[Insert the OID Legend, if applicable pursuant to the provisions of the Indenture]

Capitalized terms used herein have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

(1) *INTEREST*. Taylor Morrison Communities, Inc., a Delaware corporation (the "*Issuer*"), promises to pay interest on the principal amount of this Note at 5.125% per annum from until maturity. The Issuer shall pay interest semi-annually in arrears on February 1 and August 1 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each, an "*Interest Payment Date*"). Interest on the Notes shall accrue from the most recent date to which interest has been paid or, if no interest has been paid, from ; *provided* that the first Interest Payment Date shall be . The Issuer shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at the rate equal to the then applicable interest rate on the Notes. The Issuer shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace periods) from time to time on demand at the rate equal to the then applicable interest rate on the Notes. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

(2) *METHOD OF PAYMENT*. The Issuer shall pay interest on the Notes (except defaulted interest) to the Persons who are registered Holders at the close of business on the January 15 or July 15 next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes shall be payable as to principal, interest and premium, if any, at the office or agency of the Paying Agent within the City and State of New York, or, at the option of the Issuer, payment of interest may be made by check mailed to the Holders at their addresses set forth in the register of Holders; *provided* that payment by wire transfer of immediately available funds shall be required with respect to principal, interest and premium, if any, on all Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions to the Issuer or the Paying Agent. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

(3) *PAYING AGENT AND REGISTRAR*. Initially, U.S. Bank National Association, the Trustee under the Indenture, shall act as Paying Agent and Registrar. The Issuer may change any Paying Agent or Registrar without notice to any Holder. The Issuer or any of its Subsidiaries may act in any such capacity.

(4) *INDENTURE*. The Issuer issued the Notes under an Indenture dated as of July 22, 2020 (the "Indenture"), among the Issuer, the Guarantors and the Trustee. The terms of the Notes include those stated in the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture for a statement of such terms. In the event of a conflict between the terms and provisions of the Indenture on the one hand and the terms and provisions of this Note or any Note Guarantee on the other hand, the terms and provisions of the Indenture shall govern and be controlling. The Notes are general unsecured obligations of the Issuer. Subject to the conditions set forth in the Indenture, the Issuer may issue Additional Notes.

(5) *OPTIONAL REDEMPTION*.

(a) At any time prior to February 1, 2030, the Issuer is entitled to redeem all or a part of the Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest to, but excluding, the redemption date, subject to the rights of Holders of record of Notes on the relevant record date to receive interest due on the relevant interest payment date.

(b) On or after February 1, 2030, the Issuer is entitled to redeem all or a part of the Notes upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Notes

redeemed plus accrued and unpaid interest to, but excluding, the date of redemption, subject to the rights of Holders of record of Notes on the relevant record date to receive interest due on the relevant interest payment date.

(6) *MANDATORY REDEMPTION*. The Issuer shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

(7) *REPURCHASE AT THE OPTION OF HOLDER*. The Issuer may be required to repurchase the Notes as a result of a Change of Control, as provided in Section 4.09 of the Indenture. Holders may elect to have such Notes purchased pursuant to a Change of Control Offer by completing the form entitled "*Option of Holder to Elect Purchase*" attached to the Notes.

(8) *NOTICE OF REDEMPTION*. Notice of redemption shall be provided pursuant to Section 3.03 of the Indenture.

(9) *DENOMINATIONS, TRANSFER, EXCHANGE*. The Notes are in registered form without coupons in denominations of $2,000 and integral multiples of $1,000. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuer may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuer need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Issuer need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

(10) *PERSONS DEEMED OWNERS*. The registered Holder of a Note may be treated as its owner for all purposes.

(11) *AMENDMENT, SUPPLEMENT AND WAIVER*. Subject to certain exceptions, the Indenture, the Note Guarantees or the Notes (and any documents related thereto) may be amended or supplemented, both with and without the consent of the Holders of Notes, as provided in Article 9 of the Indenture.

(12) *DEFAULTS AND REMEDIES*. Events of Default include default for 30 days in the payment when due of interest on the Notes, default in the payment when due (at maturity, upon redemption, acceleration or otherwise) of the principal of, or premium, if any, on the Notes, as well as other Events of Default set forth in Section 6.01 of the Indenture. The Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Issuer is required, within 30 days after any Officer becomes aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

(13) *TRUSTEE DEALINGS WITH ISSUER*. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Issuer or its Affiliates, and may otherwise deal with the Issuer or its Affiliates, as if it were not the Trustee.

