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

FORM 10-K

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

For the fiscal year ended December 31, 2019
or

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

Commission file number: 001-33530

Green Brick Partners, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-5952523**
(State or other jurisdiction of incorporation)	(IRS Employer Identification Number)
2805 Dallas Pkwy , Ste 400	
Plano , TX 75093	**(469) 573-6755**
(Address of principal executive offices, including Zip Code)	(Registrant's telephone number, including area code)

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, par value $0.01 per share	GRBK	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically 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 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 Act).
Yes ☐ No ☒

The aggregate market value of voting stock held by non-affiliates of the Registrant was $198,930,713 as of June 30, 2019 (based upon the closing sale price on The Nasdaq Capital Market for such date). For this purpose, all shares held by directors, executive officers and stockholders beneficially owning ten percent or more of the registrant's common stock have been treated as held by affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of the Registrant's common stock outstanding as of March 2, 2020 was 50,488,010.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for its 2020 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

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PART I

ITEM 1. BUSINESS

Green Brick Partners, Inc. (formerly named BioFuel Energy Corp.) and its subsidiaries (together, the “Company”, “we”, or “Green Brick”) is a diversified homebuilding and land development company incorporated under the laws of the State of Delaware on April 11, 2006.

We acquire and develop land, provide land and construction financing to our wholly owned and controlled builders (together, “builders”) and participate in the profits of our builders. Our core markets are in the high growth U.S. metropolitan areas of Dallas, Texas and Atlanta, Georgia, as well as the Vero Beach, Florida area. We also own a noncontrolling interest in a builder in Colorado Springs, Colorado. We are engaged in all aspects of the homebuilding process, including land acquisition and development, entitlements, design, construction, title and mortgage services, marketing and sales and the creation of brand images at our residential neighborhoods and master planned communities.

We believe we offer higher quality homes with more distinctive designs and floor plans than those built by our competitors at comparable prices. Our communities are located in premium locations and we seek to enhance homebuyer satisfaction by utilizing high-quality materials, offering a broad range of customization options and building well-crafted homes. We seek to maximize value over the long term and operate our business to mitigate risks in the event of a downturn by controlling costs and quickly reacting to regional and local market trends.

We are a leading lot developer in our markets and believe that our strict operating discipline provides us with a competitive advantage in seeking to maximize returns while minimizing risk. We currently own or control approximately 9,000 home sites in high-growth submarkets throughout the Dallas and Atlanta metropolitan areas and the Vero Beach, Florida market. We are strategically positioned to either build new homes on our lots through our builders or to sell finished lots to third-party homebuilders. We sell finished lots to our builders or option lots from third-party developers for our builders’ homebuilding operations and provide them with construction financing and strategic planning. Our builders provide us with their local knowledge and relationships.

We support some of our Dallas and Atlanta builders by financing their purchases of land from us at an unlevered internal rate of return (“IRR”) of typically 20% or more and by providing construction financing at an interest rate target of at least 13.85%, subject to changes due to market conditions. Our income is further enhanced by our equity interest in the profits of our builders.

In December 2018, EJB River Holdings, LLC joint venture (“EJB River Holdings”) was formed by The Providence Group of Georgia LLC (“TPG”) with the purpose to acquire and develop a tract of land in Gwinnett County, Georgia. In May 2019, East Jones Bridge, LLC, a Georgia limited liability company (“EJB”) was admitted as a member of EJB River Holdings, which resulted in TPG and EJB each having a 50% ownership interest in EJB River Holdings. EJB River Holdings had no activity in the period from its formation until October 2019. In October 2019, EJB River Holdings received two $5.0 million initial contributions from its two members, TPG and EJB. In December 2019, two additional contributions of $0.3 million were made by TPG and EJB to EJB River Holdings. The Company determined that the investment in EJB River Holdings should be treated as an unconsolidated investment under the equity method of accounting and included in investments in unconsolidated entities in the Company’s consolidated balance sheets.

Effective November 30, 2019, we, through our wholly owned subsidiary, SGHDAL LLC (“Southgate”), acquired the remaining membership and voting interests in our subsidiary, Southgate Homes DFW LLC. As a result, Southgate became an indirect wholly owned subsidiary of the Company.

Effective December 31, 2019, we, through our wholly owned subsidiary, CLH20, LLC (“Centre Living”), acquired the remaining membership and voting interests in our subsidiary, Centre Living Homes, LLC, and we contributed certain real estate inventory assets to Centre Living. Subsequently, the prior owner of a portion of the membership and voting interests in Centre Living Homes, LLC acquired a ten percent membership and voting interest in Centre Living for $3.6 million. As a result, as of December 31, 2019, Centre Living was an indirect subsidiary in which the Company owned a ninety percent membership interest and a ninety percent voting interest.

In December 2019, the Company announced its plans to expand the business of Trophy Signature Homes, LLC, a wholly owned homebuilding company (“Trophy”) into Houston, Texas. Trophy was formed in September 2018 and allowed the Company to expand its business and offer homes at a new price point within the Dallas-Fort Worth Metroplex market. Trophy began home sales in the first half of 2019 and has generated revenues of $13.9 million during the year ended December 31, 2019.

The following table presents general information about our builders, including the types of homes they build and their price ranges.

Builder	Year Formed	Market	Products Offered	Price Range
The Providence Group of Georgia LLC ("TPG")	2011	Atlanta	Townhomes	$320,000 to $690,000
			Condominiums	$380,000 to $580,000
			Single family	$340,000 to $1,010,000
CB JENI Homes DFW LLC ("CB JENI")	2012	Dallas	Townhomes	$230,000 to $480,000
			Single family	$330,000 to $760,000
CLH20 LLC ("Centre Living")	2012	Dallas	Townhomes	$340,000 to $550,000
			Single family	$390,000 to $850,000
SGHDAL LLC ("Southgate")	2013	Dallas	Luxury homes	$500,000 to $1,060,000
GRBK GHO Homes LLC ("GRBK GHO")	2018	Vero Beach	Patio homes	$200,000 to $400,000
			Single family	$250,000 to $750,000
Trophy Signature Homes LLC ("Trophy")	2018	Dallas	Single family	$240,000 to $560,000

Revenues from homebuilding operations accounted for 96%, 94% and 96% of the Company's total revenues for the years ended December 31, 2019, 2018, and 2017, respectively. For more information regarding the Company's segments, refer to Note 11 to the Consolidated Financial Statements located in Part II, Item 8 of this Annual Report on Form 10-K and to "Management's Discussion and Analysis of Financial Condition and Results of Operations" located in Part II, Item 7 of this Annual Report on Form 10-K.

Our backlog reflects the number and value of homes for which we have entered into sales contracts with customers but not yet delivered. With the exception of a normal cancellation rate, we expect all of the backlog as of December 31, 2019 to be filled during 2020. The following table sets forth the information about selling communities and backlog of our builders.

	Year Ended December 31, 2019	December 31, 2019			December 31, 2018		
Builder	Average Selling Communities	Selling Communities	Backlog, Units	Backlog, in thousands	Selling Communities	Backlog, Units	Backlog, in thousands
TPG	23	19	104	$ 58,905	27	146	$ 77,563
CB JENI	25	28	294	115,057	21	170	67,988
Centre Living	7	9	14	7,696	6	14	7,493
Southgate	10	11	71	49,280	8	55	37,873
GRBK GHO	16	18	147	56,021	14	197	73,358
Trophy	5	10	156	59,869	—	—	$ —
Total	86	95	786	$ 346,828	76	582	$ 264,275

For more information on recent business developments and results of operations, refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" located in Part II, Item 7 of this Annual Report on Form 10-K.

Business Strategy

We believe we are well-positioned for growth through the disciplined execution of the following elements of our strategy:

Combine Land Acquisition and Development Expertise with Homebuilding Operations to Maximize Profitability

Our ability to identify, acquire and develop land in desirable locations and on favorable terms is critical to our success. We evaluate land opportunities based on how we expect such opportunities will contribute to overall profitability and returns, rather than how they might drive volume on a market basis. We identify attractive properties that are typically located in prime neighborhood locations. We consider the existing and future supply of developable land before working to acquire the best-valued properties. Analysis includes consideration of development costs in addition to land costs. We have found that the prime quality infill locations have limited supply competition that may result in smaller value declines in down markets. We manage and oversee all land development with our in-house staff.

We believe our expertise in land development and planning enables us to create desirable communities that meet or exceed our target homebuyer's expectations, while selling homes at competitive prices. Our strategy of holding land inventory provides us with a multi-year supply of lots for future homebuilding while limiting any excess supply that would otherwise be subject to market cycle risk. We focus on the development of entitled parcels in communities where we can generally sell all lots and homes within 24 to 60 months from the start of sales. This focus allows us to limit exposure to land development and market cycle risk while pursuing favorable returns on our investments. We seek to minimize our exposure to land risk through disciplined management of entitlements, the use of land and lot options and other flexible land acquisition arrangements. We are actively involved in every step of the land entitlement, home design and construction processes with our builders.

Maximize Benefits of Diversified Homebuilding and Land Development Structure

Our diversified homebuilding and land development structure provides the flexibility to monetize the value of our land assets either by building and selling homes through our builders or developing land and selling finished lots to unaffiliated homebuilders. When evaluating our land assets, we consider the potential contribution of each asset to our overall performance, taking into account the timeframe over which we may monetize the asset. While we currently expect the majority of our land to be utilized by our homebuilders, we believe our land development and homebuilding strategy provides us with increased flexibility to seek to maximize risk-adjusted returns as market conditions warrant.

Increase Long-Term Value by Investing in Infrastructure

In our communities, we typically make enhanced investment in infrastructure, including landscaping and amenity centers, and enforce higher construction standards through our builders. We believe this creates greater long-term value for us and for our builders, homebuyers, shareholders and the communities in which we build.

Disciplined Investment Approach

We seek to maximize value over the long-term and operate our business to mitigate risks in the event of a downturn by controlling costs and focusing on regional and local market trends. Our management team has gained significant operating expertise through varied economic cycles. The perspective gained from these experiences has helped shape our investment approach. We believe that our management team has learned to effectively evaluate housing trends in our markets, and to react quickly and rationally to market changes. Our cycle-tested management approach balances strategic planning with day-to-day decision-making responsibilities, freeing up our builders to concentrate on growing our homebuilding business rather than focusing on obtaining capital to fund their operations. We believe that our strict operating discipline provides us with a competitive advantage in seeking to maximize returns while minimizing risk.

Increase Market Positions in Housing Markets with a Favorable Growth Outlook and Strong Demand Fundamentals

We believe that we have strategically well-located land and lot positions within our core markets and that we have acquired our land and lot positions at attractive prices, providing us with significant opportunity for a healthy return on our investment. We believe our core markets exhibit attractive residential real estate investment characteristics, such as growing economies, improving levels of employment and population growth relative to national averages, favorable migration patterns, general housing affordability, and desirable lifestyle and weather characteristics. We believe that increasing demand and supply constraints in our core markets create favorable conditions for our future growth.

We believe that there are significant opportunities to profitably expand in our core markets. For example, we currently own or control approximately 9,000 home sites in the Dallas, Atlanta and Vero Beach markets. In Dallas and Atlanta, we seek to acquire land with convenient access to metropolitan areas which have diverse economic and employment bases and demographics that we believe will support long-term growth. We continuously review the allocation of our investments in these markets taking into account demographic trends and the likely impact on our operating results. We use the results of these reviews to reallocate our investments to those areas where we believe we can maximize our profitability and return on capital. We seek to use our local relationships with land sellers, brokers and investors to pursue the purchase of additional land parcels in our core markets. While our primary growth strategy focuses on increasing our market position in our existing markets, we may, on an opportunistic basis, explore expansion into attractive new markets.

Superior Design, Broad Product Range and Enhanced Homebuying Experience

Within each of our markets, we partner our expertise with that of our builders to design attractive neighborhoods and homes to appeal to a wide variety of potential homebuyers. One of our core operating philosophies is to create a culture which provides a positive, memorable experience for our homebuyers through active engagement in the building process. At higher price points, we provide our homebuyers with customization options to suit their specific needs and tastes. In consultation with nationally and locally recognized architecture firms, interior and exterior consultants and homeowner focus groups, we research and design a diversified range of products for various levels and price points. Our homebuilding projects include townhomes, patio homes, single family homes and luxury custom homes. We believe we can adapt quickly to changing market conditions and optimize performance and returns while strategically reducing portfolio risk because of our diversified product strategy.

Pursue Further Growth Through the Prudent Use of Leverage

As of December 31, 2019, our debt to total capitalization ratio was 31.3%. The debt to total capitalization ratio is calculated as the sum of borrowings on lines of credit and the senior unsecured notes, net of debt issuance costs, divided by the total Green Brick Partners, Inc. stockholders' equity. It is our intent to prudently employ leverage to continue to invest in our land acquisition, development and homebuilding businesses. We target a debt to total capitalization ratio of approximately 30% to 35%, which we expect will continue to provide us with significant additional growth capital.

Pursue Acquisitions of Additional Homebuilders

We intend to pursue the acquisition of additional homebuilders in our core and new markets. Our preference is to continue to acquire controlling interests in homebuilders with existing management continuing to own a significant ownership stake. We will seek to acquire and then retain management teams which have strong local relationships with land owners and have a positive reputation for building well-crafted homes in their markets. We expect that our ability to provide capital discipline and strategic oversight will complement the local skills, relationships and reputations of our future homebuilder partners.

Marketing and Sales Process

We offer a preferred lender referral program through our mortgage subsidiary to provide lending options to homebuyers in need of financing. We offer homeowners a comprehensive warranty on each home. Homes are generally covered by a ten-year warranty for structural concerns, one year for defects and products used, two years for electrical, plumbing, heating, ventilation, and air conditioning parts and labor.

We sell our homes through our internal sales representatives and also through independent real estate brokers. Our in-house sales force typically works from sales offices located in model homes near or in each community. Sales representatives assist potential buyers by providing them with basic floor plans, price information, development and construction timetables, tours of model homes, and the selection of customization and upgrade options. Sales personnel are trained by us and generally have had prior experience selling new homes in the local market. Our personnel, along with subcontracted marketing and design consultants, carefully design the exterior and interior of each home to appeal to the lifestyles of targeted homebuyers. Additionally, we advertise through the use of model homes, social media, newspapers, billboards, real estate market publications, brochures, and newsletters.

Raw Materials

Typically, all the raw materials and most of the components used in our business are readily available in the United States. Most are standard items carried by major suppliers. However, a rapid increase in the number of homes started could cause shortages in the availability of such materials or in the price of services, thereby leading to delays in the delivery of homes. We continue to monitor the supply markets to achieve the best prices available. See "Risk Factors - Labor and raw material shortages and price fluctuations could delay or increase the cost of land development and home construction, which could materially and adversely affect our business."

Seasonality

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

Competition

Competition in the homebuilding industry is intense, and there are relatively low barriers to entry. Homebuilders compete for, among other things, homebuyers, desirable land parcels, financing, raw materials and skilled labor. Increased competition could hurt our business, as it could prevent us from acquiring attractive land parcels on which to build homes or make such acquisitions more expensive, hinder our market share expansion, and lead to pricing pressures on our homes that may adversely impact our revenues and margins. If we are unable to successfully compete, our business, liquidity, financial condition and results of operations could be materially and adversely affected. Our competitors may independently develop land and construct housing units that are superior or substantially similar to our products. Furthermore, a number of our primary competitors are significantly larger, have a longer operating history and may have greater resources or lower cost of capital; accordingly, they may be able to compete more effectively in one or more of the markets in which we operate. Many of these competitors also have longstanding relationships with subcontractors and suppliers in the markets in which we operate. We also compete for sales with individual resales of existing homes and with available rental housing.

Government Regulation and Environmental Matters

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

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

Under various environmental laws, current or former owners of real estate, as well as certain other categories of parties, may be required to investigate and clean up hazardous or toxic substances, and may be held liable to a governmental entity or to third parties for related damages, including bodily injury, and investigation and clean-up costs incurred in connection with the contamination. Please see “Risk Factors” located in Part I, Item 1A in this Annual Report on Form 10-K.

Employees

As of December 31, 2019, we had approximately 460 employees, including those of our builders. Although none of our employees are covered by collective bargaining agreements, certain of the subcontractors engaged by us or our affiliates are represented by labor unions or are subject to collective bargaining arrangements. We believe that our relations with our employees and subcontractors are good.

Available Information

Our website address is www.greenbrickpartners.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Exchange Act are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission (the “SEC”). Our website and the information contained or incorporated therein are not intended to be incorporated into this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

Set forth below are the risks that we believe are material to our investors. Any of these risks could significantly and adversely affect our business, financial condition and results of operations. You should carefully consider the risks described below, together with the other information included in this Annual Report on Form 10-K, including the information contained under the caption “Forward-Looking Statements”.

Risks Related to our Business and Industry

The homebuilding industry is cyclical. A severe downturn in the industry could adversely affect our business, results of operations and stockholders’ equity.

The residential homebuilding industry is cyclical and is highly sensitive to changes in general economic conditions such as levels of employment, consumer confidence and income, availability of financing for acquisitions, construction and permanent mortgages, interest rate levels, inflation and demand for housing. The U.S. housing market could be negatively impacted by declining consumer confidence, restrictive mortgage standards and large supplies of foreclosures, resales and new homes, among other factors. When combined with a prolonged economic downturn, high unemployment levels, increases in the rate of inflation and uncertainty in the U.S. economy, these conditions could contribute to decreased demand for housing, declining sales prices and increasing pricing pressure. In the event that demand for housing stalls or declines, we could experience declines in the market value of our inventory and demand for our lots, homes and construction loans, which could have a material adverse effect on our business, liquidity, financial condition and results of operations.

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

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

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

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

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

Our business and financial results could be adversely affected by significant inflation or deflation.

Inflation can adversely affect our homebuilding operations by increasing costs of land, financing, materials, labor and construction. While we attempt to pass on cost increases to homebuyers through increased prices, in a weak housing market, we may not be able to offset cost increases with higher selling prices. In addition, significant inflation is often accompanied by higher interest rates, which have a negative impact on housing demand. In a highly inflationary environment, depending on industry and other economic conditions, we may be precluded from raising home prices enough to keep up with the rate of inflation, which could reduce our profit margins. Moreover, with inflation, the costs of capital increase and the purchasing power of our cash resources could decline. Current or future efforts by the government to stimulate the economy may increase the risk of significant inflation and its adverse impact on our business or financial results.

Alternatively, a significant period of deflation could cause a decrease in overall spending and borrowing levels. This could lead to a deterioration in economic conditions, including an increase in the rate of unemployment. Deflation could also cause the value of our inventory to decline or reduce the value of existing homes below the related mortgage loan balance, which could potentially increase the supply of existing homes and have a negative impact on our results of operations.

We are dependent on the continued availability and satisfactory performance of subcontractors which, if unavailable, could have a material adverse effect on our business.

We conduct our land development and homebuilding operations primarily as a general contractor. Virtually all land development and construction work is performed by unaffiliated third-party subcontractors. As a consequence, the timing and quality of the development of our land and the construction of our homes depends on the availability and skill of our subcontractors. There may not be sufficient availability of and satisfactory performance by these unaffiliated third-party subcontractors in the markets in which we operate. If there are inadequate subcontractor resources, our ability to meet customer demands, both timing and quality, could be adversely affected which could have a material adverse effect on our reputation, our future growth and our profitability.

Labor and raw material shortages and price fluctuations could delay or increase the cost of land development and home construction, which could materially and adversely affect our business.

The residential construction industry experiences labor and raw material shortages from time to time, including shortages in qualified tradespeople and supplies such as insulation, drywall, cement, steel and lumber. These labor and raw material shortages can be more severe during periods of strong demand for housing or during periods when a region in which we operate experiences a natural disaster that has a significant impact on existing residential and commercial structures. The cost of labor and raw materials may also be adversely affected during periods of shortage or high inflation. Shortages and price increases could cause delays in, and increase our costs of, land development and home construction, which we may not be able to recover by raising home prices due to market demand and because the price for each home is typically set prior to its delivery pursuant to the agreement of sale with the homebuyer. In addition, the federal government has, at various times during 2018 and 2019, imposed tariffs on a variety of imports from foreign countries and may impose additional tariffs in the future. Significant tariffs or other restrictions are placed on raw materials that we use in our homebuilding operation, such as lumber or steel, could cause the cost of home construction to increase which we may not be able to recover by raising home prices or which could slow our absorption due to being constrained by market demand. As a result, shortages or increased costs of labor and raw materials could have a material adverse effect on our business, prospects, financial condition and results of operations.

Failure to recruit, retain and develop highly skilled, competent employees may have a material adverse effect on our business and results of operations.

Key employees, including management team members at both the corporate and homebuilder subsidiary levels, are fundamental to our ability to obtain, generate and manage opportunities. If any of the management team members were to cease employment with us, our results of operations could suffer. Our ability to retain our management team or to attract suitable replacements should any members of its management team leave is dependent on the competitive nature of the employment market. The loss of services from key management team members or a limitation in their availability could materially and adversely impact our business, liquidity, financial condition and results of operations. Further, such a loss could be negatively perceived in the capital markets. In addition, we do not maintain key person insurance in respect of any member of our named executive officers.

In addition, key employees working in the land development, homebuilding and construction industries are highly sought after. Experienced employees in the homebuilding, land acquisition and construction industries are fundamental to our ability to generate, obtain and manage opportunities. In particular, local knowledge and relationships are critical to our ability to source attractive land acquisition opportunities. Failure to attract and retain such personnel or to ensure that their experience and knowledge is not lost when they leave the business through retirement, redundancy or otherwise may adversely affect the standards of our service and may have an adverse impact on our business, financial conditions and results of operations.

Our long-term success depends on our ability to acquire undeveloped land, partially finished developed lots and finished lots suitable for residential homebuilding at reasonable prices, in accordance with our land investment criteria.

The homebuilding industry is highly competitive for suitable land and the risk inherent in purchasing and developing land is directly impacted by changes in consumer demand for housing. The availability of finished and partially finished developed lots and undeveloped land for purchase that meet our investment criteria depends on a number of factors outside our control, including land availability, competition with other homebuilders and land buyers, inflation in land prices, zoning, allowable housing density, the ability to obtain building permits and other regulatory requirements. Should suitable land or lots become more difficult to locate or obtain, the number of lots we may be able to develop and sell could decrease, the number of homes we may be able to build and sell could be reduced and the cost of land could increase, perhaps substantially, which could adversely impact our results of operations.

As competition for suitable land increases, the cost of acquiring both finished and undeveloped lots and the cost of developing owned land could rise and the availability of suitable land at acceptable prices may decline, which could adversely impact our financial results. The availability of suitable land assets could also affect the success of our land acquisition strategy, which may impact our ability to increase the number of active selling communities, to grow our revenues and margins and to achieve or maintain profitability.

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

Before a community generates any revenue, time and material expenditures are required to acquire and prepare land, entitle and finish lots, obtain development approvals, pay taxes and construct significant portions of project infrastructure, amenities, model homes and sales facilities. It can take several years from the time that we acquire control of a property to the time that we make our first home sale on the site. Delays in the development of communities expose us to the risk of changes in market conditions for homes. A decline in our ability to develop and market our communities successfully and to generate positive cash flow from these operations in a timely manner could have a material adverse effect on our business and results of operations and on our ability to service our debt and to meet our working capital requirements.

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

We depend on the success of our partially owned controlled builders.

We participate in the homebuilding business, in part, through non-wholly owned subsidiaries, which we refer to as our “controlled builders.” We are able to exercise control over the operations of each controlled builder. We have entered into arrangements with these controlled builders in order to take advantage of their local knowledge and relationships, acquire attractive land positions and brand images, manage our risk profile and leverage our capital base. Even though the co-investors in our controlled builders are subject to certain non-competition provisions, the viability of our participation in the homebuilding business depends on our ability to maintain good relationships with our controlled builders. Our controlled builders are focused on maximizing the value of their operations and working with a partner that can help them be successful. The effectiveness of our management, the value of our expertise and the rapport we maintain with our controlled builders are important factors for new builders considering doing business with us and may affect our ability to attract homebuyers, subcontractors, employees or others upon whom our business, financial condition and results of operations ultimately depend. Further, our relationships with our controlled builders generate additional business opportunities that support our growth. If we are unable to maintain good relationships with our controlled builders, we may be unable to fully take advantage of existing agreements or expand our relationships with these controlled builders. Additionally, our opportunities for pursuing acquisitions of additional builders may be adversely impacted.

In Dallas and Atlanta, we sell lots to our controlled builders for their homebuilding operations and provide them loans to finance home construction. If our controlled builders fail to successfully execute their business strategies for any reason, they may be unable to purchase lots from us, repay outstanding construction finance loans made by us or borrow from us in the future, any of which could negatively impact our business, financial condition and results of operations.

An integral component of our growth strategy is the use of controlled builders, joint ventures, partnerships and other strategic investments, and these counterparties' interests may not be wholly aligned with ours or those of our investors.

Our controlled builders and the third parties with whom we enter into partnerships, joint ventures or other strategic investments are separate and distinct entities from us. Consequently, these counterparties may have different economic, financial and industry positions from us which could influence their business decisions, including but not limited to strategic decision-making which they believe to be in their best interests but which may not be aligned with those of our shareholders. While we exercise different levels of control over the entities in which we invest or co-invest, our rights may be limited contractually or by statute and we may not be able to ensure that their decisions are in alignment with those of our investors. Disputes between us and these third parties could result in legal proceedings that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our business. If our counterparties take actions that are not in our best interests it could have a material adverse effect on our business and our profitability.

If we are required to either repurchase or sell a substantial portion of the equity interest in our controlled homebuilding subsidiaries, our capital resources and liquidity could be adversely affected.

The operating agreements governing our partially owned controlled builders contain buy-sell provisions that may be triggered in certain circumstances. In the event that a buy-sell event occurs, our builder will have the right to initiate a buy-sell process, which may happen at an inconvenient time for us. In the event the buy-sell provisions are exercised at a time when we lack sufficient capital to purchase the remaining equity interest, we may elect to sell our equity interest in the entity. If we are forced to sell our equity interest, we will no longer benefit from the future operations of the applicable entity. If a buy-sell provision is exercised and we elect to purchase the interest in an entity that we do not already own, we may be obligated to expend significant capital in order to complete such acquisition, which may result in our being unable to pursue other investments or opportunities. If either of these events occurs, our revenue and net income could decline or we may not have sufficient capital necessary to implement our growth strategy.

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

In Dallas, we principally operate in the counties of Dallas, Collin and Denton. In Atlanta, we principally operate in the counties of Fulton, Gwinnett, Cobb, Forsyth, Cherokee and Dekalb. In Florida, we principally operate in the counties of Indian River and St. Lucie. To the extent housing demand and population growth slow in our core markets, our favorable growth outlook may not be realized. Furthermore, we may be unable to compete effectively with the resale home market in our core markets. Because our operations are concentrated in these areas, a prolonged economic downturn in one or more of these areas could have a material adverse effect on our business, liquidity, financial condition and results of operations, and a disproportionately greater impact on us than other homebuilders with more diversified operations. Further, slower rates of population growth or population declines in the Dallas, Atlanta or Vero Beach markets, especially as compared to the high population growth rates in prior years, could affect the demand for housing, causing home prices in these markets to decline and adversely affect our business, financial condition and results of operations.

Our developments are subject to government regulation, which could cause us to incur significant liabilities or restrict our business activities.

Our developments are subject to numerous local, state, federal and other statutes, ordinances, rules and regulations concerning zoning, development, building design, construction and similar matters that impose restrictive zoning and density requirements, the result of which is to limit the number and type of homes that can be built within the boundaries of a particular area. Projects that are not yet entitled may be subjected to periodic delays, changes in use, less intensive development or elimination of development in certain specific areas due to government regulations. We may also be subject to periodic delays or may be precluded entirely from developing in certain communities due to building moratoriums or "slow-growth" or "no-growth" initiatives that could be implemented in the future. Local governments also have broad discretion regarding the imposition of development and service fees for projects in their jurisdiction. Projects for which we have received land use and development entitlements or approvals may still require a variety of other governmental approvals and permits during the development process and can also be impacted adversely by unforeseen health, safety and welfare issues, which can further delay these projects or prevent their development. As a result, lot and home sales could decline and costs could increase, which could have a material adverse effect on our current results of operations and our long-term growth prospects.

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

There is growing concern from many members of the scientific community and the general public that an increase in global average temperatures due to emissions of greenhouse gases and other human activities have caused, or will cause, significant changes in weather patterns and increase the frequency and severity of natural disasters. Government mandates, standards or regulations intended to reduce greenhouse gas emissions or projected climate change impacts have resulted, and are likely to continue to result, in restrictions on land development in certain areas and increased energy, transportation and raw material costs. Governmental requirements directed at reducing effects on climate could cause us to incur expenses that we cannot recover or that will require us to increase the price of homes we sell to the point that it affects demand for those homes.

Our financial condition and results of operations may be adversely affected by and decrease in the value of our land or homes declines as well as the associated carrying costs.

We continuously acquire land for replacement of land inventory and expansion within our current markets, and may in the future acquire land for expansion into new markets. However, the market value of land, building lots and housing inventories can fluctuate significantly as a result of changing market conditions, and the measures we employ to manage inventory risk may not be adequate to insulate our operations from a severe drop in inventory values. If housing demand decreases below what we anticipated when we acquired our inventory, we may not be able to generate profits consistent with those we have generated in the past and we may not be able to recover our costs when we sell lots and homes. When market conditions are such that land values are not appreciating, option arrangements previously entered into may become less desirable, at which time we may elect to forgo deposits and pre-acquisition costs and terminate such arrangements. In the face of adverse market conditions, we may have substantially higher inventory carrying costs, may have to write down our inventory as a result of impairment and/or may have to sell land or homes at a loss. Any material write-downs of assets, or sales at a loss, could have a material adverse effect on our financial condition and results of operations.

Demand for our homes and lots is dependent on the cost and availability of mortgage financing.

Our business depends on the ability of our homebuyers, as well as the ability of those who buy homes from the third-party homebuilding entities to which we sell lots (our “homebuilding customers”), to obtain financing for the purchase of their homes. Many of these homebuyers must sell their existing homes in order to buy a home from us or our homebuilding customers. Rising interest rates, decreased availability of mortgage financing or of certain mortgage programs, higher down payment requirements or increased monthly mortgage costs may lead to reduced demand for our homes, lots and construction loans. Increased interest rates can also hinder our ability to realize our backlog because certain of our home purchase contracts provide homebuyers with a financing contingency. Financing contingencies allow homebuyers to cancel their home purchase contracts in the event that they cannot arrange for adequate financing. As a result, rising interest rates can decrease our home sales and mortgage originations. Any of these factors could have a material adverse effect on our business, liquidity, financial condition and results of operations.

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

Changes in the method pursuant to which LIBOR rates are determined and potential phasing out of LIBOR after 2021 may affect our financial results.

The United Kingdom Financial Conduct Authority (the “FCA”), which regulates the London Interbank Offered Rate (“LIBOR”) has announced that the FCA intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021 (the “FCA Announcement”). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. Following the implementation of any reforms to LIBOR or the methods pursuant to which LIBOR rates are determined, or other benchmark rates that may be enacted in the United Kingdom or elsewhere, the manner of administration of such benchmarks may change, with the result that such benchmarks may perform differently than in the past, such benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. Under our Unsecured Revolving Credit Facility, LIBOR may be used to set the fluctuating interest rate (the "Base Rate") and the interest rate for any Eurodollar Rate Advance. If LIBOR is phased out, we may be required to renegotiate with our lender to establish a new interest rate (the "LIBOR Successor Rate"). We can give no assurance that we and our lender will be able to agree on a LIBOR Successor Rate. If we and our lender cannot agree on a LIBOR Successor Rate, our ability to draw upon the Unsecured Revolving Credit Facility may be materially impacted.

Any increase in unemployment or underemployment may lead to an increase in the number of loan delinquencies and property repossessions, which would have an adverse impact on our business.

People who are not employed, are underemployed, who have left the labor force or are concerned about the loss of their jobs are less likely to purchase new homes, may be forced to try to sell the homes they own and may face difficulties in making required mortgage payments. Therefore, any increase in unemployment or underemployment may lead to an increase in the number of loan delinquencies and property repossessions and have an adverse impact on our business both by reducing demand for our homes, lots and construction loans and by increasing the supply of homes for sale.

Increases in the after-tax costs of owning a home could prevent reduce demand for our homes and lots.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act made major changes to the Internal Revenue Code that, in part, affect the after-tax cost of owning a home. Specifically, the Tax Act limited the ability of homebuyers to deduct (i) property taxes, (ii) mortgage interest, and (iii) state and local income taxes. Due to such changes, the after-tax cost of owning a new home has increased for many of our potential homebuyers and the potential homebuyers of our homebuilding customers. In addition, if the federal government or a state government further changes its income tax laws to further eliminate or substantially limit these income tax deductions, the after-tax cost of owning a new home would further increase for many of our potential customers. The loss or reduction of these homeowner tax deductions that have historically been available has and could further reduce the perceived affordability of homeownership, and therefore the demand for and sales price of new homes, including ours. In addition, increases in property tax rates or fees on developers by local governmental authorities, as experienced in response to reduced federal and state funding or to fund local initiatives, such as funding schools or road improvements, or increases in insurance premiums can adversely affect the ability of potential customers to obtain financing or their desire to purchase new homes, and can have an adverse impact on our business and financial results.

The occurrence of severe weather or natural disasters could increase our operating expenses and reduce our revenues and cash flows.

The climates and geology of the states in which we operate present increased risks of severe weather and natural disasters. The occurrence of severe weather conditions or natural disasters can delay new home deliveries and lot development, reduce the availability of materials and/or negatively impact the demand for new homes in affected areas.

Further, to the extent that hurricanes, severe storms, earthquakes, tornadoes, droughts, floods, wildfires or other natural disasters or similar events occur, our homes under construction or our lots under development could be damaged or destroyed, which may result in losses exceeding our insurance coverage. Any of these events could increase our operating expenses, impair our cash flows and reduce our revenues. To the extent that climate change increases the frequency and severity of weather related disasters, we may experience increasing negative weather related impacts to our operations in the future.

High cancellation rates may negatively impact our business.

Our backlog reflects the number and value of homes for which we have entered into non-contingent sales contracts with homebuyers but not yet delivered. Although these sales contracts require a cash deposit, a homebuyer may in certain circumstances cancel the contract and receive a complete or partial refund of the deposit as a result of contract provisions. If home prices decline, the national or local homebuilding environment or general economy weakens, our neighboring competitors reduce their sales prices (or increase their sales incentives), interest rates increase or the availability of mortgage financing tightens, homebuyers may have an incentive to cancel their contracts with us, even where they might be entitled to no refund or only a partial refund. Significant cancellations could have a material adverse effect on our business as a result of lost sales revenue and the accumulation of unsold housing inventory.

We may not be able to compete effectively against competitors in the homebuilding, land development and financial services industries.

Competition in the land development and homebuilding industries is intense, and there are relatively low barriers to entry. Land developers and homebuilders compete for, among other things, homebuyers, desirable land parcels, financing, raw materials and skilled labor. Increased competition could hurt our business, as it could prevent us from acquiring attractive land parcels for development and resale or homebuilding (or make such acquisitions more expensive), hinder our market share expansion and lead to pricing pressures that adversely impact our margins and revenues. If we are unable to compete successfully, our business, liquidity, financial condition and results of operations could be materially and adversely affected. Our competitors may independently develop land and construct housing units that are superior or substantially similar to our products. Furthermore, a number of our primary competitors are significantly larger, have a longer operating history and may have greater resources or lower cost of capital than us. Accordingly, competitors may be able to compete more effectively in one or more of the markets in which we operate. Many of these competitors also have longstanding relationships with subcontractors and suppliers in the markets in which we operate. Our homebuilding business also competes for sales with individual resales of existing homes and with available rental housing.

Our construction financing business competes with other lenders, including national, regional and local banks and other financial institutions, some of which have greater access to capital or different lending criteria and may be able to offer more attractive financing to potential homebuyers.

Our future growth may include additional strategic investments, joint ventures, partnerships and/or acquisitions of companies that may not be as successful as we anticipate and could disrupt our ongoing businesses and adversely affect our operations.

Our investments in our homebuilding subsidiaries have contributed to our historical growth and similar investments may be a component of our growth strategy in the future. We may make additional strategic investments, enter into new joint venture or partnership arrangements or acquire businesses, some of which may be significant. These endeavors may involve significant risks and uncertainties, including distraction of management from current operations, significant start-up costs, insufficient revenues to offset expenses associated with these new investments and inadequate return of capital on these investments, any of which may adversely affect our financial condition and results of operations. Our failure to successfully identify and manage future investments, joint ventures, partnerships or acquisitions could harm our results of operations.

We may be unable to obtain suitable bonding for the development of our housing projects.

We are periodically required to provide bonds to governmental authorities and others to ensure the completion of our projects. Depending on market conditions, surety providers may be reluctant to issue new bonds and may request credit enhancements (such as cash deposits or letters of credit) in order to maintain existing bonds or to issue new bonds. If we are unable to obtain required bonds for our future projects, or if we are required to provide credit enhancements with respect to our current or future bonds, our business, liquidity, financial condition and results of operations could be materially and adversely affected.

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

The homebuilding industry is capital-intensive and requires significant up-front expenditures to acquire land parcels and begin development. Land acquisition, development and construction activities may be adversely affected by any shortage or increased cost of financing or the unwillingness of third parties to engage in partnerships, joint ventures or other alternative arrangements.

In addition to the financing provided by the senior unsecured notes, we currently have access to a senior secured revolving credit facility and a senior unsecured revolving credit facility. We cannot ensure that we will be able to extend the maturity of these credit facilities or arrange another facility on acceptable terms or at all.

Furthermore, in the future, we may seek additional capital in the form of equity or debt financing from a variety of potential sources, including additional bank financings and/or securities offerings. The availability of borrowed funds, especially for land acquisition and construction financing, may be greatly reduced nationally, and the lending community may require increased amounts of equity to be invested in a project by borrowers in connection with both new loans and the extension of existing loans. The credit and capital markets are subject to volatility. If we are required to seek additional financing to fund our operations, volatility in these markets may restrict our flexibility to access such financing. If we are not successful in obtaining sufficient capital to fund our planned capital and other expenditures, we may be unable to acquire land for our housing developments and/or to develop the housing. Any difficulty in obtaining sufficient capital for planned development expenditures could also cause project delays and any such delay could result in cost increases. Any one or more of the foregoing events could have a material adverse effect on our business, liquidity, financial condition and results of operations.

Our debt instruments contain limitations and restrictions that could prevent us from capitalizing on business opportunities and could adversely affect our growth.

