

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

FORM 10-Q



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

For the quarterly period ended June 30, 2021

or



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

For the transition period from to

Green Brick Partners, Inc.

Commission file number: 001-33530

(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

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, 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 number of shares of the Registrant's common stock outstanding as of July 31, 2021 was 50,759,972.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2021	December 31, 2020
ASSETS		
Cash and cash equivalents	\$ 33,517	\$ 19,479
Restricted cash	23,598	14,156
Receivables	7,007	5,224
Inventory	1,106,141	844,635
Investments in unconsolidated entities	50,342	46,443
Right-of-use assets - operating leases	4,528	2,538
Property and equipment, net	3,712	3,595
Earnest money deposits	20,161	22,242
Deferred income tax assets, net	15,376	15,376
Intangible assets, net	580	622
Goodwill	680	680
Other assets	21,494	13,857
Total assets	\$ 1,287,136	\$ 988,847
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable	\$ 45,761	\$ 24,521
Accrued expenses	57,425	40,416
Customer and builder deposits	63,700	38,131
Lease liabilities - operating leases	4,582	2,591
Borrowings on lines of credit, net	130,605	106,687
Senior unsecured notes, net	235,624	111,056
Notes payable	233	2,125
Contingent consideration	—	368
Total liabilities	537,930	325,895
Commitments and contingencies		
Redeemable noncontrolling interest in equity of consolidated subsidiary	17,515	13,543
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; 51,151,911 and 51,053,858 issued and 50,759,972 and 50,661,919 outstanding as of June 30, 2021 and December 31, 2020, respectively	511	511
Treasury stock, at cost, 391,939 shares	(3,167)	(3,167)
Additional paid-in capital	292,157	293,242
Retained earnings	427,888	349,656
Total Green Brick Partners, Inc. stockholders' equity	717,389	640,242
Noncontrolling interests	14,302	9,167
Total equity	731,691	649,409
Total liabilities and equity	\$ 1,287,136	\$ 988,847

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Residential units revenue	\$ 333,500	\$ 228,667	\$ 550,736	\$ 419,854
Land and lots revenue	40,306	4,166	57,549	26,246
Total revenues	373,806	232,833	608,285	446,100
Cost of residential units	244,165	175,723	406,237	322,910
Cost of land and lots	28,665	3,215	42,083	20,326
Total cost of revenues	272,830	178,938	448,320	343,236
Total gross profit	100,976	53,895	159,965	102,864
Selling, general and administrative expenses	(33,985)	(25,672)	(63,473)	(52,541)
Equity in income of unconsolidated entities	4,593	5,174	8,484	7,739
Other income, net	2,393	2,788	4,263	879
Income before income taxes	73,977	36,185	109,239	58,941
Income tax expense	15,694	1,348	23,195	7,388
Net income	58,283	34,837	86,044	51,553
Less: Net income attributable to noncontrolling interests	6,020	1,190	7,812	1,989
Net income attributable to Green Brick Partners, Inc.	\$ 52,263	\$ 33,647	\$ 78,232	\$ 49,564
Net income attributable to Green Brick Partners, Inc. per common share:				
Basic	\$ 1.03	\$ 0.67	\$ 1.54	\$ 0.98
Diluted	\$ 1.02	\$ 0.66	\$ 1.53	\$ 0.98
Weighted average common shares used in the calculation of net income attributable to Green Brick Partners, Inc. per common share:				
Basic	50,701	50,583	50,667	50,519
Diluted	51,064	50,692	51,029	50,669

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

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

For the three months ended June 30, 2021 and 2020:

	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 March 31, 2021	51,124,215	\$ 511	(391,939)	\$ (3,167)	\$ 293,162	\$ 375,625	\$ 666,131	\$ 10,630	\$ 676,761
Issuance of common stock under 2014 Omnibus Equity Incentive Plan	27,696	—	—	—	—	—	—	—	—
Amortization of deferred share-based compensation	—	—	—	—	173	—	173	—	173
Change in fair value of redeemable noncontrolling interest	—	—	—	—	(1,178)	—	(1,178)	—	(1,178)
Distributions	—	—	—	—	—	—	—	(1,606)	(1,606)
Net income	—	—	—	—	—	52,263	52,263	5,278	57,541
Balance at June 30, 2021	51,151,911	\$ 511	(391,939)	\$ (3,167)	\$ 292,157	\$ 427,888	\$ 717,389	\$ 14,302	\$ 731,691