(14) *NO RECOURSE AGAINST OTHERS*. No director, officer, employee, incorporator, stockholder, member or other holder of Equity Interests of the Issuer or any Guarantor, in their capacities as such and without limiting the Note Guarantees, shall have any liability for any obligations of the Issuer or Guarantors under the Notes, the Note Guarantees or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability that may arise other than pursuant to a Note Guarantee. The waiver and release are part of the consideration for the issuance of the Notes.

(15) *AUTHENTICATION*. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

(16) *ABBREVIATIONS*. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with

right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

(17) *CUSIP NUMBERS*. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuer has caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Issuer shall furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to:

Taylor Morrison Communities, Inc.
Attention: General Counsel
4900 North Scottsdale Road, Suite 2000
Scottsdale, Arizona 85251

ASSIGNMENT FORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to: _____

(Insert assignee's legal name)

(Insert assignee's soc. sec. or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ to transfer this Note on the books of the Issuer. The agent may substitute another to act for him.

Date: _____

Your Signature:____
(Sign exactly as your name appears on the face of this Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have only part of the Note purchased by the Issuer pursuant to Section 4.09 of the Indenture, state the amount you elect to have purchased:

$_____

Date: _____

Your Signature:____
(Sign exactly as your name appears on the face of this Note)

Tax Identification No.:

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE*

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized signatory of Trustee or Custodian

* This schedule should be included only if the Note is issued in global form.

EXHIBIT A2

[Face of Regulation S Temporary Global Note]

CUSIP: ____

5.125% Senior Notes due 2030

No. $_____

TAYLOR MORRISON COMMUNITIES, INC.

promise to pay to CEDE & CO. or registered assigns,

the principal sum of _____ DOLLARS on August 1, 2030

Interest Payment Dates: February 1 and August 1, commencing February 1, 2021

Record Dates: January 15 and July 15

Dated: _____

TAYLOR MORRISON COMMUNITIES, INC.

By _____

Name:
Title:

This is one of the Notes referred to

in the within-mentioned Indenture:
U.S. BANK NATIONAL ASSOCIATION, as Trustee

By:_____

Authorized Signatory

[Back of Regulation S Temporary Global Note]

5.125% Senior Notes due 2030

THE RIGHTS ATTACHING TO THIS REGULATION S TEMPORARY GLOBAL NOTE, AND THE CONDITIONS AND PROCEDURES GOVERNING ITS EXCHANGE FOR CERTIFICATED NOTES, ARE AS SPECIFIED IN THE INDENTURE (AS DEFINED HEREIN).

THIS NOTE AND THE GUARANTEES ENDORSED HEREON HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. NEITHER THIS NOTE NOR THE GUARANTEES ENDORSED HEREON NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS NOTE AND THE GUARANTEES ENDORSED HEREON BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS NOTE AND THE GUARANTEES ENDORSED HEREON (OR ANY PREDECESSOR OF THIS NOTE AND THE GUARANTEES ENDORSED HEREON) (THE "RESALE RESTRICTION TERMINATION DATE") ONLY (A)(1) TO TAYLOR MORRISON COMMUNITIES, INC., TAYLOR MORRISON HOME III CORPORATION OR ANY OF THEIR SUBSIDIARIES, (2) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (3) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (4) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT ("REGULATION S") IN AN OFFSHORE TRANSACTION COMPLYING WITH REGULATION S OR (5) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSE (A)(4) PRIOR TO THE END OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD WITHIN THE MEANING OF REGULATION S OR PURSUANT TO CLAUSE (A)(5) PRIOR TO THE RESALE RESTRICTION TERMINATION DATE, TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (ii) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER APPLICABLE JURISDICTIONS. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF A HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.01 AND SECTION 2.06 OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (4) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE ISSUER.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

[Insert the OID Legend, if applicable pursuant to the provisions of the Indenture.]