Our revolving credit facilities and the terms of our senior unsecured notes impose certain restrictions on our and certain of our subsidiaries' operations and activities and require us to maintain certain financial covenants. The most significant restrictions relate to debt incurrence (including non-recourse indebtedness), creation of liens, repayment of certain indebtedness prior to its respective stated maturity, sales of assets, cash distributions, (including paying dividends), capital stock repurchases, and investments by us and certain of our subsidiaries. These restrictions may prevent us from capitalizing on business opportunities and could adversely affect our growth.

The restrictions in our debt instruments could prohibit or restrict our and certain of our subsidiaries' activities, such as undertaking capital raising or restructuring activities or entering into other transactions. In addition, if we fail to comply with these restrictions, an event of default could occur and our debt under these debt instruments could become due and payable prior to maturity. Any such event of default could lead to cross defaults under certain of our other debt or negatively impact other covenants. In any of these situations, we may be unable to amend the applicable instrument or obtain a waiver without significant additional cost, or at all. Any such situation could have a material adverse effect on our liquidity and financial condition.

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

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

Under various environmental laws, current or former owners of real estate may be required to investigate and clean up hazardous or toxic substances, and may be held liable to a governmental entity or to third parties for related damages, including for bodily injury, and for investigation and clean-up costs incurred by such parties in connection with the contamination.

A major health and safety incident relating to our business could be costly in terms of potential liabilities and reputational damage.

Building sites are inherently dangerous, and operating in the land development and homebuilding industries poses certain inherent health and safety risks. Due to health and safety regulatory requirements, health and safety performance is critical to the success of our business. Any failure in health and safety performance may result in penalties for non-compliance with relevant regulatory requirements, and a failure that results in a major or significant health and safety incident is likely to be costly in terms of potential liabilities incurred as a result. Such a failure could generate significant negative publicity and have a corresponding impact on our reputation, our relationships with relevant regulatory agencies or governmental authorities and our ability to attract employees, subcontractors and homebuyers, which in turn could have a material adverse effect on our business, financial condition and results of operations.

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

Residents of communities we develop rely on us to resolve issues or disputes that may arise in connection with the operation or development of their communities. Efforts made by us to resolve these issues or disputes could be deemed unsatisfactory by the affected residents and subsequent actions by these residents could adversely affect sales or our reputation.

In addition, we could be required to make material expenditures related to the settlement of such issues or disputes or to modify community development plans, which could adversely affect our results of operations.

Most of our potential homebuyers engage local real estate agents who are unaffiliated with us in connection with their search for a new home. If we do not maintain good relations with, and a good reputation among, these real estate agents, the agents may not encourage potential homebuyers to consider, or may actively discourage homebuyers from considering, our communities, which could adversely affect our results of operations.

Information technology failures and data security breaches could harm our business.

We use information technology and other computer resources to carry out operational and marketing activities, as well as to maintain our business records. As part of our normal business activities, we may collect and store certain confidential information, including information about employees, homebuyers, customers, vendors and suppliers and may share information with vendors who assist us with certain aspects of our business. Many of these resources are provided to us and/or maintained on our behalf by third-party service providers pursuant to agreements that specify certain security and service level standards. Our ability to conduct our business may be impaired if these resources are compromised, degraded, damaged or fail, whether due to a virus or other harmful circumstance, intentional penetration or disruption of our information technology resources by a third-party, natural disaster, hardware or software corruption or failure or error (including a failure of security controls incorporated into or applied to such hardware or software), telecommunications system failure, service provider error or failure, intentional or unintentional personnel actions (including the failure to follow our security protocols) or lost connectivity to networked resources.

Breaches of our data security systems, including by cyber-attacks, could result in the unintended public disclosure or the misappropriation of our proprietary information or personal and confidential information, about our employees, consumers who view our homes, homebuyers or business partners, requiring us to incur significant expense to address and resolve such issues. The release of confidential information may also lead to identity theft and related fraud, litigation or other proceedings against us by affected individuals and/or business partners and/or regulators, and the outcome of such proceedings, which could include penalties or fines, and any significant disruption of our business could have a material and adverse effect on our reputation and cause us to lose homebuyers, customers, sales and revenue. We maintain insurance coverage for potential breaches but the costs to remedy a breach may not be fully covered by our insurance. We provide employee awareness training of cybersecurity threats and utilize information technology security experts to assist us in our evaluations of the effectiveness of the security of our information technology systems, and we regularly enhance our security measures to protect our systems and data. We use various encryption, tokenization and authentication technologies to mitigate cybersecurity risks and have increased our monitoring capabilities to enhance early detection and rapid response to potential cyber threats.

Product liability claims and litigation and warranty claims that arise in the ordinary course of business may be costly, which could adversely affect our business.

As a homebuilder, we are subject to construction defect and home warranty claims arising in the ordinary course of business. These claims are common in the homebuilding industry and can be costly. In addition, the costs of insuring against construction defect and product liability claims are high. This coverage may be restricted and become more costly in the future. If the limits or coverages of our current and former insurance programs prove inadequate, or we are not able to obtain adequate, or reasonably priced, insurance against these types of claims in the future, or the amounts currently provided for future warranty or insurance claims are inadequate, we may experience losses that could negatively impact our financial results.

Our business is seasonal in nature, so our quarterly results of operations may fluctuate.

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

Additionally, weather-related problems may occur, delaying starts or closings or increasing costs and reducing profitability. In addition, delays in opening new communities or new sections of existing communities could have an adverse impact on home sales and revenues. Expenses are not incurred and recognized evenly throughout the year. Because of these factors, our quarterly results of operations may be uneven and may be marked by lower revenues and earnings in some quarters compared with others.

Shortages or extreme fluctuation in availability of natural resources and utilities could have an adverse effect on our operations.

The markets in which we operate may in the future be subject to utility or other resource shortages, including significant changes to the availability of electricity and water. Shortages of natural resources in our markets, particularly of water, may make it more difficult for us to obtain regulatory approval of new developments. We may experience material fluctuations in utility and resource costs across our markets, and we may incur additional costs and may not be able to complete construction on a timely basis if such fluctuations arise. Furthermore, these shortages and interest rate fluctuations may adversely affect the regional economies in which we operate, which may reduce demand for our homes, lots and construction loans and negatively affect our business and results of operations.

Our business and financial results could be adversely affected by the failure of persons who act on our behalf to comply with applicable regulations and guidelines.

Although we expect all of our employees, officers and directors to comply at all times with all applicable laws, rules and regulations, there may be instances in which subcontractors or others through whom we do business engage in practices that do not comply with applicable regulations or guidelines. Should we learn of practices relating to homes we build, lots we develop or financing we provide that do not comply with applicable regulations or guidelines, we would move actively to stop the non-complying practices as soon as possible and would take disciplinary action with regard to employees who were aware of the practices and did not take steps to address them, including in some instances terminating their employment. However, regardless of the steps we take after we learn of practices that do not comply with applicable regulations or guidelines, we can in some instances be subject to fines or other governmental penalties, and our reputation can be injured, due to the practices having taken place.

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

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

Products supplied to us and work done by subcontractors can expose us to risks that could adversely affect our business.

We rely on subcontractors to perform the actual construction of our homes, and, in some cases, to select and obtain building materials. Despite our detailed specifications and quality control procedures, in some cases, subcontractors may use improper construction processes or defective materials. Defective products widely used by the homebuilding industry can result in the need to perform extensive repairs to large numbers of homes. The cost of complying with our warranty obligations may be significant if we are unable to recover the cost of repairs from subcontractors, materials suppliers and insurers.

Laws and regulations governing the residential mortgage industry could have an adverse effect on our business and financial results.

In 2018, we established a joint venture, Green Brick Mortgage, to provide mortgage related services to homebuyers. The residential mortgage lending industry remains under intense scrutiny and is heavily regulated at the federal, state and local levels. Although we do not originate mortgages, we are directly or indirectly subject to certain of these regulations. Changes to existing laws or regulations or adoption of new laws or regulations could require our joint venture to incur significant compliance costs. A material failure to comply with any of these laws or regulations could result in the loss or suspension of required licenses or other approvals, the imposition of monetary penalties, and restitution awards or other relief. Any of these outcomes could have an adverse effect on our results of operations.

Risks Related to Ownership of Our Common Stock

The price of our common stock may continue to be volatile.

The trading price of our common stock is highly volatile and could be subject to future fluctuations in response to a number of factors beyond our control. In recent years the stock market has experienced significant price and volume fluctuations. These fluctuations may be unrelated to the operating performance of particular companies. These broad market fluctuations may cause declines in the market price of our common stock. The price of our common stock could fluctuate based upon factors that have little or nothing to do with our company or its performance, and those fluctuations could materially reduce our common stock price. If we fail to meet expectations related to future growth, profitability or other market expectations, our stock price may decline significantly, which could have a material adverse impact on investor confidence and our stock price.

Certain large stockholders own a significant percentage of our shares and exert significant influence over us. Their interests may not coincide with ours and they may make decisions with which we may disagree.

Greenlight Capital, Inc. and its affiliates ("Greenlight") and James R. Brickman own approximately 48% and 4%, respectively, of the voting power of the Company. These large stockholders, acting together, could determine substantially all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a sale or other change of control transaction. In addition, this concentration of ownership may delay or prevent a change in control of our company and make some transactions more difficult or impossible without the support of these stockholders. The interests of these stockholders may not always coincide with our interests as a company or the interests of other stockholders. Accordingly, these stockholders could cause us to enter into transactions or agreements that you would not approve or make decisions with which you may disagree.

We do not intend to pay dividends on our common stock for the foreseeable future.

We have not paid any dividends since our inception and do not anticipate paying any cash dividends on our common stock in the foreseeable future. Any payment of future dividends will be at the discretion of our Board of Directors ("BOD") and will depend upon, among other things, our earnings, financial condition, capital requirements, levels of indebtedness, statutory and contractual restrictions applying to the payment of dividends or contained in our financing instruments and other considerations that the BOD deems relevant. Investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize a return on their investment. Investors seeking cash dividends should not purchase our common stock.

Certain large stockholders' shares may be sold into the market in the future, which could cause the market price of our common stock to decrease significantly.

We believe that all or a significant portion of our common stock beneficially owned by Greenlight and Mr. Brickman are "restricted securities" within the meaning of the federal securities laws because they were acquired from us on a private, non-registered basis. We have entered into registration rights agreements with each of these parties, however, that gives these parties the right to require us to register the resale of their shares under certain circumstances. If these holders sell substantial amounts of these shares, the price of our common stock could decline. In addition, the sale of these shares could impair our ability to raise capital through the sale of additional equity securities.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease our principal executive office located at 2805 Dallas Parkway, Suite 400, Plano, Texas, 75093. Our homebuilding and title division offices are located in leased space in the markets where we conduct business. We believe that such properties are suitable and adequate to meet the needs of our businesses. Because of the nature of our homebuilding operations, we and our builders hold significant amounts of property as inventory in connection with our homebuilding business. We discuss these properties in the discussion of our homebuilding operations in Part I, Item 1 and Part II, Item 7 of this Annual Report on Form 10-K.

ITEM 3. LEGAL PROCEEDINGS

We are involved in various claims and litigation arising in the ordinary course of business. We do not believe that any such claims and litigation will have a material adverse effect upon our results of operations or financial position.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock trades on The Nasdaq Capital Market under the symbol "GRBK".

Holders of Record

On March 2, 2020, there were 27 stockholders of record of our common stock. We believe the number of beneficial owners of our common stock is substantially greater than the number of record holders because a large portion of our outstanding common stock is held of record in broker "street names" for the benefit of individual investors. As of March 2, 2020, there were 50,488,010 common shares outstanding.

Dividends

We have not paid any dividends since our inception and do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future. We currently anticipate that we will retain all of our available cash for general corporate purposes. Payment of future dividends, if any, will be at the discretion of our BOD and will depend on many factors, including general economic and business conditions, our strategic plans, our financial results and condition, legal requirements and other factors as our BOD deems relevant.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable to smaller reporting companies.

FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements concern expectations, beliefs, projections, plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. These forward-looking statements typically include the words "anticipate," "believe," "consider," "estimate," "expect," "forecast," "intend," "objective," "plan," "predict," "projection," "seek," "strategy," "target," "will" or other words of similar meaning. Some of them are opinions formed based upon general observations, anecdotal evidence and industry experience, but that are not supported by specific investigation or analysis. Forward-looking statements in this Annual Report include statements concerning our belief that we have ample liquidity; our goals and strategies and their anticipated benefits; our intentions and the expected benefits and advantages of our product and land positioning strategies; our exposure to supplier concentration risk; our delivery of substantially all of our backlog existing as of year end; our positions and our expected outcome relating to litigation in general; the sufficiency of our warranty accruals; our intentions to not pay dividends; expectations regarding our industry and our business into 2020 and beyond, the demand for and the pricing of our homes; our land and lot acquisition strategy and potential expansion into new markets; the availability of labor and materials for our operations; the sufficiency of our insurance coverage and warranty accruals; the sufficiency of our capital resources to support our business strategy; the sufficiency of our land pipeline; the impact of new accounting standards and changes in accounting estimates; trends and expectations regarding sales prices, sales orders, cancellations, construction costs, gross margins, land costs and profitability and future home inventories; our future cash needs; the impact of seasonality; and our future compliance with debt covenants.

These statements are necessarily subjective and involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements, or industry results, to differ materially from any future results, performance or achievements described in or implied by such statements. Actual results may differ materially from expected results described in our forward-looking statements, including with respect to correct measurement and identification of factors affecting our business or the extent of their likely impact, the accuracy and completeness of the publicly available information with respect to the factors upon which our business strategy is based or the success of our business. In addition, even if results are consistent with the forward-looking statements contained in this Annual Report on Form 10-K, those results may not be indicative of results or developments in subsequent periods. Furthermore, industry forecasts are likely to be inaccurate, especially over long periods of time and in industries particularly sensitive to market conditions such as land development, homebuilding and builder financing.

These forward-looking statements reflect our current views about future events and are subject to risks, uncertainties and assumptions. We wish to caution readers that certain important factors may have affected and could in the future affect our actual results and could cause actual results to differ significantly from what is anticipated by our forward-looking statements. The most important factors that could cause actual results to differ materially from those anticipated by our forward-looking statements include, but are not limited to: slowdowns in the real estate markets across the nation, including a slowdown in real estate markets in regions where we have significant homebuilding or multifamily development activities; increases in operating costs, including costs related to labor, construction materials, real estate taxes and insurance, which exceed our ability to increase prices; our inability to successfully execute our strategies; changes in general economic and financial conditions that reduce demand for our homes and finished lots, lower our profit margins or reduce our access to credit; our inability to acquire land at anticipated prices; the possibility that we will incur nonrecurring costs that affect earnings in one or more reporting periods; decreased demand for our homes and finished lots; increased competition for home sales from other sellers of new and resale homes; increases in mortgage interest rates or tightening of mortgage lending practices; a decline in the value of our inventories and resulting write-downs of the carrying value of our real estate assets; the failure of the controlled builders or third parties with whom we enter into joint ventures, partnerships or other strategic investments; participants in various joint ventures to honor their commitments; difficulty obtaining land-use entitlements or construction financing; natural disasters and other unforeseen events for which our insurance does not provide adequate coverage; new laws or regulatory changes that adversely affect the profitability of our businesses; our inability to refinance our debt as it matures on terms that are acceptable to us; and changes in accounting standards that adversely affect our reported earnings or financial condition.

Please see "Risk Factors" located in Part I, Item 1A in this Annual Report on Form 10-K for a further discussion of these and other risks and uncertainties which could affect our future results. We undertake no obligation to revise any forward-looking statements to reflect events or circumstances after the date of those statements or to reflect the occurrence of anticipated or unanticipated events, except to the extent we are legally required to disclose certain matters in SEC filings or otherwise.

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

For business overview and developments during the year ended December 31, 2019, refer to Part I, Item 1 of this Annual Report on Form 10-K.

Overview and Outlook

Our key financial and operating metrics are home deliveries, home closings revenue, average sales price of homes delivered, and net new home orders, which refers to sales contracts executed reduced by the number of sales contracts canceled during the relevant period. During the year ended December 31, 2019 as compared to the year ended December 31, 2018:

- Home deliveries increased by 33.6%
- Home closings revenue increased by 31.7%
- Average sales price of homes delivered decreased by 1.4%
- Net new home orders increased by 37.7%

From December 2018 to December 2019, homes in the Dallas and Atlanta markets appreciated by 2.6% and 4.1%, respectively (Source: S&P Dow Jones Indices & CoreLogic, December 2019). We believe that we operate in two of the most desirable housing markets in the nation. Among the 12 largest metropolitan areas in the country, the Dallas area ranked first and the Atlanta area ranked fifth in the annual rate of job growth from November 2018 to November 2019 (Source: US Bureau of Labor Statistics, November 2019). We believe that increasing demand and supply constraints in our target markets create favorable conditions for our future growth.

Results of Operations

Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018

Residential Units Revenue and New Homes Delivered

The table below represents residential units revenue and new homes delivered for the years ended December 31, 2019 and December 31, 2018 (dollars in thousands):

	Years Ended December 31,			
	2019	2018	Change	%
Home closings revenue	$ 752,273	$ 571,177	$ 181,096	31.7%
Mechanic's lien contracts revenue	7,557	7,716	(159)	(2.1)%
Residential units revenue	$ 759,830	$ 578,893	$ 180,937	31.3%
New homes delivered	1,719	1,287	432	33.6%
Average sales price of homes delivered	$ 437.6	$ 443.8	$ (6.2)	(1.4)%

The $180.9 million increase in residential units revenue was driven by the 33.6% increase in the number of homes delivered, which was primarily due to an organic increase in the number of active selling communities during the year ended December 31, 2019, as well as the acquisition of GRBK GHO in April 2018. The 1.4% decline in the average sales price of homes delivered for the year ended December 31, 2019 was attributable to a change in product mix.

New Home Orders and Backlog

The table below represents new home orders and backlog related to our builder operations segments, excluding mechanic's liens contracts (dollars in thousands):

	Years Ended December 31,			
	2019	2018	Change	%
Net new home orders	1,923	1,397	526	37.7%
Cancellation rate	12.9%	14.9%	(2.0)%	(13.4)%
Absorption rate per average active selling community per quarter	5.6	5.3	0.3	5.7%
Average active selling communities	86	66	20	30.3%
Active selling communities at end of period	95	76	19	25.0%
Backlog	$ 346,828	$ 264,275	$ 82,553	31.2%
Backlog (units)	786	582	204	35.1%
Average sales price of backlog	$ 441.3	$ 454.1	$ (12.8)	(2.8)%

Backlog refers to homes under sales contracts that have not yet closed at the end of the relevant period, and absorption rate refers to the rate at which net new home orders are contracted per average active selling community during the relevant period. Upon a cancellation, the escrow deposit may be returned to the prospective purchaser. Accordingly, backlog may not be indicative of our future revenue.

Our cancellation rate, which refers to sales contracts canceled divided by sales contracts executed during the relevant period, was 12.9% for the year ended December 31, 2019, compared to 14.9% for the year ended December 31, 2018. Sales contracts relating to homes in backlog may be canceled by the prospective purchaser for a number of reasons, such as the prospective purchaser's inability to obtain suitable mortgage financing. Upon a cancellation, the escrow deposit may be returned to the prospective purchaser. Accordingly, backlog may not be indicative of our future revenue. Management believes a cancellation rate in the range of 15% to 20% is representative of an industry average cancellation rate. Our cancellation rate is on the lower end of the industry average, which we believe is due to our target buyer demographics which generally have not included a significant amount of the first time homebuyers through December 31, 2019.

Residential Units Gross Margin

The table below represents the components of residential units gross margin (dollars in thousands):

	Years Ended December 31,			
	2019		2018	
Home closings revenue	$ 752,273	100.0%	$ 571,177	100.0%
Cost of homebuilding units	591,321	78.6%	427,164	74.8%
Homebuilding gross margin	$ 160,952	21.4%	$ 144,013	25.2%
Mechanic's lien contracts revenue	$ 7,557	100.0%	$ 7,716	100.0%
Cost of mechanic's lien contracts	6,563	86.8%	6,115	79.3%
Mechanic's lien contracts gross margin	$ 994	13.2%	$ 1,601	20.7%
Residential units revenue	$ 759,830	100.0%	$ 578,893	100.0%
Cost of residential units	597,884	78.7%	433,279	74.8%
Residential units gross margin	$ 161,946	21.3%	$ 145,614	25.2%

Beginning in the first quarter of 2019, the Company reclassified its sales commission expenses from cost of residential units to selling, general and administrative expense in the consolidated statements of income in order to be more comparable with a majority of its peers. Sales commission expenses represented 4.2% and 4.1% of the residential units revenue for the years ended December 31, 2019 and 2018, respectively. Prior period amounts have been reclassified to conform to the current period presentation.

Cost of residential units for the year ended December 31, 2019 increased by $164.6 million, or 38.0%, compared to the year ended December 31, 2018, primarily due to the 33.6% increase in the number of new homes delivered, a change in mix of homes delivered, and a decrease in the number of homes built on self-developed lots.

Residential units gross margin for the year ended December 31, 2019 decreased to 21.3%, compared to 25.2% for the year ended December 31, 2018 primarily because of lower initial prices on new communities opened and increases in sales incentives to customers. Such sales incentives have contributed to an overall 31.3% increase in residential units revenue for the year ended December 31, 2019 compared to the year ended December 31, 2018.

Land and Lots Revenue

The table below represents lots closed and land and lots revenue (dollars in thousands):

	Years Ended December 31,			
	2019	2018	Change	%
Lots revenue	$ 31,820	$ 35,074	$ (3,254)	(9.3)%
Land revenue	10	9,680	(9,670)	(99.9)%
Land and lots revenue	$ 31,830	$ 44,754	$ (12,924)	(28.9)%
Lots closed	211	239	(28)	(11.7)%
Average sales price of lots closed	$ 150.8	$ 146.8	$ 4.0	2.7 %

The 9.3% decrease in lots revenue was driven by the 11.7% decrease in the number of lots closed, which was due to us retaining more lots for our builders, partially offset by the 2.7% increase in the average lot price. The decrease in land revenue is due to the lower volume of land sold during the year ended December 31, 2019 compared to the year ended December 31, 2018.

Selling, General and Administrative Expense

The table below represents the components of selling, general and administrative expense (dollars in thousands):

	Years Ended December 31,		As Percentage of Segment Revenue	
	2019	2018	2019	2018
Builder operations	$ 94,520	$ 73,037	12.4%	12.5%
Land development	1,730	3,147	5.6%	7.9%
Corporate, other and unallocated	2,409	4,518	—%	—%
Total selling, general and administrative expense	$ 98,659	$ 80,702	12.5%	12.9%

The 0.4% decrease of total selling, general and administrative expense as a percentage of revenue was driven by an increase in expenditures to support the growth in home sales, more than offset by an increase in revenues and in capitalized overhead adjustments.

Builder Operations

Selling, general and administrative expense as a percentage of revenue for builder operations remained relatively flat. Builder operations expenditures include salary expenses, sales commissions, and community costs such as advertising and marketing expenses, rent, professional fees, and non-capitalized property taxes.

Land Development

The 2.3% decrease in selling, general and administrative expense as a percentage of revenue for land development was primarily driven by an increase in capitalized property taxes during the year ended December 31, 2019 compared to the year ended December 31, 2018.

Corporate, Other and Unallocated

Selling, general and administrative expense for the corporate, other and unallocated non-operating segment for the year ended December 31, 2019 was $2.4 million, compared to $4.5 million for the year ended December 31, 2018, the decrease driven primarily by transaction expenses related to a public secondary offering of the Company’s shares in 2018 and an increase in capitalized overhead adjustments that are not allocated to builder operations and land development segments.

Equity in Income of Unconsolidated Entities

Equity in income of unconsolidated entities increased to $9.8 million, or 35.1%, for the year ended December 31, 2019, compared to $7.3 million for the year ended December 31, 2018, primarily due to an increase in earnings from GB Challenger, LLC and the formation of Green Brick Mortgage.

Other Income, Net

Other income, net, increased to $9.0 million for the year ended December 31, 2019, compared to $2.6 million for the year ended December 31, 2018. The increase was primarily due to approximately $5.0 million in forfeited deposit monies on the sale of finished lots and an increase in title closing and settlement services.

Income Tax Expense

Income tax expense increased to $20.0 million for the year ended December 31, 2019 from $17.1 million for the year ended December 31, 2018, driven by the increase in the projected effective tax rate, which was primarily attributable to the decrease in tax benefits related to noncontrolling interests and an increase in state income taxes.

As of December 31, 2019, all federal net operating loss carryforwards were fully utilized.

During the year ended December 31, 2019, the Company decided to write off its gross state net operating loss carryforwards in Minnesota of $13.7 million, as well as the related deferred tax asset and valuation allowance. Management believes on a more-likely-than-not basis that the Minnesota net operating loss carryforwards would not have been utilized.

Year Ended December 31, 2018 Compared to the Year Ended December 31, 2017

For discussion and analysis of the Company’s results of operations for the year ended December 31, 2018 as well as for comparison to the Company’s results of operations for the year ended December 31, 2017, refer to Item 7 of Part II of the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

Lots Owned and Controlled

The following table presents the lots we owned or controlled, including lot option contracts, as of December 31, 2019 and December 31, 2018. Owned lots are those for which we hold title, while controlled lots are lots past feasibility studies for which we do not hold title but have the contractual right to acquire title.

	December 31, 2019	December 31, 2018
Lots owned		
Central	4,223	4,447
Southeast	2,196	1,788
Total lots owned	6,419	6,235
Lots controlled		
Central	1,410	853
Southeast	1,147	990
Total lots controlled	2,557	1,843
Total lots owned and controlled (1)	8,976	8,078
Percentage of lots owned	71.5%	77.2%

(1) Total lots excludes lots with homes under construction.

The increase in the number of lots controlled is related to the formation of Trophy in Dallas in September 2018.

Liquidity and Capital Resources Overview

As of December 31, 2019 and December 31, 2018, we had $33.3 million and $38.3 million of unrestricted cash, respectively. Management believes that we have a prudent cash management strategy, including consideration of cash outlays for land and lot acquisition and development. We intend to generate and redeploy net cash from the sale of inventory to acquire and develop land and lots that represent opportunities to generate desired margins. We may also use cash to make additional investments in business acquisitions, joint ventures, or other strategic activities.

Our principal uses of capital for the year ended December 31, 2019 were home construction, land purchases, land development, operating expenses, and payment of routine liabilities. We used funds generated by operations and available borrowings to meet our short-term working capital requirements. We remain focused on generating positive margins in our builder operations segments and acquiring desirable land positions in order to maintain a strong balance sheet and remain poised for continued growth.

Cash flows for each of our communities depend on the community's stage in the development cycle and can differ substantially from reported earnings. Early stages of development or expansion require significant cash outlays for land acquisitions, entitlements and other approvals, roads, utilities, general landscaping and other amenities. These costs are a component of our inventory and are not recognized in our statement of income until a home closes. In the later stages of community development, cash inflows may significantly exceed earnings reported for financial statement purposes, as the cash outflows associated with home construction and land development previously occurred.

Our debt to total capitalization ratio, which is calculated as the sum of borrowings on lines of credit and the senior unsecured notes, net of debt issuance costs, divided by the total Green Brick Partners, Inc. stockholders' equity, was approximately 31.3% as of December 31, 2019. It is our intent to prudently employ leverage to continue to invest in our land acquisition, development and homebuilding businesses. We target a debt to total capitalization ratio of approximately 30% to 35%, which we expect will continue to provide us with significant additional growth capital.

The Company's key sources of liquidity were funds generated by operations and provided by lines of credit and issuance of senior unsecured notes during the year ended December 31, 2019. Borrowings on lines of credit outstanding, net of debt issuance costs, as of December 31, 2019 and December 31, 2018 consisted of the following (in thousands):

	December 31, 2019	December 31, 2018
Secured revolving credit facility	$ 38,000	$ 46,500
Unsecured revolving credit facility	128,000	155,500
Debt issuance costs, net of amortization	(1,358)	(1,614)
Total borrowings on lines of credit, net	$ 164,642	$ 200,386

Borrowings on the secured revolving credit facility have a maturity date of May 1, 2022 and bear interest at a floating rate per annum equal to the rate announced by Bank of America, N.A. as its "Prime Rate" less 0.25%. Notwithstanding the foregoing, the interest may not, at any time, be less than 4% per annum or more than the lesser amount of 18% and the highest maximum rate allowed by applicable law. As of December 31, 2019, the interest rate on outstanding borrowings under the secured revolving credit facility was 4.50% per annum.

Borrowings on the unsecured revolving credit facility have a maturity date of December 14, 2021 for $17.9 million and December 14, 2022 for $110.1 million, respectively, and bear interest at a floating rate equal to either (a) for base rate advances, the highest of (1) the lender's base rate, (2) the federal funds rate plus 0.5% and (3) the one-month LIBOR plus 1.0%, in each case plus 1.5%; or (b) in the case of Eurodollar rate advances, the reserve adjusted LIBOR plus 2.5%. As of December 31, 2019, the interest rates on outstanding borrowings under the unsecured revolving credit facility ranged from 4.25% to 4.30% per annum.

Senior unsecured notes, net of debt issuance costs, were $73.4 million and $0.0 million as of December 31, 2019 and December 31, 2018, respectively. Principal on the senior unsecured notes is required to be paid in increments of $12.5 million on August 8, 2024 and $12.5 million on August 8, 2025. The final principal payment of $50.0 million is due on August 8, 2026. Optional prepayment is allowed with payment of a "make-whole" premium which fluctuates depending on market interest rates. Interest, which accrues at a fixed rate of 4.00% per annum, is payable quarterly in arrears commencing November 8, 2019.

For more detailed information on the Company's lines of credit, refer to Note 7 to the Consolidated Financial Statements located in Part II, Item 8 of this Annual Report on Form 10-K.

Cash Flows

The following summarizes our primary sources and uses of cash for the year ended December 31, 2019 as compared to the year ended December 31, 2018:

- *Operating activities.* Net cash used in operating activities for the year ended December 31, 2019 was $22.1 million, compared to $39.5 million during the year ended December 31, 2018. The net cash outflows for the year ended December 31, 2019 were primarily driven by an increase in inventory of $84.0 million, a decrease in customer and builder deposits of $8.0 million, a decrease in accrued expenses of $4.4 million, an increase in other assets of $1.5 million, and a $1.3 million payment of contingent consideration related to the acquisition of GRBK GHO in excess of acquisition date fair value, partially offset by $71.0 million of cash generated from business operations, a $4.0 million increase in accounts payable and a $2.1 million decrease in earnest money deposits.

- *Investing activities.* Net cash used in investing activities for the year ended December 31, 2019 decreased to $7.9 million compared to $30.8 million for the year ended December 31, 2018. The $23.0 million decrease in cash outflows was primarily attributable to the acquisition of GRBK GHO during the year ended December 31, 2018, partially offset by the $5.3 million investment in EJB River Holdings joint venture during the year ended December 31, 2019.

- *Financing activities.* Net cash provided by financing activities for the year ended December 31, 2019 was $25.9 million, compared to $71.8 million during the year ended December 31, 2018. The cash inflows for the year ended December 31, 2019 were primarily due to borrowings on lines of credit of $224.0 million and borrowings from senior unsecured notes of $75.0 million, partially offset by $260.0 million of repayments of lines of credit and $11.5 million of distributions to noncontrolling interests partners.

For discussion and analysis of the Company’s cash flows for the year ended December 31, 2018 as well as for comparison to the Company’s cash flows for the year ended December 31, 2017, refer to Item 7 of Part II of the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

Off-Balance Sheet Arrangements

Land and Lot Option Contracts

In the ordinary course of business, we enter into land purchase contracts with third-party developers in order to procure lots for the construction of our homes in the future. We are subject to customary obligations associated with such contracts. These purchase contracts typically require an earnest money deposit, and the purchase of properties under these contracts is generally contingent upon satisfaction of certain requirements, including obtaining applicable property and development entitlements.

We also utilize option contracts with lot sellers as a method of acquiring lots in staged takedowns, which are the schedules that dictate when lots must be purchased to help manage the financial and market risk associated with land holdings, and to reduce the use of funds from our corporate financing sources. Lot option contracts generally require us to pay a non-refundable deposit for the right to acquire lots over a specified period of time at pre-determined prices which typically include escalations in lot prices over time.

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

We generally have the right, at our discretion, to terminate our obligations under both purchase contracts and option contracts by forfeiting the earnest money deposit with no further financial responsibility to the land seller. As of December 31, 2019, the Company had earnest money deposits of $17.3 million at risk associated with contracts to purchase 2,557 lots past feasibility studies with an aggregate purchase price of approximately $189.8 million.

Deposits and pre-acquisition costs written off related to option contracts abandoned totaled $0.9 million, $0.7 million and $0.2 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Letters of Credit and Performance Bonds

Refer to Note 17 in the accompanying Notes to the consolidated financial statements included in this Annual Report on Form 10-K for details of letters of credit and performance bonds outstanding.

Guarantee

Refer to Note 3 in the accompanying Notes to the consolidated financial statements included in this Annual Report on Form 10-K for details of our guarantee in relation to EJB River Holdings joint venture.

Critical Accounting Policies

The preparation of financial statements in accordance with United States generally accepted accounting principles (“GAAP”) requires management to use judgment and make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, costs and expenses during the reporting period. Management bases estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances. Actual results may differ from estimates under different assumptions or conditions. Management believes that the following accounting area is most critical to the portrayal of our financial condition and results of operations and requires the most subjective or complex judgments.

Impairment of Inventory

The Company values inventory at cost unless the carrying value is determined to be not recoverable in which case the affected inventory is written down to fair value. In accordance with ASC 360, *Property, Plant, and Equipment* (“ASC 360”), we evaluate our inventory for indicators of impairment by individual community and development during each reporting period.

For our builder operations segments, management reviews community gross margins, levels of completed speculative home units, quantities of lots not started, and community outlook factors. In the event that this review suggests higher potential for losses at a specific community, the Company monitors such communities by adding them to its “watchlist” communities, and, when an impairment indicator is present, further analysis is performed.

For our land development segment, we perform a quarterly review for indicators of impairment for each project which involves projecting future lot closings based on executed contracts and comparing these anticipated revenues to projected costs. In determining the allocation of costs to a particular land parcel, we rely on project budgets which are based on a variety of assumptions, including assumptions about development schedules and future costs to be incurred. It is common that actual results differ from budgeted amounts for various reasons, including delays, changes in costs that have not been committed, unforeseen issues encountered during project development that fall outside the scope of existing contracts, or items that ultimately cost more or less than the budgeted amount. We apply procedures to maintain best estimates in our budgets, including assessing and revising project budgets on a periodic basis, obtaining commitments from subcontractors and vendors for future costs to be incurred and utilizing the most recent information available to estimate costs.

For each real estate asset that has an indicator of impairment, we analyze whether the estimated remaining undiscounted future cash flows are more or less than the asset’s carrying value. The estimated cash flows are determined by projecting the remaining revenue from closings based on the contractual lot takedowns remaining or historical and projected home sales or delivery absorptions for homebuilding operations and then comparing such projections to the remaining projected expenditures for development or home construction. Remaining projected expenditures are based on the most current pricing/bids received from subcontractors for current phases or homes under development. For future phases of land development, management uses its judgment to project potential cost increases. When projecting revenue, management does not assume improvement in market conditions.

If the estimated undiscounted cash flows are less than the asset’s carrying value, the asset is deemed impaired and will be written down to fair value less associated costs to sell. These impairment evaluations require us to make estimates and assumptions regarding future conditions, including the timing and amounts of development costs and sales prices of real estate assets, to determine if expected future cash flows will be sufficient to recover the asset’s carrying value.

Fair value is determined based on estimated future cash flows discounted for inherent risks associated with real estate assets. These discounted cash flows are impacted by expected risk based on estimated land development activities, construction and delivery timelines, market risk of price erosion, uncertainty of development or construction cost increases, and other risks specific to the asset or market conditions where the asset is located when the assessment is made. These factors are specific to each community and may vary among communities.

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

Many assumptions are interdependent and a change in one may require a corresponding change to other assumptions. For example, increasing or decreasing sales absorption rates has a direct impact on the estimated per unit sales price of a home, the level of time-sensitive costs (such as indirect construction, overhead and carrying costs), and selling and marketing costs (such as model home maintenance costs and advertising costs). Due to uncertainties in the estimation process, the volatility in demand for new housing and the long life cycle of many communities, actual results could differ significantly from such estimates.

Refer to Note 1 to our consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K for further description of the Company’s significant accounting policies.

Recent Accounting Pronouncements

See Note 1 to our consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K for recent accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Green Brick Partners, Inc.

Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of Green Brick Partners, Inc. and its subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated March 6, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion
These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ RSM US LLP

We have served as the Company's auditor since 2016.

Dallas, Texas
March 6, 2020

GREEN BRICK PARTNERS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	As of December 31,	
	2019	**2018**
ASSETS		
Cash	$ 33,269	$ 38,315
Restricted cash	4,416	3,440
Receivables	4,720	4,842
Inventory	753,567	668,961
Investments in unconsolidated entities	30,294	20,269
Right-of-use assets - operating leases	3,462	—
Property and equipment, net	4,309	4,690
Earnest money deposits	14,686	16,793
Deferred income tax assets, net	15,262	16,499
Intangible assets, net	707	856
Goodwill	680	680
Other assets	10,167	8,681
Total assets	$ 875,539	$ 784,026
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable	$ 30,044	$ 26,091
Accrued expenses	24,656	29,201
Customer and builder deposits	23,954	31,978
Lease liabilities - operating leases	3,564	—
Borrowings on lines of credit, net	164,642	200,386
Senior unsecured notes, net	73,406	—
Contingent consideration	5,267	2,207
Total liabilities	325,533	289,863
Commitments and contingencies		
Redeemable noncontrolling interest in equity of consolidated subsidiary	13,611	8,531
Equity:		
Green Brick Partners, Inc. stockholders’ equity		
Preferred stock, $0.01 par value: 5,000,000 shares authorized; none issued and outstanding	—	—
Common stock, $0.01 par value: 100,000,000 shares authorized; 50,879,949 and 50,719,884 issued and 50,488,010 and 50,583,128 outstanding as of December 31, 2019 and December 31, 2018, respectively	509	507
Treasury stock, at cost, 391,939 and 136,756 shares as of December 31, 2019 and December 31, 2018, respectively	(3,167)	(981)
Additional paid-in capital	290,799	291,299
Retained earnings	235,027	177,526
Total Green Brick Partners, Inc. stockholders’ equity	523,168	468,351
Noncontrolling interests	13,227	17,281
Total equity	536,395	485,632
Total liabilities and equity	$ 875,539	$ 784,026

The accompanying notes are an integral part of these consolidated financial statements.