	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 March 31, 2020	51,008,861	\$ 510	(391,939)	\$ (3,167)	\$ 294,695	\$ 250,944	\$ 542,982	\$ 10,900	\$ 553,882
Issuance of common stock under 2014 Omnibus Equity Incentive Plan	44,997	1	—	—	—	—	1	—	1
Amortization of deferred share-based compensation	—	—	—	—	84	—	84	—	84
Change in fair value of noncontrolling interest	—	—	—	—	(1,892)	—	(1,892)	—	(1,892)
Increase in ownership in CB JENI Homes	—	—	—	—	—	937	937	(937)	—
Distributions	—	—	—	—	—	—	—	(2,281)	(2,281)
Net income	—	—	—	—	—	33,647	33,647	504	34,151
Balance at June 30, 2020	51,053,858	\$ 511	(391,939)	\$ (3,167)	\$ 292,887	\$ 285,528	\$ 575,759	\$ 8,186	\$ 583,945

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

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

For the six months ended June 30, 2021 and 2020:

	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, 2020	51,053,858	\$ 511	(391,939)	\$ (3,167)	\$ 293,242	\$ 349,656	\$ 640,242	\$ 9,167	\$ 649,409
Issuance of common stock under 2014 Omnibus Equity Incentive Plan	139,371	1	—	—	2,436	—	2,437	—	2,437
Withholdings from vesting of restricted stock awards	(41,318)	(1)	—	—	(833)	—	(834)	—	(834)
Amortization of deferred share-based compensation	—	—	—	—	319	—	319	—	319
Change in fair value of redeemable noncontrolling interest	—	—	—	—	(3,007)	—	(3,007)	—	(3,007)
Distributions	—	—	—	—	—	—	—	(1,606)	(1,606)
Net income	—	—	—	—	—	78,232	78,232	6,741	84,973
Balance at June 30, 2021	51,151,911	\$ 511	(391,939)	\$ (3,167)	\$ 292,157	\$ 427,888	\$ 717,389	\$ 14,302	\$ 731,691

	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, 2019	50,879,949	\$ 509	(391,939)	\$ (3,167)	\$ 290,799	\$ 235,027	\$ 523,168	\$ 13,227	\$ 536,395
Issuance of common stock under 2014 Omnibus Equity Incentive Plan	249,617	3	—	—	1,598	—	1,601	—	1,601
Withholdings from vesting of restricted stock awards	(75,708)	(1)	—	—	(591)	—	(592)	—	(592)
Amortization of deferred share-based compensation	—	—	—	—	218	—	218	—	218
Change in fair value of redeemable noncontrolling interest	—	—	—	—	863	—	863	—	863
Increase in ownership in CB JENI Homes	—	—	—	—	—	937	937	(937)	—
Contributions	—	—	—	—	—	—	—	400	400
Distributions	—	—	—	—	—	—	—	(5,251)	(5,251)
Net income	—	—	—	—	—	49,564	49,564	747	50,311
Balance at June 30, 2020	51,053,858	\$ 511	(391,939)	\$ (3,167)	\$ 292,887	\$ 285,528	\$ 575,759	\$ 8,186	\$ 583,945