Capitalized terms used herein have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

(1) *INTEREST*. Taylor Morrison Communities, Inc., a Delaware corporation (the "*Issuer*"), promises to pay interest on the principal amount of this Note at 5.125% per annum from until maturity. The Issuer shall pay interest semi-annually in arrears on February 1 and August 1 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each, an "*Interest Payment Date*"). Interest on the Notes shall accrue from the most recent date to which interest has been paid or, if no interest has been paid, from ; *provided* that the first Interest Payment Date shall be . The Issuer shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at the rate equal to the then applicable interest rate on the Notes. The Issuer shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace periods) from time to time on demand at the rate equal to the then applicable interest rate on the Notes. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

(2) *METHOD OF PAYMENT*. The Issuer shall pay interest on the Notes (except defaulted interest) to the Persons who are registered Holders at the close of business on the January 15 or July 15 next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes shall be payable as to principal, interest and premium, if any, at the office or agency of the Paying Agent within the City and State of New York, or, at the option of the Issuer, payment of interest may be made by check mailed to the Holders at their addresses set forth in the register of Holders; *provided* that payment by wire transfer of immediately available funds shall be required with respect to principal, interest and premium, if any, on all Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions to the Issuer or the Paying Agent. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

(3) *PAYING AGENT AND REGISTRAR*. Initially, U.S. Bank National Association, the Trustee under the Indenture, shall act as Paying Agent and Registrar. The Issuer may change any Paying Agent or Registrar without notice to any Holder. The Issuer or any of its Subsidiaries may act in any such capacity.

(4) *INDENTURE*. The Issuer issued the Notes under an Indenture dated as of July 22, 2020 (the "Indenture"), among the Issuer, the Guarantors and the Trustee. The terms of the Notes include those stated in the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture for a statement of such terms. In the event of a conflict between the terms and provisions of the Indenture on the one hand and the terms and provisions of this Note or any Note Guarantee on the other hand, the terms and provisions of the Indenture shall

govern and be controlling. The Notes are general unsecured obligations of the Issuer. Subject to the conditions set forth in the Indenture, the Issuer may issue Additional Notes.

(5) *OPTIONAL REDEMPTION*.

(a) At any time prior to February 1, 2030, the Issuer is entitled to redeem all or a part of the Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest to, but excluding, the redemption date, subject to the rights of Holders of record of Notes on the relevant record date to receive interest due on the relevant interest payment date.

(b) On or after February 1, 2030, the Issuer is entitled to redeem all or a part of the Notes upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest to, but excluding, the date of redemption, subject to the rights of Holders of record of Notes on the relevant record date to receive interest due on the relevant interest payment date.

(6) *MANDATORY REDEMPTION*. The Issuer shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

(7) *REPURCHASE AT THE OPTION OF HOLDER*. The Issuer may be required to repurchase the Notes as a result of a Change of Control, as provided in Section 4.09 of the Indenture. Holders may elect to have such Notes purchased pursuant to a Change of Control Offer by completing the form entitled "*Option of Holder to Elect Purchase*" attached to the Notes.

(8) *NOTICE OF REDEMPTION*. Notice of redemption shall be provided pursuant to Section 3.03 of the Indenture.

(9) *DENOMINATIONS, TRANSFER, EXCHANGE*. The Notes are in registered form without coupons in denominations of $2,000 and integral multiples of $1,000. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Issuer may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuer need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, the Issuer need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

(10) *PERSONS DEEMED OWNERS*. The registered Holder of a Note may be treated as its owner for all purposes.

(11) *AMENDMENT, SUPPLEMENT AND WAIVER*. Subject to certain exceptions, the Indenture, the Note Guarantees or the Notes (and any documents related thereto) may be amended or supplemented, both with and without the consent of the Holders of Notes, as provided in Article 9 of the Indenture.

(12) *DEFAULTS AND REMEDIES*. Events of Default include default for 30 days in the payment when due of interest on the Notes, default in the payment when due (at maturity, upon redemption, acceleration or otherwise) of the principal of, or premium, if any, on the Notes, as well as other Events of Default set forth in Section 6.01 of the Indenture. The Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Issuer is required, within 30 days after any Officer becomes aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

(13) *TRUSTEE DEALINGS WITH ISSUER*. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Issuer or its Affiliates, and may otherwise deal with the Issuer or its Affiliates, as if it were not the Trustee.

(14) *NO RECOURSE AGAINST OTHERS*. No director, officer, employee, incorporator, stockholder, member or other holder of Equity Interests of the Issuer or any Guarantor, in their capacities as such and without limiting the Note Guarantees, shall have any liability for any obligations of the Issuer or Guarantors under the Notes, the Note Guarantees or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability that may arise other than pursuant to a Note Guarantee. The waiver and release are part of the consideration for the issuance of the Notes.