GREEN BRICK PARTNERS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	Years Ended December 31,		
	2019	2018	2017
Residential units revenue	$ 759,830	$ 578,893	$ 439,520
Land and lots revenue	31,830	44,754	18,730
Total revenues	791,660	623,647	458,250
Cost of residential units	597,884	433,279	325,934
Cost of land and lots	24,694	36,166	13,856
Total cost of revenues	622,578	469,445	339,790
Total gross profit	169,082	154,202	118,460
Selling, general and administrative expense	98,659	80,702	58,442
Change in fair value of contingent consideration	4,906	1,693	—
Equity in income of unconsolidated entities	9,809	7,259	2,746
Other income, net	9,003	2,605	1,473
Income before income taxes	84,329	81,671	64,237
Income tax expense	20,027	17,136	39,031
Net income	64,302	64,535	25,206
Less: Net income attributable to noncontrolling interests	5,646	12,912	10,236
Net income attributable to Green Brick Partners, Inc.	$ 58,656	$ 51,623	$ 14,970
Net income attributable to Green Brick Partners, Inc. per common share:			
Basic	$1.16	$1.02	$0.30
Diluted	$1.16	$1.02	$0.30
Weighted average common shares used in the calculation of net income attributable to Green Brick Partners, Inc. per common share:			
Basic	50,530	50,652	49,597
Diluted	50,636	50,751	49,683

The accompanying notes are an integral part of these consolidated financial statements.

GREEN BRICK PARTNERS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands, except share data)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Total Green Brick Partners, Inc. Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance at December 31, 2016	48,955,909	$ 490	—	$ —	$ 273,149	$ 110,933	$ 384,572	$ 16,913	$ 401,485
Share-based compensation	—	—	—	—	289	—	289	—	289
Issuance of common stock under 2014 Omnibus Equity Incentive Plan	229,049	2	—	—	1,924	—	1,926	—	1,926
Withholdings from vesting of restricted stock awards	(63,057)	(1)	—	—	(585)	—	(586)	—	(586)
Amortization of deferred share-based compensation	—	—	—	—	356	—	356	—	356
Common stock issued in connection with the investment in Challenger	1,477,000	15	—	—	14,607	—	14,622	—	14,622
Common stock issuable in connection with the investment in Challenger	—	—	—	—	198	—	198	—	198
Contributions	—	—	—	—	—	—	—	438	438
Distributions	—	—	—	—	—	—	—	(10,896)	(10,896)
Net income	—	—	—	—	—	14,970	14,970	10,236	25,206
Balance at December 31, 2017	50,598,901	$ 506	—	$ —	$ 289,938	$ 125,903	$ 416,347	$ 16,691	$ 433,038
Share-based compensation	—	—	—	—	288	—	288	—	288
Issuance of common stock under 2014 Omnibus Equity Incentive Plan	140,211	1	—	—	1,081	—	1,082	—	1,082
Withholdings from vesting of restricted stock awards	(39,228)	—	—	—	(412)	—	(412)	—	(412)
Amortization of deferred share-based compensation	—	—	—	—	404	—	404	—	404
Common stock issued in connection with the investment in Challenger	20,000	—	—	—	—	—	—	—	—
Stock repurchases	—	—	(136,756)	(981)	—	—	(981)	—	(981)
Contributions	—	—	—	—	—	—	—	5	5
Distributions	—	—	—	—	—	—	—	(10,747)	(10,747)
Net income	—	—	—	—	—	51,623	51,623	11,332	62,955
Balance at December 31, 2018	50,719,884	$ 507	(136,756)	$ (981)	$ 291,299	$ 177,526	$ 468,351	$ 17,281	$ 485,632

GREEN BRICK PARTNERS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands, except share data)

	Common Stock		Treasury Stock						
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Total Green Brick Partners, Inc. Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
Balance at December 31, 2018	50,719,884	$ 507	(136,756)	$ (981)	$ 291,299	$ 177,526	$ 468,351	$ 17,281	$ 485,632
Share-based compensation	—	—	—	—	236	—	236	—	236
Issuance of common stock under 2014 Omnibus Equity Incentive Plan	219,181	3	—	—	1,463	—	1,466	—	1,466
Withholdings from vesting of restricted stock awards	(59,116)	(1)	—	—	(543)	—	(544)	—	(544)
Amortization of deferred share-based compensation	—	—	—	—	489	—	489	—	489
Stock repurchases	—	—	(255,183)	(2,186)	—	—	(2,186)	—	(2,186)
Accretion of redeemable noncontrolling interest	—	—	—	—	(2,145)	—	(2,145)	—	(2,145)
Increase in ownership in Southgate Homes	—	—	—	—	—	(891)	(891)	891	—
Increase in ownership in Centre Living Homes	—	—	—	—	—	(264)	(264)	264	—
Contributions	—	—	—	—	—	—	—	3,600	3,600
Distributions	—	—	—	—	—	—	—	(10,993)	(10,993)
Net income	—	—	—	—	—	58,656	58,656	2,184	60,840
Balance at December 31, 2019	50,879,949	$ 509	(391,939)	$ (3,167)	$ 290,799	$ 235,027	$ 523,168	$ 13,227	$ 536,395

The accompanying notes are an integral part of these consolidated financial statements.

GREEN BRICK PARTNERS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31,		
	2019	2018	2017
Cash flows from operating activities:			
Net income	$ 64,302	$ 64,535	$ 25,206
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization expense	3,079	2,943	325
Share-based compensation expense	2,191	1,774	2,571
Change in fair value of contingent consideration	4,906	1,693	—
Deferred income taxes, net	1,237	14,712	36,299
Equity in income of unconsolidated entities	(9,809)	(7,259)	(2,746)
Distributions of income from unconsolidated entities	5,084	4,623	974
Changes in operating assets and liabilities:			
Decrease (increase) in receivables	122	(3,029)	843
Increase in inventory	(83,970)	(129,291)	(95,452)
Decrease (increase) in earnest money deposits	2,107	2,119	(3,097)
Increase in other assets	(1,525)	(2,741)	(1,701)
Increase (decrease) in accounts payable	3,953	(483)	7,241
(Decrease) increase in accrued expenses	(4,384)	9,470	4,175
Payment of contingent consideration in excess of acquisition date fair value	(1,332)	—	—
(Decrease) increase in customer and builder deposits	(8,024)	1,458	7,359
Net cash used in operating activities	(22,063)	(39,476)	(18,003)
Cash flows from investing activities:			
Business combination, net of acquired cash	—	(26,861)	—
Investments in unconsolidated entities	(5,300)	(755)	(286)
Purchase of property and equipment	(2,569)	(3,211)	(149)
Net cash used in investing activities	(7,869)	(30,827)	(435)
Cash flows from financing activities:			
Borrowings from lines of credit	224,000	165,000	88,500
Borrowings from senior unsecured notes	75,000	—	—
Payments of debt issuance costs	(1,974)	(870)	(809)
Repayments of lines of credit	(260,000)	(70,000)	(56,500)
Repayments of notes payable	—	(10,226)	(1,022)
Payment of contingent consideration	(514)	—	—
Payments of withholding tax on vesting of restricted stock awards	(544)	(412)	(586)
Stock repurchases	(2,186)	(981)	—
Contributions from noncontrolling interests	3,600	5	438
Distributions to noncontrolling interests	(10,993)	(10,747)	(10,896)
Distributions to redeemable noncontrolling interest	(527)	—	—
Net cash provided by financing activities	25,862	71,769	19,125
Net (decrease) increase in cash and restricted cash	(4,070)	1,466	687
Cash, beginning of period	38,315	36,684	35,157
Restricted cash, beginning of period	3,440	3,605	4,445
Cash and restricted cash, beginning of period	$ 41,755	$ 40,289	$ 39,602
Cash, end of period	33,269	38,315	36,684
Restricted cash, end of period	4,416	3,440	3,605
Cash and restricted cash, end of period	$ 37,685	$ 41,755	$ 40,289

GREEN BRICK PARTNERS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

Supplemental disclosure of cash flow information:						
Cash paid for interest, net of capitalized interest	$	—	$	—	$	—
Cash paid for income taxes, net of refunds	$	14,313	$	4,611	$	2,941
Supplemental disclosure of noncash investing and financing activities:						
Equity issuance related to investment in unconsolidated entity	$	—	$	—	$	14,622

The accompanying notes are an integral part of these consolidated financial statements.

GREEN BRICK PARTNERS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP") as set forth in the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") and applicable regulations of the Securities and Exchange Commission ("SEC").

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Green Brick Partners, Inc., its controlled subsidiaries, and variable interest entities in which Green Brick Partners, Inc. or one of its controlled subsidiaries is deemed to be the primary beneficiary (together, the "Company", "we", or "Green Brick").

The Company evaluated its wholly-owned subsidiaries and controlled builders under ASC 810, *Consolidation* ("ASC 810") and concluded that each controlled builder is a variable interest entity ("VIE"). The Company owns a 50% percent equity interest and a 51% voting interest in each controlled builder. In addition, the Company appoints two of the three board managers of each controlled builder and is able to exercise control over the operations of each controlled builder. The Company accounts for its controlled builders under the variable interest model and is the primary beneficiary of each controlled builder in accordance with ASC 810.

All intercompany balances and transactions have been eliminated in consolidation.

The Company uses the equity method of accounting for its investments in unconsolidated entities over which it exercises significant influence but does not have a controlling interest. Under the equity method, the Company's share of the unconsolidated entities' earnings or losses is included in the consolidated statements of income.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management of the Company to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes, including the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation.

Beginning in the first quarter of 2019, the Company reclassified its sales commission expenses from cost of residential units to selling, general and administrative expense in the consolidated statements of income in order to be more comparable with a majority of its peers. There was no impact on net income from the reclassification in any period.

Cash

The cash balances of the Company are held with multiple financial institutions. At times, cash balances at certain banks and financial institutions may exceed insurable amounts. The Company believes it mitigates this risk by monitoring the financial stability of institutions holding material cash balances. The Company has not experienced any losses in such accounts and believes that the risk of loss is minimal.

Restricted Cash

Restricted cash primarily relates to cash held in escrow for sales of developed lots to third parties and customer deposits from homebuyers.

Receivables

Receivables consist of amounts collectible from manufacturing rebates earned by our homebuilders during the normal course of business, amounts collectible from third-party escrow agents related to closings on land, lots and homes, amounts collectible related to mechanic's lien contracts, as well as income tax receivables. As of December 31, 2019 and 2018, all amounts are considered fully collectible and no allowance for doubtful accounts is recorded. Any allowance for doubtful accounts is estimated based on our historical losses, the existing economic conditions, and the financial stability of our customers. Receivables are written off in the period that they are deemed uncollectible.

Inventory and Cost of Revenues

Inventory consists of undeveloped land, raw land scheduled for development, land in the process of development, land held for sale, developed lots, homes completed and under construction, and model homes. Inventory is valued at cost unless the carrying value is determined to be not recoverable in which case the affected inventory is written down to fair value. Cost includes any related pre-acquisition costs that are directly identifiable with a specific property so long as those pre-acquisition costs are anticipated to be recoverable at the sale of the property.

Residential lots held for sale and lots held for development include the initial cost of acquiring the land as well as certain costs capitalized related to developing the land into individual residential lots including direct overhead, interest and real estate taxes.

Land development and other project costs, including direct overhead, interest and property taxes incurred during development and home construction, are capitalized. Land development and other common costs that benefit an entire community are allocated to individual lots or homes based on relative sales value. The costs of completed lots are transferred to work in process when home construction begins. Home construction costs and related carrying charges (principally interest and real estate taxes) are allocated to the cost of individual homes.

Inventory costs for completed homes are expensed upon closing and delivery of the homes. Changes to estimated total land development costs subsequent to initial home closings in a community are generally allocated to the unclosed homes and lots in the community on a pro-rata basis. The life cycle of a community generally ranges from 2 to 6 years, commencing with the acquisition of land, continuing through the land development phase, construction, and concluding with the sale and delivery of homes. We recognize costs as incurred on our mechanic's lien contracts.

Impairment of Inventory

In accordance with ASC 360, *Property, Plant, and Equipment* ("ASC 360"), we evaluate our inventory for indicators of impairment by individual community and development during each reporting period.

For our builder operations segments, during each reporting period, community gross margins, levels of completed speculative home units, quantities of lots not started, and community outlook factors are reviewed by management. In the event that this review suggests higher potential for losses at a specific community, the Company monitors such communities by adding them to its "watchlist" communities, and, when an impairment indicator is present, further analysis is performed.

For our land development segment, we perform a quarterly review for indicators of impairment for each project which involves projecting future lot closings based on executed contracts and comparing these anticipated revenues to projected costs. In determining the allocation of costs to a particular land parcel, we rely on project budgets which are based on a variety of assumptions, including assumptions about development schedules and future costs to be incurred. It is common that actual results differ from budgeted amounts for various reasons, including delays, changes in costs that have not been committed, unforeseen issues encountered during project development that fall outside the scope of existing contracts, or items that ultimately cost more or less than the budgeted amount. We apply procedures to maintain best estimates in our budgets, including assessing and revising project budgets on a periodic basis, obtaining commitments from subcontractors and vendors for future costs to be incurred and utilizing the most recent information available to estimate costs.

Each reporting period, management reviews each real estate asset which has an indicator of impairment in order to determine whether the estimated remaining undiscounted future cash flows are more or less than the asset's carrying value. The estimated cash flows are determined by projecting the remaining revenue from closings based on the contractual lot takedowns remaining or historical and projected home sales or delivery absorptions for homebuilding operations and then comparing such projections to the remaining projected expenditures for development or home construction. Remaining projected expenditures are based on the most current pricing/bids received from subcontractors for current phases or homes under development. For future phases of land development, management uses its judgment to project potential cost increases. In determining the estimated cash flows for land held for sale, management considers recent comparisons to market comparable transactions, bona fide letters of intent from outside parties, executed sales contracts, broker quotes, and similar information. When projecting revenue, management does not assume improvement in market conditions.

If the estimated undiscounted cash flows are more than the asset's carrying value, no impairment adjustment is required. However, if the estimated undiscounted cash flows are less than the asset's carrying value, the asset is deemed impaired and will be written down to fair value less associated costs to sell. These impairment evaluations require us to make estimates and assumptions regarding future conditions, including the timing and amounts of development costs and sales prices of real estate assets, to determine if expected future cash flows will be sufficient to recover the asset's carrying value.

Fair value is determined based on estimated future cash flows discounted for inherent risks associated with real estate assets. These discounted cash flows are impacted by expected risk based on estimated land development activities, construction and delivery timelines, market risk of price erosion, uncertainty of development or construction cost increases, and other risks specific to the asset or market conditions where the asset is located when the assessment is made. These factors are specific to each community and may vary among communities.

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

Many assumptions are interdependent and a change in one may require a corresponding change to other assumptions. For example, increasing or decreasing sales absorption rates has a direct impact on the estimated per unit sales price of a home, the level of time-sensitive costs (such as indirect construction, overhead and carrying costs), and selling and marketing costs (such as model home maintenance costs and advertising costs). Due to uncertainties in the estimation process, the volatility in demand for new housing and the long life cycle of many communities, actual results could differ significantly from such estimates.

Capitalization of Interest

The Company capitalizes interest costs incurred to inventory during development and other qualifying activities. Interest capitalized as cost of inventory is charged to cost of revenues as related homes, land and lots are closed. Interest incurred on undeveloped land is directly expensed and included in interest expense in our consolidated statements of income.

Investments in Unconsolidated Entities

In accordance with ASC 323, *Investments - Equity Method and Joint Ventures* ("ASC 323"), the Company uses the equity method of accounting for its investments in unconsolidated entities over which it exercises significant influence but does not have a controlling interest. The equity method of accounting requires the investment to be initially recorded at cost and subsequently adjusted for the Company's share of equity in the unconsolidated entity's earnings or losses. The Company evaluates the carrying amount of the investments in unconsolidated entities for impairment in accordance with ASC 323. If the Company determines that a loss in the value of the investment is other than temporary, the Company writes down the investment to its estimated fair value. Any such losses are recorded to equity in income of unconsolidated entities in the Company's consolidated statements of income. Due to uncertainties in the estimation process and the volatility in demand for new housing, actual results could differ significantly from such estimates.

The Company has made an election to classify distributions received from unconsolidated entities using the nature of the distribution approach. Distributions received are classified as cash inflows from operating activities based on the nature of the activities of the investee that generated the distribution.

Variable Interest Entities

The Company accounts for variable interest entities (“VIEs”) in accordance with ASC 810. In accordance with ASC 810, an entity is a VIE when: (a) the equity investment at risk in the entity is not sufficient to permit the entity to finance its activities without additional subordinated financial support provided by other parties, including the equity holders; (b) the entity’s equity holders as a group either (i) lack the direct or indirect ability to make decisions about the entity, (ii) are not obligated to absorb expected losses of the entity or (iii) do not have the right to receive expected residual returns of the entity; or (c) the entity’s equity holders have voting rights that are not proportionate to their economic interests, and the activities of the entity involve or are conducted on behalf of the equity holder with disproportionately few voting rights. If an entity is deemed to be a VIE pursuant to ASC 810, the enterprise that has both (i) the power to direct the activities of the VIE that most significantly impacts the entity’s economic performance and (ii) the obligation to absorb the expected losses of the entity or right to receive benefits from the entity that could be potentially significant to the VIE is considered the primary beneficiary and must consolidate the VIE. In accordance with ASC 810, the Company performs ongoing reassessments of whether it is the primary beneficiary of a VIE. The financial statements of the VIEs for which the Company is considered to be the primary beneficiary, if any, are consolidated in the Company’s consolidated financial statements. The noncontrolling interests attributable to other beneficiaries of the VIEs are included as noncontrolling interests in the Company’s consolidated financial statements.

Property and Equipment, Net

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. The estimated useful lives of assets range from 1 to 15 years. Repairs and maintenance are expensed as incurred.

Impairment of Long-Lived Assets

In accordance with ASC 360, our property and equipment and right-of-use assets related to operating leases are reviewed for possible impairment if there are indicators that their carrying amounts are not recoverable. The carrying amount of a long-lived asset is considered not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. An impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

Earnest Money Deposits

In the ordinary course of business, the Company enters into land and lot option contracts in order to procure land for the construction of homes in the future. Pursuant to these option contracts, the Company generally provides a deposit to the seller as consideration for the right to purchase land at different times in the future, usually at predetermined prices. Such contracts enable the Company to defer acquiring portions of properties owned by third parties or unconsolidated entities until the Company has determined whether and when to exercise its option, which reduces the Company’s financial risk associated with long-term land holdings. Option deposits and pre-acquisition costs (such as environmental testing, surveys, engineering, and entitlement costs) are capitalized if the costs are directly identifiable with the land under option and acquisition of the property is probable. Such costs are reflected in earnest money deposits and are reclassified to inventory upon taking title to the land. The Company writes off deposits and pre-acquisition costs if it becomes probable that the Company will not proceed with the project or recover the capitalized costs. Such decisions take into consideration changes in local market conditions, the timing of required land takedowns, the availability and best use of necessary incremental capital, and other factors.

Under ASC 810, a non-refundable deposit paid to an entity is deemed to be a variable interest that will absorb some or all of the entity’s expected losses if they occur and, as such, the Company’s land and lot option contracts are considered variable interests. The Company’s option contract deposits along with any related pre-acquisition costs represent the Company’s maximum exposure to the land seller if the Company elects not to purchase the optioned property. Therefore, whenever the Company enters into an option or purchase contract with an entity and makes a non-refundable deposit, a VIE assessment is performed. However, the Company generally has little control or power to direct the activities that most significantly impact the VIE’s economic performance due to the Company’s lack of an equity interest in them. Additionally, creditors of the VIE typically have no material recourse against the Company, and the Company does not provide financial or other support to these VIEs other than as stipulated in the option contracts. In accordance with ASC 810, the Company performs ongoing reassessments of whether the Company is the primary beneficiary of a VIE.

Intangible Assets

Intangible assets, net consists of the estimated fair value of the acquired trade name, net of amortization. The trade name has a definite life and is amortized over ten years.

Intangible assets are tested for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized if the carrying amount of the asset exceeds the estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition. The impairment loss recorded would be the excess of the asset's carrying value over its fair value. Fair value would be determined using a discounted cash flow analysis or other valuation technique.

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 805, *Business Combinations* ("ASC 805"). Goodwill is assessed for impairment at least annually in the fourth quarter, or more frequently if certain impairment indicators are present. Goodwill impairment exists when a reporting unit's goodwill carrying value exceeds its implied fair value.

Per ASC 350, *Intangibles - Goodwill and Other* ("ASC 350"), an entity may make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying a two-step goodwill impairment test. When performing a qualitative assessment, an entity evaluates relevant events and circumstances, including but not limited to, macroeconomic conditions, industry and market conditions, overall financial performance, reporting unit specific events and entity specific events. If, after completing a qualitative assessment, an entity concludes that it is not likely that the fair value of the reporting unit is less than its carrying amount, a two-step impairment test would not be required for that reporting unit.

In the event that the conclusion of the qualitative assessment requires the two-step test, the first step compares the fair value of the reporting unit with its carrying value, including goodwill. If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test. Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two is not required. An impairment loss is recognized to the extent that the carrying amount of goodwill exceeds its implied fair value.

If the Company is required to perform the two-step test, it would determine fair value using generally accepted valuation techniques, including discounted cash flows and market multiple analyses. The Company's valuation methodology for assessing impairment would require management to make judgments and assumptions based on historical experience and projections of future operating performance. If these assumptions differ materially from future results, the Company may record impairment charges in the future.

Warranties

The Company accrues an estimate of its exposure to warranty claims based on both current and historical home closings data and warranty costs incurred. The Company offers homeowners a comprehensive third-party warranty on each home. Homes are generally covered by a ten-year warranty for qualified and defined structural defects, one year for defects and products used, and two years for electrical, plumbing, heating, ventilation, and air conditioning parts and labor. Warranty accruals are included within accrued expenses on the consolidated balance sheets. Any legal costs associated with loss contingencies related to warranties are expensed as incurred.

Debt Issuance Costs

Debt issuance costs represent costs incurred related to the senior unsecured notes and revolving secured and unsecured credit facilities, including amendments thereto, and reduce the carrying amount of debt on the consolidated balance sheets. These costs are subject to capitalization to inventory over the term of the related debt facility using the straight-line method.

Business Combinations

Acquisitions are accounted for in accordance with ASC 805. Following the determination that control of a business and its inputs, processes and outputs were obtained in exchange for consideration, all material assets and liabilities of the business, including contingent consideration, are measured and recognized at fair value as of the date of the acquisition to reflect the purchase price. Depending on the fair value of net assets acquired, the purchase price allocation may or may not result in goodwill.

Contingent consideration is subsequently remeasured to fair value at each reporting date until the contingency is resolved, with any change in fair value recognized in the consolidated statements of income.

Redeemable Noncontrolling Interest in Equity of Consolidated Subsidiary

Redeemable noncontrolling interest in equity of consolidated subsidiary represents equity related to a put option held by a minority shareholder of a subsidiary. Based on the put option structure, the minority shareholder's interest in the controlled subsidiary is classified as a redeemable noncontrolling interest on the consolidated balance sheets. The accretion of the redeemable noncontrolling interest to its estimated redemption value is recorded in additional paid-in capital on the consolidated balance sheets if the estimated redemption value, net of accretion, is greater than the current value of the noncontrolling interest capital account.

Revenue Recognition

Contracts with Customers

The Company derives revenues from two primary sources: the closing and delivery of homes through our builder operations segments and the closing of lots sold to homebuilders through our land development segment. All of our revenue is from contracts with customers.

Contract Liabilities

The Company requires homebuyers to submit a deposit for home purchases and requires third-party builders to submit a deposit in connection with land sale or lot option contracts. The non-refundable deposits serve as an incentive for performance under homebuilding and land sale or development contracts. Cash received as customer deposits, if held in escrow, is reflected as restricted cash and as customer and builder deposits on the consolidated balance sheets.

Performance Obligations

The Company's contracts with homebuyers contain a single performance obligation. The performance obligation is satisfied when homes are completed and legal title has been transferred to the buyer. The Company does not have any variable consideration associated with home sales transactions.

Revenue from mechanic's lien contracts in which the Company serves as the general contractor for custom homes where the customer, and not the Company, owns the underlying land and improvements is recognized based on the input method, where progress toward completion is measured by relating the actual cost of work performed to date to the estimated total cost of the respective contracts.

Lot option contracts contain multiple performance obligations. The performance obligations are satisfied as lots are closed and legal title has been transferred to the builder. For lot option contracts, individual performance obligations are accounted for separately. The transaction price is allocated to the separate performance obligations on a relative stand-alone selling price basis. Certain lot option contracts require escalations in lot price over the option period. Any escalator is not collectible until the lot closing occurs. While we recognize lot escalators as variable consideration within the transaction price, we do not recognize escalator revenue until a builder closes on a lot subject to an escalator as the escalator relates to general inflation and holding costs.

Occasionally, the Company sells developed and undeveloped land parcels. If the land parcel is developed prior to the sale of the land, the revenue is recognized at closing since we deliver a single performance obligation in the form of a developed parcel. We also recognize revenue at closing on undeveloped land parcel sales as there are no other obligations beyond delivering the undeveloped land.

Homebuyers are not obligated to pay for a home until the closing and delivery of the home. The selling price of a home is based on the contract price adjusted for any change orders, which are considered modifications of the contract price.

Homebuilders are not obligated to pay for developed lots prior to control of the lots and any associated improvements being transferred to them. The term of our lot option contracts is generally based upon the number of lots being purchased and an agreed upon lot takedown schedule, which can be in excess of one year. Lots cannot be taken down until development is substantially complete. There is no significant financing component related to our third-party lot sales.

The Company does not sell warranties outside of the customary workmanship warranties provided on homes or developed lots at the time of sale. The warranties offered to homebuyers are short term, with the exception of ten-year warranties on structural concerns for homes. As these are assurance-type warranties, there is no separate performance obligation related to warranties provided to homebuyers or homebuilder.

Significant Judgments and Estimates

There are no significant judgments involved in the recognition of residential units revenue. The performance obligation of delivering a completed home is satisfied upon the sale closing when title transfers to the buyer.

There are no significant judgments involved in the recognition of land and lots revenue. The performance obligation of delivering land and lots is satisfied upon the closing of the sale when title transfers to the homebuilder.

Contract Costs

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects to recover those costs.

The Company pays sales commissions to employees and/or outside realtors related to individual home sales which are expensed as incurred at the time of closing. Commissions on the sale of land parcels are also expensed as incurred upon closing. Sales commissions on the sale of homes are included in the cost of revenues in the consolidated statements of income.

The Company also pays builder incentives to employees which are based on the time it takes to build individual homes, as well as quality inspection completion and customer satisfaction. The builder incentives do not represent incremental costs that would require capitalization as we would incur these costs whether or not we sold the home. As such, we recognize builder incentives as expense at the time they are paid.

Advertising costs, sales salaries and certain costs associated with model homes, such as signage, do not qualify for capitalization under ASC 340-40, *Other Assets and Deferred Costs - Contracts with Customers*, as they are not incremental costs of obtaining a contract. As such, we expense these costs to selling, general and administrative expense as incurred. Costs incurred related to model home furnishings and sales office construction are capitalized and included in property and equipment, net on the consolidated balance sheets.

Selling, General and Administrative Expense

Selling, general and administrative expense represents salaries, benefits, share-based compensation, property taxes on finished homes, depreciation, amortization, advertising and marketing, rent, and other administrative items, and is recorded in the period incurred.

Advertising Expense

The Company expenses advertising costs as incurred. Advertising costs are included in selling, general and administrative expense in the consolidated statements of income. Advertising expense for the years ended December 31, 2019, 2018 and 2017 totaled $2.1 million, $1.5 million and $0.8 million, respectively.

Interest Expense

Interest expense consists primarily of interest costs incurred on our debt that are not capitalized, and amortization of debt issuance costs. We capitalize interest costs incurred to inventory during development and other qualifying activities. Debt issuance costs are capitalized to inventory over the term of the underlying debt using the straight-line method, in accordance with our interest capitalization policy. All interest costs were capitalized during the years ended December 31, 2019, 2018 and 2017.

Net Income Attributable to Green Brick Partners, Inc. per Share

The Company's restricted stock awards have the right to receive forfeitable dividends on an equal basis with common stock and therefore are not considered participating securities that must be included in the calculation of net income per share using the two-class method. Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during each period, adjusted for non-vested shares of restricted stock awards during each period. Diluted earnings per share is calculated using the treasury stock method and includes the effect of all dilutive securities, including stock options and restricted stock awards.

Cost Recognition

Lot acquisition, materials, direct costs, interest and indirect costs related to the acquisition, development, and construction of lots and homes are capitalized. Direct and indirect costs of developing residential lots are allocated evenly to all applicable lots. Capitalized costs of residential lots are charged to earnings when the related revenue is recognized. Non-capitalizable costs in connection with developed lots and completed homes and other selling and administrative costs are charged to earnings when incurred.

Share-Based Compensation

The Company measures and accounts for share-based awards in accordance with ASC 718, *Compensation - Stock Compensation*. The Company expenses share-based payment awards made to employees and directors, including stock options and restricted stock awards. Share-based compensation expense associated with stock options and restricted stock awards with vesting contingent upon the achievement of service conditions is recognized on a straight-line basis, net of estimated forfeitures, over the requisite service period over which the awards are expected to vest. The Company estimates the value of stock options with vesting contingent upon the achievement of service conditions as of the date the award was granted using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the use of certain input variables, such as expected volatility, risk-free interest rate and expected award life.

Income Taxes

The Company accounts for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases, operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in years in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company regularly reviews historical and anticipated future pre-tax results of operations to determine whether we will be able to realize the benefit of deferred tax assets. A valuation allowance is required to reduce the deferred tax asset when it is more-likely-than-not that all or some portion of the deferred tax asset will not be realized due to the lack of sufficient taxable income. The Company assesses the recoverability of deferred tax assets and the need for a valuation allowance on an ongoing basis. In making this assessment, management considers all available positive and negative evidence and available income tax planning to determine whether it is more-likely-than-not that some portion or all of the deferred tax assets will be realized in future periods. This assessment requires significant judgment and estimates involving current and deferred income taxes, tax attributes relating to the interpretation of various tax laws, historical bases of tax attributes associated with certain assets and limitations surrounding the realization of deferred tax assets.

We establish accruals for uncertain tax positions that reflect our best estimate of deductions and credits that may not be sustained on a more-likely-than-not basis. We recognize interest and penalties related to uncertain tax positions in the income tax expense in the consolidated statements of income. Accrued interest and penalties, if any, are included within accrued expenses on the consolidated balance sheets. In accordance with ASC 740, *Income Taxes*, the Company recognizes the effect of income tax positions only if those positions have a more-likely-than-not chance of being sustained by the Company. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Fair Value Measurements

The Company has adopted and implemented the provisions of ASC 820-10, *Fair Value Measurements*, with respect to fair value measurements of: all elected financial assets and liabilities and any nonfinancial assets and liabilities that are recognized or disclosed in the consolidated financial statements at fair value on a recurring basis (at least annually). Under ASC 820-10, fair value is defined as an exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. These provisions establish a three-tiered fair value hierarchy that prioritizes inputs to valuation techniques used in fair value calculations. The three levels of input are defined as follows:

Level 1 —	unadjusted quoted prices for identical assets or liabilities in active markets accessible by the Company;
Level 2 —	inputs that are observable in the marketplace other than those classified as Level 1; and
Level 3 —	inputs that are unobservable in the marketplace and significant to the valuation.

Entities are encouraged to maximize the use of observable inputs and minimize the use of unobservable inputs. If a financial instrument uses inputs that fall in different levels of the hierarchy, the instrument will be categorized based upon the lowest level of input that is significant to the fair value calculation.

Our valuation methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while we believe our valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfer.

Segment Information

In accordance with ASC 280, *Segment Reporting* ("ASC 280"), an operating segment is defined as a component of an enterprise for which discrete financial information is available and reviewed regularly by the chief operating decision maker ("CODM"), or decision-making group, to evaluate performance and make operating decisions.

A reportable segment is an operating segment, either separately defined or aggregated from several operating segments based on similar economic and other characteristics, that exceeds certain quantitative thresholds of ASC 280.

Effective November 15, 2019, the Company identifies its CODM as three key executives - the Chief Executive Officer, the Chief Financial Officer, and the President of Texas Region. In determining the reportable segments, the CODM considers similar economic and other characteristics, including geography, class of customers, product types, and production processes.

Recent Accounting Pronouncements

In February 2016, the FASB established Topic 842, *Leases* ("Topic 842"), by issuing ASU 2016-02, which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; and ASU 2018-11, *Targeted Improvements*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of income.

The new standard was effective for the Company on January 1, 2019. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. If an entity chooses the second option, the transition requirements for existing leases also apply to leases entered into between the date of initial application and the effective date. The entity must also recast its comparative period financial statements and provide the disclosures required by the new standard for the comparative periods. We adopted the new standard on January 1, 2019 and used the effective date as our date of initial application. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019.

The new standard provides a number of optional practical expedients in transition. We elected the “package of practical expedients”, which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. We did not elect the use-of-hindsight or the practical expedient pertaining to land easements, the latter not being applicable to us. The new standard also provides practical expedients for an entity’s ongoing accounting. We elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, we will not recognize ROU assets or lease liabilities, and this includes not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition. We also elected the practical expedient to not separate lease and non-lease components for all of our leases.

The adoption of this standard did not have a material effect on our consolidated financial statements and related disclosures. We believe the most significant effects relate to (1) the recognition of new ROU assets and lease liabilities on our consolidated balance sheet for our office operating leases and (2) providing new disclosures about our leasing activities. There was no change in our leasing activities as a result of adoption.

Upon adoption, we recognized additional operating liabilities of approximately $4.2 million, with corresponding ROU assets of the same amount based on the present value of the remaining minimum rental payments under current leasing standards for existing operating leases.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), which changes the impairment model for most financial assets and certain other instruments from an “incurred loss” approach to an “expected credit loss” methodology. Following the issuance of ASU 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates* in November 2019, ASU 2016-13 is expected to be effective for the Company for annual and interim periods beginning after December 15, 2022, with early adoption permitted, and requires full retrospective application on adoption. The Company is currently evaluating the impact of the adoption of ASU 2016-13 on the Company’s consolidated financial statements but does not expect such impact to be material.

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”), which removes Step 2 of the goodwill impairment test. A goodwill impairment will now be determined by the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2019, with early adoption permitted. The Company does not expect the adoption of ASU 2017-04 to have a material impact on the Company’s consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying Accounting for Income Taxes* (“ASU 2019-12”), which simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in ASC 740, *Income Taxes* related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. ASU 2019-12 also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. ASU 2019-12 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2020, with early adoption permitted. The Company does not expect the adoption of ASU 2019-12 to have a material impact on the Company’s consolidated financial statements.

2. BUSINESS COMBINATION

Acquisition of GRBK GHO Homes, LLC

On April 26, 2018 (the "Acquisition Date"), following a series of transactions, the Company acquired substantially all of the assets and assumed certain liabilities of GHO Homes Corporation and its affiliates ("GHO") through a newly formed subsidiary, GRBK GHO Homes, LLC ("GRBK GHO"), in which the Company holds an 80% controlling interest. The owner of GHO contributed $8.3 million of net assets to GRBK GHO in an exchange for a 20% interest in GRBK GHO. The minority partner of GRBK GHO serves as the president of GRBK GHO.

GRBK GHO operates primarily in the Vero Beach, Florida market and is engaged in land and lot development, as well as all aspects of the homebuilding process. The acquisition allowed the Company to expand its operations into a new geographic market.

The Company consolidates the financial statements of GRBK GHO as the Company owns 80% of the outstanding voting shares of the builder. The noncontrolling interest attributable to the 20% minority interest owned by our Florida-based partner is included as redeemable noncontrolling interest in equity of consolidated subsidiary in the Company's consolidated financial statements.

The original consideration of $42.2 million consisted of $33.2 million in cash paid by the Company to the owner of GHO, $8.3 million of assets contributed by the owner of GHO, and an estimated $0.6 million of contingent consideration. Following completion of the audit of the balance sheet of GHO as of the Acquisition Date, the purchase price was adjusted by $2.0 million that was contributed by the Company in cash, and the value of contributed assets from the minority partner was increased by $0.5 million. Contingent consideration was adjusted to $0.5 million based on finalization of valuation procedures. Thus, the final total consideration was $44.6 million. Total consideration for the Company's 80% interest in GRBK GHO was $35.8 million.

Under the terms of the purchase agreement, the Company may be obligated to pay contingent consideration to our partner if certain annual performance targets are met over the three-year period following the Acquisition Date. The contingent consideration amounts are not contractually limited.

In accordance with ASC 805, all material assets and liabilities, including contingent consideration, were measured and recognized at fair value as of the date of the acquisition to reflect the purchase price.

The following is a summary of fair value of assets acquired and liabilities assumed (in thousands):

Assets acquired		
Cash	$	8,399
Inventory		45,005
Property and equipment		1,462
Intangible assets - trade name		850
Intangible assets - home construction contracts		290
Goodwill [(1)]		680
Other assets		898
Total assets	$	57,584
Liabilities assumed		
Note payable	$	300
Accrued expenses and other liabilities		5,486
Customer deposits		9,073
Total liabilities	$	14,859
Redeemable noncontrolling interest	$	6,951
Net assets acquired [(2)]	$	35,774

(1) Goodwill is expected to be fully deductible for tax purposes.
(2) Contingent consideration of $0.5 million is included in the fair value of net assets acquired.

The final purchase price allocation reflected above is based upon estimates and assumptions. The Company engaged a valuation firm to assist in the allocation of the purchase price, and valuation procedures related to the acquired assets and assumed liabilities have been completed. The estimated cash flows and ultimate valuation have been significantly affected by estimated discount rates, estimates related to expected average selling prices and sales incentives, expected sales pace and cancellation rates, expected land development and construction timelines, and anticipated land development, construction, and overhead costs and may vary significantly between communities.

The valuation of redeemable noncontrolling interest is based on a market approach, considering the equity contribution made by the 20% partner, adjusted for control and marketability factors.