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

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

	Six Months Ended June 30,	
	2021	2020
Cash flows from operating activities:		
Net income	\$ 86,044	\$ 51,553
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization expense	1,394	1,539
Share-based compensation expense	2,756	1,819
Deferred income taxes, net	—	(115)
Equity in income of unconsolidated entities	(8,484)	(7,739)
Allowances for option deposits and pre-acquisition costs	43	1,532
Distributions of income from unconsolidated entities	4,593	3,393
Changes in operating assets and liabilities:		
Increase in receivables	(1,783)	(9,767)
(Increase) decrease in inventory	(261,156)	2,798
Decrease (increase) in earnest money deposits	2,078	(6,273)
Increase in other assets	(7,649)	(4,820)
Increase (decrease) in accounts payable	21,240	(1,322)
Increase in accrued expenses	17,009	14,735
Payment of contingent consideration in excess of acquisition date fair value	(368)	(5,267)
Increase (decrease) in customer and builder deposits	25,568	(3,061)
Net cash (used in) provided by operating activities	(118,715)	39,005
Cash flows from investing activities:		
Investments in unconsolidated entities	(8)	(490)
Purchase of property and equipment	(1,467)	(1,180)
Net cash used in investing activities	(1,475)	(1,670)
Cash flows from financing activities:		
Borrowings from lines of credit	342,000	112,000
Borrowings from senior unsecured notes	125,000	—
Repayments of lines of credit	(318,000)	(133,000)
Proceeds from notes payable	127	10,562
Repayments of notes payable	(2,018)	(6,313)
Payments of debt issuance costs	(893)	—
Payments of withholding tax on vesting of restricted stock awards	(834)	(592)
Contributions from noncontrolling interests	—	400
Distributions to redeemable noncontrolling interest	(106)	(1,505)
Distributions to noncontrolling interests	(1,606)	(5,251)
Net cash provided by (used in) financing activities	143,670	(23,699)
Net increase in cash and cash equivalents and restricted cash	23,480	13,636
Cash and cash equivalents, beginning of period	19,479	33,269
Restricted cash, beginning of period	14,156	4,416
Cash and cash equivalents and restricted cash, beginning of period	33,635	37,685
Cash and cash equivalents, end of period	33,517	43,162
Restricted cash, end of period	23,598	8,159
Cash and cash equivalents and restricted cash, end of period	\$ 57,115	\$ 51,321

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

Supplemental disclosure of cash flow information:			
Cash paid for interest, net of capitalized interest	\$	—	\$ —
Cash paid for income taxes, net of refunds	\$	32,463	\$ 13

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

GREEN BRICK PARTNERS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed 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”), but do not include all of the information and footnotes required for complete financial statements. The condensed consolidated balance sheet as of December 31, 2020 was derived from the audited consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020. In the opinion of management, the accompanying unaudited condensed consolidated financial statements for the periods presented reflect all adjustments of a normal, recurring nature necessary to fairly state our financial position, results of operations and cash flows. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

Operating results for the three and six months ended June 30, 2021 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2021 or subsequent periods due to seasonal variations and other factors.

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of Green Brick Partners, Inc., its controlled subsidiaries, and variable interest entities (“VIEs”) 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”).

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, if any, is included in the condensed consolidated statements of income.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management of the Company to make estimates and assumptions that affect the amounts reported in the condensed 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 condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

For a complete set of the Company’s significant accounting policies, refer to Note 1 of the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

Recent Accounting Pronouncements

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 adopted the standard on January 1, 2021. The adoption of ASU 2019-12 had no impact on the Company’s consolidated financial statements.

2. INVENTORY

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

	June 30, 2021	December 31, 2020
Homes completed or under construction	\$ 535,138	\$ 356,706
Land and lots - developed and under development	567,398	482,371
Land held for sale	3,605	5,558
Total inventory	<u>\$ 1,106,141</u>	<u>\$ 844,635</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Interest capitalized at beginning of period	\$ 18,380	\$ 18,876	\$ 17,520	\$ 18,596
Interest incurred	3,250	2,708	6,101	5,667
Interest charged to cost of revenues	(2,670)	(2,793)	(4,661)	(5,472)
Interest capitalized at end of period	<u>\$ 18,960</u>	<u>\$ 18,791</u>	<u>\$ 18,960</u>	<u>\$ 18,791</u>
Capitalized interest as a percentage of inventory	1.7 %	2.5 %	1.7 %	2.5 %

As of June 30, 2021, 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 June 30, 2021, the Company did not identify any selling communities with indicators of impairment. For the three and six months ended June 30, 2021, the Company did not record an impairment adjustment to reduce the carrying value of impaired communities to fair value.