(15) *AUTHENTICATION*. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

(16) *ABBREVIATIONS*. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

(17) *CUSIP NUMBERS*. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuer has caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Issuer shall furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to:

Taylor Morrison Communities, Inc.
Attention: General Counsel
4900 North Scottsdale Road, Suite 2000
Scottsdale, Arizona 85251

ASSIGNMENT FORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to: _____

(Insert assignee's legal name)

(Insert assignee's soc. sec. or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ to transfer this Note on the books of the Issuer. The agent may substitute another to act for him.

Date: _____

Your Signature:____
(Sign exactly as your name appears on the face of this Note)

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have only part of the Note purchased by the Issuer pursuant to Section 4.09 of the Indenture, state the amount you elect to have purchased:

$_____

Date: _____

Your Signature:____
(Sign exactly as your name appears on the face of this Note)

Tax Identification No.:

Signature Guarantee*: _____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE*

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized signatory of Trustee or Custodian

* This schedule should be included only if the Note is issued in global form.

EXHIBIT B

FORM OF CERTIFICATE OF TRANSFER

Taylor Morrison Communities, Inc.
4900 North Scottsdale Road, Suite 2000
Scottsdale, Arizona 85251

U.S. Bank National Association
Global Corporate Trust Services
Mailcode: EP-MN-WS3C
60 Livingston Avenue
St. Paul, MN 55107-2292
Attn: Taylor Morrison Administrator
Telephone No.:(651) 466-6619
Fax No.: (651) 466-7430
Email: rick.prokosch@usbank.com

Re: 5.125% Senior Notes due 2030

Reference is hereby made to the Indenture, dated as of July 22, 2020 governing the above-referenced securities (the "*Indenture*"), among Taylor Morrison Communities, Inc., a Delaware corporation (the "*Issuer*"), the Guarantors party thereto and U.S. Bank National Association, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____, (the "*Transferor*") owns and proposes to transfer the Note[s] or interest in such Note[s] specified in Annex A hereto, in the principal amount of $_____ in such Note[s] or interests (the "*Transfer*"), to _____ (the "*Transferee*"), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1. ☐ **Check if Transferee shall take delivery of a beneficial interest in the 144A Global Note or a Restricted Definitive Note pursuant to Rule 144A**. The Transfer is being effected pursuant to and in accordance with Rule 144A under the Securities Act of 1933, as amended (the "*Securities Act*"), and, accordingly, the Transferor hereby further certifies that the beneficial interest or Definitive Note is being transferred to a Person that the Transferor reasonably believes is purchasing the beneficial interest or Definitive Note for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A, and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note shall be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the 144A Global Note and/or the Restricted Definitive Note and in the Indenture and the Securities Act.

2. ☐ **Check if Transferee shall take delivery of a beneficial interest in the Regulation S Global Note or a Restricted Definitive Note pursuant to Regulation S**. The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a Person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor

any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S under the Securities Act, (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act and (iv) if the proposed transfer is being made prior to the expiration of the Restricted Period, the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note shall be subject to the restrictions on Transfer enumerated in the Private Placement Legend printed on the Regulation S Global Note and/or the Restricted Definitive Note and in the Indenture and the Securities Act.

3. ☐ **Check and complete if Transferee will take delivery of a beneficial interest in a Restricted Global Note or a Restricted Definitive Note pursuant to any provision of the Securities Act other than Rule 144A or Regulation S.** The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in Restricted Global Notes and Restricted Definitive Notes and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a) ☐ such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act;

or

(b) ☐ such Transfer is being effected to the Issuer, Holdings, or any of their subsidiaries;

or

(c) ☐ such Transfer is being effected pursuant to an effective registration statement under the Securities Act.

4. ☐ **Check if Transferee shall take delivery of a beneficial interest in an Unrestricted Global Note or of an Unrestricted Definitive Note**.

(a) ☐ **Check if Transfer is pursuant to Rule 144**. (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note shall no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(b) ☐ **Check if Transfer is Pursuant to Regulation S**. (i) The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note shall no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Restricted Definitive Notes and in the Indenture.

(c) ☐ **Check if Transfer is Pursuant to Other Exemption**. (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144, Rule 903 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the

restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or Definitive Note shall not be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes or Restricted Definitive Notes and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer.

_____

[Insert Name of Transferor]

By: _____

Name:
Title:

Dated: _____

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

(a) ☐ a beneficial interest in the:

(i) ☐ 144A Global Note (CUSIP _____), or

(ii) ☐ Regulation S Global Note (CUSIP _____), or

(b) ☐ a Restricted Definitive Note.