Acquired inventory consisted of both land under development and work in process inventory, as well as completed homes held for sale. The estimated fair value of real estate inventory was determined on a community-by-community basis, primarily using the income approach which derives a value using a discounted cash flow for income-producing real property. The values of work in process and completed home inventory were estimated based upon the stage of production of each unit and a gross margin that we believe a market participant would require to complete the remaining construction and sales and marketing efforts through the sale of the homes. The stage of production, as of the acquisition date, ranged from recently started lots to fully completed homes. A sales comparison approach was used for land for which significant lot development had not yet begun as of the Acquisition Date. An income approach was also utilized to value mechanic’s lien home construction contracts acquired.

The estimated fair values of the acquired trade name, GHO Homes, and the home construction contracts, were determined using the relief-from-royalty method under the income approach, which involved assumptions related to revenue growth, market awareness and useful life.

The supplemental pro forma information for revenue and earnings of the Company as though the business combination had occurred as of January 1, 2017 is impractical to provide due to the fact that consolidated reporting for the specific group of entities acquired had not existed prior to the acquisition.

During the year ended December 31, 2018, we had incurred transaction costs of $0.5 million related to the business combination, which have been expensed as incurred and are included in selling, general and administrative expense.

Intangible Assets

The amortization of the acquired intangible assets of $0.2 million for the period from April 26, 2018 through December 31, 2018 was recorded in selling, general and administrative expense in the consolidated statements of income. The accumulated amortization of the acquired intangible assets was $0.2 million as of December 31, 2018.

The estimated fair value of the acquired home construction contracts intangible asset was amortized to cost of residential units as income on the related contracts was earned, over a period of eleven months. As of December 31, 2019, all the home construction contracts have been completed, and the carrying value of the related intangible asset and accumulated amortization were written off with no impact to net income. As of December 31, 2019, all the home construction contracts have been completed, and the carrying value of the related intangible asset and accumulated amortization were written off with no impact to net income.

The amortization of the acquired trade name of $0.1 million for the year ended December 31, 2019 was recorded in selling, general and administrative expense in the consolidated statements of income. The accumulated amortization of the acquired trade name was $0.1 million as of December 31, 2019.

The estimated amortization expense related to the acquired trade name for each of the next five years as of December 31, 2019 is as follows (in thousands):

2020	$	85
2021		85
2022		85
2023		85
2024		85
Total	$	425

Goodwill

The allocation to goodwill represents the excess of the purchase price, including contingent consideration, over the estimated fair value of assets acquired and liabilities assumed. Goodwill results primarily from operational synergies expected from the business combination.

The Company performed its annual goodwill impairment test during the fourth quarter of 2019 by completing a qualitative assessment in accordance with ASC 350. The Company determined that it was not more likely than not that the reporting unit's estimated fair value was more than its carrying value and, therefore, the two-step goodwill impairment test was unnecessary. The Company did not record any goodwill impairment during the years ended December 31, 2019 and 2018.

Contingent Consideration

The performance targets specified in the purchase agreement were met for the period from April 26, 2018 through December 31, 2018, and contingent consideration of $1.8 million was earned by the minority partner and paid by the Company in April 2019 in addition to a $0.5 million distribution of income. The performance targets specified in the purchase agreement were met for the period from January 1, 2019 through December 31, 2019, and the contingent consideration of $5.3 million was earned by the minority partner. As of December 31, 2019, the estimate of the undiscounted contingent consideration payouts for the period from January 1, 2020 through April 26, 2021 was $0. The change in the range of estimates of the undiscounted contingent consideration compared to the range of estimates disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 was due to revision of the Company's forecasts of GRBK GHO profits and capital requirements, as well as reduced volatility of earnings.

Redeemable Noncontrolling Interest in Equity of Consolidated Subsidiary

As part of the GRBK GHO business combination, we entered into a put/call agreement ("Put/Call Agreement") with respect to the equity interest in the joint venture held by the minority partner. The Put/Call Agreement provided that the 20% ownership interest in GRBK GHO held by the minority partner would be subject to put and purchase options starting in April 2021. Refer to Note 18 for additional information on subsequent events. The exercise price would be based on the financial results of GRBK GHO for the three years prior to exercise of the option. If the minority partner does not exercise the put option, we have the option, but not the obligation, to buy the 20% interest in GRBK GHO from our partner.

Based on the nature of the put/call structure, the noncontrolling interest attributable to the 20% minority interest owned by our Florida-based partner is included as redeemable noncontrolling interest in equity of consolidated subsidiary in the Company's consolidated financial statements.

The following table shows the changes in redeemable noncontrolling interest in equity of consolidated subsidiary during the year ended December 31, 2019 (in thousands):

	Year Ended December 31, 2019	
Redeemable noncontrolling interest, beginning of period	$	8,531
Net income attributable to redeemable noncontrolling interest partner		3,462
Distributions of income to redeemable noncontrolling interest partner		(527)
Accretion of redeemable noncontrolling interest		2,145
Redeemable noncontrolling interest, end of period	$	13,611

3. VARIABLE INTEREST ENTITIES

Effective November 30, 2019, we, through our wholly owned subsidiary, SGHDAL LLC ("Southgate"), acquired the remaining membership and voting interests in our subsidiary, Southgate Homes DFW LLC. As a result, Southgate became an indirect wholly owned subsidiary of the Company, was no longer considered a VIE and was consolidated based on the majority voting interest pursuant to ASC 810.

Effective December 31, 2019, we, through our wholly owned subsidiary, CLH20, LLC ("Centre Living"), acquired the remaining membership and voting interests in our subsidiary, Centre Living Homes, LLC, and we contributed certain real estate inventory assets to Centre Living.

As both Centre Living, to which ownership interests were assigned and assets and liabilities were transferred, and Centre Living Homes, LLC were controlled by the Company on December 31, 2019, the acquisition of the remaining membership interest and the contribution of the real estate inventory assets were accounted for at carrying amounts on Centre Living Homes, LLC's books on the date of the transfer, pursuant to provisions of ASC 805 that govern transactions between entities under common control.

Subsequently, the prior owner of a portion of the membership and voting interests in Centre Living Homes, LLC acquired a ten percent membership and voting interest in Centre Living for $3.6 million. As a result, as of December 31, 2019, Centre Living was an indirect subsidiary in which the Company owned a ninety percent membership interest and a ninety percent voting interest, was no longer considered a VIE and was consolidated based on the majority voting interest pursuant to ASC 810.

Consolidated VIEs

CB JENI Homes DFW LLC ("CB JENI") and The Providence Group of Georgia LLC ("TPG"), the controlled builders based in Dallas and Atlanta, respectively, in which the Company owns a 50% equity interest and a 51% voting interest, are deemed to be VIEs for which the Company is considered the primary beneficiary. We sell finished lots and option lots from third-party developers to these controlled builders for their homebuilding operations and provide them with construction financing and strategic planning. The board of managers of each of these controlled builders has the power to direct the activities that significantly impact the controlled builder's economic performance. Pursuant to the Company's agreements with these controlled builders, it has the ability to appoint two of the three members to the controlled builder's board of managers. A majority of the board of managers constitutes a quorum to transact business. No action can be approved by the board of managers without the approval from at least one individual whom the Company has appointed at the controlled builder.

The Company has the ability to control the activities of each controlled builder that most significantly impact the controlled builder's economic performance. Such activities include, but are not limited to, involvement in the day to day capital and operating decisions, the ability to determine the budget and plan, the ability to control financing decisions, and the ability to acquire additional land or dispose of land. In addition, the Company has the right to receive the expected residual returns and obligation to absorb the expected losses of each controlled builder through the pro rata profits and losses we are allocated based on our ownership interest. Therefore, the financial statements of the Dallas and Atlanta-based controlled builders are consolidated in the Company's consolidated financial statements following the variable interest model.

The aggregated carrying amounts of assets and liabilities of CB JENI and TPG consolidated following the variable interest model were $279.8 million and $265.3 million, respectively, as of December 31, 2019 and $262.9 million and $234.0 million, respectively, as of December 31, 2018. The noncontrolling interests attributable to the 50% minority interests owned by the Dallas and Atlanta-based controlled builders were included as noncontrolling interests in the Company's consolidated financial statements. The creditors of the above controlled builders have no recourse against the Company.

Unconsolidated VIEs

Land and lot option purchase contracts

The Company evaluates all option contracts to purchase land and lots to determine whether they are VIEs and, if so, whether the Company is the primary beneficiary of counterparts of these option contracts. Although the Company does not have legal title to the optioned land or lots, if the Company is deemed to be the primary beneficiary of or makes a significant deposit for optioned land or lots, it may need to consolidate the land or lots under option at the purchase price of the optioned land or lots.

As of December 31, 2019 and 2018, the Company's exposure to loss related to its option contracts with third parties primarily consisted of its non-refundable option deposits. Following VIE evaluation, it was concluded that the Company was not the primary beneficiary in any of the VIEs related to land or lot option contracts as of December 31, 2019 and 2018.

EJB River Holdings, LLC

In December 2018, EJB River Holdings, LLC joint venture ("EJB River Holdings") was formed by TPG with the purpose to acquire and develop a tract of land in Gwinnett County, Georgia. In May 2019, East Jones Bridge, LLC, a Georgia limited liability company ("EJB") was admitted as a member of EJB River Holdings, which resulted in TPG and EJB each having a 50% ownership interest in EJB River Holdings. EJB River Holdings had no activity in the period from its formation until October 2019.

In October 2019, EJB River Holdings received two $5.0 million initial contributions from its two members, TPG and EJB. In December 2019, two additional contributions of $0.3 million were made by TPG and EJB to EJB River Holdings. Per EJB River Holdings' operating agreement, TPG and EJB share equally in the profits and losses of EJB River Holdings, with the exception of certain customary fees.

In October 2019, EJB River Holdings issued two loans with the total maximum amount of borrowings of $21.9 million to finance its land acquisition and development in Gwinnett County, Georgia. One of the investors in EJB issued a personal guarantee on one of the loans in the amount of $9.4 million. Subsequently, in October 2019, a wholly owned subsidiary of the Company provided a limited $2.0 million guarantee to the investor in EJB. The approximate term of the guarantee is 35 months. In the event EJB River Holdings defaults on its $9.4 million loan and the investor in EJB makes the $9.4 million payment under his personal guarantee, the maximum potential amount of future payments that the Company could be required to make under its limited guarantee is $2.0 million. As of December 31, 2019, the Company has no current liability related to the guarantee obligation as the payment risk of the guarantee has been assessed to be very low.

Following the analysis of the above facts and provisions of EJB River Holdings' operating agreement, the Company has determined that EJB River Holdings is a VIE in which the Company is not the primary beneficiary. Therefore, the investment in EJB River Holdings was treated as an unconsolidated investment under the equity method of accounting and was included in investments in unconsolidated entities in the Company's consolidated balance sheets.

As of December 31, 2019, the carrying amounts of assets and liabilities of EJB River Holdings were $23.7 million and $13.1 million, respectively. Assets were comprised of real estate inventory and cash, whereas the liabilities were comprised of loans and interest payable. As of December 31, 2019, the Company's maximum exposure to loss as a result of its involvement with EJB River Holdings was $7.3 million, represented by the sum of the Company' investment in EJB River Holdings of $5.3 million and the $2.0 million limited guarantee described above.

4. INVENTORY

A summary of inventory is as follows (in thousands):

	December 31, 2019	December 31, 2018
Homes completed or under construction	$ 314,966	$ 268,763
Land and lots - developed and under development	437,553	399,809
Land held for sale	1,048	389
Total inventory	$ 753,567	$ 668,961

A summary of interest costs incurred, capitalized and expensed is as follows (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Interest capitalized at beginning of period	$ 14,780	$ 10,474	$ 9,417
Interest incurred	12,140	9,003	4,456
Interest charged to cost of revenues	(8,324)	(4,697)	(3,399)
Interest capitalized at end of period	$ 18,596	$ 14,780	$ 10,474

As of December 31, 2019, the Company reviewed the performance and outlook for all of its communities for indicators of potential impairment and performed detailed impairment analysis when necessary. As of December 31, 2019, the Company performed further impairment analysis of the selling communities with indicators of impairment with a combined corresponding carrying value of approximately $11.2 million.

For the years ended December 31, 2019, 2018 and 2017, the Company recorded impairment adjustments of $0.1 million, $0.1 million, and $0.1 million, respectively, to reduce the carrying value of impaired communities to fair value. The recorded impairment adjustments related to real estate inventory in our builder operations segments and were included in cost of residential units in our consolidated statements of income.

5. INVESTMENTS IN UNCONSOLIDATED ENTITIES

Challenger

On August 15, 2017, the Company, JBGL and GB Challenger, LLC, a Texas limited liability company ("Challenger") entered into a Membership Interest Purchase and Contribution Agreement (the "Challenger Agreement") with The Challenger Group, Inc., a Wyoming corporation ("TCGI"), and certain of its affiliates (the "Challenger Entities") and Brian R. Bahr ("Bahr"), resulting in the Company, through its interest in JBGL, and the Challenger Entities owning a 49.9% and 50.1% ownership interest, respectively, in Challenger, and Challenger owning all of the membership and ownership interests in the subsidiaries of the Challenger Entities named in the Challenger Agreement.

As consideration for such interests, the Company agreed to issue to the Challenger Entities, or their designees, 1,497,000 shares of its common stock, par value $0.01 per share, in a private placement, with 20,000 shares of its common stock held back pending satisfactory resolution of indemnification claims ("Holdback Shares"). On March 16, 2018, the Company issued the Holdback Shares; therefore, $0.2 million was recorded in additional paid-in capital on the consolidated balance sheet as of December 31, 2017. The Challenger Entities, at their discretion, may offer to sell and transfer an additional 20.1% or, in certain circumstances, all of the Challenger Entities' interest in Challenger ("Additional Membership Interests") to the Company on or after the third anniversary of the Challenger Agreement. The Company is not required to purchase the Additional Membership Interests. The Company incurred $0.3 million in related acquisition costs during the year ended December 31, 2017 which are included in the cost basis of investment in the unconsolidated entity.

The Challenger Entities operate homebuilding operations under the name Challenger Homes. Challenger constructs townhouses, single family homes and luxury patio homes, and is located in Colorado Springs, Colorado. The Company partnered with Challenger in order to expand its business with partners that are complementary to its current builder partner group and to gain a presence in the Colorado Springs market.

The issuance of the common stock by the Company related to the investment in Challenger was exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, and the safe harbor provided by Rule 506 promulgated thereunder. The Company relied, in part, upon representations from each of the individuals that they are "accredited investors" as such term is defined in Rule 501 of Regulation D.

The Company's investment in Challenger at August 15, 2017 of $15.1 million was more than its share of the estimated underlying net assets of Challenger, resulting in a preliminary difference in basis of $5.1 million, which was attributed to inventory and intangible assets.

The Company’s investment in Challenger on August 15, 2017 was determined as follows (in thousands, except per share data):

Consideration transferred at closing		
Green Brick common stock issued		1,477
Price per share of Green Brick common stock (1)	$	9.90
Fair value of common stock consideration	$	14,622
Acquisition related costs	$	241
Total fair value of consideration	$	14,863
Subsequent consideration		
Holdback Shares		20
Price per share of Green Brick common stock (1)	$	9.90
Total fair value of subsequent consideration	$	198
Total fair value of consideration	$	15,061

(1) Based upon closing price of the Company’s common stock upon the parties’ execution of the Challenger Agreement.

The Company holds two of the five board of managers (the “Managers”) seats of Challenger. Challenger’s six officers, employees of the Challenger Entities, were designated by the Managers for the purpose of managing the day to day operations. The Company does not have a controlling financial interest in Challenger as the Company has less than 50% of the voting interests in Challenger. The Company’s investment in Challenger is treated as an unconsolidated investment under the equity method of accounting and is included in investments in unconsolidated entities in the Company’s consolidated balance sheets.

The Company’s investment in Challenger is carried at cost, as adjusted for the Company’s share of income or losses and distributions received, as well as for adjustments related to basis differences between the Company’s cost and the Company’s underlying equity in net assets recorded in Challenger’s financial statements as of the date of acquisition.

As of December 31, 2019, the carrying value of the investment in Challenger was $23.8 million, whereas the underlying 49.9% equity in net assets of Challenger was $19.6 million. The $4.2 million difference represents the premium paid for the Company’s equity interest in excess of Challenger’s carrying value. This basis difference primarily relates to the estimated fair value of inventory, as well as the Challenger Homes trade name and capitalized acquisition costs. The amortization of the basis differences related to inventory is recorded as a reduction of equity in income of unconsolidated entities as homes are closed on and delivered to homebuyers. The basis difference related to the trade name is amortized over ten years as a reduction of equity in income of unconsolidated entities.

The Company recognized $8.3 million, $7.0 million, and $2.7 million related to Challenger in equity in income of unconsolidated entities during the years ended December 31, 2019, 2018, and 2017, respectively.

Providence Title

In March 2018, the Company formed a joint venture with a title company in Georgia to provide title closing and settlement services to our Atlanta-based builder. The Company, through its controlled builder, The Providence Group of Georgia, L.L.C. (“TPG”), owns a 49% equity interest in Providence Group Title, LLC (“Providence Title”). The Company determined that the investment in Providence Title should be treated as an unconsolidated investment under the equity method of accounting and included in investments in unconsolidated entities in the Company’s consolidated balance sheets.

Green Brick Mortgage

In June 2018, the Company formed a joint venture with PrimeLending to provide mortgage loan origination services to our builders. The Company owns a 49% equity interest in Green Brick Mortgage, LLC (“Green Brick Mortgage”) which initiated mortgage loan origination activities in September 2018. The Company determined that the investment in Green Brick Mortgage should be treated as an unconsolidated investment under the equity method of accounting and included in investments in unconsolidated entities in the Company's consolidated balance sheets.

EJB River Holdings

In December 2018, EJB River Holdings joint venture was formed by TPG with the purpose to acquire and develop a tract of land in Gwinnett County, Georgia. In May 2019, EJB was admitted as a member of EJB River Holdings, which resulted in TPG and EJB each having a 50% ownership interest in EJB River Holdings. EJB River Holdings had no activity in the period from its formation until October 2019. Please refer to Note 3 for more information.

The Company determined that the investment in EJB River Holdings should be treated as an unconsolidated investment under the equity method of accounting and included in investments in unconsolidated entities in the Company's consolidated balance sheets.

A summary of the financial information of the unconsolidated entities that are accounted for by the equity method is as follows (in thousands):

	December 31, 2019	December 31, 2018
Assets:		
Cash	$ 11,699	$ 14,584
Accounts receivable	3,252	1,259
Bonds and notes receivable	5,864	5,864
Loans held for sale, at fair value	23,143	3,083
Inventory	73,704	44,375
Other assets	4,012	3,132
Total assets	$ 121,674	$ 72,297
Liabilities:		
Accounts payable	$ 1,726	$ 2,173
Accrued expenses and other liabilities	7,784	5,328
Notes payable	58,223	31,402
Total liabilities	$ 67,733	$ 38,903
Owners' equity:		
Green Brick	$ 25,910	$ 15,653
Others	28,031	17,741
Total owners' equity	$ 53,941	$ 33,394
Total liabilities and owners' equity	$ 121,674	$ 72,297

	Years Ended December 31,		
	2019	2018	2017
Revenues	$ 166,368	$ 166,102	$ 58,958
Costs and expenses	144,097	148,222	44,969
Net earnings of unconsolidated entities	$ 22,271	$ 17,880	$ 13,989
Company's share in net earnings of unconsolidated entities	$ 9,809	$ 7,259	$ 2,746

During the years ended December 31, 2019, 2018, and 2017, the Company did not identify indicators of impairment for its investments in unconsolidated entities.

6. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment by major classification and related accumulated depreciation as of December 31, 2019 and 2018 (in thousands):

	December 31, 2019	December 31, 2018
Land	$ 763	$ 763
Building	180	82
Model home furnishings and capitalized sales office costs	6,090	5,218
Office furniture and equipment	424	427
Leasehold improvements	1,824	1,692
Computers and equipment	912	901
Vehicles and field trailers	357	279
	10,550	9,362
Less: accumulated deprecation	(6,241)	(4,672)
Total property and equipment, net	$ 4,309	$ 4,690

Depreciation expense for the years ended December 31, 2019, 2018 and 2017 totaled $2.9 million, $2.7 million, and $0.3 million, respectively, and is included in selling, general and administrative expense in our consolidated statements of income.

7. DEBT

The aggregated annual principal payments under the borrowings on lines of credit and senior unsecured notes over the next five years as of December 31, 2019 are (in thousands):

2020	$ —
2021	17,860
2022	148,140
2023	—
2024	12,500
Thereafter	62,500
Total	$ 241,000

Lines of Credit

Borrowings on lines of credit outstanding, net of debt issuance costs, as of December 31, 2019 and 2018 consist of the following (in thousands):

	December 31, 2019	December 31, 2018
Secured revolving credit facility	$ 38,000	$ 46,500
Unsecured revolving credit facility	128,000	155,500
Debt issuance costs, net of amortization	(1,358)	(1,614)
Total borrowings on lines of credit, net	$ 164,642	$ 200,386

Secured Revolving Credit Facility

On July 30, 2015, the Company entered into a secured revolving credit facility (the "Secured Revolving Credit Facility") with Inwood National Bank, which initially provided for up to $50.0 million. Amounts outstanding under the Secured Revolving Credit Facility are secured by mortgages on real property and security interests in certain personal property (to the extent that such personal property is connected with the use and enjoyment of the real property) that is owned by certain of the Company's subsidiaries.

The entire unpaid principal balance and any accrued but unpaid interest is due and payable on the maturity date. Following several amendments, as of December 31, 2019, the aggregate commitment amount was $75.0 million and the maturity date of the Secured Revolving Credit Facility was May 1, 2022.

As of December 31, 2019, letters of credit outstanding totaling $8.9 million reduced the aggregate maximum commitment amount to $66.1 million.

As of December 31, 2019, outstanding borrowings under the amended Secured Revolving Credit Facility bear interest payable monthly at a floating rate per annum equal to the rate announced by Bank of America, N.A., from time to time, as its “Prime Rate” (the “Index”) with such adjustments to the interest rate being made on the effective date of any change in the Index, less 0.25%. Notwithstanding the foregoing, the interest may not, at any time, be less than 4% per annum or more than the lesser amount of 18% and the highest maximum rate allowed by applicable law. As of December 31, 2019, the interest rate on outstanding borrowings under the Secured Revolving Credit Facility was 4.50% per annum.

As of December 31, 2019, the amended Secured Revolving Credit Facility was subject to a borrowing base limitation equal to the sum of 50% of the total value of land and 65% of the total value of lots owned by certain of the Company’s subsidiaries, each as determined by an independent appraiser, with the value of land being restricted from being more than 65% of the borrowing base.

As of December 31, 2019, the amended Secured Revolving Credit Facility was also subject to a non-usage fee equal to 0.25% of the average unfunded amount of the commitment amount over a trailing 12 month period.

Under the terms of the amended Secured Revolving Credit Facility, the Company is required, among other things, to maintain minimum multiples of tangible net worth in excess of the outstanding Secured Revolving Credit Facility balance, minimum interest coverage and maximum leverage. The Company was in compliance with these financial covenants under the Secured Revolving Credit Facility as of December 31, 2019.

Fees and other debt issuance costs of $0.0 million, $0.0 million and $0.2 million were incurred during the years ended December 31, 2019, 2018 and 2017, respectively, associated with the Secured Revolving Credit Facility amendments. These costs are deferred and reduce the carrying amount of debt in our consolidated balance sheets. The Company capitalizes these costs to inventory over the term of the Secured Revolving Credit Facility using the straight-line method.

Unsecured Revolving Credit Facility

On December 15, 2015, the Company entered into a credit agreement (the “Credit Agreement”) with Citibank, N.A. and Credit Suisse AG, Cayman Islands Branch (“Credit Suisse”) as lenders, and Citibank, N.A. as administrative agent, providing for a senior, unsecured revolving credit facility with initial aggregate lending commitments of up to $40.0 million (the “Unsecured Revolving Credit Facility”).

The Unsecured Revolving Credit Facility provides for interest rate options on advances at rates equal to either: (a) in the case of base rate advances, the highest of (1) Citibank’s base rate, (2) the federal funds rate plus 0.5%, and (3) the one-month LIBOR plus 1.0%, in each case plus 1.5%; or (b) in the case of Eurodollar rate advances, the reserve adjusted LIBOR plus 2.5%. Interest on amounts borrowed under the Unsecured Revolving Credit Facility is payable in arrears on a monthly basis. As of December 31, 2019, the interest rates on outstanding borrowings under the Unsecured Revolving Credit Facility ranged from 4.25% to 4.30% per annum.

The Company pays the lenders a commitment fee on the amount of the unused commitments on a quarterly basis at a rate per annum equal to 0.45%.

Outstanding borrowings under the Unsecured Revolving Credit Facility are subject to, among other things, a borrowing base. The borrowing base limitation is equal to the sum of: 100% of unrestricted cash in excess of $15.0 million; 85% of the book value of model homes, construction in progress homes, completed sold and speculative homes (subject to certain limitations on the age and number of speculative homes and model homes); 65% of the book value of finished lots and land under development; and 50% of the book value of entitled land (subject to certain limitations on the value of entitled land and land under development as a percentage of the borrowing base).

Following amendments to the Credit Agreement and the addition of Flagstar Bank, FSB (“Flagstar Bank”), JPMorgan Chase Bank, N.A. (“JPMorgan”) and Chemical Financial Corporation (“Chemical”) as lenders, the aggregate lending commitment available under the Unsecured Revolving Credit Facility as of December 31, 2019 was $215.0 million, the maximum aggregate amount of the Unsecured Revolving Credit Facility was $275.0 million, and the termination date with respect to commitments under the Unsecured Revolving Credit Facility was December 14, 2021 for $30.0 million and December 14, 2022 for $185.0 million out of the aggregate lending commitment of $215.0 million.

Fees and other debt issuance costs of $0.3 million, $0.9 million and $0.7 million were incurred during the years ended December 31, 2019, 2018 and 2017, respectively, associated with the amendments, term extensions and increases in lenders' commitments. These costs are deferred and reduce the carrying amount of debt in our consolidated balance sheets. The Company capitalizes these costs to inventory over the term of the Unsecured Revolving Credit Facility using the straight-line method.

Under the terms of the Unsecured Revolving Credit Facility, the Company is required to maintain compliance with various financial covenants, including a maximum leverage ratio, a minimum interest coverage ratio, and a minimum consolidated tangible net worth. The Company was in compliance with these financial covenants under the Unsecured Revolving Credit Facility as of December 31, 2019.

Senior Unsecured Notes

On August 8, 2019, the Company issued $75.0 million aggregate principal amount of senior unsecured notes due on August 8, 2026 at a fixed rate of 4.00% per annum to Prudential Private Capital in a Section 4(a)(2) private placement transaction and received net proceeds of $73.3 million. A brokerage fee of approximately $1.5 million associated with the issuance was paid at closing. The brokerage fee, and other debt issuance costs of approximately $0.2 million, were deferred and reduced the amount of debt on our consolidated balance sheet. The Company used the net proceeds from the issuance of the senior unsecured notes to repay borrowings under the Company's existing revolving credit facilities.

Principal on the senior unsecured notes is required to be paid in increments of $12.5 million on August 8, 2024 and $12.5 million on August 8, 2025. The final principal payment of $50.0 million is due on August 8, 2026. Optional prepayment is allowed with payment of a "make-whole" premium which fluctuates depending on market interest rates. Interest is payable quarterly in arrears commencing November 8, 2019.

Under the terms of the senior unsecured notes, the Company is required, among other things, to maintain compliance with various financial covenants, including maximum leverage ratios, a minimum interest coverage ratio, and a minimum consolidated tangible net worth. The senior unsecured notes are guaranteed on an unsecured senior basis by the Company's significant subsidiaries and certain other subsidiaries. The senior unsecured notes will rank equally in right of payment with all of the Company's existing and future senior unsecured and unsubordinated indebtedness.

8. STOCKHOLDERS' EQUITY

Common Stock

Pursuant to the Company's amended and restated certificate of incorporation ("Certificate of Incorporation"), the Company is authorized to issue up to 100,000,000 shares of common stock, par value $0.01 per share. As of December 31, 2019, there were 50,879,949 shares of common stock issued and 50,488,010 outstanding.

On March 16, 2018, 20,000 shares of common stock were issued as additional consideration for the investment in Challenger upon resolution of terms for such holdback shares.

Preferred Stock

Pursuant to the Company's Certificate of Incorporation, the Company is authorized to issue up to 5,000,000 shares of preferred stock, par value $0.01 per share. The Board of Directors (the "BOD") has the authority, subject to any limitations imposed by law or Nasdaq rules, without further action by the stockholders, to issue such preferred stock in one or more series and to fix the voting powers (if any), the preferences and relative, participating, optional or other special rights or privileges, if any, of such series and the qualifications, limitations or restrictions thereof. These rights, preferences and privileges may include, but are not limited to, dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of that series. As of December 31, 2019, there were no shares of preferred stock issued and outstanding.

Share Repurchase Programs

In March 2016, the Company's BOD authorized a share repurchase program of up to 1,000,000 shares of its common stock through 2017. The share repurchase program expired in 2017. No shares were repurchased during the year ended December 31, 2017.

In October 2018, the Company's BOD authorized a share repurchase program for the period beginning on October 3, 2018 and ending on October 3, 2020 of the Company's common stock for an aggregate price not to exceed $30.0 million. The timing, volume and nature of share repurchases are at the discretion of management and dependent on market conditions, corporate and regulatory requirements, available cash and other factors, and may be suspended or discontinued at any time. Authorized repurchases may be made from time to time in the open market, through block trades or in privately negotiated transactions. No assurance can be given that any particular amount of common stock will be repurchased. All or part of the repurchases may be implemented under a trading plan under Rule 10b5-1 or Rule 10b-18 established by the SEC, which would allow repurchases under pre-set terms at times when the Company might otherwise be prevented from doing so under insider trading laws or because of self-imposed blackout periods. This repurchase program may be modified, extended or terminated by the BOD at any time. The Company intends to finance any repurchases with available cash and proceeds from borrowings under lines of credit.

In December 2018, the Company repurchased 136,756 shares for approximately $1.0 million.

On December 31, 2018, the Company's BOD authorized implementation of share repurchases in accordance with a trading plan under Rule 10b5-1 (the "December 2018 Trading Plan") within the 2018 Share Repurchase Program. The trading plan was effective from January 2, 2019 until March 30, 2019. In January 2019, the Company repurchased 7,862 shares for approximately $0.1 million under the December 2018 Trading Plan.

In June 2019, the Company's BOD authorized discrete repurchases under the 2018 Share Repurchase Program of 39,320 shares for approximately $0.3 million.

On June 27, 2019, the Company's BOD authorized implementation of share repurchases in accordance with a trading plan under Rule 10b5-1 (the "June 2019 Trading Plan") within the 2018 Share Repurchase Program. The trading plan was effective from July 1, 2019 until August 5, 2019. In July 2019, the Company repurchased 144,584 shares for approximately $1.2 million under the June 2019 Trading Plan.

In September 2019, the Company's BOD authorized discrete repurchases under the 2018 Share Repurchase Program of 63,417 shares for approximately $0.6 million.

As of December 31, 2019, the remaining dollar value of shares that may yet be purchased under the 2018 Share Repurchase Program was $26.8 million.

9. SHARE-BASED COMPENSATION

2014 Omnibus Equity Incentive Plan

On October 17, 2014, the Company's stockholders approved the Green Brick Partners, Inc. 2014 Omnibus Equity Incentive Plan (the "2014 Equity Plan"). The purpose of the 2014 Equity Plan is to provide a means for the Company to attract and retain key personnel and to provide a means whereby current and prospective directors, officers, employees, consultants and advisors can acquire and maintain an equity interest in the Company, or be paid incentive compensation, which may (but need not) be measured by reference to the value of the Company's common stock, thereby strengthening their commitment to the welfare of the Company and aligning their interests with those of the Company's stockholders. The 2014 Equity Plan will terminate automatically on the tenth anniversary of the date it became effective. No awards will be granted under the 2014 Equity Plan after that date, but awards granted prior to that date may extend beyond that date.

Under the 2014 Equity Plan, awards of stock options, including both incentive stock options and nonqualified stock options, stock appreciation rights, restricted stock and restricted stock units, other share-based awards and performance compensation awards, may be granted. The maximum number of shares of the Company's common stock that is authorized and reserved for issuance under the 2014 Equity Plan is 2,350,956 shares, subject to adjustment for certain corporate events or changes in the Company's capital structure.

In general, the Company's employees or those reasonably expected to become the Company's employees, consultants and directors, are eligible for awards under the 2014 Equity Plan, provided that incentive stock options may be granted only to employees. The Company has six non-employee directors and approximately 460 employees (including employees of our builders) who are eligible to receive awards under the 2014 Equity Plan. Written agreements between the Company and each participant evidence the terms of each award granted under the 2014 Equity Plan.

If any award under the 2014 Equity Plan expires or otherwise terminates, in whole or in part, without having been exercised in full, the common stock withheld from issuance under that award will become available for future issuance under the plan. If shares issued under the 2014 Equity Plan are reacquired by the Company pursuant to the terms of any forfeiture provision, those shares will become available for future awards under the plan. Awards that can only be settled in cash will not be treated as shares of common stock granted for purposes of the 2014 Equity Plan. The maximum amount that can be paid to any single participant in any one calendar year pursuant to a cash bonus award under the 2014 Equity Plan is $2.0 million. As of December 31, 2019, 1,656,703 shares remain available for future grant of awards under the 2014 Equity Plan.

Share-Based Award Activity

During the year ended December 31, 2019, the Company granted restricted stock awards ("RSAs") under the 2014 Equity Plan to Executive Officers ("EOs") and non-employee members of the BOD. The RSAs granted to EOs were 100% vested and non-forfeitable on the grant date. Some members of the BOD elected to defer up to 100% of their annual retainer fee in the form of common stock. The RSAs granted to the BOD will become fully vested on the earlier of (i) the first anniversary of the date of grant of the shares of restricted common stock or (ii) the date of the Company's 2019 Annual Meeting of Stockholders. The fair value of the RSAs granted to EOs and non-employee members of the BOD were recorded as share-based compensation expense on the grant date and over the vesting period, respectively. During the year ended December 31, 2019, the Company withheld 59,116 shares of common stock from EOs, at a total cost of $0.5 million, to satisfy statutory minimum tax requirements upon grant of the RSAs.

A summary of share-based awards activity during the years ended December 31, 2019, 2018 and 2017 is as follows:

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value per Share
Nonvested, December 31, 2016	38	$ 7.51
Granted	229	$ 10.11
Vested	(229)	$ 9.66
Forfeited	—	$ —
Nonvested, December 31, 2017	38	$ 10.25
Granted	140	$ 10.45
Vested	(144)	$ 10.03
Forfeited	—	$ —
Nonvested, December 31, 2018	34	$ 12.00
Granted	219	$ 9.14
Vested	(194)	$ 9.67
Forfeited	—	$ —
Nonvested, December 31, 2019	59	$ 9.05

Stock Options

Stock options granted to date were not granted under the 2014 Equity Plan. The stock options outstanding as of December 31, 2019 vested and became exercisable in five substantially equal installments on each of the first five anniversaries of the grant date and expire 10 years after the date on which they were granted. Compensation expense related to these options was expensed on a straight-line basis over the 5 years year service period. All of the stock options outstanding as of December 31, 2019 are vested. We utilized the Black-Scholes option pricing model for estimating the grant date fair value of the stock options. There were no stock options granted during the years ended December 31, 2019, 2018 and 2017.

A summary of stock option activity during the year ended December 31, 2019 is as follows:

	Number of Shares (in thousands)	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Options outstanding, December 31, 2018	500	$ 7.49		
Granted	—	—		
Exercised	—	—		
Forfeited	—	—		
Options outstanding, December 31, 2019	500	$ 7.49	4.82	$ 1,995
Options exercisable, December 31, 2019	500	$ 7.49	4.82	$ 1,995

A summary of unvested stock option activity during the year ended December 31, 2019 is as follows:

	Number of Shares (in thousands)	Weighted Average Per Share Grant Date Fair Value
Unvested, December 31, 2018	100	$ 2.88
Granted	—	$ —
Vested	(100)	$ 2.88
Forfeited	—	$ —
Unvested, December 31, 2019	—	$ 2.88

Share-Based Compensation Expense

Share-based compensation expense was $2.2 million, $1.8 million and $2.6 million for the years ended 2019, 2018 and 2017, respectively. Recognized tax benefit related to share-based compensation expense was $0.5 million, $0.4 million and $0.6 million for the years ended December 31, 2019, 2018 and 2017, respectively.

As of December 31, 2019, the estimated total remaining unamortized share-based compensation expense related to unvested RSAs, net of forfeitures, was $0.2 million which is expected to be recognized over a weighted-average period of 0.4 years. The total fair value of RSAs vested during the years ended December 31, 2019, 2018 and 2017 was $1.9 million, $1.4 million and $2.2 million, respectively.

As of December 31, 2019, there was no remaining unamortized share-based compensation expense related to stock options.

10. REVENUE RECOGNITION

Disaggregation of Revenue

The following reflects the disaggregation of revenue by primary geographic market, type of customer, product type, and timing of revenue recognition (in thousands):

	Years Ended December 31,					
	2019		2018		2017	
	Residential units revenue	Land and lots revenue	Residential units revenue	Land and lots revenue	Residential units revenue	Land and lots revenue
Primary Geographical Market						
Central	$ 396,900	$ 31,080	$ 281,868	$ 40,184	$ 224,670	$ 17,928
Southeast	362,930	750	297,025	4,570	214,850	802
Total revenues	$ 759,830	$ 31,830	$ 578,893	$ 44,754	$ 439,520	$ 18,730
Type of Customer						
Homebuyers	$ 759,830	$ 185	$ 578,893	$ 670	$ 439,520	$ —
Homebuilders	—	31,645	—	44,084	—	18,730
Total revenues	$ 759,830	$ 31,830	$ 578,893	$ 44,754	$ 439,520	$ 18,730
Product Type						
Residential units	$ 759,830	$ —	$ 578,893	$ —	$ 439,520	$ —
Land and lots	—	31,830	—	44,754	—	18,730
Total revenues	$ 759,830	$ 31,830	$ 578,893	$ 44,754	$ 439,520	$ 18,730
Timing of Revenue Recognition						
Transferred at a point in time	$ 752,273	$ 31,830	$ 571,177	$ 44,754	$ 435,644	$ 18,730
Transferred over time	7,557	—	7,716	—	3,876	—
Total revenues	$ 759,830	$ 31,830	$ 578,893	$ 44,754	$ 439,520	$ 18,730

Revenue recognized over time represents revenue from mechanic’s lien contracts.