For the three and six months ended June 30, 2020, the Company recorded a \$0.0 million and a de minimis impairment adjustment, respectively, to reduce the carrying value of impaired communities to fair value.

3. INVESTMENT IN UNCONSOLIDATED ENTITIES

A summary of the Company's investments in unconsolidated entities is as follows (in thousands):

	June 30, 2021	December 31, 2020
GB Challenger, LLC	\$ 33,070	\$ 29,488
GBTM Sendera, LLC	9,854	9,846
EJB River Holdings, LLC	5,769	5,296
Green Brick Mortgage, LLC	886	1,207
BHome Mortgage, LLC	763	606
Total investment in unconsolidated entities	<u>\$ 50,342</u>	<u>\$ 46,443</u>

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

	June 30, 2021	December 31, 2020
Assets:		
Cash	\$ 14,131	\$ 12,765
Accounts receivable	2,558	1,815
Bonds and notes receivable	5,942	5,942
Loans held for sale, at fair value	35,756	14,530
Inventory	150,154	122,819
Other assets	7,775	8,377
Total assets	<u>\$ 216,316</u>	<u>\$ 166,248</u>
Liabilities:		
Accounts payable	\$ 7,578	\$ 7,171
Accrued expenses and other liabilities	15,712	11,148
Notes payable	99,906	60,642
Total liabilities	<u>\$ 123,196</u>	<u>\$ 78,961</u>
Owners' equity:		
Green Brick	\$ 47,652	\$ 43,451
Others	45,468	43,836
Total owners' equity	<u>\$ 93,120</u>	<u>\$ 87,287</u>
Total liabilities and owners' equity	<u>\$ 216,316</u>	<u>\$ 166,248</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues	\$ 51,737	\$ 52,948	\$ 91,458	\$ 88,313
Costs and expenses	42,492	42,337	74,359	72,152
Net earnings of unconsolidated entities	<u>\$ 9,245</u>	<u>\$ 10,611</u>	<u>\$ 17,099</u>	<u>\$ 16,161</u>
Company's share in net earnings of unconsolidated entities	\$ 4,593	\$ 5,174	\$ 8,484	\$ 7,739

A summary of the Company's share in net earnings (losses) by unconsolidated entity is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
GB Challenger, LLC	\$ 3,225	\$ 3,805	\$ 5,975	\$ 5,566
Green Brick Mortgage, LLC	545	1,371	1,633	2,160
Providence Group Title, LLC	—	111	—	14
EJB River Holdings, LLC	473	(1)	472	(1)
GBTM Sendera, LLC	17	—	—	—
BHome Mortgage, LLC	333	—	404	—
Total net earnings from unconsolidated entities	<u>\$ 4,593</u>	<u>\$ 5,174</u>	<u>\$ 8,484</u>	<u>\$ 7,739</u>

4. DEBT

Lines of Credit

Borrowings on lines of credit outstanding, net of debt issuance costs, as of June 30, 2021 and December 31, 2020 consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
Secured Revolving Credit Facility	\$ 2,000	\$ 7,000
Unsecured Revolving Credit Facility	130,000	101,000
Debt issuance costs, net of amortization	(1,395)	(1,313)
Total borrowings on lines of credit, net	<u>\$ 130,605</u>	<u>\$ 106,687</u>

Secured Revolving Credit Facility

The Company is party to a revolving credit facility (the “Secured Revolving Credit Facility”) with Inwood National Bank, which provides for an aggregate commitment amount of \$35.0 million. On May 22, 2020, the Company amended the Secured Revolving Credit Facility to reduce the aggregate commitment amount of \$75.0 million to \$35.0 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. As of June 30, 2021, the maturity date of the Secured Revolving Credit Facility is May 1, 2022.

As of June 30, 2021, there were letters of credit outstanding totaling \$2.7 million and a net available commitment amount of \$32.3 million.

As of June 30, 2021, the interest rate on outstanding borrowings under the Secured Revolving Credit Facility was 4.00% per annum.