2. After the Transfer the Transferee shall hold:

[CHECK ONE]

(a) ☐ a beneficial interest in the:

(i) ☐ 144A Global Note (CUSIP _____), or

(ii) ☐ Regulation S Global Note (CUSIP _____), or

(iii) ☐ Unrestricted Global Note (CUSIP _____); or

(b) ☐ a Restricted Definitive Note; or

(c) ☐ an Unrestricted Definitive Note,

in accordance with the terms of the Indenture.

EXHIBIT C

FORM OF CERTIFICATE OF EXCHANGE

Taylor Morrison Communities, Inc.
4900 North Scottsdale Road, Suite 2000
Scottsdale, Arizona 85251

U.S. Bank National Association
Global Corporate Trust Services
Mailcode: EP-MN-WS3C
60 Livingston Avenue
St. Paul, MN 55107-2292
Attn: Taylor Morrison Administrator
Telephone No.:(651) 466-6619
Fax No.: (651) 466-7430
Email: rick.prokosch@usbank.com

Re: 5.125% Senior Notes due 2030

(CUSIP _____)

Reference is hereby made to the Indenture, dated as of July 22, 2020 governing the above-referenced notes (the "*Indenture*"), among Taylor Morrison Communities, Inc., a Delaware corporation (the "*Issuer*"), the Guarantors party thereto and U.S. Bank National Association, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____, (the "*Owner*") owns and proposes to exchange the Note[s] or interest in such Note[s] specified herein, in the principal amount of $_____ in such Note[s] or interests (the "*Exchange*"). In connection with the Exchange, the Owner hereby certifies that:

1. **Exchange of Restricted Definitive Notes or Beneficial Interests in a Restricted Global Note for Unrestricted Definitive Notes or Beneficial Interests in an Unrestricted Global Note**

(a) ☐ **Check if Exchange is from beneficial interest in a Restricted Global Note to beneficial interest in an Unrestricted Global Note**. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a beneficial interest in an Unrestricted Global Note in an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Global Notes and pursuant to and in accordance with the Securities Act of 1933, as amended (the "*Securities Act*"), (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest in an Unrestricted Global Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(b) ☐ **Check if Exchange is from beneficial interest in a Restricted Global Note to Unrestricted Definitive Note**. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(c) ☐ **Check if Exchange is from Restricted Definitive Note to beneficial interest in an Unrestricted Global Note**. In connection with the Owner's Exchange of a Restricted Definitive Note for a beneficial interest in an Unrestricted Global Note, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the beneficial interest is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(d) ☐ **Check if Exchange is from Restricted Definitive Note to Unrestricted Definitive Note**. In connection with the Owner's Exchange of a Restricted Definitive Note for an Unrestricted Definitive Note, the Owner hereby certifies (i) the Unrestricted Definitive Note is being acquired for the Owner's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Definitive Note is being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2. **Exchange of Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes for Restricted Definitive Notes or Beneficial Interests in Restricted Global Notes**

(a) ☐ **Check if Exchange is from beneficial interest in a Restricted Global Note to Restricted Definitive Note**. In connection with the Exchange of the Owner's beneficial interest in a Restricted Global Note for a Restricted Definitive Note with an equal principal amount, the Owner hereby certifies that the Restricted Definitive Note is being acquired for the Owner's own account without transfer. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Restricted Definitive Note issued shall continue to be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Definitive Note and in the Indenture and the Securities Act.

(b) ☐ **Check if Exchange is from Restricted Definitive Note to beneficial interest in a Restricted Global Note**. In connection with the Exchange of the Owner's Restricted Definitive Note for a beneficial interest in the [CHECK ONE] ☐ 144A Global Note, ☐ Regulation S Global Note with an equal principal amount, the Owner hereby certifies (i) the beneficial interest is being acquired for the Owner's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the beneficial interest issued shall be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant Restricted Global Note and in the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer.