Contract Balances

Opening and closing contract balances included in customer and builder deposits on the consolidated balance sheets are as follows (in thousands):

	December 31, 2019	December 31, 2018
Customer and builder deposits	$ 23,954	$ 31,978

The difference between the opening and closing balances of customer and builder deposits results from the timing difference between the customer’s payment of a deposit and the Company’s performance, impacted slightly by terminations of contracts.

The amount of deposits on residential units and land and lots held as of the beginning of the period and recognized as revenue during the years ended December 31, 2019 and 2018 are as follows (in thousands):

	2019	2018
Type of Customer		
Homebuyers	$ 17,888	$ 19,342
Homebuilders	3,417	1,806
Total deposits recognized as revenue	$ 21,305	$ 21,148

As a result of the GRBK GHO business combination, customer deposits from homebuyers in the amount of $9.1 million were acquired, of which $8.2 million was recognized during the period from April 26, 2018 through December 31, 2018.

Performance Obligations

There was no revenue recognized during the years ended December 31, 2019, 2018 and 2017 from performance obligations satisfied in prior periods.

Transaction Price Allocated to Remaining Performance Obligations

The aggregate amount of transaction price allocated to the remaining performance obligations on our land sale and lot option contracts is $50.4 million. The Company will recognize the remaining revenue when the lots are taken down, or upon closing for the sale of a land parcel, which is expected to occur as follows (in thousands):

2020	$	30,333
2021		18,940
2022		1,160
Total	$	50,433

The timing of lot takedowns is contingent upon a number of factors, including customer needs, the number of lots being purchased, receipt of acceptance of the plat by the municipality, weather-related delays, and agreed-upon lot takedown schedules.

Our contracts with homebuyers have a duration of less than one year. As such, the Company uses the practical expedient as allowed under ASC 606 and has not disclosed the transaction price allocated to remaining performance obligations as of the end of the reporting period.

11. SEGMENT INFORMATION

The Company has three reportable segments - Builder operations Central, Builder operations Southeast, and Land development. Builder operations Central represents operations of our builders in Texas, whereas Builder operations Southeast represents operations of our builders in Georgia and Florida.

The operations of the Company’s builders were aggregated in these three reportable segments based on similar economic characteristics, including geography, housing products, class of homebuyer, regulatory environments, and methods used to construct and sell homes. The Company believes such presentation is consistent with the objective and basic principles of ASC 280 and provides the most meaningful information about the types of business activities in which the Company engages and the economic environments in which it operates.

Corporate operations are reported as a non-operating segment and include activities which support the Company’s builder operations, land development, title and mortgage operations through centralization of certain administrative functions, such as finance, treasury, information technology and human resources, as well as development of strategic initiatives. Unallocated corporate expenses are reported in the corporate, other and unallocated segment as these activities do not share a majority of aggregation criteria with either the builder operations or land development segments.

While the operations of Challenger meet the criteria for an operating segment, they do not meet the quantitative thresholds of ASC 280 to be separately reported and disclosed. As such, Challenger’s results are included within the corporate, other and unallocated segment.

Green Brick Title, LLC (“Green Brick Title”), Providence Title and Green Brick Mortgage operations are not economically similar to either builder operations or land development and do not meet the quantitative thresholds of ASC 280 to be separately reported and disclosed. As such, these entities’ results are included within the corporate, other and unallocated segment.

Operations of EJB River Holdings do not meet the criteria for an operating segment, and they do not meet the quantitative thresholds of ASC 280 to be separately reported and disclosed. As such, EJB River Holdings’ results are included within the corporate, other and unallocated segment.

Segment information for the year ended December 31, 2017 has been restated to conform with the revised segment presentation for the years ended December 31, 2019 and 2018.

Financial information relating to the Company’s reportable segments is as follows. Operational results of each reportable segment are not necessarily indicative of the results that would have been achieved had the reportable segment been an independent, stand-alone entity during the periods presented.

	Years Ended December 31,		
(in thousands)	**2019**	**2018**	**2017**
Revenues: (1)			
Builder operations			
Central	$ 396,900	$ 282,218	$ 224,670
Southeast	363,680	301,595	214,850
Total builder operations	760,580	583,813	439,520
Land development	31,080	39,834	18,730
Total revenues	$ 791,660	$ 623,647	$ 458,250
Gross profit:			
Builder operations			
Central	$ 88,480	$ 75,006	$ 64,427
Southeast	92,088	82,935	57,820
Total builder operations	180,568	157,941	122,247
Land development	8,050	9,334	5,506
Corporate, other and unallocated (2)	(19,536)	(13,073)	(9,293)
Total gross profit	$ 169,082	$ 154,202	$ 118,460
Interest expense: (3)			
Builder operations			
Central	$ 24,072	$ 18,207	$ 11,623
Southeast	15,686	12,795	14,141
Total builder operations	39,758	31,002	25,764
Corporate, other and unallocated	(39,758)	(31,002)	(25,764)
Total interest expense	$ —	$ —	$ —
Income before income taxes:			
Builder operations			
Central	$ 36,569	$ 37,535	$ 36,224
Southeast	47,210	47,237	34,636
Total builder operations	83,779	84,772	70,860
Land development	10,759	6,155	4,320
Corporate, other and unallocated (4)	(10,209)	(9,256)	(10,943)
Income before income taxes	$ 84,329	$ 81,671	$ 64,237

(in thousands)	December 31, 2019	December 31, 2018
Inventory:		
Builder operations		
Central	$ 251,677	$ 160,980
Southeast	168,140	159,616
Total builder operations	419,817	320,596
Land development	308,071	329,105
Corporate, other and unallocated (5)	25,679	19,260
Total inventory	$ 753,567	$ 668,961
Goodwill: (6)		
Builder operations - Southeast	$ 680	$ 680

(1) The sum of Builder operations Central and Southeast segments' revenues does not equal residential units revenue included in the consolidated statements of income in periods when our builders have revenues from land or lot closings, which for the years ended December 31, 2019, 2018 and 2017 were $0.8 million, $4.9 million and $0.0 million, respectively.

(2) Corporate, other and unallocated gross loss is comprised of capitalized overhead and capitalized interest adjustments that are not allocated to builder operations and land development segments.

(3) Interest expense of Builder operations Central and Southeast segments represents an interest expense charged by Corporate, other and unallocated segment in relation to financing purchases of land and construction of some of the Company's Dallas and Atlanta builders. Intercompany interest revenue of the Corporate, other and unallocated segment is eliminated in consolidation.

(4) Corporate, other and unallocated loss before income taxes includes results from Green Brick Title, Challenger, Green Brick Mortgage, EJB River Holdings, and Providence Title.

(5) Corporate, other and unallocated inventory consists of capitalized overhead and interest related to work in process and land under development.

(6) In connection with the GRBK GHO business combination, the Company recorded goodwill of $0.7 million.

12. INCOME TAXES

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act made major changes to the Internal Revenue Code. The Company recognized the income tax effects of the Tax Act in its financial statements in accordance with Staff Accounting Bulletin 118 which provides SEC staff guidance for the application of ASC 740, *Income Taxes*. The Company finalized its accounting for the income tax effects of the Tax Act in the fourth quarter of 2018 with no adjustments recorded during the measurement period.

Income Tax Expense

The components of current and deferred income tax expense are as follows (in thousands):

	Years Ended December 31,		
	2019	2018	2017
Current income tax expense (benefit):			
Federal	$ 15,980	$ (569)	$ 999
State	2,810	2,993	1,733
Total current income tax expense	18,790	2,424	2,732
Deferred income tax expense (benefit):			
Federal	774	15,023	36,569
State	463	(311)	(270)
Total deferred income tax expense	1,237	14,712	36,299
Total income tax expense	$ 20,027	$ 17,136	$ 39,031

Effective Income Tax Rate Reconciliation

The income tax expense differs from the amount that would be computed by applying the statutory federal income tax rates of 21%, 21% and 35% for the years ended December 31, 2019, 2018 and 2017, respectively, to income before income taxes as a result of the following (amounts in thousands):

	Years Ended December 31,		
	2019	2018	2017
Tax on pre-tax book income (before reduction of noncontrolling interests)	$ 17,709	$ 17,151	$ 22,483
Tax effect of non-controlled earnings	(1,252)	(2,743)	(3,630)
State income tax expense, net of federal benefit	2,706	1,940	931
Adjustments to deferred tax assets related to state net operating losses	1,063	283	41
Change in valuation allowance	(1,063)	(283)	(41)
Change in federal statutory tax rate	—	—	19,017
Other	864	788	230
Total income tax expense	$ 20,027	$ 17,136	$ 39,031
Effective income tax rate	23.7%	21.0%	60.8%

The effective income tax rate for 2017 reflects the impact of compliance with the Tax Act, signed into law on December 22, 2017. The Company remeasured its deferred tax assets due to the change in federal statutory tax rate which resulted in additional tax expense of $19.0 million.

Deferred Income Taxes

The primary differences between the financial statement and tax bases of assets and liabilities are as follows (in thousands):

	December 31, 2019	December 31, 2018
Deferred tax assets:		
Basis in partnerships	$ 9,212	$ 10,947
Accrued expenses	2,206	2,182
Inventory	2,316	1,521
Change in fair value of contingent consideration	1,444	385
Lease liabilities - operating leases	832	—
State net operating loss carryover	—	1,063
Federal net operating loss carryover	—	432
Alternative minimum tax credit carryover	—	576
Stock-based compensation	408	347
Other	191	175
Deferred tax assets, gross	16,609	17,628
Valuation allowance	—	(1,063)
Deferred tax assets, net	$ 16,609	$ 16,565
Deferred tax liabilities:		
Right-of-use assets - operating leases	$ (818)	$ —
Prepaid insurance	(419)	(66)
Other	(110)	—
Deferred tax liabilities	$ (1,347)	$ (66)
Total deferred income tax assets, net	$ 15,262	$ 16,499

Net Operating Losses and Valuation Allowances

As of December 31, 2019, all federal net operating loss carryforwards were fully utilized.

During the year ended December 31, 2019, the Company decided to write off its gross state net operating loss carryforwards in Minnesota of $13.7 million, as well as the related deferred tax asset and valuation allowance. Management believes on a more-likely-than-not basis that the Minnesota net operating loss carryforwards would not have been utilized.

The rollforward of valuation allowance is as follows (amounts in thousands):

	Years Ended December 31,	
	2019	2018
Valuation allowance at beginning of the year	$ 1,063	$ 1,346
Write-off of state net operating losses	(1,063)	—
Expiration of state net operating losses	—	(283)
Valuation allowance at end of the year	$ —	$ 1,063

Uncertain Tax Positions

The Company establishes accruals for uncertain tax positions that reflect management's best estimate of deductions and credits that may not be sustained on a more-likely-than-not basis. In accordance with ASC 740, *Income Taxes*, the Company recognizes the effect of income tax positions only if those positions have a more-likely-than-not chance of being sustained by the Company. Recognized income tax positions are measured at the largest amount that is considered greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. There were no uncertain tax positions as of December 31, 2019.

A reconciliation of the beginning and ending amount of uncertain tax positions for the year ended December 31, 2017 is as follows (in thousands):

	Year Ended December 31, 2017
Uncertain tax positions at beginning of year	$ 249
Change related to Georgia state income taxes	(249)
Uncertain tax positions at end of year	$ —

There were no expenses for interest and penalties related to uncertain tax positions for the years ended December 31, 2019, 2018, and 2017. There were no accrued liabilities related to uncertain tax positions as of December 31, 2019 and 2018, respectively.

Statutes of Limitations

The U.S. federal statute of limitations remains open for our 2016 and subsequent tax years. Due to the carryover of the federal net operating losses for years 2009 and forward, income tax returns going back to the 2009 tax year are subject to adjustment.

The Colorado and Minnesota statutes of limitations remain open for our 2015 and subsequent tax years. The Nebraska statute of limitations remains open for our 2016 and subsequent tax years.

The Company’s subsidiaries file returns in Texas, Georgia and Florida.

The Texas statute of limitations remains open for the 2015 and subsequent tax years. Any Texas adjustments relating to returns filed by the subsidiary partnerships would be borne by the subsidiary partnership entities.

The Georgia statute of limitations remains open for the 2016 and subsequent tax years. Any Georgia adjustments relating to returns filed by the subsidiary partnerships would be borne by the partner.

The Florida statute of limitations will remain open for the 2018 and subsequent tax years. Any Florida adjustments relating to returns filed by the subsidiary partnerships would be borne by the partner.

The Company is not presently under examination by the Internal Revenue Service or state tax authority.

13. EMPLOYEE BENEFITS

We have a qualifying 401(k) defined contribution plan that covers all employees of the Company. Each year, we may make discretionary matching contributions equal to a percentage of the employees’ contributions. The Company contributed $0.8 million, $0.6 million and $0.5 million of matching contributions to the 401(k) plan during the years ended December 31, 2019, 2018 and 2017.

14. EARNINGS PER SHARE

The Company’s restricted stock awards have the right to receive forfeitable dividends on an equal basis with common stock and therefore are not considered participating securities that must be included in the calculation of net income per share using the two-class method. Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during each period, adjusted for non-vested shares of restricted stock awards during each period. Diluted earnings per share is calculated using the treasury stock method and includes the effect of all dilutive securities, including stock options and restricted stock awards.

The computation of basic and diluted net income attributable to Green Brick Partners, Inc. per share is as follows (in thousands, except per share amounts):

	Years Ended December 31, 2019	2018	2017
Net income attributable to Green Brick Partners, Inc.	$ 58,656	$ 51,623	$ 14,970
Weighted-average number of shares outstanding - basic	50,530	50,652	49,597
Basic net income attributable to Green Brick Partners, Inc. per share	$ 1.16	$ 1.02	$ 0.30
Weighted-average number of shares outstanding - basic	50,530	50,652	49,597
Dilutive effect of stock options and restricted stock awards	106	99	86
Weighted-average number of shares outstanding - diluted	50,636	50,751	49,683
Diluted net income attributable to Green Brick Partners, Inc. per share	$ 1.16	$ 1.02	$ 0.30

The following shares that could potentially dilute earnings per share in the future are not included in the determination of diluted net income attributable to Green Brick Partners, Inc. per common share (in thousands):

	Years Ended December 31, 2019	2018	2017
Antidilutive options to purchase common stock and restricted stock awards	14	8	—

15. FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

The Company’s financial instruments, none of which are held for trading purposes, include cash, restricted cash, receivables, earnest money deposits, other assets, accounts payable, accrued expenses, customer and builder deposits, borrowings on lines of credit, senior unsecured notes, and contingent consideration liability.

Per the fair value hierarchy, level 1 financial instruments include: cash, restricted cash, receivables, earnest money deposits, other assets, accounts payable, accrued expenses, and customer and builder deposits due to their short-term nature. The Company estimates that, due to the short-term nature of the underlying financial instruments or the proximity of the underlying transaction to the applicable reporting date, the fair value of level 1 financial instruments does not differ materially from the aggregate carrying values recorded in the consolidated financial statements as of December 31, 2019 and 2018.

Level 2 financial instruments include borrowings on lines of credit and senior unsecured notes. Due to the short-term nature and floating interest rate terms, the carrying amounts of borrowings on lines of credit are deemed to approximate fair value. The estimated fair value of the senior unsecured notes as of December 31, 2019 was $78.6 million.

The fair value of the contingent consideration liability related to the GRBK GHO business combination was estimated using an internally developed discounted cash flow analysis. As the measurement of the contingent consideration is based primarily on significant inputs not observable in the market, it represents a level 3 measurement.

Key inputs in measuring the fair value of the contingent consideration liability are management’s projections of GRBK GHO’s net income and debt, and the annual discount rate of 16.5% that reflects the risk associated with achieving the milestones of the contingent consideration payments.

The reconciliation of the beginning and ending balances for level 3 measurements is as follows (in thousands):

	Carrying Value	Estimated Fair Value
Contingent consideration liability, balance as of December 31, 2018	$ 2,207	$ 2,207
Payment of contingent consideration	(514)	(514)
Payment of contingent consideration in excess of acquisition date fair value	(1,332)	(1,332)
Change in fair value of contingent consideration	4,906	4,906
Contingent consideration liability, balance as of December 31, 2019	$ 5,267	$ 5,267

There were no transfers between the levels of the fair value hierarchy for any of our financial instruments as of December 31, 2019 when compared to December 31, 2018.

Fair Value of Nonfinancial Instruments

Nonfinancial assets and liabilities include inventory which is measured at cost unless the carrying value is determined to be not recoverable in which case the affected instrument is written down to fair value. Per the fair value hierarchy, these items are level 3 nonfinancial instruments. For additional information on the Company's inventory, refer to Note 4.

16. RELATED PARTY TRANSACTIONS

During 2019, 2018 and 2017, the Company had the following related party transactions through the normal course of business.

The Parc at Cogburn

In September 2015, the Company purchased 11 lots from an entity affiliated with the president of TPG, one of its controlled builders. The lots are part of a 19-home community, The Parc at Cogburn in Atlanta. The total paid for the lots in 2015 was $1.8 million. Under the option contract in place, the Company purchased $0.3 million in lots during the year ended December 31, 2016, and $1.0 million in lots during the year ended December 31, 2017. The Company purchased all 19 lots as of December 31, 2017.

Academy Street

In March 2016, the Company purchased undeveloped land for an 83-lot community, Academy Street in Atlanta. Simultaneously, the Company entered into a partnership agreement with an entity affiliated with the president of TPG to develop the land for sale of the lots to TPG. Contributions and profits are shared 80% by the Company and 20% by the affiliated entity.

During the year ended December 31, 2017, TPG purchased 62 lots within the community for $11.2 million. During the year ended December 31, 2018, TPG purchased the remaining 21 lots within the community for $2.9 million.

Total capital contributions as of December 31, 2019 were $11.7 million. Total capital contributions paid during the year ended December 31, 2016 were $11.2 million, of which $9.0 million was paid by the Company. Total capital contributions paid during the year ended December 31, 2017 were $0.5 million, of which $0.4 million was paid by the Company. There were no capital contributions made to the partnership during the years ended December 31, 2019 and 2018.

Total capital distributions as of December 31, 2019 were $14.8 million. There were no capital distributions from the partnership during the year ended December 31, 2016. Total capital distributions from the partnership during the year ended December 31, 2017 were $11.5 million, of which $9.2 million was paid to the Company. Total capital distributions from the partnership during the year ended December 31, 2018 were $3.3 million, of which $2.7 million was paid to the Company. The capital distributions made during the year ended December 31, 2018 were final, and the affiliated entity has ceased its activity.

The Company has consolidated the entity's results of operations and financial condition into its consolidated financial statements based on its 80% ownership.

Suwanee Station

In March 2016, the Company purchased undeveloped land for a 73-unit townhome community, Suwanee Station in Atlanta. Simultaneously, the Company entered into a partnership agreement with an entity affiliated with the president of TPG to develop the land for sale of the lots to TPG. Contributions and profits are shared 50% by the Company and 50% by the affiliated entity.

During the years ended December 31, 2019, 2018 and 2017, TPG purchased 13, 25, and 27 lots within the community for $0.5 million, $1.3 million and $1.6 million, respectively. As of December 31, 2019, there were no lots remaining to be sold to TPG.

Total capital contributions as of December 31, 2019 were $2.5 million. Total capital contributions paid during the year ended December 31, 2016 were $1.8 million, of which $0.9 million was paid by the Company. The capital contributions paid during the year ended December 31, 2017 were $0.7 million, of which $0.4 million was paid by the Company. The were no capital contributions paid during the year ended December 31, 2019 and 2018.

Total capital distributions as of December 31, 2019 were $3.3 million. There were no capital distributions from the partnership during the year ended December 31, 2016. Total capital distributions from the partnership during the year ended December 31, 2017 were $1.5 million, of which $0.7 million was paid to the Company. Total capital distributions from the partnership during the year ended December 31, 2018 were $0.9 million, of which $0.4 million was paid to the Company. Total capital distributions from the partnership during the year ended December 31, 2019 were $0.9 million, of which $0.5 million was paid to the Company. The capital distributions made during the year ended December 31, 2019 were final, and the affiliated entity has ceased its activity.

The Company holds two of the three board seats and is able to exercise control over the operations of the partnership and therefore has consolidated the entity's results of operations and financial condition into its consolidated financial statements.

Dunwoody Towneship

In June 2016, the Company purchased 14 lots from an entity affiliated with the president of TPG. The lots are part of a 40-unit townhome community, Dunwoody Towneship in Atlanta. The total paid for the 14 lots in 2016 was $1.8 million. The Company purchased the remaining 26 lots during the year ended December 31, 2017 for $3.3 million.

Corporate Officers

In February 2017, Richard A. Costello paid a $0.1 million deposit to Centre Living Homes, LLC, one of the Company's builders, on a townhome. During the fourth quarter of 2017, Mr. Costello closed on the townhome for approximately $0.5 million. In accordance with the Company's employee discount policy, the contract price resulted in a margin of approximately 13%.

In February 2017, Jed Dolson paid a $0.1 million deposit to Centre Living on a townhome. During the fourth quarter of 2017, as allowed for in the Company's employee discount policy, Mr. Dolson assigned his rights to purchase the townhome to his sister-in-law. The townhome was closed on in the fourth quarter of 2017 for approximately $0.5 million. In accordance with the Company's employee discount policy, the contract price resulted in a margin of approximately 13%.

Trevor Brickman, the son of Green Brick's Chief Executive Officer, is the President of Centre Living. Following a series of transactions described in Part I, Item 1 of this Annual Report on Form 10-K and in Note 3, effective December 31, 2019, Green Brick's ownership interest in Centre Living is 90% and Trevor Brickman's ownership interest is 10%. Green Brick has 90% voting control over the operations of Centre Living. As such, 100% of Centre Living's operations are included within our consolidated financial statements.

GRBK GHO

GRBK GHO leases office space from entities affiliated with the president of GRBK GHO. During the year ended December 31, 2019 and during the period from April 26, 2018 through December 31, 2018, GRBK GHO incurred a lease cost of $0.1 million and $0.1 million, respectively, under such lease agreements. As of December 31, 2019, there were no amounts due to the affiliated entities related to such lease agreements.

GRBK GHO receives title closing services on the purchase of land and third-party lots from an entity affiliated with the president of GRBK GHO. During the year ended December 31, 2019 and during the period from April 26, 2018 through December 31, 2018, GRBK GHO incurred de minimus fees related to such title closing services. As of December 31, 2019, no amounts were due to the title company affiliate.

17. COMMITMENTS AND CONTINGENCIES

Letters of Credit and Performance Bonds

During the ordinary course of business, certain regulatory agencies and municipalities require the Company to post letters of credit or performance bonds related to development projects. As of December 31, 2019 and 2018, letters of credit outstanding were $9.0 million and $2.2 million, respectively, and performance bonds outstanding totaled $5.4 million and $5.3 million, respectively. The Company does not believe that it is likely that any material claims will be made under a letter of credit or performance bond in the foreseeable future.

Warranties

Warranty activity, included in accrued expenses in our consolidated balance sheets, for 2019, 2018 and 2017 consists of the following (in thousands):

	2019	2018	2017
Warranty accrual, beginning of period	$ 2,980	$ 2,083	$ 1,210
Warranties issued	3,358	2,384	1,454
Changes in liability for existing warranties	37	163	482
Settlements	(2,535)	(1,650)	(1,063)
Warranty accrual, end of period	$ 3,840	$ 2,980	$ 2,083

Operating Leases

The Company has leases associated with office and design center space in Georgia, Texas, and Florida that, at the commencement date, have a lease term of more than 12 months and are classified as operating leases. The exercise of any extension options available in such operating lease contracts is not reasonably certain.

Operating lease cost of $1.3 million for these leases for the year ended December 31, 2019 is included in selling, general and administrative expense in the consolidated statements of income. For the year ended December 31, 2019, cash paid for amounts included in the measurement of operating lease liabilities was $1.2 million.

Rental expense for these leases totaled $1.2 million and $0.9 million for the years ended December 31, 2018 and 2017, respectively, and was included in selling, general and administrative expense in the consolidated statements of income.

As of December 31, 2019, the weighted-average remaining lease term and the weighted-average discount rate used in calculating our lease liabilities were 3.3 years and 5.22%, respectively.

The future annual undiscounted cash flows in relation to the operating leases and a reconciliation of such undiscounted cash flows to the operating lease liabilities recognized in the consolidated balance sheet as of December 31, 2019 are presented below (in thousands):

2020	$ 1,320
2021	1,096
2022	819
2023	1,218
2024	14
Total future lease payments	$ 4,467
Less: Interest	$ 903
Present value of lease liabilities	$ 3,564

The Company elected the short-term lease recognition exemption for all leases that, at the commencement date, have a lease term of 12 months or less and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. For such leases, the Company does not recognize ROU assets or lease liabilities and instead recognizes lease payments in the consolidated income statements on a straight-line basis. Short-term lease cost of $0.4 million for the year ended December 31, 2019 related to such lease contracts is included in selling, general and administrative expense in the consolidated statements of income.

Legal Matters

Lawsuits, claims and proceedings may be instituted or asserted against us in the normal course of business. The Company is also subject to local, state and federal laws and regulations related to land development activities, house construction standards, sales practices, title company regulations, employment practices and environmental protection. As a result, the Company may be subject to periodic examinations or inquiry by agencies administering these laws and regulations.

The Company records an accrual for legal claims and regulatory matters when they are probable of occurring and a potential loss is reasonably estimable. The Company accrues for these matters based on facts and circumstances specific to each matter and revises these estimates when necessary.

In view of the inherent difficulty of predicting outcomes of legal claims and related contingencies, the Company generally cannot predict their ultimate resolution, related timing or eventual loss. If evaluations indicate loss contingencies that could be material are not probable, but are reasonably possible, the Company will disclose their nature with an estimate of the possible range of losses or a statement that such loss is not reasonably estimable. We believe that the disposition of legal claims and related contingencies will not have a material adverse effect on our results of operations and liquidity or on our financial condition.

18. SUBSEQUENT EVENTS

In February 2020, the Company and the minority partner of GRBK GHO amended the operating agreement of GRBK GHO to change the start of the put and purchase options described in Note 2 from April 2021 to April 2024. The Company is currently evaluating the accounting for this change on the Company’s consolidated financial statements.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company has established disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and, as such, is accumulated and communicated to the Company’s management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as appropriate to allow timely decisions regarding required disclosure. Management, together with our CEO and CFO, evaluated the effectiveness of the Company’s disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, as of December 31, 2019. Based on our evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as of December 31, 2019.

Management’s Report on Internal Control over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including the CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2019 based upon *Internal Control-Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2019.

RSM US LLP, the Company's independent registered public accounting firm, has audited our consolidated financial statements included in this report and has issued an attestation report on the Company's internal control over financial reporting, which is included herein.

Changes in Internal Control over Financial Reporting

During the quarter ended December 31, 2019, there were no changes in our internal controls that have materially affected or are reasonably likely to have a material effect on our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Green Brick Partners, Inc.

Opinion on the Internal Control Over Financial Reporting

We have audited Green Brick Partners, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control* - *Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements of the Company and our report dated March 6, 2020 expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ RSM US LLP

Dallas, Texas
March 6, 2020

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by Part III, Item 10, is incorporated herein by reference to the Company’s proxy statement for its 2020 annual meeting of shareholders (“Proxy Statement”) to be filed with the SEC no later than 120 days after the end of the Company’s fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

Information required by Part III, Item 11, is incorporated herein by reference to the Company’s Proxy Statement to be filed with the SEC no later than 120 days after the end of the Company’s fiscal year.

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

Information required by Part III, Item 12, is incorporated herein by reference to the Company’s Proxy Statement to be filed with the SEC no later than 120 days after the end of the Company’s fiscal year.

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

Information required by Part III, Item 13, is incorporated herein by reference to the Company’s Proxy Statement to be filed with the SEC no later than 120 days after the end of the Company’s fiscal year.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by Part III, Item 14, is incorporated herein by reference to the Company’s Proxy Statement to be filed with the SEC no later than 120 days after the end of the Company’s fiscal year.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this Annual Report on Form 10-K:

(1) Financial Statements

See Part II, Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules

Financial statements schedules are omitted because they are not required or applicable or the required information is included in the consolidated financial statements or notes thereto.

(3) Exhibits

The following exhibits are filed with this Annual Report on Form 10-K or are incorporated herein by reference:

Number	Exhibit Description
3.1	Amended and Restated Certificate of Incorporation, (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed October 31, 2014).
3.2	Amended and Restated Bylaws of BioFuel Energy Corp, dated as of March 20, 2009, (incorporated by reference to Exhibit 3.2 to the Company's Form 8-K filed March 23, 2009).
4.1	Specimen Common Stock Certificate, (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed October 31, 2014).
4.2*	Description of Capital Stock.
10.1	Amended and Restated Limited Liability Company Operating Agreement of The Providence Group of Georgia, L.L.C., dated as of July 1, 2011 (incorporated by reference to Exhibit 10.20 to the Company's Registration Statement on Form S-1 (File No. 333-197446) filed on July 16, 2014).
10.2*	Second Amended and Restated Company Agreement of CB JENI Homes DFW LLC, dated as of January 1, 2018.
10.3	Amended and Restated Limited Liability Company Operating Agreement of JBGL A&A, LLC, dated November 15, 2011 (incorporated by reference to Exhibit 10.23 to the Company's Registration Statement on Form S-1 (File No. 333-197446) filed on July 16, 2014).
10.4†	Green Brick Partners, Inc. 2014 Omnibus Equity Incentive Plan (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K filed March 31, 2015).
10.5†	Employment Agreement, dated as of July 22, 2019, between the Company and James R. Brickman (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 26, 2019).
10.6†	Green Brick Partners, Inc. Stock Option Agreement, dated as of October 27, 2014, between the Company and James R. Brickman (incorporated by reference to Exhibit 10.16 to the Company's Current Report on Form 8-K filed October 31, 2014).
10.7†	Employment Agreement, effective as of January 15, 2019, between the Company and Richard A. Costello (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 11, 2018).
10.8†	Employment Agreement, dated as of October 27, 2017, between the Company and Jed Dolson (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 27, 2017).
10.9	Promissory Note, dated as of October 13, 2011, by JBGL Builder Finance LLC for the benefit of Inwood National Bank (incorporated by reference to Exhibit 10.25 to the Company's Registration Statement on Form S-1 (File No. 333-197446) filed on July 16, 2014).
10.10	Promissory Note, dated October 13, 2012, by JBGL Builder Finance LLC for the benefit of Inwood National Bank (incorporated by reference to Exhibit 10.26 to the Company's Registration Statement on Form S-1 (File No. 333-197446) filed on July 16, 2014).
10.11	Second Renewal, Extension and Modification of Promissory Note and Second Amendment to Business Loan Agreement, dated as of October 13, 2013, by and between JBGL Builder Finance LLC and Inwood National Bank (incorporated by reference to Exhibit 10.27 to the Company's Registration Statement on Form S-1 (File No. 333-197446) filed on July 16, 2014).

Number	Exhibit Description
10.12	Commercial Security Agreement, dated as of October 13, 2011, by and between JBGL Builder Finance LLC and Inwood National Bank (incorporated by reference to Exhibit 10.28 to the Company's Registration Statement on Form S-1 (File No. 333-197446) filed on July 16, 2014).
10.13	Commercial Security Agreement, dated as of October 13, 2012 by and between JBGL Builder Finance LLC and Inwood National Bank (incorporated by reference to Exhibit 10.29 to the Company's Registration Statement on Form S-1 (File No. 333-197446) filed on July 16, 2014).
10.14	Business Loan Agreement (Asset Based), dated as of October 13, 2011, by and between JBGL Builder Finance LLC and Inwood National Bank (incorporated by reference to Exhibit 10.30 to the Company's Registration Statement on Form S-1 (File No. 333-197446) filed on July 16, 2014).
10.15	Business Loan Agreement, dated as of October 13, 2012, by and between JBGL Builder Finance LLC and Inwood National Bank (incorporated by reference to Exhibit 10.31 to the Company's Registration Statement on Form S-1 (File No. 333-197446) filed on July 16, 2014).
10.16	Cross-Pledge Agreement, dated as of October 11, 2013, between Inwood National Bank, JBGL Builder Finance LLC and JBGL Model Fund 1, LLC (incorporated by reference to Exhibit 10.32 to the Company's Registration Statement on Form S-1 (File No. 333-197446) filed on July 16, 2014).
10.17	Third Renewal, Extension, and Modification of Promissory Note and Third Amendment to Business Loan Agreement, effective as of September 23, 2014, by and between JBGL Builder Finance LLC and Inwood National Bank (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 22, 2015).
10.18	Loan Agreement, dated as of July 30, 2015, by and among Green Brick Partners, Inc., Inwood National Bank, JBGL Mustang, LLC, JBGL Exchange, LLC, JBGL Chateau, LLC, Johns Creek 206, LLC and JBGL Builder Finance, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 5, 2015).
10.19	Revolving Line of Credit Note, dated as of July 30, 2015, issued by Green Brick Partners, Inc. in favor of Inwood National Bank (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed August 5, 2015).
10.20	Guaranty Agreement, dated as of July 30, 2015, by and among JBGL Mustang, LLC, JBGL Chateau, LLC, JBGL Exchange, LLC, JBGL Builder Finance, LLC, and Johns Creek 206, LLC (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed August 5, 2015).
10.21	Deed of Trust and Security Agreement, dated as of July 30, 2015, by JBGL Mustang, LLC, as grantor, to Gary L. Tipton, as trustee, for the benefit of Inwood National Bank (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed August 5, 2015).
10.22	Deed of Trust and Security Agreement, dated as of July 30, 2015, by JBGL Exchange, LLC, as grantor, to Gary L. Tipton, as trustee, for the benefit of Inwood National Bank (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed August 5, 2015).
10.23	Deed of Trust and Security Agreement, dated as of July 30, 2015, by JBGL Chateau, LLC, as grantor, to Gary L. Tipton, as trustee, for the benefit of Inwood National Bank (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed August 5, 2015).
10.24	Deed to Secure Debt, Assignment of Rents and Leases, Security Agreement and Fixture Filing, dated as of July 30, 2015, by Johns Creek 206, LLC, as grantor, to Inwood National Bank, as grantee (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed August 5, 2015).
10.25	Credit Agreement, dated as of December 15, 2015, among Green Brick Partners, Inc., the lenders named therein, and Citibank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 18, 2015).
10.26	Guarantee Agreement, dated as of December 15, 2015, among Green Brick Partners, Inc., certain subsidiaries of Green Brick Partners, Inc. from time to time party thereto, and Citibank, N.A., as agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed December 18, 2015).
10.27	First Amendment to Loan Agreement, dated as of May 3, 2016, by and among Green Brick Partners, Inc., Inwood National Bank, JBGL Mustang, LLC, JBGL Exchange, LLC, JBGL Chateau, LLC, Johns Creek 206, LLC, GRBK Frisco LLC and JBGL Builder Finance, LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed May 9, 2016).
10.28	First Modification of Promissory Note, dated as of May 3, 2016 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed May 9, 2016).
10.29	Guaranty Agreement, dated as of May 3, 2016, by GRBK Frisco LLC (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed May 9, 2016).
10.30	Deed of Trust and Security Agreement, dated as of May 3, 2016, by GRBK Frisco LLC, as grantor, to Gary L. Tipton, as trustee, for the benefit of Inwood National Bank (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed May 9, 2016).

Number	Exhibit Description
10.31	First Amendment to Credit Agreement, dated as of August 31, 2016, by and among Green Brick Partners, Inc., Flagstar Bank, FSB, the lenders named therein, and Citibank, N.A., as administrative agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed September 1, 2016).
10.32	Amendment No. 2 to the Credit Agreement, dated as of December 1, 2016, by and among Green Brick Partners, Inc., the lenders named therein, and Citibank, N.A., as agent (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed December 1, 2016).
10.33	Third Amendment to the Credit Agreement, dated as of September 1, 2017, by and among Green Brick Partners, Inc., the lenders named therein, Flagstar Bank, FSB, as successor administrative agent, and Citibank, N.A., as existing administrative agent (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed September 6, 2017).
10.34	Amendment No. 4 to the Credit Agreement, dated as of December 1, 2017, by and among Green Brick Partners, Inc., the lenders named therein, and Flagstar Bank, FSB, as agent (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed December 4, 2017).
10.35	Fifth Amendment to the Credit Agreement, dated as of November 2, 2018, by and among Green Brick Partners, Inc., the lenders named therein, Flagstar Bank, FSB, as administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed November 5, 2018).
10.36	Third Modification of Promissory Note, dated as of October 26, 2018 (incorporated by reference to Exhibit 10.52 to the Company's Annual Report on Form 10-K filed March 8, 2019).
10.37†	Form of Other Stock-Based Award Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 3, 2018).
10.38†	Form of Performance Compensation Award Award Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed April 3, 2018).
10.39	Note Purchase Agreement, dated as of August 8, 2019 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed August 9, 2019).
10.40	Subsidiary Guaranty Agreement, dated as of August 8, 2019 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed August 9, 2019).
21*	List of Subsidiaries of the Company.
23*	Consent of RSM US LLP, Independent Registered Public Accounting Firm to the Company.
31.1*	Certification of the Company's Chief Executive Officer Pursuant To Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 7241).
31.2*	Certification of the Company's Chief Financial Officer Pursuant To Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 7241).
32.1*	Certification of the Company's Chief Executive Officer Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).
32.2*	Certification of the Company's Chief Financial Officer Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).
101.INS**	XBRL Instance Document.
101.SCH**	XBRL Taxonomy Extension Schema Document.
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document.
104**	Cover Page Interactive Data File (embedded within the Inline XBRL document contained in Exhibit 101).

* Filed with this Annual Report on Form 10-K.

** Submitted electronically herewith.

† Management Contract or Compensatory Plan.

\# The Company hereby undertakes to furnish a copy of any omitted schedule or exhibit to such agreement to the SEC upon request.

ITEM 16. 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on March 6, 2020.

Green Brick Partners, Inc.

/s/ James R. Brickman

By: James R. Brickman

Its: Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated below.

Signature	Title	Date
/s/ James R. Brickman James R. Brickman	Chief Executive Officer and Director (Principal Executive Officer)	March 6, 2020
/s/ Richard A. Costello Richard A. Costello	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 6, 2020
/s/ Elizabeth K. Blake Elizabeth K. Blake	Director	March 6, 2020
/s/ Harry Brandler Harry Brandler	Director	March 6, 2020
/s/ David Einhorn David Einhorn	Chairman of the Board	March 6, 2020
/s/ John R. Farris John R. Farris	Director	March 6, 2020
/s/ Kathleen Olsen Kathleen Olsen	Director	March 6, 2020
/s/ Richard S. Press Richard S. Press	Director	March 6, 2020

Exhibit 4.2

Description of Capital Stock

The following discussion is a summary of the material terms of our common stock, preferred stock, Series B Junior Participating Preferred Stock, Charter and bylaws.