Unsecured Revolving Credit Facility

The Company is party to a credit agreement, providing for a senior, unsecured revolving credit facility (the “Unsecured Revolving Credit Facility”). The Unsecured Revolving Credit Facility provides for maximum aggregate lending commitments of up to \$275.0 million of which the Company has secured outstanding commitments of \$265.0 million. Following amendments to the Unsecured Revolving Credit Facility to replace Credit Suisse AG, Cayman Islands Branch (“Credit Suisse”) with Veritex Community Bank (“Veritex”) as lender, the termination date with respect to commitments under the Unsecured Revolving Credit Facility is December 14, 2022 for \$75.0 million and December 14, 2023 for \$190.0 million out of aggregate lending commitments of \$265.0 million.

Fees and other debt issuance costs of \$0.3 million were incurred during the three months ended June 30, 2021, associated with the amendments. These costs are deferred and reduce the carrying amount of debt on our consolidated balance sheet. As of June 30, 2021, the interest rates on outstanding borrowings under the Unsecured Revolving Credit Facility ranged from 2.57% to 2.59% per annum.

Senior Unsecured Notes

On August 8, 2019, the Company issued \$75.0 million aggregate principal amount of senior unsecured notes (the “2026 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 2026 Notes to repay borrowings under the Company’s existing revolving credit facilities.

Principal on the 2026 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” penalty which fluctuates depending on market interest rates. Interest is payable quarterly in arrears commencing November 8, 2019.

On August 26, 2020, the Company entered into a Note Purchase Agreement with The Prudential Insurance Company of America and Prudential Universal Reinsurance Company to issue a \$37.5 million aggregate principal amount of senior

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unsecured notes (the “2027 Notes”) due on August 26, 2027 at a fixed rate of 3.35% per annum in a Section 4(a)(2) private placement transaction. The Company received net proceeds of \$37.4 million and incurred debt issuance costs of approximately \$0.1 million that were deferred and reduced the amount of debt on our condensed consolidated balance sheet. The Company used the net proceeds from the issuance of the 2027 Notes to repay borrowings under the Company’s existing revolving credit facilities and for general corporate purposes. Interest is payable quarterly in arrears commencing on November 26, 2020.

On February 25, 2021, the Company entered into a Note Purchase Agreement with several purchasers pursuant to which the Company issued \$125.0 million aggregate principal amount of senior unsecured notes in a Section 4(a)(2) private placement transaction (the “2028 Notes”). Principal on the 2028 Notes is due in increments of \$25.0 million on February 25, 2024; \$25.0 million on February 25, 2025; \$25.0 million on February 25, 2026; \$25.0 million on February 25, 2027 and \$25.0 million on February 25, 2028. Interest accrues at an annual fixed rate of 3.25% per annum and is payable quarterly in arrears commencing on May 25, 2021. The Company received net proceeds of \$124.4 million and incurred debt issuance costs of approximately \$0.6 million that were deferred and reduced the amount of debt on our condensed consolidated balance sheet. The Company used the net proceeds from the issuance of the 2028 Notes to repay borrowings under the Company’s existing revolving credit facilities, to pay fees and expenses incurred in connection with the transaction and for general corporate purposes.

5. REDEEMABLE NONCONTROLLING INTEREST AND CONTINGENT CONSIDERATION

Redeemable Noncontrolling Interest in Equity of Consolidated Subsidiaries

The Company has a noncontrolling interest attributable to the 20% minority interest in GRBK GHO Homes, LLC (“GRBK GHO”) owned by our Florida-based partner that is included as redeemable noncontrolling interest in equity of consolidated subsidiary in the Company’s condensed consolidated financial statements.

The following tables show the changes in redeemable noncontrolling interest in equity of consolidated subsidiary during the three and six months ended June 30, 2021 and 2020 (in thousands):

	Three Months Ended June 30,	
	2021	2020
Redeemable noncontrolling interest, beginning of period	\$ 15,701	\$ 11,412
Net income attributable to redeemable noncontrolling interest partner	742	686
Distributions of income to redeemable noncontrolling interest partner	(106)	(1,505)
Change in fair value of redeemable noncontrolling interest	1,178	1,892
Redeemable noncontrolling interest, end of period	\$ 17,515	\$ 12,485