_____

[Insert Name of Transferor]

By: _____

Name:
Title:

Dated: _____

[[5471418]]

EXHIBIT D

[FORM OF NOTATION OF NOTE GUARANTEE]

For value received, each Guarantor (which term includes any successor Person under the Indenture) has, jointly and severally, unconditionally guaranteed, to the extent set forth in the Indenture and subject to the provisions in the Indenture dated as of July 22, 2020 governing those certain 5.125% Senior Notes due 2030 (the "*Indenture*") among Taylor Morrison Communities, Inc., a Delaware corporation (the "*Issuer*"), the Guarantors party thereto and U.S. Bank National Association, as trustee (the "*Trustee*"), (a) the due and punctual payment of the principal, premium and interest on, the Notes, whether at maturity, by acceleration, redemption or otherwise, the due and punctual payment of interest on overdue principal of and interest on the Notes, if any, if lawful, and the due and punctual performance of all other Obligations of the Issuer to the Holders or the Trustee all in accordance with the terms of the Indenture and (b) in case of any extension of time of payment or renewal of any Notes or any of such other Obligations, that the same shall be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. The obligations of the Guarantors to the Holders and to the Trustee pursuant to the Note Guarantee and the Indenture are expressly set forth in Article 10 of the Indenture and reference is hereby made to the Indenture for the precise terms of the Note Guarantee. Each Holder of a Note, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee, on behalf of such Holder, to take such action as may be necessary or appropriate to effectuate provisions of the Indenture and (c) appoints the Trustee attorney-in-fact of such Holder for such purpose.

In the event of a conflict between the terms and provisions of the Indenture on the one hand and the terms and provisions of this Notation of Note Guarantee on the other hand, the terms and provisions of the Indenture shall govern and be controlling.

Capitalized terms used but not defined herein have the meanings given to them in the Indenture.

TAYLOR MORRISON HOME III CORPORATION

By: _____

Name: Darrell C. Sherman
Title: Executive Vice President, Chief Legal Officer and Secretary

TAYLOR MORRISON HOLDINGS, INC.

By: _____

Name: Darrell C. Sherman
Title: Executive Vice President, Chief Legal Officer and Secretary

(Signature Page to Notation of Note Guarantee)

[[5471418]]

ATPD, LLC
AV HOMES OF ARIZONA, LLC
AV HOMES OF RALEIGH, LLC
AV HOMES, INC.
AVATAR PROPERTIES INC.
AVH CAROLINAS, LLC
AVH DFW, LLC
AVH EM, LLC
AVH NORTH FLORIDA, LLC
BONTERRA BUILDERS, LLC
DARLING HOMES OF TEXAS, LLC
DFP TEXAS (GP), LLC
JCH GROUP, LLC
ROYAL OAK HOMES, LLC
TAYLOR MORRISON AT CRYSTAL FALLS, LLC
TAYLOR MORRISON ESPLANADE NAPLES, LLC
TAYLOR MORRISON FINANCE, INC.
TAYLOR MORRISON HOLDINGS OF ARIZONA, INC.
TAYLOR MORRISON MARBLEHEAD HOLDINGS, LLC
TAYLOR MORRISON OF CALIFORNIA, LLC
TAYLOR MORRISON OF CAROLINAS, INC.
TAYLOR MORRISON OF COLORADO, INC.
TAYLOR MORRISON OF FLORIDA, INC.
TAYLOR MORRISON OF GEORGIA, LLC
TAYLOR MORRISON OF ILLINOIS, INC.
TAYLOR MORRISON OF TEXAS, INC.
TAYLOR MORRISON PACIFIC POINT HOLDINGS, LLC
TAYLOR MORRISON SERVICES, INC.
TAYLOR MORRISON TRAMONTO HOLDINGS, LLC
TAYLOR MORRISON, INC.
TAYLOR MORRISON/ARIZONA, INC.
TAYLOR WOODROW COMMUNITIES – LEAGUE CITY, LTD.
TAYLOR WOODROW COMMUNITIES AT ARTISAN LAKES, L.L.C.
TAYLOR WOODROW COMMUNITIES AT MIRASOL, LTD.
TAYLOR WOODROW COMMUNITIES AT PORTICO, L.L.C.
TAYLOR WOODROW COMMUNITIES AT ST. JOHNS FOREST, L.L.C.
TAYLOR WOODROW HOMES – CENTRAL FLORIDA DIVISION, L.L.C.
TAYLOR WOODROW HOMES – SOUTHWEST FLORIDA DIVISION, L.L.C.
TM CALIFORNIA SERVICES, INC.
TM HOMES OF ARIZONA, INC.
TM OYSTER HARBOR, LLC
TM RIDGE GP, LLC
TM RIDGE LP, LLC
TW ACQUISITIONS, INC.
TWC/FALCONHEAD WEST, L.L.C.
TWC/MIRASOL, INC.
TWC/STEINER RANCH, LLC
VITALIA AT TRADITION, LLC
TAYLOR MORRISON BTR, INC.