Authorized Capital

Our authorized capital stock currently consists of 100 million shares of common stock, par value $0.01 per share and 5 million shares of preferred stock, par value $0.01 per share.

Common Stock

Holders of our common stock are entitled to one vote for each share held of record on all matters on which stockholders generally are entitled to vote. Holders of our common stock vote together as a single class on all matters presented to our stockholders for their vote or approval, except as otherwise required by applicable law.

Holders of our common stock are entitled to receive dividends when and if declared by our board of directors out of funds legally available therefor, subject to any statutory or contractual restrictions on the payment of dividends and to any restrictions on the payment of dividends imposed by the terms of any outstanding preferred stock. We do not intend to pay cash dividends on our common stock for the foreseeable future.

In the event of our dissolution, liquidation or winding up, after payment in full of all amounts required to be paid to creditors and to the holders of preferred stock having liquidation preferences, if any, the holders of our common stock will be entitled to receive pro rata our remaining assets available for distribution.

The holders of our common stock have no conversion, preemptive or other subscription rights. There are no redemption or sinking fund provisions applicable to our common stock.

Preferred Stock

Our board of directors has the authority, subject to any limitations imposed by law or Nasdaq rules, without further action by the stockholders, to issue up to 5 million shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions of each series of such preferred stock. These rights, preferences and privileges include, but are not limited to, dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of that series, any or all of which may be greater than the rights of common stock.

Anti-Takeover Effects of Our Charter and Bylaws

Our Charter and bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our board of directors. These provisions may

have the effect of delaying, deferring or preventing a future takeover or change in control of our company, even in those cases where such a transaction may be at a premium to the current market price of our common stock.

These provisions include:

Action by Written Consent; Special Meetings of Stockholders

Our Charter provides that stockholder action (other than actions by holders of preferred stock, if any) can be taken only at an annual or special meeting of stockholders and cannot be taken by written consent in lieu of a meeting. Our bylaws provide that, except as otherwise required by law, special meetings of the stockholders can only be called by the chairman of the board, the chief executive officer or the president, or pursuant to a resolution adopted by a majority of the board of directors. Stockholders are not permitted to call a special meeting or to require the board of directors to call a special meeting.

Advance Notice Procedure

Our bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of our stockholders, including proposed nominations of candidates for election to the board of directors. Stockholders at an annual meeting will be able to consider only proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of the board of directors or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given our secretary timely written notice, in proper form, of the stockholder's intention to bring that business before the meeting. Although the bylaws do not give the board of directors the power to approve or disapprove stockholder nominations of candidates or proposals regarding other business to be conducted at a special or annual meeting, the bylaws may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed or may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of the Company.

Authorized but Unissued Shares

Subject to Nasdaq listing requirements, our authorized but unissued shares of common stock and preferred stock will be available for future issuance without stockholder approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock and preferred stock may also have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of our company.

Certain Other Provisions of Our Charter and Bylaws and Delaware Law

Board of Directors

Our Charter provides that the number of directors will be fixed in the manner provided in our bylaws. Our bylaws provide that the number of directors will be fixed from time to time solely pursuant to a resolution adopted by the board. Our board of directors currently has seven members.

Section 203 of the DGCL

Our Charter expressly states that we have elected not to be subject to the provisions of Section 203 of the Delaware General Corporation Law. Subject to exceptions specified therein, Section 203 of the DGCL prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder," including general mergers or consolidations or acquisitions of additional shares of the corporation, for a three-year period following the time that such stockholder became an interested stockholder.

Except as otherwise specified in Section 203, an "interested stockholder" is defined to include:

- any person that is the owner of 15% or more of the outstanding voting stock of the corporation, or is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within the three years immediately prior to the date of determination; and
- the affiliates and associates of any such person.

The statute is intended to prohibit or delay mergers or other takeover or change in control attempts. Although we have elected to opt out of the statute's provisions, we could elect to be subject to Section 203 in the future.

Exhibit 10.2

SECOND AMENDED AND RESTATED COMPANY AGREEMENT
CB JENI HOMES DFW LLC

This SECOND AMENDED AND RESTATED COMPANY AGREEMENT (this "Agreement"), dated to be effective as of January 1, 2018 (the "Effective Date"), is executed by and between JBGL Ownership LLC, a Delaware limited liability company ("JBGL"), and BHCP Homes, LLC, a Texas limited liability company ("BHCP"), and Bruno H. Pasquinelli, not individually but solely as Trustee of the BHCP Family Trust (the "Trust") whose respective addresses are set forth on Schedule A of this Agreement. JBGL, BHCP, and the Trust are sometimes collectively referred to herein as the "Initial Members" of CB JENI Homes DFW LLC, a Texas limited liability company (the "Company") (formerly known as CBJ JBGL LLC).

WITNESSETH

WHEREAS, on March 27, 2012, the Company was organized under the name of CBJ JBGL LLC pursuant to a Certificate of Formation (as the same may be amended from time to time, the "Certificate of Formation") filed in the office of the Secretary of State of the State of Texas (the "Secretary of State") [as amended on May 14, 2012 to change the name of the entity to CB JENI Homes DFW LLC], and JBGL as the sole member entered into the Company's Company Agreement dated to be effective as of March 27, 2012 (the "Initial Agreement"); and

WHEREAS, on April 1, 2012, the parties hereto entered into the Company's Amended and Restated Company Agreement [as amended by the First Amendment entered into as of November 5, 2013, by the Second Amendment entered into as of March 25, 2015, by the Third Amendment entered into as of May 23, 2016, and by the Fourth Amendment entered into as of June 6, 2017, the "First Amended and Restated Company Agreement"]; and

WHEREAS, the parties hereto desire to and do hereby amend and restate the First Amended and Restated Company Agreement on the terms set forth herein in order to regulate and establish the manner in which the business and affairs of the Company shall be managed and conducted.

NOW, THEREFORE, in consideration of the foregoing premises, the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS; FORMATION; NAME; PRINCIPAL OFFICE; PURPOSE; TERM

Section 1.1 Definitions.

(a) In addition to terms defined elsewhere in this Agreement, the following capitalized terms generally used in this Agreement shall have the meanings defined or referenced below.

Affiliate: shall mean (i) with respect to any Person who is an individual, a spouse, child, sibling, aunt, uncle, cousin or parent of such first Person, or any trust established for the benefit

of any such Person or any such affiliated Persons, (ii) with respect to any trust, any trustee or beneficiary of such trust or any Person who would be an Affiliate of such trustee or beneficiary, and (iii) with respect to any Person (including an individual or trust), a Person, directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with the Person in question. The term "control," as used in the immediately preceding sentence, means, with respect to an entity that is a corporation, the right to exercise, directly or indirectly, more than fifty percent (50%) of the voting rights attributable to the shares of such corporation and, with respect to a Person that is not a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person.

Bankruptcy: shall have the meaning ascribed to such term in Section 6.l(b) hereof.

Board of Managers: shall have the meaning ascribed to such term in Section 4.1(a) hereof.

Book Value: shall mean, with respect to any Company asset at any time, the adjusted basis of such asset for federal income tax purposes, except that (i) the initial Book Value of any asset contributed by a Member to the Company shall be the fair market value of such asset, and (ii) the Book Value of all Company assets shall be adjusted to equal their fair market values, as determined in good faith by the Board of Managers, upon the occurrence of certain events as described below. In either case, the Book Value of Company assets shall thereafter be adjusted for book depreciation taken into account with respect to such asset. The Book Value of the Company assets shall be adjusted in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f) to equal their fair market value as of the following times: (1) the admission of a new member to the Company or acquisition by an existing member of an additional interest in the Company, provided that the consideration contributed to the Company upon such admission or acquisition is more than a de minimis amount of money or property, (2) the liquidation of the Company within the meaning of Treasury Regulation Section 1.704-l(b)(2)(ii)(g) or the distribution by the Company to a Member of more than a de minimis amount of money or other property as consideration for a Member's interest in the Company, and (3) in connection with the grant of an interest in the Company as consideration for the provision of services to or for the benefit of the Company.

The Book Value of all Company assets shall also be increased (or decreased) to the extent that adjustments to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b) have been taken into account for purposes of determining Capital Accounts in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(m), unless such adjustments have already been accounted for pursuant to the preceding paragraph. If the Book Value of an asset has been determined or adjusted pursuant to this definition of "Book Value," such value shall thereafter be the basis for, and be adjusted by, the depreciation taken into account with respect to, such asset for purposes of computing profits and losses. Moreover, notwithstanding the foregoing, the Book Value of any Company asset distributed to any Member shall be the gross fair market value of such asset on the date of distribution.

BP: shall mean Bruno H. Pasquinelli, an individual resident of Dallas County, Texas.

Business Day(s): shall mean all calendar days except Saturdays, Sundays and United States federal legal holidays. Any other reference to "days" shall mean calendar days.

Buy-Sell Event: shall have the meaning ascribed to such term in Section 5.1(c) hereof.

Buy-Sell Notice: shall have the meaning ascribed to such term in Section 5.1(c) hereof.

Capital Account: shall have the meaning ascribed to such term in Section 2.4 hereof.

Capital Contributions: shall have the meaning ascribed to such term in Section 2.2(a) hereof.

Certificate of Formation: shall have the meaning ascribed to such term in the second paragraph hereof.

Closing Fee: shall have the meaning ascribed to such term in Section 2.8 hereof.

Code: shall have the meaning ascribed to such term in Section 2.4 hereof.

Company: shall have the meaning ascribed to such term in the initial paragraph hereof.

Competing Builders: shall mean any builder of residential property within the Primary Business Area.

Contribution Agreement: shall collectively mean any and all Contribution Agreements by and among the Company, JBGL Builder Finance, BP (in certain cases), and CB JENI Homes, LLC, a Texas limited liability company ("CB JENI").

Contribution Agreement Loans: Any loan made by or purchased by JBGL Builder Finance or any other JBGL Entity related to the obligations of the Company and JBGL Builder Finance in the Contribution Agreement.

Covered Person: shall have the meaning ascribed to such term in Section 4.6(c) hereof.

Current Company Budget and Plan: shall mean, at any given time, the then approved overall budget and plan for the Company and its Subsidiaries approved by the Board of Managers. The Current Company Budget and Plan shall be revised annually commencing effective as of January 1 of each year, as provided in Section 4.8 hereof, subject to modification by the Board of Managers.

Default Buy-Sell Event: shall mean the occurrence of a Buy-Sell Event pursuant to Section 5.1(c)(viii) hereof.

Discretion: shall have the meaning ascribed to such term in Section 4.6(e) hereof.

Dissolution Event: shall have the meaning ascribed to such term in Section 6.1(a) hereof.

Effective Date: shall have the meaning ascribed to such term in the initial paragraph hereof.

Excluded LLCs: shall mean those entities that have contracted with the Company under the Management Agreements.

Funding Amount: shall mean the gross amount of all outstanding investments made, and commitments for investments to be made, by all JBGL Entities and all Affiliates of any JBGL Entities in connection with or related to the acquisition, ownership, management, development, construction and sale of residential lots, houses and other residential properties constructed and/or developed by the Company, any Subsidiaries of the Company, BHCP, BP, the Trust, the Pasquinelli Member Group or any Affiliate of BHCP, BP, the Trust or the Pasquinelli Member Group (but not the Excluded LLCs), including all of the following: (i) the remaining cost basis of the total amount invested by the JBGL Entities and their Affiliates in connection with any notes and loans acquired by any JBGL Entity and/or any Affiliate of a JBGL Entity which are obligations of the Company, any of its Subsidiaries, the Pasquinelli Member Group, or any Affiliate of the Pasquinelli Member Group, or any party to any of the Management Agreements, including the purchase price for all such notes and loans and all costs and expenses incurred in connection with the purchase, ownership and servicing of such notes and loans, plus (ii) the total outstanding principal balance, plus all accrued but unpaid interest, with respect to all loans (including the Contribution Agreement Loans) made by any JBGL Entity or any Affiliate of any JBGL Entity, to the Company, any of its Subsidiaries, the Pasquinelli Member Group, or any Affiliate of the Pasquinelli Member Group, or any party to any of the Management Agreements, plus (iii) the total amount which any JBGL Entities or any Affiliates of any JBGL Entity has agreed or committed to loan or otherwise invest in or for the benefit of the Company, any of its Subsidiaries, the Pasquinelli Member Group, or any Affiliate of the Pasquinelli Member Group, or any party to any of the Management Agreements, plus (iv) the amount of any Unreturned Capital Contributions of JBGL under this Agreement, plus (v) the remaining cost basis of the total amounts invested (including purchase price and all costs and expenses incurred in connection with the acquisition, ownership, management, development and sale) with respect to any real property and related assets and properties (including residential lots and constructed homes) acquired by any JBGL Entity or any Affiliate of any JBGL Entity on behalf of the Company or any of its Subsidiaries. Notwithstanding the foregoing, for purposes of this definition of "Funding Amount," the Company and its Subsidiaries shall not be deemed to be Affiliates of any JBGL Entity.

Good Faith: shall have the meaning ascribed to such term in Section 4.6(e) hereof.

Initial Members: shall have the meaning ascribed to such term in the initial paragraph hereof.

JBGL Entity: shall mean JBGL and JBGL Builder Finance, LLC, a Texas limited liability company ("JBGL Builder Finance"), and any entity (other than the Company or its Subsidiaries) in which JBGL or JBGL Builder Finance has a controlling interest.

JBGL Managers: shall have the meaning ascribed to such term in Section 4.3(a) hereof.

JBGL Member Group: shall mean JBGL and any of its successors or assigns which are Affiliates of JBGL.

Loan Agreement: shall mean that certain Line of Credit Note by and between JBGL Builder Finance, as lender, and the Company, as borrower, dated May 11, 2012, together with any affiliated documents executed in connection therewith, as any of the same may be amended from time to time, intended to provide operating capital to the Company.

Lot Contracts: shall have the meaning ascribed to such term in Section 4.1(c) hereof.

Management Agreements: shall mean, collectively, the property management agreements by and between the Company and a Subsidiary of the Company.

Managers: shall have the meaning ascribed to such term in Section 4.1(a) hereof.

Management Right(s): shall mean the right of a Member to vote and participate in management, and to receive information concerning the business and affairs of the Company.

Member(s): shall have the meaning ascribed to such term in Section 2.1(b) hereof.

Member Economic Interest: shall mean all of the right, title and interest of a Member in, to and against the Company as to the profits, losses, credits, capital and distributions of the Company, but shall not include any Management Rights.

Member Group: shall mean the JBGL Member Group or the Pasquinelli Member Group, as the case may be.

Membership Interest: shall mean a Member's entire interest in the Company, including the Member Economic Interest and the Management Rights of such Member.

Minimum Funding Amount: From the date through the end of the term of this Agreement such amount shall be $25,000,000.

Net Operating Profits: shall mean, for any period, the positive amount obtained by subtracting Operating Losses (determined as provided in Schedule C hereto) for such period from Operating Profit (determined as provided in Schedule C hereto) for such period.

Offeree Member Group: shall have the meaning ascribed to such term in Section 5.1(c) hereof.

Offeror Member Group: shall have the meaning ascribed to such term in Section 5.1(c) hereof.

Officer(s): shall have the meaning ascribed to such term in Section 4.2(a) hereof.

Overall Purchase Price: shall have the meaning ascribed to such term in Section 5.1(c) hereof.

Pasquinelli Manager: shall have the meaning ascribed to such term in Section 4.3(a) hereof.

Pasquinelli Member Group: shall have the meaning ascribed to such term in Section 9.4 hereof.

Percentage Interest: shall mean, as to each Member, such Member's Membership Interest, expressed as a percentage, in the income, gains, losses, deductions, tax credits, and distributions of the Company, subject however to, and as may be affected and adjusted by, the provisions of this Agreement. The initial Percentage Interest of each Member is set forth on Schedule A hereto.

Person: shall mean a natural person, corporation, limited partnership, general partnership, business trust, limited liability company or other form of association or entity.

Preferred Return: shall have the meaning ascribed to such term in Section 3.2 hereof.

Primary Business: shall have the meaning ascribed to such term in Section 1.3(a) hereof.

Primary Business Area: shall have the meaning ascribed to such term in Section 1.3(a) hereof.

Removal Event: shall have the meaning ascribed to such term in Section 4.3(a) hereof.

Retained Cash: shall have the meaning ascribed to such term in Section 3.2 hereof.

Secretary of State: shall have the meaning ascribed to such term in the second paragraph hereof.

Sole Discretion: shall have the meaning ascribed to such term in Section 4.6(e) hereof.

Subsidiaries: shall mean all entities in which the Company has a direct or indirect controlling interest either now or in the future.

Subsidiary: shall mean any one of the Subsidiaries.

Subsidiary Agreement: shall mean the operating agreement, bylaws, or other like governing document of any Subsidiary.

Texas Act: shall have the meaning ascribed to such term in Section 1.2 hereof.

Transfer: shall have the meaning ascribed to such term in Section 5.1(a) hereof.

Undistributed Preferred Return: shall have the meaning ascribed to such term in Section 3.2 hereof.

Unreturned Capital Contributions: shall have the meaning ascribed to such term in Section 2.2(a) hereof.

Voting Percentage Interest: shall mean, as to each Member, such Member's Membership Interest, expressed as a percentage, in the voting rights of the Company, subject however to, and as may be affected and adjusted by, the provisions of this Agreement. The Voting Percentage Interest of each Member is set forth on Schedule A hereto.

(b) As used herein, the following terms shall have the following meanings:

(i) "Hereof," "hereby," "herein," "hereto," "hereunder," "herewith," and similar terms mean of, by, to, under and with respect to, this Agreement or to the other documents or matters being referenced.

(ii) "Heretofore" means before, "hereafter" means after, and "herewith"

means concurrently with, the date of this Agreement.

(iii) All pronouns, whether in masculine, feminine or neuter form, shall be deemed to refer to the object of such pronoun whether same is masculine, feminine or neuter in gender, as the context may suggest or require.

(iv) All terms used herein, whether or not defined in Section 1.1 hereof, and whether used in singular or plural form, shall be deemed to refer to the object of such term whether such is singular or plural in nature, as the context may suggest or require.

(c) All exhibits, schedules or other items attached hereto or referred to herein are hereby incorporated into this Agreement by such reference or attachment for all purposes.

Section 1.2 Formation.

The Company has been formed as a limited liability company under the Texas Limited Liability Company Law (or corresponding provision(s) of any succeeding law) (the "Texas Act"), and shall be governed in accordance with the provisions set forth in this Agreement.

Section 1.3 Purpose and Powers.

(a) The purpose for which the Company is formed shall be to engage in any business or activity which is lawful for a Texas limited liability company. Without limitation of the foregoing, the "Primary Business" of the Company shall mean to directly, or indirectly through one or more Subsidiaries, (i) develop, build, own, sell and otherwise deal with houses and other residential property in the counties of Collin, Cooke, Dallas, Denton, Ellis, Grayson, Hood, Hunt, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise, each within the State of Texas and any other county within the State of Texas in which the Company or any of its Subsidiaries does business and has had a cumulative investment of $1 million or more (such $1 million to include the cumulative total principal amounts of all loans made by any JBGL Entity or any Affiliate of such JBGL Entity and any of its affiliates to the Company and any of its Subsidiaries with respect to properties in such county) (the "Primary Business Area"); (ii) borrow money in furtherance of any or all of the foregoing business ventures described in Subpart (i) above, subject to Section 4.9(e) hereof, for the benefit of the Company or any Subsidiary of the Company, and guaranty the obligations of the Company or any Subsidiary of the Company in furtherance of the purposes of the Company or any Subsidiary of the Company, and secure any such indebtedness by any security instrument, pledge, liens or other encumbrance of all or any of the assets of the Company; and (iii) take any and all other actions that may be incidental, necessary or appropriate to carry on the business of the Company as contemplated by Subparts (i) and (ii) above.

(b) The Company shall have the power to do any and all acts necessary or convenient to or for the furtherance of the purposes stated in this Section 1.3.

Section 1.4 Existence and Good Standing.

The Officers and Managers shall take all necessary action to maintain the Company in good standing as a limited liability company under the Texas Act and to qualify (and maintain the qualification of) the Company to do business in any state or other jurisdiction in which the nature of the Company's business requires. Without limitation of the authority of any Officer of

the Company, each Manager and Officer is authorized to sign any documents, instruments and agreements and take any other action to effect or maintain the existence, good standing and qualification to do business of the Company in Texas or any other jurisdiction.

Section 1.5 Term.

The Company shall have perpetual existence beginning on the date that the Certificate of Formation was filed with the Secretary of State: provided, however, that the Company may be dissolved in accordance with Section 6.1 of this Agreement. The existence of the Company as a separate legal entity shall continue until the cancellation of the Certificate of Formation as provided in the Texas Act.

Section 1.6 Principal Office and Registered Agent.

The address of the registered office of the Company in the State of Texas and the name and address of the registered agent of the Company in the State of Texas are as set forth in the Certificate of Formation. The principal office of the Company is located at the place set forth as such on Schedule A hereto. The principal office of the Company and the registered office may be relocated, and the registered agent replaced, from time to time as determined by the Members, the Board of Managers or the President of the Company.

Section 1.7 Intentionally Deleted.

ARTICLE II
MEMBERS; INTERESTS IN THE COMPANY; CAPITAL CONTRIBUTIONS

Section 2.1 Members.

(a) JBGL, BHCP, and the Trust are Members of the Company.

(b) One or more Persons may be admitted to the Company from time to time as additional equity members (each, including the Initial Members, a "Member" and collectively, the "Members") upon such terms and subject to such conditions as may be determined by the unanimous consent of the Board of Managers, unless such Person or Person(s) shall become Members pursuant to Section 5.2 hereof in which event such unanimous consent of the Board of Managers shall not be required. A Person may be admitted to the Company as a Member without the requirement of becoming a party to this Agreement if all required approvals are obtained and such Person evidences the intent to become a Member in writing by accepting and agreeing to be bound by the provisions of this Agreement and complies with any other conditions for becoming a Member established by the Board of Managers.

(c) No Member shall have the right to withdraw.

Section 2.2 Capital Contributions.

(a) INITIAL CONTRIBUTIONS. Each Member has made contributions to the capital of the Company. The initial Capital Contributions for each Member are described in Schedule A hereto. All contributions to the capital made by any Member under this Section 2.2(a) and Section 2.2(b) shall be referred to herein as "Capital Contributions". As used herein, the term "Unreturned Capital Contributions" shall mean, as to each Member, the aggregate

Capital Contributions made to the Company by such Member minus the aggregate distributions of such Capital Contributions made to such Member from the Company pursuant to Sections 3.2(b) and 6.2(a)(ii) hereof.

(b) ADDITIONAL CAPITAL CONTRIBUTIONS. If approved by the Board of Managers, any Member may make additional Capital Contributions in amounts and for purposes approved by the Board of Managers. Further, if approved by unanimous consent of all Members, the Members may require each Member to contribute to the Company, in cash, such Member's Percentage Interest of all monies that in the judgment of the Members (by unanimous consent) are necessary or appropriate for the Company to operate its business. In no event shall any additional Capital Contribution increase the Percentage Interest of any Member making such additional Capital Contribution, nor dilute the Percentage Interest of any Member not making an additional Capital Contribution.

(c) INTENTIONALLY DELETED.

(d) MEMBER LOANS. A Member or an Affiliate of a Member may, but is not obligated to, loan or cause to be loaned to the Company such additional sums as the Board of Managers deems appropriate or necessary for the conduct of the Company's business. Loans made by a Member, or an Affiliate of a Member, shall be upon such terms and for such maturities, and with such Member(s), as the Board of Managers determines, subject to the consent rights in Section 4.1(c) hereof; provided, however, that the Members herein consent to and agree to the terms and conditions of the Loan Agreement, the Contribution Agreement Loans, and any other loan commitments or loans made by JBGL or an Affiliate of JBGL consistent with the Current Company Budget and Plan.

(e) NO EFFECT ON COMPANY STATUS. The Company shall be formed and existing and this Agreement shall be effective regardless of whether any Member fails to make any capital contribution hereunder.

Section 2.3 Issuance and Classification of Membership Interests.

Each Member's voting powers shall be in proportion to their respective Voting Percentage Interest.

Section 2.4 Capital Accounts.

A separate capital account (the "Capital Account") shall be maintained for each Member. The Capital Account of a Member shall be *increased by* (i) the amount of cash contributed by such Member; (ii) the agreed fair market value of any property contributed by such Member (net of any liabilities assumed by the Company and any liabilities to which such property is subject) and (iii) the amount of all profits (and any item thereof) allocated to such Member. Each Member's capital account shall be *decreased by* (i) the amount of all cash distributions to such Member; (ii) the fair market value of property distributed to such Member (net of any liabilities assumed by the Company and any liabilities to which such property is subject); and (iii) the amount of all losses (and any item thereof) allocated to such Member. The Capital Accounts shall be determined, maintained and adjusted in accordance with the Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations promulgated thereunder, including the capital account maintenance rules in Treasury Regulations §1.704-(1)(b)(2)(iv).

Section 2.5 General Rules Relating to Capital of the Company.

(a) No Member shall be personally liable for the return of the capital contributions of the Members, or any portion thereof, it being expressly understood that any such return of contributions shall be made solely from the Company assets.

(b) No Member shall have the right to withdraw or receive a return of all or any part of that Member's capital contributions, or to demand or receive property (other than cash) of the Company or any distribution in return for that Member's capital contributions.

Section 2.6 Liability of the Members.

To the fullest extent permitted by law, no Member shall be liable under a judgment, decree or order of a court, or in any other manner for the debts or any other obligations or liabilities of the Company solely by reason of being a Member of the Company. A Member shall be liable only to make the contributions described in Section 2.2(a) hereof and Section 2.2(b) hereof, if any, and a Member shall not be required to lend any funds to the Company or to make any other contributions, assessments or payments to the Company.

Section 2.7 Meetings of Members.

(a) ANNUAL MEETING. The Company may hold an annual meeting of its Members to elect Managers and transact any other business within its powers at such time and place as the Board of Managers shall determine. Failure to hold an annual meeting does not invalidate the Company's existence or affect any otherwise valid limited liability company acts.

(b) SPECIAL MEETING. At any time in the interval between annual meetings, a special meeting of the Members may be called by the President of the Company or by Members entitled to cast at least twenty-four percent (24%) of all the votes entitled to be cast at the meeting. A request for a special meeting shall state the purpose of the meeting and the matters proposed to be acted on at the meeting.

(c) TIME AND PLACE OF MEETINGS. Meetings of Members shall be held at such time and place, within or without the State of Texas, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

(d) NOTICE OF MEETINGS; WAIVER OF NOTICE. Not less than fourteen (14) nor more than ninety (90) days before each Members' meeting, the Secretary shall give written notice of the meeting to each Member entitled to vote at the meeting and each other Member entitled to notice of the meeting. The notice shall state the time and place of the meeting and, if the meeting is a special meeting, the purpose of the meeting. Notice is given to a Member when it is personally delivered to him or her, left at his or her address as it appears on the records of the Company, if delivered by hand or by overnight delivery service, or mailed to him or her at his or her address as it appears on the records of the Company. Notwithstanding the foregoing provisions, each person who is entitled to notice waives notice if he or she before or after the meeting signs a waiver of notice which is filed with the records of Members' meetings, or is present at the meeting in person or by proxy (unless present solely for the purpose of objecting to the calling or holding of the meeting).

(e) QUORUM; VOTING. Unless this Agreement provides that a larger number of

votes is required to approve a particular matter (and in such case that larger number or percent shall constitute a quorum), at a meeting of Members the presence in person or by proxy of Members entitled to cast a majority of all the votes entitled to be cast at the meeting constitutes a quorum, and a majority of all the votes cast at a meeting at which a quorum is present (or such larger number of votes required in this Agreement) is sufficient to approve any matter which properly comes before the meeting, except that a plurality of all the votes cast at a meeting at which a quorum is present is sufficient to elect a Manager; provided, however, that so long as any member of the JBGL Member Group is a Member of the Company, the JBGL Member Group must be a part of any quorum.

(f) GENERAL RIGHT TO VOTE; PROXIES. Unless this Agreement provides for a greater or lesser number of votes or limits or denies voting rights, each holder of a Membership Interest shall be entitled to one vote for each percent of Voting Percentage Interest held by such holder (for the avoidance of doubt, this shall mean that there are a total of 100 votes and a Member with a Voting Percentage Interest of 25% would be entitled to 25 votes) on each matter submitted to a vote at a meeting of Members. Fractional Voting Percentage Interests shall be entitled to the same pro rata fractional vote. In all elections for Managers, each holder may cast votes for as many individuals as there are Managers to be elected and for whose election the holder is entitled to vote upon; provided, however, that no cumulative voting shall be permitted. A Member may vote either in person or by proxy. A Member may sign a writing authorizing another person to act as proxy. Signing may be accomplished by the Member or the Member's authorized agent signing the writing or causing the Member's signature to be affixed to the writing by any reasonable means, including facsimile signature and a signature transmitted by email. A Member may authorize another person to act as proxy by transmitting, or authorizing the transmission of, a telegram, cablegram, datagram, or other means of electronic transmission to the person authorized to act as proxy or to a proxy solicitation firm, proxy support service organization, or other person authorized by the person who will act as proxy to receive the transmission. Unless a proxy provides otherwise, it is not valid more than eleven (11) months after its date. A proxy is revocable by a Member at any time without condition or qualification unless the proxy states that it is irrevocable and is coupled with an interest. A proxy may be made irrevocable for so long as it is coupled with an interest. The interest with which a proxy may be coupled includes an interest in the Membership Interests to be voted under the proxy or another general interest in the Company or its assets or liabilities.

(g) ACTION BY WRITTEN CONSENT OF MEMBERS. Any action required or permitted to be taken at a meeting of Members may be taken without a meeting if there is filed with the records of Members meetings a written consent which sets forth the action and is signed by the Members entitled to cast at least a majority of the votes, or such larger number of votes required by this Agreement to pass the resolution contained in the consent; provided, however, that so long as any member of the JBGL Member Group is a Member of the Company, the JBGL Member Group must consent in writing to such action.

Section 2.8 Certain Fees to Members

The Company shall pay JBGL (or one of its Affiliates as designated by JBGL), monthly in arrears, a closing fee (the "Closing Fee") in an amount equal to a reasonable allocation of actual overhead costs incurred or to be incurred by JBGL or its Affiliates, which shall not exceed $2,000.00 for each residential property sold by the Company or any Subsidiary in any calendar month. The Members herein agree that $2,000.00 shall be the amount of the Closing Fee; and that as of the Effective Date such amount reflects a reasonable allocation of overhead costs

incurred or to be incurred by JBGL or its Affiliates; provided, however, that such Closing Fee may decrease or increase (but not above $2,000.00) in the future in the event that such amount no longer represents a reasonable allocation of the actual overhead costs incurred or to be incurred. The Closing Fee shall cease to accrue upon the date that no member of the JBGL Member Group, holds a Membership Interest. The Closing Fee for each calendar month shall be payable monthly in arrears no later than the tenth (10th) day of the month immediately following such calendar month.

ARTICLE III
ALLOCATIONS AND DISTRIBUTIONS

Section 3.1 Allocations

(a) GENERAL ALLOCATIONS OF PROFITS AND LOSSES. Except as otherwise provided in Section 3.4 hereof, items of profit, income, gain, loss, deduction and tax credit recognized by the Company in accordance with the method of accounting and the books and records of the Company as in effect from time to time shall be allocated to and among the Members, prior to any distributions of any Operating Profit attributable thereto, in a manner such that the Capital Account of each Member, immediately after making such allocation, is as nearly as possible equal to the excess of (a) the distributions that would be made to such Member if the Company were dissolved, its affairs wound up and its assets sold for cash equal to their Book Value, all Company liabilities were satisfied (limited with respect to each nonrecourse liability to the fair market value of the assets securing such liability), and the net assets of the Company were distributed pursuant to Section 6.2(a) of this Agreement to the Members immediately after making such allocation, over (b) such Member's share, if any, of items of Company profit, income, gain, loss, deduction and tax credit specially allocated to such Member pursuant to the provisions of Section 3.4 hereof.

(b) TRANSFER. All items of profit, income, gain, loss, deduction, and credit allocable to any Membership Interest that may have been transferred shall be allocated between the transferor and the transferee based on the portion of the calendar year during which each was recognized as owning that Membership Interest, without regard to the results of Company operations during any particular portion of that calendar year and without regard to whether cash distributions were made to the transferor or the transferee during that calendar year; provided, however, that this allocation must be made in accordance with a method permissible under Section 706 of the Code and the Treasury Regulations thereunder.

Section 3.2 Distributions of Net Operating Profits

To the extent the Company has available cash (as determined by the Board of Managers), the Company shall distribute Net Operating Profits to the Members at such times, and in such amounts, as may be determined by the Board of Managers; provided, that to the extent the Company has available cash (as determined by the Board of Managers) the Company shall distribute Net Operating Profits in accordance with this Section 3.2 not less frequently than once per year. Notwithstanding the foregoing, the Company shall maintain and withhold from such distributions of Net Operating Profits a cash reserve in the amount determined by the Board of Managers to be sufficient to meet the working capital requirements of the Company ("Retained Cash"); provided, that the Members agree that a cash reserve equal to sixty-two percent (62%) of the amount of cumulative aggregate Net Operating Profits (determined without consideration of such cash reserve, and calculated from the Effective Date through the date of such

determination) shall be retained unless approved unanimously by the Board of Managers, except that the Retained Cash shall not exceed a total amount of $4,000,000.00 unless unanimously approved by the Board of Managers. Notwithstanding the frequency or amounts of distributions, Net Operating Profits which are distributed to the Members shall be distributed as follows:

(a) First, to the Members pro rata in accordance with their respective then Undistributed Preferred Return, in such amounts and until such times as each Member's Undistributed Preferred Return has been reduced to zero (0);

(b) Next, to the Members pro rata in accordance with the Members' proportionate Unreturned Capital Contributions in such amounts, and until such time, as each Member's Unreturned Capital Contributions have been reduced to zero (0); and

(c) Thereafter, to the Members pro rata in accordance with their respective Percentage Interests.

As used herein (i) the term "Undistributed Preferred Return" shall mean, as to each Member, the aggregate Preferred Return accrued with respect to such Member's Unreturned Capital Contributions reduced by the aggregate distributions to such Member from the Company pursuant to Sections 3.2(a) and 6.2(a)(i) hereof; and (ii) the term "Preferred Return" shall mean, with respect to each Member, a cumulative return of thirteen and 85/100 percent (13.85%), compounded annually, on such Member's Unreturned Capital Contributions outstanding from time to time.

Section 3.3 Withheld Amounts

Notwithstanding any other provision of this Article III to the contrary, each Member hereby authorizes the Company to withhold and to pay over, or otherwise pay, any withholding or other taxes payable by the Company with respect to the Member as a result of the Member's participation in the Company; if and to the extent that the Company shall be required to withhold or pay any such taxes, such Member shall be deemed for all purposes of this Agreement to have received a payment from the Company as of the time such withholding or tax is paid, which payment shall be deemed to be a distribution with respect to such Member's Membership Interest to the extent that the Member (or any successor to such Member's Membership Interest) is then entitled to receive a distribution. To the extent that the aggregate amount of such payments to a Member for any period exceeds the distributions to which such Member is entitled for such period, the amount of such excess shall be considered a loan from the Company to such Member. Such loan shall bear interest (which interest shall be treated as an item of income to the Company) at the prevailing prime interest rate published from time to time by The Wall Street Journal until discharged by such Member by repayment, which may be made by the Company out of distributions to which such Member would otherwise be subsequently entitled. Any withholdings authorized by this Section 3.3 shall be made at the maximum applicable statutory rate under the applicable tax law unless the Company shall have received an opinion of counsel or other evidence satisfactory to the Board of Managers to the effect that a lower rate is applicable, or that no withholding is applicable.

Section 3.4 Limitations on Allocations

(a) MINIMUM GAIN CHARGEBACK. Notwithstanding any provision of this Article III, if there is a net decrease in Company minimum gain during any fiscal year or other

period, prior to any other allocation pursuant hereto, each Member shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount and manner required by Treasury Regulation Sections l.704-1(b)(4)(iv) and Section 1.704-2. Notwithstanding any provision of this Article III, if there is a net decrease in partner nonrecourse debt minimum gain, any Member with a share of that partner nonrecourse debt minimum gain as of the beginning of such year shall be allocated items of income and gain for the year (and, if necessary, for succeeding years) equal to that Member's share of the net decrease in the partner nonrecourse debt minimum gain, as provided in Treasury Regulation Section l.704-2(i)(4).

(b) QUALIFIED INCOME OFFSET. Any Member who unexpectedly receives an adjustment, allocation or distribution described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6) that causes or increases a negative balance in its Capital Account beyond the sum of the amount of such Member's obligation to restore its deficit Capital Account plus its share of minimum gain shall be allocated items of income and gain sufficient to eliminate such increase or negative balance caused thereby, as quickly as possible, to the extent required by such Treasury Regulation.

(c) GROSS INCOME ALLOCATION. If any Member has a deficit Capital Account at the end of any Company fiscal year which is in excess of the sum of (i) the amount such Member is obligated to restore pursuant to any provision of this Agreement and (ii) the amount such Member is deemed to be obligated to restore pursuant to Treasury Regulation Section 1.704-2, each such Member shall be specially allocated items of Company income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Section 3.4(c) shall be made only if and to the extent that such Member would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Article III have been made as if this Section 3.4(c) were not in this Agreement.

(d) SECTION 704(b) LIMITATION. Notwithstanding any other provision of this Agreement to the contrary, no allocation of any item of income or loss shall be made to a Member if such allocation would not have "economic effect" pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii) or otherwise be in accordance with its interest in the Company within the meaning of Treasury Regulation Sections l.704-1(b)(3) and 1.704-2. To the extent an allocation cannot be made to a Member due to the application of this Section 3.4(d), such allocation shall be made to the other Member(s) entitled or required to receive such allocation hereunder.

(e) CURATIVE ALLOCATIONS. Any allocations of items of income, gain, or loss pursuant to Sections 3.4(a)-(d) hereof shall be taken into account in computing subsequent allocations pursuant to this Article III, so that the net amount of any items so allocated and the income, losses and other items allocated to each Member pursuant to this Article III shall, to the extent possible, be equal to the net amount that would have been allocated to each Member had no allocations ever been made pursuant to Sections 3.4(a)-(d) hereof.

Section 3.5 Intentionally Deleted.

Section 3.6 Return of Other Distributions.

Unless otherwise required by law which may not be waived or modified pursuant to such law's terms, it is the intent of the Company and all Members that no Member shall be obligated

to return any distribution to or for the account of the Company or any creditor of the Company. The payment of any money or distribution of any property to a Member shall be deemed to be a compromise, and the Member receiving any such money or property shall not be required to return any such money or property to the Company or any creditor of the Company. However, if any court of competent jurisdiction holds that, notwithstanding the provisions of this Agreement, any Member is obligated to return amounts previously wrongfully distributed to such Member, such obligation shall be the sole responsibility of the Member who received such distributions.

ARTICLE IV
MANAGEMENT OF BUSINESS AND AFFAIRS OF THE COMPANY

Section 4.1 Management of Business and Affairs of the Company.

(a) Except as specifically provided otherwise in this Agreement, and regardless of any approval rights as may be provided in the Texas Act, the exclusive authority to manage, control and operate the Company shall be vested collectively in the individuals, who need not be Members, elected by the Members as managers of the Company (the "Managers") in accordance with this Agreement provided, that the Managers elected by the Members are the persons named as Managers on Schedule A to this Agreement. As of the Effective Date the number of Managers is three (3) Managers, which number may be hereafter increased or decreased by the Members. All powers of the Company may be exercised by or under the authority of the Managers acting collectively, and not individually (the "Board of Managers"). Except as specifically provided otherwise in this Agreement, the Board of Managers shall have full and exclusive right, power and authority to manage the affairs of the Company and make all decisions with respect thereto without the requirement of any consent or approval by the Members, including, without limitation, to the fullest extent permitted by law, authorizing or taking any actions for which the unanimous consent of the Members is required under the Texas Act.

(b) Each of the JBGL Member Group and the Pasquinelli Member Group, in its or their discretion, shall be entitled to remove and replace any one or more of the Managers it elected or appointed pursuant to Section 4.3 or this Section 4.1(b) hereof at any time, with or without cause, during the existence of the Company; provided, that any removal or replacement of any Manager appointed by the Pasquinelli Member Group is subject to the approval of the JBGL Managers, and further is subject to the provisions of Section 4.3(a) hereof. The names of the Managers of the Company who are hereby appointed to serve on and after the date of this Agreement, and who will serve until their resignation or until their successors are appointed are set forth on Schedule A attached hereto along with the name of the Member that elected each Manager.

(c) Except as expressly provided in this Agreement, and regardless of any approval rights as may be provided in the Texas Act, the affirmative vote of a majority of the Managers shall be considered the act of the Managers with respect to any event. Except as expressly provided in this Agreement, no Manager shall be permitted to act without the affirmative vote of a majority of the Managers. Notwithstanding any provision of this Agreement, and regardless of any approval rights as may be provided the Texas Act, the consent of all of the Members shall be required for the Company, or any other Person on behalf of the Company or any Subsidiary, as the case may be, to do any of the following:

(i) do any act in contravention of this Agreement;

(ii) subject to Section 6.1(a)(i-ii), do any act which would make it impossible to carry on the ordinary business or the Primary Business of the Company, or is otherwise inconsistent with the Primary Business of the Company;

(iii) possess Company or Subsidiary property, or assign rights in Company or Subsidiary property, other than for a Company purpose;

(iv) except as to (A) the Management Agreements, (B) any agreement by which JBGL or one of its Affiliates provides financing or agrees to provide funding to the Company or any of its Subsidiaries, including, without limitation, the Loan Agreement, any construction loans, and the Contribution Agreement Loans, or (C) any agreement by which JBGL or one of its Affiliates sells lots or agrees to sell lots to the Company or any of its Subsidiaries ("Lot Contracts"), enter into any contracts or agreements with any Member or any relatives or Affiliates of any Member.

Section 4.2 Officers.

(a) EXECUTIVE AND OTHER OFFICERS. Except as provided in Section 4.2(b) hereof, the Board of Managers shall designate one or more officers of the Company (each an "Officer" and collectively, the "Officers") for the purpose of managing the day-to-day operations of the Company. The Officers shall have the powers set forth in this Agreement. The Company shall have a President, a Secretary, and a Treasurer. The Company may also have one or more Vice-Presidents (including, without limitation, Executive Vice Presidents and Senior Vice Presidents), assistant officers, and subordinate officers as may be established by the Board of Managers. A person may hold more than one office in the Company. The Officers may also be, but do not need to be, Managers of the Company.

(b) OFFICERS. The names of the Officers serving the Company on and after the date of this Agreement and the capacities in which they serve, until their successors are elected or appointed, are set forth on Schedule A attached hereto, without the need for further designation or approval.

(c) PRESIDENT. Unless otherwise provided by resolution of the Board of Managers, the President of the Company shall preside at all meetings of the Board of Managers and of the Members at which he or she shall be present. The President of the Company shall be the chief executive officer and chief operating officer of the Company and shall perform the duties customarily performed by chief executive officers and chief operating officers. Subject to Section 4.9 of this Agreement, the President of the Company may execute, in the name and on behalf of the Company, all authorized deeds, mortgages, bonds, contracts or other instruments, except in cases in which the signing and execution thereof shall have been expressly delegated to some other officer or agent of the Company. In general, the President of the Company shall perform such other duties customarily performed by a president of a corporation and shall perform such other duties and have such other powers as are from time to time assigned to him or her by the Board of Managers.

(d) VICE-PRESIDENTS. The Vice-President or Vice-Presidents (including, without limitation, Executive Vice Presidents and Senior Vice Presidents), at the request of the President of the Company, or in the President's absence or during his or her inability to act, shall perform the duties and exercise the functions of the President of the Company, and when so acting shall have the powers of the President of the Company. If there be more than one Vice-President, the

Board of Managers may determine which one or more of the Vice-Presidents shall perform any of such duties or exercise any of such functions, or if such determination is not made by the Board of Managers, the President of the Company may make such determination; otherwise any of the Vice-Presidents may perform any of such duties or exercise any of such functions. Each Vice-President shall perform such other duties and have such other powers, and have such additional descriptive designations in their titles (if any), as are from time to time assigned to them by the Board of Managers or the President of the Company.

(e) SECRETARY. The Secretary shall keep the minutes of the meetings of the Members, of the Board of Managers and of any committees, in books provided for the purpose; he or she shall see that all notices are duly given in accordance with the provisions hereof or as required by law; he or she shall be custodian of the records of the Company; he or she may witness any document on behalf of the Company, the execution of which is duly authorized, see that the Company seal is affixed where such document is required or desired to be under its seal, and, when so affixed, may attest the same. In general, the Secretary shall perform such other duties customarily performed by a secretary of a corporation, and shall perform such other duties and have such other powers as are from time to time assigned to him or her by the Board of Managers or the President of the Company.

(f) TREASURER. The Treasurer shall have charge of and be responsible for all funds, securities, receipts and disbursements of the Company, and shall deposit, or cause to be deposited, in the name of the Company, all moneys or other valuable effects in such banks, trust companies or other depositories as shall, from time to time, be selected by the Board of Managers; he or she shall render to the President of the Company and to the Board of Managers, whenever requested, an account of the financial condition of the Company. In general, the Treasurer shall perform such other duties customarily performed by a treasurer of a corporation, and shall perform such other duties and have such other powers as are from time to time assigned to him or her by the Board of Managers or the President of the Company.

(g) ASSISTANT AND SUBORDINATE OFFICERS. The assistant and subordinate officers of the Company are all officers below the office of Vice-President, Secretary, or Treasurer. The assistant or subordinate officers shall have such duties as are from time to time assigned to them by the Board of Managers or the President of the Company.

(h) ELECTION, TENURE AND REMOVAL OF OFFICERS. The Board of Managers shall elect the Officers of the Company; provided, that upon the execution of this Agreement, the initial Officers of the Company shall be as set forth in Schedule A of this Agreement. The Board of Managers may from time to time authorize any committee or Officer to appoint assistant and subordinate officers. All Officers shall be elected or appointed to hold their offices, respectively until their successors are elected or appointed or, if earlier, until their death, resignation or removal from office; provided, that the Board of Managers (or, as to any assistant or subordinate officer, any committee or Officer authorized by the Board of Managers) may remove an Officer at any time, with or without cause. The removal of an Officer shall not prejudice any of his or her contract rights. Election or appointment of an Officer, employee or agent shall not of itself create contract rights. The Board of Managers (or, as to any assistant or subordinate officer, any committee or Officer authorized by the Board of Managers) may fill a vacancy which occurs in any office for the unexpired portion of the term.

(i) COMPENSATION. The Board of Managers shall have power to fix the salaries and other compensation and remuneration, of whatever kind, of all Officers of the Company. No

Officer shall be prevented from receiving such salary by reason of the fact that he or she is also a Manager of the Company. The Board of Managers may authorize any committee or Officer, upon whom the power of appointing assistant and subordinate officers may have been conferred to fix the salaries, compensation and remuneration of such assistant and subordinate officers.

Section 4.3 Board of Managers Election and Meetings.

(a) ELECTION AND TENURE OF MANAGERS. At each annual meeting, or at each special meeting called for that purpose, the Members shall elect Managers, in the manner hereinafter provided, to hold office until the next annual meeting and until their successors are elected and qualify, or until their earlier death, resignation or removal from office. Managers may, but need not, be Members of the Company. Unless otherwise unanimously approved by the Members, (i) the Board of Managers of the Company and each Subsidiary shall consist of a total of three (3) Managers, and (ii) two (2) of such Managers shall be elected by JBGL (the "JBGL Managers") and, except as otherwise provided herein, one (1) of such Managers shall be elected by the Pasquinelli Member Group (the "Pasquinelli Manager"). Regardless of any other provision of this Agreement to the contrary, including this Section 4.3(a) or Section 4.3(b), the Pasquinelli Member Group shall have no right to remove the Pasquinelli Manager from the Board of Managers of the Company or any Subsidiary without the prior written consent of the JBGL Managers (acting on behalf of the Company as the sole member of the Subsidiary, in the case of a Subsidiary), and any Manager appointed or elected to the Board of Managers of the Company or any Subsidiary by the Pasquinelli Member Group is subject to the approval of the JBGL Managers (acting on behalf of the Company as the sole member of the Subsidiary, in the case of a Subsidiary). The Board of Managers may remove the Pasquinelli Manager from the Board of Managers of the Company and/or any Subsidiary at any time after the occurrence of a Removal Event (as defined below), in which event the Pasquinelli Member Group shall have thirty (30) days to elect a new Pasquinelli Manager to the Board of Managers of the Company and any Subsidiary (subject to the approval of JBGL), and if it fails to do so within such thirty (30) day period the JBGL Managers may elect the Pasquinelli Manager; provided, however, that if an Event of Dissociation (as hereinafter defined) has occurred as to any member of the Pasquinelli Member Group or no Member is a member of the Pasquinelli Member Group, then upon any removal of the Pasquinelli Manager from the Board of Managers of the Company or any Subsidiary as a result of an Event of Dissociation, JBGL shall have the right to elect the replacement Pasquinelli Manager to the Board of Managers of the Company and the JBGL Managers (acting on behalf of the Company as the sole member of the Subsidiary, in the case of a Subsidiary) shall have the right to elect the replacement Pasquinelli Manager to the Board of Managers of each Subsidiary. A "Removal Event" shall mean:

(i) A material violation of any other provisions of this Agreement or the company agreement of any Subsidiary by the Pasquinelli Manager or the President of the Company or any Subsidiary which causes material economic harm to the Company or any Subsidiary and which is not cured within thirty (30) days after written notice to such Pasquinelli Manager by the JBGL Managers;

(ii) Any act of gross negligence on the part of the Pasquinelli Manager or the President of the Company or any Subsidiary causing material damage to the Company or any Member;

(iii) Any act of fraud, theft or willful misconduct committed by the Pasquinelli Manager or the President of the Company against the Company, its Subsidiaries or

any of the other Members in connection with the operation of the Company;

(iv) The conviction of BP or the Pasquinelli Manager of a felony; or

(v) The occurrence of any Event of Dissociation.

(b) VACANCY ON BOARD OF MANAGERS. Subject to Section 4.3(a) above, each Member shall elect a successor to fill a vacancy on the Board of Managers that results from the death, resignation, or removal from office of any Manager that such Member elected. Subject to Section 4.3(a), a Manager elected by such Member to fill a vacancy which results from the removal of a Manager shall serve for the balance of the term of the removed Manager.

(c) REGULAR MEETINGS. After each meeting of the Members at which Managers shall have been elected, the Board of Managers shall meet as soon as practicable for the purpose of organization and the transaction of other business. In the event that no time and place are specified by resolution of the Board of Managers or the President (with notice in accordance with Section 4.3(e) hereof), the Board of Managers shall meet immediately following the close of, and at the place of, such Members meeting. Any other regular meeting of the Board of Managers shall be held on such date and at any place as may be designated from time to time by the Board of Managers.

(d) SPECIAL MEETINGS. Special meetings of the Board of Managers may be called at any time by the President or by any Manager. A special meeting of the Board of Managers shall be held on such date and at any place as may be designated from time to time by the Board of Managers. In the absence of a designation, such meeting shall be held at such place as may be designated in the call.

(e) NOTICE OF MEETING. Except as provided in Section 4.3(c) hereof, the Secretary shall give notice to each Manager of each regular and special meeting of the Board of Managers. The notice shall state the time, place and purpose of the meeting. Notice is given to a Manager when it is delivered personally to him or her, left at his or her residence or usual place of business, or sent by email, telephone (including voicemail), or text message, at least seventy-two (72) hours before the time of the meeting or, in the alternative by mail to his or her address as it shall appear on the records of the Company, at least seventy-two (72) hours before the time of the meeting. Unless a resolution of the Board of Managers provides otherwise, the notice need not state the business to be transacted at or the purposes of any regular meeting of the Board of Managers. No notice of any meeting of the Board of Managers need be given to any Manager who attends, except where a Manager attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened, or to any Manager who, in a writing executed and filed with the records of the meeting either before or after the holding thereof, waives such notice. Any meeting of the Board of Managers, regular or special, may adjourn from time to time to reconvene at the same or some other place, and no notice need be given of any such adjourned meeting other than by announcement.

(f) ACTION BY MANAGERS. Unless this Agreement requires a greater proportion, the action of a majority of the Managers present at a meeting at which a quorum is present is the action of the Board of Managers; provided, however, that so long as Jim Brickman is one of the JBGL Managers, such majority must include Jim Brickman, or any other Manager as may be designated by JBGL. A majority of the entire Board of Managers shall constitute a quorum for the transaction of business. In the absence of a quorum, the Managers present by

majority vote and without notice other than by announcement may adjourn the meeting from time to time until a quorum shall be present. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified. Any action required or permitted to be taken at a meeting of the Board of Managers may be taken without a meeting, if a written consent which sets forth the action is signed by at least a majority of the members of the entire Board of Managers; provided, however, that so long as Jim Brickman is one of the JBGL Managers, such majority must include Jim Brickman, or any other Manager as may be designated by JBGL.

(g) MEETING BY CONFERENCE TELEPHONE. Members of the Board of Managers may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear and speak to each other. Participation in a meeting by these means constitutes presence in person at a meeting.

Section 4.4 No Participation of Members in Business and Affairs of the Company.

No Member, in his or her capacity as such, shall have any authority or right to act for or bind the Company or to participate in or have any control over Company business, except for (i) such rights to consent to or approve of the actions and decisions of the Board of Managers as are expressly provided for in this Agreement, and any other rights granted to the Members in this Agreement, and (ii) such authority to act for and bind the Company as the Board of Managers may, from time to time and in the exercise of its sole discretion, delegate to such Member in writing.

Section 4.5 Other Business of Members and Managers.

Except as otherwise provided in Section 9.2 hereof, the Non-Competition and Non-Disclosure Agreement dated to be effective as of April 1, 2012, by and among the Company, CB JENI, BP, and JBGL, or as may otherwise be agreed in writing and notwithstanding any other duty existing at law or in equity, any Member or Manager and any Affiliate of any Member or Manager may engage in or possess an interest in other business ventures of any nature or description (including business ventures which compete and/or conflict with the current or future business of the Company) independently or with others, and neither the Company nor any Member or Manager shall have any rights in or to such independent ventures or the income or profits derived therefrom, and, to the fullest extent permitted by law, such activities shall not be construed as a breach of any duty of loyalty or other duty to the other Members and Managers or the Company.

Section 4.6 Indemnification and Exculpation.

(a) The Company shall indemnify (i) its Members, Managers and Officers to the fullest extent permitted by law, including, without limitation, the advance of expenses under the procedures and to the fullest extent permitted by law, and (ii) other employees and agents of the Company to such extent as shall be authorized by the Board of Managers and is permitted by law. The foregoing rights of indemnification shall not be exclusive of any other rights to which those seeking indemnification may be entitled. The Board of Managers may take such action as is necessary to carry out these indemnification provisions and is expressly empowered to adopt, approve and amend from time to time such resolutions or contracts implementing such provisions or such further indemnification arrangements as may be permitted by law. No

amendment of this Agreement or repeal of any of the provisions thereof shall limit or eliminate the right to indemnification provided hereunder with respect to acts or omissions occurring prior to such amendment or repeal. The indemnification shall be payable solely from the assets of the Company and no Member, Manager or Officer shall have any personal liability therefor.

(b) To the fullest extent permitted by Texas statutory or decisional law, as amended or interpreted, no Member, Manager or Officer of the Company shall be personally liable to the Company or any Members for money damages. No amendment of this Agreement or repeal of any of their respective provisions shall limit or eliminate the limitation on liability provided to the Members, Managers and Officers hereunder with respect to any act or omission occurring prior to such amendment or repeal.

(c) No Member, Manager or Officer, nor their Affiliates, nor any of their respective officers, directors, shareholders, partners, employees, representatives or agents (each, a "Covered Person" and collectively, the "Covered Persons") shall be liable to the Company or any other Person who has an interest in the Company and is bound by this Agreement for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Company and in a manner reasonably believed to be within the scope of the authority conferred on such Covered Person by this Agreement, except that this Section 4.6(c) shall not exculpate a Covered Person from liability for any such loss, damage or claim incurred by reason of such Covered Person's willful misconduct, bad faith or gross negligence.

(d) To the extent that, at law or in equity, a Covered Person has duties (including fiduciary duties) and liabilities relating thereto to the Company or to any Member, any such Covered Person acting under this Agreement shall not be liable to the Company or to any Member for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement to the extent that they restrict the duties and liabilities of a Covered Person otherwise existing at law or in equity, are agreed by the Members and Managers to replace such other duties and liabilities of such Covered Person.

(e) Whenever in this Agreement a Member is permitted or required to make a decision (i) in its "sole discretion" or "discretion" or under a grant of similar authority or latitude, the Member shall be entitled to consider only such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the Company or any other Member, or (ii) in its "good faith" or under another express standard, the Member shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement or any other agreement contemplated herein or by relevant provisions of law or in equity or otherwise.

Section 4.7 Tax Matters Member; Partnership Representative.

(a) Appointment. The Members hereby appoint JBGL as the "tax matters partner" (as defined in Code Section 6231 prior to its amendment by the Bipartisan Budget Act of 2015 ("BBA")) (the "Tax Matters Member"). For tax years beginning on or after January 1, 2018, the Members hereby appoint the President as the "partnership representative" (the "Partnership Representative") as provided in Code Section 6223(a) (as amended by the BBA).

(b) Tax Examinations and Audits. The Tax Matters Member and Partnership Representative are each authorized and required to represent the Company (at the Company's expense) in connection with all examinations of the Company's affairs by taxing authorities, including resulting administrative and judicial proceedings, and to expend Company funds for professional services and costs associated therewith. Each Member agrees that such Member will not independently act with respect to tax audits or tax litigation of the Company, unless previously authorized to do so in writing by the Tax Matters Member or Partnership Representative, which authorization may be withheld by the Tax Matters Member or Partnership Representative in its sole and absolute discretion. For any year in which the TEFRA audit rules of Code Sections 6221 through 6234 (prior to amendment by the BBA) apply, the Tax Matters Member shall take such action as is necessary to cause each Member to become a notice partner within the meaning of Code Section 6231(a)(8) (prior to amendment by the BBA). The Tax Matters Member or Partnership Representative shall promptly notify the Member(s) if any tax return of the Company is audited and upon the receipt of a notice of final partnership administrative adjustment or final partnership adjustment. Without the consent of a majority of the Members, the Tax Matters Member or Partnership Representative shall not extend the statute of limitations, file a request for administrative adjustment, file suit relating to any Company tax refund or deficiency or enter into any settlement agreement relating to items of income, gain, loss or deduction of the Company with any taxing authority.

(c) Income Tax Elections. Except as otherwise provided herein, the Tax Matters Member and Partnership Representative shall each have discretion to make any income tax election it deems advisable on behalf of the Company; provided, that the Tax Matters Member or Partnership Representative will make an election under Section 754 of the Code, if requested in writing by the Member(s) holding a majority of the outstanding Membership Interests. All determinations as to tax elections and accounting principles shall be made solely by the Tax Matters Member or Partnership Representative.

(d) BBA Elections and Procedures. In the event of an audit of the Company that is subject to the partnership audit procedures enacted under Section 1101 of the BBA (the "BBA Procedures"), the Partnership Representative, in its sole discretion, shall have the right to make any and all elections and to take any actions that are available to be made or taken by the Partnership Representative or the Company under the BBA Procedures (including any election under Code Section 6226 as amended by the BBA). If an election under Code Section 6226(a) (as amended by the BBA) is made, the Company shall furnish to each Member for the year under audit a statement of the Member's share of any adjustment set forth in the notice of final partnership adjustment, and each Member shall take such adjustment into account as required under Code Section 6226(b) (as amended by the BBA).

(e) Tax Returns and Tax Deficiencies. Each Member agrees that such Member shall not treat any Company item inconsistently on such Member's federal, state, foreign or other income tax return with the treatment of the item on the Company's return. Any deficiency for taxes imposed on any Member (including penalties, additions to tax or interest imposed with respect to such taxes and any tax deficiency imposed pursuant to Code Section 6226 as amended by the BBA) will be paid by such Member and if required to be paid (and actually paid) by the Company, will be recoverable from such Member. To the extent that the Partnership Representative does not make an election under Code Section 6221(b) or Code Section 6226 (each as amended by the BBA), the Company shall use commercially reasonable efforts to (i)

make any modifications available under Code Section 6225(c)(3), (4), and (5), as amended by the BBA, and (ii) if requested by a Member, provide to such Member information allowing such Member to file an amended federal income tax return, as described in Code Section 6225(c)(2) as amended by the BBA, to the extent such amended return and payment of any related federal income taxes would reduce any taxes payable by the Company.

(f) Resignation. The Tax Matters Member or Partnership Representative may resign at any time. Upon such resignation, the holders of a majority of the Membership Interests of the Company shall appoint a new Tax Matters Member or Partnership Representative."

Section 4.8 Current Company Budget and Plan.

(a) Not later than November 15 of every year, or such other date as determined by the Board of Managers, the President of the Company shall submit to the Board of Managers for approval, a proposed Current Company Budget and Plan for the twelve (12) month period commencing on January 1 of the next year, or such other period as may be determined by the Board of Managers. The proposed Current Company Budget and Plan shall include, among other matters, the projected Funding Amount to be outstanding from time to time during such year (giving consideration to, among other things, projected construction and sales of homes). The approval of the Current Company Budget and Plan shall not obligate JBGL or any of its Affiliates to loan or otherwise advance any portion of such projected Funding Amount; provided, if JBGL or any of its Affiliates elects to make any such loans to the Company or any of its Subsidiaries, such loans shall be on terms and conditions acceptable to JBGL (or other terms and conditions unanimously approved by the Board of Managers). Within thirty (30) days after receipt of the proposed Current Company Budget and Plan, the Board of Managers shall approve, reject or comment upon the proposed Current Company Budget and Plan and the parties shall endeavor to resolve all differences within fifteen (15) days thereafter. The Board of Managers may at any time and for any reason amend the Current Company Budget and Plan. In the event that prior to December 31 of any year, the proposed Current Company Budget and Plan for the next year has not been approved by the Board of Managers, the Company shall continue to operate in compliance with the then Current Company Budget and Plan (but subject to Section 4.8(b) below and Section 5.1(c)), subject only to changes to reflect actual increases in taxes, insurance premiums and debt service payments on any approved Company financings, until approval of the proposed Current Company Budget and Plan.

(b) Notwithstanding anything to the contrary contained in this Agreement, the Company shall be entitled to make expenditures in any budget year for any line item in excess of those contained in a Current Company Budget and Plan equal to five percent (5%) in excess of the amount set forth in the Current Company Budget and Plan for such line item, provided (i) the aggregate line item increases do not exceed Fifty Thousand and No/100 Dollars ($50,000) in any budget year and the President of the Company promptly informs each Manager of such increased expenditure, and (ii) that such excess shall in no way increase the Funding Amount. The President of the Company, in his good faith judgment, shall also be entitled to make emergency expenditures for items not approved in a Current Company Budget and Plan where such expenditures are immediately (i) necessary for the preservation or the safety of any property or assets of the Company, or to avert immediate danger to life at any property owned, leased or operated by the Company, or (ii) required by any judicial or governmental authority having jurisdiction over any properties or assets of the Company; provided, that in no event shall any such expenditures be made to any member of the Pasquinelli Member Group or any Affiliate of the Pasquinelli Member Group. If the President of the Company makes any such emergency

expenditures, it shall promptly inform each Manager of such expenditures. Additionally, the President of the Company shall promptly report to each Manager any event, circumstance, condition or situation which will result in or cause the Company to incur expenditures materially different than those set forth in the Current Company Budget and Plan, and at such time, if the Board of Managers approves such expenditures, the expenditures for such line items shall be treated as if they had always been in the Current Company Budget and Plan, which shall be deemed amended to include them.

Section 4.9 Operations of the Company.

The President of the Company shall have the authority to manage the ordinary day to day business and affairs of the Company related to the Primary Business, subject to the then Current Company Budget and Plan of the Company and in accordance with the provisions of this Section 4.9 and subject to any other limitations, restrictions or agreements set forth in this Agreement (including, without limitation, Section 4.1(c) and Section 4.9 of this Agreement or imposed by the Board of Managers). In furtherance of the foregoing, the President of the Company, acting on behalf of the Company, with the authority conferred by this Agreement, and consistent with the Current Company Budget and Plan, shall have authority and responsibility to perform or cause to be performed the following duties and obligations to the extent applicable based on the Current Company Budget and Plan:

(a) Update and recommend revisions or amendments to the Current Company Budget and Plan for the Board of Managers' review and approval or disapproval, including any such revisions or amendments as may be necessary so that the Current Company Budget and Plan sets aside adequate reserves and accurately reflects all actual and anticipated costs of operating the Primary Business of the Company.

(b) Notify the Board of Managers of matters material to the business of the Company and render such reports to the Board of Managers as from time to time any Manager may reasonably request, including at all times and in any event no less frequently than monthly, keep each Manager informed of material information relating to the Primary Business of the Company by (i) notifying each Manager, and delivering to each Manager written copies, of financial statements of the Company and all material contracts and agreements entered into by the Company or any Subsidiary, and (ii) notifying each Manager concerning any other matters material to the Primary Business of the Company or the Current Company Budget and Plan of which it is aware.

(c) Manage and direct the Primary Business of the Company, including collecting all revenues of the Company, constructing, marketing, and selling individual residential properties to homebuyers, paying all expenses of the Company substantially in conformance with the then Current Company Budget and Plan, advising the Board of Managers in advance of projected cash needs of the Company, and causing the Company to operate substantially in accordance with all applicable laws. Notwithstanding the foregoing, unless approved by the Board of Managers the President of the Company shall not do any act or take any action which is not part of the ordinary, day to day operations of the Primary Business of the Company. Without limitation of the immediately preceding sentence, the President of the Company shall not do any of the following without the consent of the Board of Managers:

(i) admit any person or entity as a Member of the Company or as a member or other equity interest holder of any Subsidiary;

(ii) consent or approve of any transfer of all or any portion of a Membership Interest or other equity interest in the Company or any Subsidiary;

(iii) dissolve, wind up, liquidate, or terminate the Company or any Subsidiary;

(iv) except in accordance with the Current Company Budget and Plan, form, or allow the formation of, a new Subsidiary of the Company;

(v) except in accordance with the Current Company Budget and Plan or except pursuant to the Management Agreements, the Loan Agreement, the Contribution Agreement Loans, the Lot Contracts or as expressly provided in this Agreement, pay any compensation to any Member or Manager or any Affiliate of any Member or Manager;

(vi) change the number of members of the Board of Managers;

(vii) amend, modify, repeal, or restate this Agreement or any Subsidiary Agreement;

(viii) except in accordance with the Current Company Budget and Plan, materially alter or expand the Primary Business of the Company;

(ix) materially change, amend or waive any of the Management Agreements or allow any Subsidiary to materially change, amend or waive any of the Management Agreements;

(x) except in accordance with the Current Company Budget and Plan make any investment or allow any Subsidiary to make any investment which is not consistent with the Primary Business;

(xi) incur any debt for borrowed money, grant any liens on the assets of the Company, or interest therein, in each case other than as expressly provided by this Agreement, the Loan Agreement, or the Contribution Agreement Loans; provided, that the Board of Managers shall not be required to approve any applications for credit, or the execution thereof, with vendors in the ordinary course of business (provided, that such applications for credit shall not include property loans), the incurring of ordinary trade payables or accounts payable on the account of ordinary and necessary costs and expenses incurred in connection with the Company, including salaries, fees and expenses for professional advisors and counsel, officers and employees, which are incurred in the ordinary course of business and are generally payable within thirty (30) days of the date incurred and which were approved in a Current Company Budget and Plan;

(xii) transfer or agree to transfer all or substantially all of the assets or business of the Company or any Subsidiary, or engage in a merger, interest exchange, conversion, reorganization or any other form of business combination with or into any other Person;

(xiii) with regard to the Company or any Subsidiary (A) make a general assignment for the benefit of creditors, (B) file a voluntary petition in bankruptcy, (C) file a petition or answer seeking for itself, any reorganization, arrangement, composition, readjustment, dissolution, liquidation or similar relief under any bankruptcy or debtor relief law,

(D) file an answer or other pleading admitting or failing to contest the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding brought against it, or (E) seek, consent to or acquiescence in the appointment of a trustee, receiver or liquidator of any of the Company, any Subsidiary or of all or any substantial portion of the Company's or any Subsidiary's assets;

(xiv) take any action that would cause the Company or any Subsidiary to become a general partner of or with any Person, or acquire any stock, partnership interest or other interest in any Person;

(xv) elect any person as a manager of any Subsidiary; or

(xvi) operate or maintain an office or any operations in any state other than Texas, or in any area other than the Primary Business Area.

(d) Notify each Manager, in writing (i.e. email), if there are any lawsuits, claims and/or legal proceedings that may be or have been instituted or asserted against the Company. If a claim has been asserted, attach the claim to the notification.

Notwithstanding the foregoing provisions of this Section 4.9 or any other provision of this Agreement, the Board of Managers may limit, restrict, remove or expand the authority granted to the President (or any other officer of the Company) pursuant to this Agreement.

Section 4.10 Key Man Life Insurance. The Company shall apply for and use its best efforts to obtain Key Man Life Insurance on BP with a death benefit of $1,000,000.00 (or such other amount as may be unanimously approved by the Board of Managers). Premiums on any such Key Man Life Insurance policies shall be paid by the Company, and the Company shall be the beneficiary under such policies.

Section 4.11 Intentionally Deleted.

ARTICLE V
RESTRICTIONS ON TRANSFERS

Section 5.1 Transfer of Membership Interest.

(a) Without the prior approval of the Board of Managers by unanimous consent, which consent shall be at the Board of Managers' sole discretion, no Member shall (i) endorse, sell, give, pledge, encumber, assign, transfer or otherwise dispose of, voluntarily or involuntarily, or by operation of law (excluding a merger or consolidation), (including any indirect transfer made by BHCP or the Trust) (hereinafter referred to as a "Transfer") all or any part of such Member's Membership Interest, or (ii) voluntarily withdraw or retire from the Company as a Member; provided, however, that JBGL shall have the right to Transfer all or any part of its Membership Interest to any other entity which is controlled directly or indirectly by Jim Brickman or Matt Baynham or any entity which is controlled directly or indirectly by Jim Brickman and Matt Baynham, without such consent of the Board of Managers.

(b) Any attempted Transfer or withdrawal in contravention of this Agreement shall be void ab initio and shall not bind or be recognized by the Company.

(c) At any time after the occurrence of a Buy-Sell Event throughout the term of this Agreement, unless such shorter period shall be otherwise provided herein, as to any member of either Member Group, the Member Group that did not experience such Buy-Sell Event (the "Offeror Member Group") may deliver a written offer (the "Buy-Sell Notice") to the other Member Group which has experienced a Buy-Sell Event (the "Offeree Member Group"), to buy from the Offeree Member Group the entire Membership Interest of each member of the Offeree Member Group. The Buy-Sell Notice shall (i) be in writing and signed by each member of the Offeror Member Group; (ii) specify a cash purchase price ("Overall Purchase Price") for all of the assets of the Company, as if free and clear of all loans and other financing; and (iii) specify the other major economic terms and conditions upon which the Offeror Member Group would be willing to sell to the Offeree Member Group its entire Membership Interest (and in each case, under the circumstances described below, those same terms and conditions to apply to the sale by the Offeree Member Group to the Offeror Member Group of its Membership Interests). The Offeree Member Group shall have the right, exercisable by delivery of notice in writing to the Offeror Member Group within thirty (30) days from the receipt of the Buy-Sell Notice to elect to either:

(i) Sell to the Offeror Member Group the Offeree Member Group's entire Membership Interest for a purchase price equal to the amount that the Offeree Member Group would receive if all Company assets were sold for the Overall Purchase Price, all existing loans and other indebtedness of the Company were paid in full, and the remaining proceeds were distributed to the Members and the Company was liquidated, all as provided in Section 6.2 hereof; or

(ii) Purchase the Offeror Member Group's entire Membership Interest for a purchase price equal to the amount that the Offeror Member Group would receive if all Company assets were sold for the Overall Purchase Price, all existing loans and other indebtedness of the Company were paid in full, and the remaining proceeds were distributed to the Members and the Company was liquidated, all as provided in Section 6.2 hereof.

Within thirty (30) days after receipt of the Buy-Sell Notice, the Offeree Member Group will notify the Offeror Member Group of its election either to sell its entire Membership Interest to the Offeror Member Group or to purchase the Offeror Member Group's entire Membership Interest based upon the Overall Purchase Price and the other terms and conditions set forth in the Buy-Sell Notice (as provided in subpart (i) or (ii), as applicable, of Section 5.1(c) above). If the Offeree Member Group fails to notify the Offeror Member Group of its election within such thirty (30) day period, the Offeree Member Group shall be deemed to have elected to sell its entire Membership Interest upon the terms and conditions of the Buy-Sell Notice. Upon delivery of the notice specifying such election (or a deemed election arising by the failure of the Offeree Member Group to notify the Offeror Member Group of its election within such thirty (30) day period), the Offeror Member Group and the Offeree Member Group will be obligated to consummate the purchase and sale in accordance with such election and the provisions of this Section 5.1(c).

The closing of any purchase and sale of Membership Interests under this Section 5.1(c) will occur on or before the sixtieth (60th) day after the Offeree Member Group has elected to buy or sell (or a deemed election has occurred as hereinabove provided). Such closing shall take place at the Principal Office of the Company or at such other place as the purchasing Member Group and selling Member Group may agree. At such closing, the purchase price shall be

payable by the purchasing Member Group to the selling Member Group, by wire transfer or such other means as are acceptable to the selling Member Group, upon the execution, acknowledgement and delivery of all documents, instruments and agreements that the purchasing Member Group and the Board of Managers determines to be necessary or appropriate to evidence and render fully effective the sale, assignment and transfer of the subject Membership Interest by the selling Member Group, and each member thereof, to the purchasing Member Group; provided, however, that such documents shall be reasonably consistent with similar transactions. The purchasing Member Group and selling Member Group will each pay one-half of any transfer taxes, recording fees, legal fees for preparation of agreements and instruments and other fees and expenses (including legal and accounting fees) incurred by the Company in connection with the Transfer of any interest in the Company under this Section 5.1(c). The purchasing Member Group and selling Member Group will each pay their own costs and expenses incurred in connection with any Transfer of any interest in the Company under this Section 5.1(c).

If any Member Group brings suit to enforce its right to purchase an interest in the Company under this Section 5.1(c), the Member Group prevailing in the suit will be entitled to be reimbursed by the Member Group against whom an adverse determination ultimately is made for the costs and expenses (including, without limitation, fees and disbursements of attorneys and other professional advisors) incurred in connection with the suit. A Member Group who shall have agreed to purchase the Membership Interest of the other Member Group under this Section 5.1(c) and subsequently fails to purchase that Membership Interest in breach of this Agreement will be subject to suit for damages caused by his breach as well as other available remedies.

Each Member agrees and acknowledges that the purchase price for the Membership Interest to be transferred to be determined in accordance with, and paid pursuant to, the provisions of this Section 5.1(c) is fair as to dates used, notices, terms, price and in all other respects. Each Member waives any right, at law or in equity that he may have to use any other method to determine the purchase price in connection with the application of this Section 5.1(c).

It is expressly agreed that the remedy at law for breach of any of the obligations set forth in this Section 5.1(c) is inadequate in view of (i) the complexities and uncertainties in measuring the actual damages that would be sustained by reason of the failure of a Member to comply fully with each of said obligations, and (ii) the uniqueness of the Company's business. Accordingly, each of the aforesaid obligations shall be, and is hereby expressly made, enforceable by specific performance.

The right to purchase or sell provided in this Section 5.1(c) shall be apportioned as between the members of such Member Group pro rata based upon the Percentage Interest of such Member unless otherwise agreed by the members of such Member Group.