On behalf of each of the above named entities,

By: _____
Name: Darrell C. Sherman
Title: Executive Vice President, Chief Legal Officer and Secretary

(Signature Page to Notation of Note Guarantee)

CALIFORNIA EQUITY FUNDING, INC.

DUXFORD FINANCIAL, INC.
HSP INC.
PH VENTURES-SAN JOSE
PH-LP VENTURES
PH-RIELLY VENTURES
POLYGON WLH LLC
PRESLEY CMR, INC.
PRESLEY HOMES
RSI COMMUNITIES – CALIFORNIA LLC
RSI CONSTRUCTION SERVICES LLC
RSI JURUPA VALLEY LLC
SYCAMORE CC, INC.
WILLIAM LYON HOMES
WILLIAM LYON HOMES, INC.
WILLIAM LYON SOUTHWEST, INC.
WLH COMMUNITIES – ALDERWOOD LLC
WLH COMMUNITIES – TEXAS LLC
WLH COMMUNITIES LLC
WLH COMMUNITIES REALTY INC.
WLH ONION CREEK LLC
WLH PRADO LLC
WLH STILLWATER LLC
WLH STONEWALL LLC
WLH TRAILS AT LEANDER LLC

On behalf of each of the above named entities,

By: _____
Name: Darrell C. Sherman
Title: Executive Vice President, Chief Legal Officer and Secretary

LYON EAST GARRISON COMPANY I, LLC
LYON WATERFRONT, LLC
MOUNTAIN FALLS, LLC
CIRCLE G AT THE CHURCH FARM NORTH JOINT VENTURE, LLC

By: William Lyon Homes, Inc.
Its: Sole Member

(Signature Page to Notation of Note Guarantee)

By: _____
Name: Darrell C. Sherman
Title: Executive Vice President, Chief Legal Officer and Secretary

WLH ENTERPRISES

By: William Lyon Homes, Inc.
Its: General Partner

By: _____
Name: Darrell C. Sherman
Title: Executive Vice President, Chief Legal Officer and Secretary

By: Presley CMR, Inc.
Its: General Partner

By:_____
Name: Darrell C. Sherman
Title: Executive Vice President, Chief Legal Officer and Secretary

MOUNTAIN FALLS GOLF COURSE, LLC

By: WLH Enterprises
Its: Managing Member

By: William Lyon Homes, Inc.
Its: General Partner

By:_____
Name: Darrell C. Sherman
Title: Executive Vice President, Chief Legal Officer and Secretary

By: Presley CMR, Inc.
Its: General Partner

(Signature Page to Notation of Note Guarantee)

By:_____
Name: Darrell C. Sherman
Title: Executive Vice President, Chief Legal Officer and Secretary

460 CENTRAL, L.L.C.
BASELINE WOODS SFD I, L.L.C.
BASELINE WOODS SFD II, L.L.C.
BASELINE WOODS WEST, L.L.C.
BETHANY CREEK FALLS, L.L.C.
BROWNSTONE AT ISSAQUAH HIGHLANDS, L.L.C.
BRYANT HEIGHTS, L.L.C.
BULL MOUNTAIN RIDGE, L.L.C.
CALAIS AT VILLEBOIS, L.L.C
CASCADIAN KING COMPANY, L.L.C.
CASCARA AT REDMOND RIDGE, L.L.C.
CEDAR FALLS WAY LLC
CORNELIUS PASS TOWNHOMES, L.L.C.
EDGEWATER TUALATIN, L.L.C.
GRANDE POINTE AT VILLEBOIS, L.L.C.
HIGH POINT III, L.L.C.
HIGHCROFT AT SAMMAMISH, L.L.C.
ISSAQUAH HIGHLANDS INVESTMENT FUND, L.L.C.
LES BOIS AT VILLEBOIS, L.L.C.
MILL CREEK TERRACE, L.L.C.
MURRAY & WEIR SFD, L.L.C.
ORENCO WOODS SFD, L.L.C.
PEASLEY CANYON HOMES, L.L.C.
PNW CASCADIAN COMPANY, L.L.C.
POLYGON AT BRENCHLEY ESTATES, L.L.C.
POLYGON AT SUNSET RIDGE, L.L.C.
POLYGON AT VILLEBOIS II, L.L.C.
POLYGON AT VILLEBOIS III, L.L.C.
POLYGON AT VILLEBOIS IV, L.L.C.
POLYGON AT VILLEBOIS V, L.L.C.
POLYGON NORTHWEST COMPANY, L.L.C.
POLYGON PAYMASTER, L.L.C.
RIDGEVIEW TOWNHOMES, L.L.C.
RIVERFRONT MF, L.L.C.
RIVERFRONT SF, L.L.C.
SILVERLAKE CENTER, L.L.C.
SPANAWAY 230, L.L.C.
SPARROW CREEK, L.L.C.
THE RESERVE AT MAPLE VALLEY, L.L.C.
THE RESERVE AT NORTH CREEK, L.L.C.
TWIN CREEKS AT COOPER MOUNTAIN, L.L.C.
VIEWRIDGE AT ISSAQUAH HIGHLANDS, L.L.C.
W.R. TOWNHOMES F, L.L.C.
CASCADIAN SOUTH L.L.C.