"Buy-Sell Event" shall mean, as to each member of a Member Group, the occurrence of any of the following:

(i) any member of such Member Group (or in the case of the Pasquinelli Member Group, additionally BP), shall: (A) make an assignment for the benefit of creditors; (B) file a voluntary petition in bankruptcy; (C) be adjudicated bankrupt or insolvent; (D) file a petition or answer seeking for such member any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief pursuant to any statute, law, or regulation; (E) file an answer or other pleading admitting or failing to contest the material allegations of a

petition filed against such member in any proceeding of this nature; or (F) seek, consent to, or acquiesce in the appointment of a trustee (in the context of bankruptcy or a receivership), receiver, or liquidator of the member or of all or any substantial part of such member's properties;

(ii) if, within one hundred twenty (120) days after the commencement of any proceeding against any member of such Member Group seeking the reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief pursuant to any statute, law, or regulation, the proceeding shall not have been dismissed, or if within ninety (90) days after the appointment without his consent or acquiescence of a trustee, receiver, or liquidator of such member of a Member Group or of all or any substantial part of his properties, the appointment shall not be vacated or stayed, or within ninety (90) days after the expiration of any stay, the appointment shall not be vacated;

(iii) any member of such Member Group shall encumber or attempt to encumber his Membership Interest or any portion thereof without the prior approval required by Section 5.1;

(iv) Any member of such Member Group, (or in the case of the Pasquinelli Member Group, additionally BP), shall die or there shall be entered an order by a court of competent jurisdiction adjudicating such member of a Member Group (or in the case of the Pasquinelli Member Group, additionally BP) incompetent to manage his person or his property, or such member of a Member Group (or in the case of the Pasquinelli Member Group, additionally BP) having a guardian appointed for his person;

(v) the divorce of a member of such Member Group (or in the case of the Pasquinelli Member Group, additionally BP), which results in the direct or indirect transfer of all or any portion of his or her interest in the Company (or in any Member of the Company) to his or her spouse (or former spouse);

(vi) any member of such Member Group, if an entity, shall dissolve, liquidate, or wind up;

(vii) any member of such Member Group (or in the case of the Pasquinelli Member Group, additionally BP) being convicted of a felony or other crime involving moral turpitude;

(viii) with respect to any member of the Pasquinelli Member group, the material violation by BP, any entity controlled by BP, BHCP, the Trust, or any trust of which BP is a beneficiary or trustee, of (A) the obligations of BP as President of the Company under Section 4.9 hereof, (B) any non-compete provision of any agreement benefiting the Company or JBGL, or (C) any of the Management Agreements (provided, however, that as to the Management Agreements, the material violation shall be limited to the failure to pay monies due the Company or its Subsidiaries);

(ix) Intentionally Deleted;

(x) As to the JBGL Member Group, solely for a period of 6 months following the date on which neither Jim Brickman nor Matt Baynham is acting as a Manager of the Company;

(xi) As to the JBGL Member Group, in the event that the Board of Managers determines to dissolve in accordance with Section 6.1(a)(i) without the consent of the Pasquinelli Manager, solely for a period of sixty (60) days following such determination to dissolve.

Section 5.2 Admission of Transferee.

If a Member transfers all or any part of such Member's limited liability company interest in the Company in accordance with the requirements of Section 5.1 hereof, the transferee shall be admitted to the Company as a Member of the Company upon its execution of an instrument, as required by the Board of Managers, signifying such transferee's agreement to be bound by the terms and conditions of this Agreement, which instrument may be a counterpart signature page to this Agreement. Such admission shall be deemed effective immediately upon execution of such instrument and, immediately following such admission, the transferor Member shall cease to be a Member of the Company.

Section 5.3 Withdrawal of Capital or as a Member.

Except as expressly provided in this Agreement or as otherwise agreed by the Members, no Member shall be entitled to withdraw capital or to receive distributions of or against capital without the prior written consent of, and upon the terms and conditions agreed upon by, all Members. The Members have (i) no right under the Texas Act, or otherwise, to withdraw or resign and receive the fair value of their Membership Interests, and further hereby waive any dissenters' rights pursuant to the Texas Act, or otherwise, (ii) no right to demand or receive any distribution from the Company in any form other than cash and in accordance with the provisions of this Agreement concerning distributions, and (iii) no right under the Texas Act to become a creditor of the Company with respect to distributions owed them.

Section 5.4 Dissociation of a Member.

(a) Each of the following events shall be an "Event of Dissociation" (herein so called) with respect to all members of the Pasquinelli Member Group:

(i) Any Buy-Sell Event occurs with respect to any member of the Pasquinelli Member Group, regardless of whether the JBGL Member Group exercises its right to send the Buy-Sell Notice pursuant to Section 5.1(c) hereof or any other rights thereunder, subject to the right of the Pasquinelli Member Group to receive notice of a Default Buy-Sell Event and the opportunity within thirty (30) days of such notice to cure such curable Default Buy-Sell Event;

(ii) Any member of the Pasquinelli Member Group shall have a garnishment, lien, charging order or similar device issued against its interest in the Company;

(iii) Any member of the Pasquinelli Member Group shall breach any other term or condition of this Agreement which shall not be cured, with respect to monetary defaults, within ten (10) days, and, with respect to non-monetary defaults that are curable, within thirty (30) days, unless such curable default cannot reasonably be cured within such thirty (30) day period, in which event, within ninety (90) days after notice to such Member of such breach;

(iv) Any member of the Pasquinelli Member Group shall have a judgment

awarded against it in any capacity in an amount that would threaten the solvency of such member of the Pasquinelli Member Group, as determined by the Board of Managers in its reasonable discretion;

(v) Any member of the Pasquinelli Member Group shall commit any other act in violation of such Member's duties of good faith and care to the Company or the other Members; or

(vi) such Member shall have received the consent of the Board of Managers to withdraw from the Company.

(b) If any member of the Pasquinelli Member Group is subject to an Event of Dissociation, the Pasquinelli Member Group, and each member thereof, shall lose all Management Rights, and shall have no right to participate in the management of the business and affairs of the Company; provided, that in such event (i) the Pasquinelli Member Group shall remain entitled to receive allocations of profit, income, gain, loss, deduction and tax credit, and distributions of Net Operating Profits or assets upon liquidation pursuant to Section 6.2 hereof attributable to its Membership Interest, and (ii) shall remain obligated to pay and perform all duties, obligations and liabilities of the Pasquinelli Member Group (or attributable to its Membership Interest) under this Agreement but only to the extent the same can be performed without Management Rights.

(c) If approved by the Board of Managers, a holder of a Membership Interest without any Management Rights, including a Member subject to dissociation pursuant to Section 5.4(b) hereof, may be admitted as a "Substitute Member" and admitted to all the rights of the Member assigning the Membership Interest or, as the case may be, to which such Member was entitled prior to dissociation in accordance with Section 5.4(b) hereof, with the consent of the Board of Managers and all Members other than the Member with respect to which the Event of Dissociation has occurred, and the execution and acknowledgment by the Substitute Member of an instrument, as required by the Board of Managers, signifying such person's agreement to be bound by the terms and conditions of this Agreement, which instrument may be a counterpart signature page to this Agreement. If so admitted, the Substitute Member shall have all of the rights and powers, and shall be subject to all the restrictions and liabilities, of the Member assigning the Membership Interest or, as the case may be, of such Member in the case of dissociation pursuant to Section 5.4(b). Except as otherwise agreed to by the unanimous consent of the Members, the admission of a Substitute Member shall not release the Member assigning the Membership Interest from any liability to the Company which such assigning Member shall have had prior to such admission.

ARTICLE VI
DISSOLUTION OF THE COMPANY

Section 6.1 Dissolution.

(a) The Company may be dissolved at any time upon the occurrence of any of the following events (each, a "Dissolution Event"):

(i) the election by the Board of Managers to dissolve, wind-up and terminate the Company;

(ii) the termination of the legal existence of the last remaining Member of the Company or the occurrence of any other event which terminates the continued membership of the last remaining Member of the Company in the Company unless the business of the Company is continued in a manner permitted by this Agreement or the Texas Act; or

(iii) the entry of a decree of judicial dissolution under the Texas Act.

(b) Except as and to the extent otherwise provided in Section 5.4 hereof, the Bankruptcy of a Member shall not cause such Member to cease to be a Member of the Company and upon the occurrence of such an event, the business of the Company shall continue without dissolution. Notwithstanding any other provision of this Agreement, the Members waive any right that they might have under the Texas Act to agree in writing to dissolve the Company upon the Bankruptcy of such Members. "Bankruptcy" means, with respect to any Member, if such Member (i) makes an assignment for the benefit of creditors generally, (ii) files a voluntary petition in bankruptcy, (iii) is adjudged bankrupt or insolvent, or has entered against it an order for relief, in any bankruptcy or insolvency proceeding, (iv) files a petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation, (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against it in any proceeding of this nature, (vi) seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator of the Member or of all or any substantial part of its properties, or (vii) one hundred twenty (120) days after the commencement of any proceeding against the Member seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation, if the proceedings have not been dismissed, or if within ninety (90) days after the appointment without such Member's consent or acquiescence of a trustee, receiver or liquidator of such Member or of all or any substantial part of its properties, the appointment is not vacated or stayed, or within ninety (90) days after the expiration of any such stay, the appointment is not vacated.

(c) Upon the occurrence of any event that causes the last remaining Member of the Company to cease to be a Member of the Company (other than upon an assignment by the Member of all of its limited liability company interest in the Company and the admission of the transferee pursuant to Sections 5.1 and 5.2), then to the fullest extent permitted by law, the personal representative of such Member is hereby authorized to, and shall, within ninety (90) days after the occurrence of the event that terminated the continued membership of such Member in the Company, agree in writing (i) to continue the Company and (ii) to the admission of the personal representative or its nominee or designee, as the case may be, as a substitute Member of the Company, effective as of the occurrence of the event that terminated the continued membership of the last remaining Member of the Company.

Section 6.2 Liquidation and Termination.

(a) Subject to Section 5.1(c)(xi), upon the dissolution of the Company, the Officers and Managers of the Company shall cause the Company to liquidate by converting the assets of the Company to cash or its equivalent and arranging for the affairs of the Company to be wound up with reasonable speed but with a view towards obtaining fair value for the Company's assets, and, after satisfaction (whether by payment or by establishment of reserves therefor) of creditors, including Members who are creditors, shall distribute the remaining assets to and among the Members as follows:

(i) First, to the Members pro rata in accordance with their respective then Undistributed Preferred Return, in such amounts and until such times as each Member's Undistributed Preferred Return has been reduced to zero (0);

(ii) Next, to the Members pro rata in accordance with the Members' proportionate Unreturned Capital Contributions in such amounts, and until such time, as each Member's Unreturned Capital Contributions have been reduced to zero (0); and

(iii) Thereafter, to the Members pro rata in accordance with their respective Percentage Interests.

All distributions in kind to the Members shall be made subject to the liability of each distributee for costs, expenses, and liabilities theretofore incurred or for which the Company has committed prior to the date of termination. The distribution of cash and/or property to a Member in accordance with the provisions of this Section 6.2(a) constitutes a complete return to the Member of its Capital Contributions and a complete distribution to the Member of its Membership Interest and all the Company's property.

(b) Each Member shall look solely to the assets of the Company for all distributions with respect to the Company and such Member's capital contribution thereto and share of profits, gains and losses thereof and shall have no recourse therefor (upon dissolution or otherwise) against any other Member.

(c) The Company shall terminate when (i) all of the assets of the Company, after payment of or due provision for all debts, liabilities and obligations of the Company, shall have been distributed to the Members in the manner provided for in this Agreement, and (ii) the Certificate of Formation shall have been terminated in the manner required by the Texas Act.

ARTICLE VII
BOOKS AND RECORDS; ACCOUNTING, TAX ELECTIONS, ETC.

Section 7.1 Books, Records and Reports.

(a) The Company shall keep correct and complete books and records of its accounts and transactions and minutes of the proceedings of its Members and Board of Managers and of any executive or other committee when exercising any of the powers of the Board of Managers. The books and records of the Company may be in written form or in any other form which can be converted within a reasonable time into written form for visual inspection. The original or a certified copy of this Agreement shall be kept at the principal office of the Company or at such other place designated by the President of the Company. The books and records of the Company shall be maintained by the Secretary of the Company and shall be available for examination by any Member or Manager, or its duly authorized representatives, during regular business hours.

(b) At the request of any Member, the President of the Company or other appropriate Officer shall prepare or cause to be prepared and shall furnish to the Members within ninety (90) days of the end of each fiscal year (i) a balance sheet and report of the receipts, disbursements, profits or losses of the Company, and each Member's share of such items for the fiscal year, and information necessary for the Members to prepare their respective federal and state income tax returns. The cost of such financial and tax reports shall be an expense of the Company. The rights of any Member pursuant to this Section 7.1(b) shall be unaffected by any

Dissociation pursuant to Section 5.4 hereof or the occurrence of any Buy-Sell Event.

Section 7.2 Banks Accounts, Checks, Drafts, Etc.

The bank accounts for the Company shall be maintained in accounts in the name of and under the tax identification number for the Company in such banking institutions as the Managers or the appropriate Officers shall determine. Any resolutions prepared by the banking institutions in relation to the opening of such accounts are hereby adopted as the resolutions of the Board of Managers. All checks, drafts and orders for the payment of money, notes and other evidences of indebtedness, issued in the name of the Company, shall be signed by such Officers or such other Persons as may be authorized by the Board of Managers from time to time.

Section 7.3 Fiscal Year; Methods of Accounting.

The fiscal year of the Company shall be the year ending December 31, unless otherwise determined by the Board of Managers. The method of accounting to be used in keeping the books of the Company shall be determined by the Board of Managers in accordance with applicable law.

Section 7.4 Segregation of Moneys; Interest.

All moneys received by the Managers hereunder shall be kept segregated in the Company's accounts and may be deposited under such general conditions as may be prescribed by law, and the Managers shall not be liable for any interest thereon. Furthermore, in no event shall moneys of the Company be commingled with moneys of the Members or the Managers.

ARTICLE VIII
GENERAL PROVISIONS

Section 8.1 Binding Provisions.

The provisions of this Agreement shall be binding upon and inure to the benefit of the heirs, personal representatives, successors and assigns of the Members, Managers and Officers.

Section 8.2 Separability of Provisions.

Each provision of this Agreement shall be considered separable; and if for any reason any provision or provisions herein are determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect any other provisions of this Agreement.

Section 8.3 Attorney's Fees; Waiver of Jury Trial; Arbitration.

(a) In the event of any litigation or other proceeding, including arbitration, between the Members to enforce or interpret any provision or right hereunder, the unsuccessful party to such litigation or proceeding, including arbitration, covenants and agrees to pay the successful party all costs and expenses reasonably incurred, including reasonable attorneys' fees and disbursements.

(b) EACH MEMBER HEREBY WAIVES TRIAL BY JURY IN ANY ACTION,

PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES AGAINST THE OTHER IN CONNECTION WITH ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT, THE RELATIONSHIP OF THE MEMBERS OR ANY CLAIM OF INJURY OR DAMAGE RELATING TO ANY OF THE FOREGOING, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY STATUTE WITH RESPECT THERETO.

(c) ANY CONTROVERSY OR CLAIM BETWEEN THE COMPANY AND ANY OF THE MEMBERS, OR BETWEEN ANY OF THE MEMBERS, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY AGREEMENTS OR INSTRUMENTS EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR RELATED AGREEMENTS OR INSTRUMENTS REFERRED TO IN OR WHICH PERTAIN TO THIS AGREEMENT OR THE COMPANY, OR THE TRANSACTIONS DESCRIBED HEREIN OR THEREIN, INCLUDING BUT NOT LIMITED TO ANY CLAIM BASED ON OR ARISING FROM AN ALLEGED TORT, SHALL BE DETERMINED BY BINDING ARBITRATION IN DALLAS, TEXAS, THE ARBITRATION SHALL BE ADMINISTERED BEFORE THREE ARBITRATORS WITH NOT LESS THAN FIFTEEN (15) YEARS EXPERIENCE AS ATTORNEYS AND/OR JUDGES BY JAMS OR ANOTHER ARBITRATION SERVICE ACCEPTABLE TO ALL PARTIES TO THE ARBITRATION. JUDGMENT UPON THE AWARD RENDERED BY THE ARBITRATOR MAY BE ENTERED IN ANY COURT HAVING JURISDICTION.

Section 8.4 Rules of Construction.

Unless the context clearly indicates to the contrary, the following rules apply to the construction of this Agreement:

(i) References to the singular include the plural, and references to the plural include the singular.

(ii) Words of the masculine gender include correlative words of the feminine and neuter genders.

(iii) The headings or captions used in this Agreement are for convenience of reference and do not constitute a part of this Agreement, nor affect its meaning, construction, or effect.

(iv) References to a person include any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or agency or political subdivision thereof.

(v) Any reference in this Agreement to a particular "Article," "Section" or other subdivision shall be to such Article, Section or subdivision of this Agreement unless the context shall otherwise require.

(vi) Any use of the word "including," "include" or "includes" in this Agreement shall not be construed as limiting the phrase so modified to the particular items or actions enumerated, and should be interpreted in a non-exclusive manner as though the words "but [is] not limited to" immediately followed the same.

(vii) When any reference is made in this document or any of the schedules or exhibits attached to this Agreement, it shall mean this Agreement, together with all other schedules and exhibits attached hereto, as though one document.

Section 8.5 Entire Agreement; Amendments.

(a) This Agreement constitutes the entire agreement with respect to the subject matter hereof.

(b) This Agreement and the Certificate of Formation (except as required by law) may be modified or amended only pursuant to a written amendment adopted by the Board of Managers and approved in writing by all Members. Once an amendment to this Agreement and/or the Certificate of Formation has been approved, the proper Officers of the Company shall authorize the preparation and filing, if necessary, of a written amendment to this Agreement and/or the Certificate of Formation, as applicable.

Section 8.6 Applicable Law.

This Agreement shall be construed and enforced in accordance with the laws of the State of Texas, without regard to conflict of law principles.

Section 8.7 Agreement Binding and Enforceable.

Notwithstanding any other provision of this Agreement, the Members agree that this Agreement constitutes a legal, valid and binding agreement of the Members, and is enforceable against the Members by the Managers in accordance with its terms.

Section 8.8 Confidentiality.

The parties shall not disclose the terms of this Agreement, the Management Agreements, the involvement of Green Light Capital with the Company, or any information received pursuant to Section 7.1 hereof, to any Person, except (i) as may otherwise be required by law, regulation or court order, (ii) to a bona fide potential lender of the Company or its Subsidiaries and its counsel and advisors, (iii) to its employees, officers, directors, members, managers, owners and third parties including financial advisors, potential financing sources, potential transferees, accountants or attorneys who are advised of the confidential nature of the terms of this Agreement, or (iv) to the extent necessary for the parties to perform their respective duties hereunder. Notwithstanding the foregoing, any Member (and any employee, representative or other agent of any Member) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to any Member relating to such tax treatment and tax structure; provided, however, that any such information shall be kept confidential to the extent necessary to comply with any applicable securities laws.

Section 8.9 Publicity.

Neither the Company, the Members nor any of their respective Affiliates may issue any public statement or press release regarding (a) the finances of any of (i) the Company, (ii) the Company's business, (iii) the Subsidiaries, or (iv) any Member, without the prior consent of all Members, or (b) the involvement with the Company, or any of its Subsidiaries, of Green Light

Capital and the principals thereof, except as required by law or any competent governmental authority (provided that in such event, the disclosing party shall give the other Member or the applicable Affiliate advance notice of such disclosure).

Section 8.10 Counterparts.

To facilitate execution, this instrument may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature of, or on behalf of, each party, or that the signature of all persons required to bind any party appear on each counterpart. All counterparts shall collectively constitute a single instrument. It shall not be necessary in making proof of this instrument to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages.

Section 8.11 No Effect on Loans. The Members acknowledge that JBGL Builder Finance and certain other Affiliates of JBGL have acquired and/or made, and in the future may acquire and/or make, loans to the Company and certain of its Subsidiaries. The Members specifically agree that the relationship of JBGL Builder Finance and its Affiliates as a lender to the Company or any of its Subsidiaries shall not be affected in any way by this Agreement or by the fact that JBGL is a Member in the Company, and nothing contained herein or in any way related to JBGL serving as a Member in the Company shall (i) limit any rights or remedies of JBGL Builder Finance or any of its Affiliates under or pursuant to any documents, instruments or agreements related to, evidencing or securing any such loans, or (ii) limit the duties, obligations or liabilities of the Company or any Subsidiary or any other obligor pursuant to any such documents, instruments or agreements related to, evidencing or securing any such loans.

ARTICLE IX
Other JBGL Provisions

Section 9.1 Intentionally Deleted.

Section 9.2 Covenant Not to Make Certain Loans.

(a) JBGL agrees that neither JBGL nor any other JBGL Entity shall provide financing or agree to provide financing to other Competing Builders with respect to residential lots located in the Primary Business Area, without the unanimous consent of the Board of Managers; provided, however, that any financing, funding, loans, commitments, or agreements to make any loans existing in a particular county at such time as such county becomes part of the Primary Business Area as a result of the investment of the Company reaching $1 million in investment in such county, shall in no event be deemed a violation of this Section 9.2(a) and further that such financing may be provided to Competing Builders or any other person in the event that it relates to a residence with an expected sales price of $550,000.00 or more or if it relates to a project consisting of less than 7 lots. Furthermore, JBGL agrees that neither JBGL Capital LP, a Texas limited partnership, nor any of its subsidiaries shall enter an arrangement with any Competing Builder substantially similar to that of the Company. Notwithstanding the foregoing, the provisions of this Section 9.2(a) shall expire and terminate on the earliest to occur of (i) the date of the termination of this Agreement, (ii) the date of the occurrence of a Dissolution Event, (iii) the date that no member of the Pasquinelli Member Group is a Member

of the Company, or (iv) the date that neither JBGL nor any of its Affiliates is a Member of the Company.

(b) In the event of any breach of the provisions of Section 9.2(a) by any JBGL Entity, then as the sole and exclusive remedy of the Company or any Member of the Company, JBGL shall be obligated to pay to the Company an amount equal to any net profit made by any JBGL Entity from the financing provided in violation of Section 9.2(a).

(c) Centre Living Homes, LLC or its subsidiaries or affiliates may build homes, condominiums, or any type of residence south of the intersection of Preston Road and Northwest Highway in Dallas County, Texas. This building will not give rise to any liability, claims or demand for payment from the Company, BHCP or the Trust. In the event of any ambiguity with any other provision in this Agreement this paragraph shall prevail.

(d) Centre Living Homes, LLC or its subsidiaries or affiliates (including but not limited to Centre Living Condominiums, LLC) may build approximately 32 patio homes in the Cityline development, located near the intersection of Cityline Drive and Foxboro Drive in Richardson, Texas. This building will not give rise to any liability, claims or demand for payment from the Company, BHCP or the Trust. In the event of any ambiguity with any other provision in this Agreement this paragraph shall prevail.

(e) Green Brick Partners, Inc., any of its subsidiaries or affiliates may construct multifamily apartments in any location. These multifamily apartment units may later be converted into condominium apartments. Construction of any multifamily building and the conversion of these units into condominium homes will not give rise to any liability, claims or demand for payment from the Company, BHCP or the Trust. In the event of any ambiguity with any other provision in this Agreement this paragraph shall prevail.

Section 9.3 Break-up.

(a) Intentionally Deleted.

(b) Intentionally Deleted.

(c) If during the period of September 15 through November 15 (inclusive) of any calendar year (the "Yearly Window") JBGL and the JBGL Entities have elected not to make loans to the Company and/or its Subsidiaries for home construction projects budgeted in the Current Company Budget and Plan and the Funding Amount outstanding is less than the Minimum Funding Amount in effect at such time, then at any time while such Minimum Funding Amount is not in place during the Yearly Window, either the JBGL Member Group or the Pasquinelli Member Group may send a Buy-Sell Notice in accordance with Section 5.1(c) hereof. The party which shall send the first Buy-Sell Notice shall be deemed to be the Offeror Member Group and shall have all rights and obligations of the Offeror Member Group and the recipient of such first sent Buy-Sell Notice shall be deemed to be the Offeree Member Group and shall have all rights and obligations of the Offeree Member Group.

(d) Notwithstanding the foregoing, the right of either party to send the Buy-Sell Notice pursuant to Section 9.3(c) shall expire and terminate on the earliest to occur of (i) the date of the termination of this Agreement, (ii) the date of the occurrence of a Dissolution Event, (iii) the date either the Pasquinelli Member Group or the JBGL Member Group is no longer a

Member of the Company, or (v) the date of the occurrence of a Buy-Sell Event as to any member pursuant to Section 5.1(c)(i-xi).

Section 9.4 Membership Interests of BHCP Homes, LLC and BHCP Family Trust.

Unless otherwise provided in this Agreement, the Membership Interests of BHCP and the Trust, and each of their respective successors and assigns (collectively, the "Pasquinelli Member Group"), shall be treated as one in the same with BP acting as the sole representative of such parties with the sole power and authority to act on their behalf, which shall mean, among other matters, that (i) any membership rights and obligations must be exercised by BP on behalf of all members of the Pasquinelli Member Group, (ii) any notice received by BP shall also be deemed received by all the members of the Pasquinelli Member Group, and (iii) the members of the Pasquinelli Member Group are jointly and severally liable for any duties, liabilities and obligations of any member of the Pasquinelli Member Group, and for any breach of this Agreement by any member of the Pasquinelli Member Group; provided, however, that, unless otherwise provided herein, any payments or distributions to be made to the Pasquinelli Member Group shall be made to each member of such group in accordance with their Percentage Interest in the Company.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed to be effective as of the date first above written.

MEMBERS:

JBGL OWNERSHIP LLC,
a Delaware limited liability company

By: /s/ Richard A. Costello
Richard A. Costello, President

BCHP FAMILY TRUST

By: /s/ Bruno Pasquinelli
Bruno Pasquinelli, Trustee

BCHP Homes, LLC,
a Texas limited liability company

By: /s/ Bruno Pasquinelli
Bruno Pasquinelli, Managing Member

SCHEDULE A

Members:	JBGL Ownership LLC	2805 Dallas Parkway, Suite 400 Plano, TX 75093
	BHCP Family Trust	2805 Dallas Parkway, Suite 400 Plano, TX 75093
	BHCP Homes, LLC	2805 Dallas Parkway, Suite 400 Plano, TX 75093
Initial Capital Contributions:	Agreed net value of initial capital contributions which the Initial Members made is as follows:	
	JBGL	$100,000.00
	BHCP Homes, LLC	$50,000.00
	BHCP Family Trust	$50,000.00
Percentage Interests:	JBGL	50%
	BHCP Homes, LLC	25%
	BHCP Family Trust	25%
Voting Percentage Interests:	JBGL	51%
	BHCP Homes, LLC	25%
	BHCP Family Trust	24%
Managers:	The names of the Managers referred to in <u>Section 4.1(b)</u> hereof are as follows: JBGL Managers: James R. Brickman Jed Dolson Pasquinelli Manager: Bruno Pasquinelli	

Officers:	The names of the Officers referred to in Section 4.2(b) hereof are as follows: Name: / Title: Bruno Pasquinelli — President, Chief Executive Officer and Chief Operating Officer Jed Dolson — Vice President Richard A. Costello — Vice President Steve Schermerhorn — Vice President and Treasurer Sofia Chernylo — Secretary
Principal Office of the Company:	2805 Dallas Parkway Suite 400 Plano, TX 75093

SCHEDULE B

Intentionally Deleted.

SCHEDULE C

OPERATING PROFIT/ OPERATING LOSS DEFINITION

Operating Profit or Operating Loss, as applicable, is calculated based on the following calculation:

Gross Revenue (all revenues including but not limited to closing of homes to third party homebuyers, management agreements)

LESS: Direct Construction Costs (land, property improvements, capitalized property taxes, capitalized interest)

LESS: Amortized Prepaid Community Costs (initial community expenses including but not limited to first run brochures and inserts, model furniture, estimate for model conversion, initial signage, initial marketing efforts)

LESS: Sales Commissions (internal and external as applicable)

LESS: Finance and Closing Costs (seller concessions, incentives, closing costs)

LESS: Construction Overhead (construction wages, bonus, benefits, and community expenses including but not limited to SWPP costs, lot maintenance not paid by JBGL Builder Finance entity, construction trailer rent, construction utilities, trash, and other community costs that are not property improvements and not capitalized in the job costs)

LESS: Warranty Overhead (per home warranty amount accrual, any warranty personnel wages, bonus, benefits, and any other period costs related to warranty performed)

LESS: Selling Overhead (sales personnel wages, bonuses, and benefits and including but not limited to model home rent, utilities, repairs, maintenance, sales trailer, marketing efforts, realtor luncheons, focus groups, brochures and inserts, website maintenance and other sales items that were not approved to be in prepaid community costs)

LESS: Administrative Overhead (personnel wages, bonuses, benefits and including but not limited to office rent, office supplies, copiers, utilities, meals & entertainment, and other expenses that are not property improvements and not capitalized in job costs - also includes legal expenditures)

LESS: Capital Charges (Other incurred interest either paid by the Company or its Subsidiaries, paid fees, parcel profit participation related to capital received as well as monthly interest on homes that have not closed after 12 months of start in accordance with JBGL Ownership LLC loan docs)

EQUALS: Total Operating Profit or Operating Loss, as applicable

Exhibit 21

LIST OF SUBSIDIARIES AND JURISDICTION OF ORGANIZATION

Subsidiary	Jurisdiction
CB JENI - Brick Row Townhomes, LLC	Texas
CB JENI - Chase Oaks Village II, LLC	Texas
CB JENI - Hemingway Court, LLC	Texas
CB JENI - Lake Vista Coppell, LLC	Texas
CB JENI - Settlement at Craig Ranch, LLC	Texas
CB JENI Acquisitions, LLC	Texas
CB JENI Apples Crossing, LLC	Texas
CB JENI Berkshire Place LLC	Texas
CB JENI Frisco Springs, LLC	Texas
CB JENI Homes DFW LLC	Texas
CB JENI Homes Grand Park, LLC	Texas
CB JENI Homes Heritage Creekside, LLC	Texas
CB JENI Homes Raiford Crossing, LLC	Texas
CB JENI Homes Sloan Creek, LLC	Texas
CB JENI Hometown, LLC	Texas
CB JENI Iron Horse, LLC	Texas
CB JENI Los Rios, LLC	Texas
CB JENI Majestic Gardens, LLC	Texas
CB JENI Management, LLC	Texas
CB JENI McKinney Ranch, LLC	Texas
CB JENI Meridian at Southgate, LLC	Texas
CB JENI Montgomery Ridge, LLC	Texas
CB JENI Mustang Park LLC	Texas
CB JENI Parker Ranch, LLC	Texas
CB JENI Pecan Park, LLC	Texas
CB JENI Pecan Square, LLC	Texas
CB JENI Ridge View Villas, LLC	Texas
CB JENI Riverset, LLC	Texas
CB JENI Silverado, LLC	Texas
CB JENI Southgate, LLC	Texas
CB JENI Stacy Crossing, LLC	Texas
CB JENI Stonegate, LLC	Texas
CB JENI Sunset Place, LLC	Texas
CB JENI Terraces at Las Colinas, LLC	Texas
CB JENI Trophy Club, LLC	Texas
CB JENI Twin Creeks, LLC	Texas
CB JENI Viridian, LLC	Texas
CB JENI Vista Del Lago, LLC	Texas
Centre Living Apartments 1, LLC	Texas
Centre Living Caddo, LLC	Texas
Centre Living CityLine LLC	Texas
Centre Living Condominiums II, LLC	Texas
Centre Living Condominiums, LLC	Texas

Subsidiary	Jurisdiction
Centre Living Ft Worth, LLC	Texas
Centre Living Homes, LLC	Texas
Centre Living Live Oak, LLC	Texas
Centre Living Swiss, LLC	Texas
Centre Living West Dallas, LLC	Texas
CLH20, LLC	Texas
EJB River Holdings, LLC	Georgia
GB Challenger, LLC	Texas
GRBK Academy, LLC	Georgia
GRBK Church Street, LLC	Georgia
GRBK Devore, LLC	Georgia
GRBK Edgewood LLC	Texas
GRBK Frisco LLC	Texas
GRBK GC, LLC	Georgia
GRBK GHO 10, LLC	Florida
GRBK GHO 4 Lakes, LLC	Florida
GRBK GHO 7, LLC	Florida
GRBK GHO 8, LLC	Florida
GRBK GHO 9, LLC	Florida
GRBK GHO Arabella Reserve, LLC	Florida
GRBK GHO Bent Pine, LLC	Florida
GRBK GHO Berkley Square, LLC	Florida
GRBK GHO Brevard, LLC	Florida
GRBK GHO Central Vero, LLC	Florida
GRBK GHO Eagle Trace, LLC	Florida
GRBK GHO High Pointe, LLC	Florida
GRBK GHO Homes, LLC	Texas
GRBK GHO Huntington, LLC	Florida
GRBK GHO Lake Sapphire, LLC	Florida
GRBK GHO Lily's Cay, LLC	Florida
GRBK GHO Lucaya Pointe, LLC	Florida
GRBK GHO Meadowood, LLC	Florida
GRBK GHO North Beach, LLC	Florida
GRBK GHO Orchid Cove, LLC	Florida
GRBK GHO Properties, LLC	Florida
GRBK GHO Segovia Lakes, LLC	Florida
GRBK GHO Serenoa, LLC	Florida
GRBK GHO St. Lucie, LLC	Florida
GRBK GHO Summer Lake, LLC	Florida
GRBK GHO Three Oaks, LLC	Florida
GRBK GHO Timberlake, LLC	Florida
GRBK GHO Venezia Estates, LLC	Florida
GRBK Haynes, LLC	Georgia
GRBK North Point, LLC	Georgia
GRBK Stringer, LLC	Georgia

Subsidiary	Jurisdiction
GRBK Suwanee Station, LLC	Georgia
GRBKMP, LLC	Texas
Green Brick Mortgage, LLC	Delaware
Green Brick Title, LLC	Texas
JBGL Atlanta Development 2014, LLC	Georgia
JBGL Atlanta Development, LLC	Georgia
JBGL Builder Finance LLC	Texas
JBGL Chateau, LLC	Texas
JBGL Exchange LLC	Texas
JBGL Hawthorne, LLC	Texas
JBGL Land Fund, LLC	Georgia
JBGL Mustang LLC	Texas
JBGL Ownership LLC	Delaware
Johns Creek 206, LLC	Georgia
Normandy Homes - Alto Vista Irving, LLC	Texas
Normandy Homes Apples Crossing, LLC	Texas
Normandy Homes Cottonwood Crossing, LLC	Texas
Normandy Homes Cypress Meadows, LLC	Texas
Normandy Homes Edgewood, LLC	Texas
Normandy Homes Essex Park, LLC	Texas
Normandy Homes Frisco Springs, LLC	Texas
Normandy Homes Grand Park, LLC	Texas
Normandy Homes Lake Vista Coppell, LLC	Texas
Normandy Homes Lakeside, LLC	Texas
Normandy Homes Legends at Twin Creeks, LLC	Texas
Normandy Homes Liberty Hills, LLC	Texas
Normandy Homes Mustang Park, LLC	Texas
Normandy Homes Parker Ranch, LLC	Texas
Normandy Homes Pecan Creek, LLC	Texas
Normandy Homes Shaddock Estates, LLC	Texas
Normandy Homes Southaven, LLC	Texas
Normandy Homes Southgate, LLC	Texas
Normandy Homes Spicewood, LLC	Texas
Normandy Homes Twin Creeks, LLC	Texas
Normandy Homes Viridian, LLC	Texas
Normandy Homes Watters Branch, LLC	Texas
Normandy Homes, LLC	Texas
Paragon Property Management Group, LLC	Texas
Pratt Stacks, L.L.C.	Georgia
Providence Group Title, LLC	Georgia
Providence Luxury Homes, L.L.C.	Georgia
SGHDAL LLC	Texas
Southgate Edgewood, LLC	Texas
Southgate Homes - Angel Field West, LLC	Texas
Southgate Homes - Austin Waters, LLC	Texas

Subsidiary	Jurisdiction
Southgate Homes - Brockdale, LLC	Texas
Southgate Homes - Canals at Grand Park, LLC	Texas
Southgate Homes - Garilen, LLC	Texas
Southgate Homes - Stoney Creek, LLC	Texas
Southgate Homes - Suburban Living, LLC	Texas
Southgate Homes - Twin Creeks, LLC	Texas
Southgate Homes - Windsong, LLC	Texas
Southgate Homes DFW LLC	Texas
Southgate Ranch, LLC	Texas
The GHO Homes Agency, LLC	Florida
The Providence Group & Associates, L.L.C.	Georgia
The Providence Group of Georgia Custom Homes, L.L.C.	Georgia
The Providence Group of Georgia, L.L.C.	Georgia
The Providence Group Realty, L.L.C.	Georgia
TPG Development, L.L.C.	Georgia
TPG ECCO Park, L.L.C.	Georgia
TPG Glendale Rowes, L.L.C.	Georgia
TPG Haynes, L.L.C.	Georgia
TPG Homes 2017, L.L.C.	Georgia
TPG Homes at Bellmoore, L.L.C.	Georgia
TPG Homes at Three Bridges, L.L.C.	Georgia
TPG Homes at Whitfield Parc, L.L.C.	Georgia
TPG Homes FS, L.L.C.	Georgia
TPG Homes, L.L.C.	Georgia
TPG Maxwell, L.L.C.	Georgia
TPG Property Holdings, L.L.C.	Georgia
Trophy Signature Homes, LLC	Texas
TSHH, LLC	Texas
TSHHOU, LLC	Texas
TSHWS, LLC	Texas

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (No.333-203181) on Form S-8 and (No. 333-223610) on Form S-3 of Green Brick Partners, Inc. of our reports dated March 6, 2020, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting of Green Brick Partners, Inc., appearing in this Annual Report on Form 10-K of Green Brick Partners, Inc. for the year ended December 31, 2019.

/s/ RSM US LLP

Dallas, Texas
March 6, 2020

Exhibit 31.1

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James R. Brickman, certify that:

1. I have reviewed this Annual Report on Form 10-K of Green Brick Partners, Inc. for the fiscal year ended December 31, 2019;
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 the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 6, 2020

By:	/s/ James R. Brickman
Name:	James R. Brickman
Title:	Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Richard A. Costello, certify that:

1. I have reviewed this Annual Report on Form 10-K of Green Brick Partners, Inc. for the fiscal year ended December 31, 2019;
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 the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 6, 2020

By:	/s/ Richard A. Costello
Name:	Richard A. Costello
Title:	Chief Financial Officer

Exhibit 32.1

Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Green Brick Partners, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James R. Brickman, Chief Executive Officer of the Company, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 6, 2020

By:	/s/ James R. Brickman
Name:	James R. Brickman
Title:	Chief Executive Officer

Exhibit 32.2

Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Green Brick Partners, Inc. (the “Company”) on Form 10-K for the fiscal year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Richard A. Costello, Chief Financial Officer of the Company, certify to my knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 6, 2020

By:	/s/ Richard A. Costello
Name:	Richard A. Costello
Title:	Chief Financial Officer