By: Polygon WLH LLC
Its: Sole Member

(Signature Page to Notation of Note Guarantee)

By:_____
Name: Darrell C. Sherman
Title: Executive Vice President, Chief Legal Officer and Secretary

(Signature Page to Notation of Note Guarantee)

EXHIBIT E

FORM OF SUPPLEMENTAL INDENTURE

TO BE DELIVERED BY SUBSEQUENT GUARANTORS

SUPPLEMENTAL INDENTURE (this "*Supplemental Indenture*"), dated as of _____, 20_____, among Taylor Morrison Communities, Inc., a Delaware corporation (the "*Issuer*"), the undersigned Restricted Subsidiary (the "*Guaranteeing Subsidiary*") and U.S. Bank National Association, as trustee under the Indenture referred to below (the "*Trustee*").

W I T N E S S E T H

WHEREAS, the Issuer has heretofore executed and delivered to the Trustee an indenture (the "*Indenture*"), dated as of July 22, 2020 providing for the issuance of 5.125% Senior Notes due 2030 (the "*Notes*");

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall unconditionally guarantee all of the Issuer's Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the "*Note Guarantee*"); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiary and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO GUARANTEE. The Guaranteeing Subsidiary hereby provides an unconditional Guarantee on the terms and subject to the conditions set forth in the Note Guarantee and in the Indenture, including Article 10 thereof.

3. NO RECOURSE AGAINST OTHERS. No director, officer, employee, incorporator, stockholder, member or other holder of Equity Interests of the Guaranteeing Subsidiary, in their capacities as such and without limiting the Note Guarantees, shall have any liability for any obligations of the Issuer or the Guarantors under the Notes, any Note Guarantees, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of the Notes by accepting a Note waives and releases all such liability that may arise other than pursuant to a Note Guarantee. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws.

4. NEW YORK LAW TO GOVERN. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

5. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original (including copies transmitted via facsimile or electronic mail), but all of them together represent the same agreement.

6. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

7. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Issuer.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

Dated: _____, 20 _____

[GUARANTEEING SUBSIDIARY]

By: _____

Name:

Title:

TAYLOR Morrison Communities, Inc.

By: _____

Name:

Title:

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____

Authorized Signature

EXHIBIT 31.1

CEO CERTIFICATION
PURSUANT TO SECTION 302 OF THE
SARBANES – OXLEY ACT OF 2002

I, Sheryl D. Palmer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Taylor Morrison Home Corporation;

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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer 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 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: November 2, 2020

By: /s/ Sheryl D. Palmer
Sheryl D. Palmer
Chairman of the Board of Directors and Chief Executive Officer
Taylor Morrison Home Corporation

EXHIBIT 31.2

CFO CERTIFICATION
PURSUANT TO SECTION 302 OF THE
SARBANES – OXLEY ACT OF 2002

I, C. David Cone, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Taylor Morrison Home Corporation;

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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer 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 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: November 2, 2020

By: /s/ C. David Cone

C. David Cone
Executive Vice President and Chief Financial Officer
Taylor Morrison Home Corporation

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 Taylor Morrison Home Corporation (the "Company") for the period ending September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sheryl D. Palmer, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(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.

November 2, 2020

/s/ Sheryl D. Palmer
Sheryl D. Palmer
Chairman of the Board of Directors and Chief Executive Officer
Taylor Morrison Home Corporation

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 Taylor Morrison Home Corporation (the "Company") for the period ending September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, C. David Cone, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(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.

November 2, 2020

/s/ C. David Cone

C. David Cone
Executive Vice President and Chief Financial Officer
Taylor Morrison Home Corporation