	Six Months Ended June 30,	
	2021	2020
Redeemable noncontrolling interest, beginning of period	\$ 13,543	\$ 13,611
Net income attributable to redeemable noncontrolling interest partner	1,071	1,242
Distributions of income to redeemable noncontrolling interest partner	(106)	(1,505)
Change in fair value of redeemable noncontrolling interest	3,007	(863)
Redeemable noncontrolling interest, end of period	\$ 17,515	\$ 12,485

Contingent Consideration

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 performance targets specified in the purchase agreement were met for the period from January 1, 2020 through December 31, 2020, and contingent consideration of \$0.4 million was earned by the minority partner and paid by the Company in April 2021 in addition to a \$0.1 million distribution of income. The performance targets were not met for the period from January 1, 2021 through April 26, 2021. The contingent consideration period expired April 26, 2021.

6. STOCKHOLDERS' EQUITY

2021 Share Repurchase Program

On March 1, 2021, the Company's Board of Directors (the "Board") authorized a new \$50.0 million stock repurchase program (the "Repurchase Plan"). The Repurchase Plan authorizes the Company to purchase from time to time on or prior to December 31, 2022, up to \$50.0 million of our outstanding common stock through open market repurchases in compliance with Rule 10b-18 under the Exchange Act and/or in privately negotiated transactions at management's discretion based on market and business conditions, applicable legal requirements and other factors. Shares repurchased will be retired. The Repurchase Plan may be modified or terminated by our Board at any time in its sole discretion.

7. SHARE-BASED COMPENSATION

Share-Based Award Activity

During the six months ended June 30, 2021, the Company granted stock awards ("SAs") under its 2014 Omnibus Equity Incentive Plan to executive officers ("EOs") and restricted stock awards ("RSAs") to non-employee members of the Board of Directors ("BOD"). The SAs granted to the EOs were 100% vested and non-forfeitable on the grant date. Some members of the BOD also elected to defer up to 100% of their annual retainer fee in the form of RSAs. 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 2022 Annual Meeting of Stockholders. The fair value of the SAs granted to EOs and RSAs granted to non-employee members of the BOD were recorded as share-based compensation expense on the grant date and over the vesting period, respectively. The Company withheld 41,318 shares of common stock from EOs, at a total cost of \$0.8 million, to satisfy statutory minimum tax requirements upon grant of the SAs.

Employee Stock Awards

On March 1, 2021, the Company's Board of Directors approved an incentive program for eligible employees to participate in the Company's new restricted stock award plan. This plan is being offered pursuant to the Company's 2014 Omnibus Equity Incentive Plan. The Company incurred de minimis compensation expense related to these awards during the three and six months ended June 30, 2021.

A summary of share-based awards activity during the six months ended June 30, 2021 is as follows:

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value per Share
Nonvested, December 31, 2020	45	\$ 12.33
Granted	139	\$ 22.10
Vested	(157)	\$ 19.09
Forfeited	—	\$ —
Nonvested, June 30, 2021	28	\$ 23.21

Stock Options

A summary of stock options activity during the six months ended June 30, 2021 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, 2020	500	\$ 7.49		
Granted	—	—		
Exercised	—	—		
Forfeited	—	—		
Options outstanding, June 30, 2021	500	\$ 7.49	3.33	\$ 7,625
Options exercisable, June 30, 2021	500	\$ 7.49	3.33	\$ 7,625

Share-Based Compensation Expense

Share-based compensation expense was \$0.2 million and \$0.1 million for the three months ended June 30, 2021 and 2020, respectively. Recognized tax benefit related to share-based compensation expense was de minimis for the three months ended June 30, 2021 and 2020.

Share-based compensation expense was \$2.8 million and \$1.8 million for the six months ended June 30, 2021 and 2020, respectively. Recognized tax benefit related to share-based compensation expense was \$0.6 million and \$0.4 million for the six months ended June 30, 2021 and 2020, respectively.

As of June 30, 2021, the estimated total remaining unamortized share-based compensation expense related to unvested RSAs, net of forfeitures, was \$0.6 million which is expected to be recognized over a weighted-average period of 1.0 year.

8. 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 for the three and six months ended June 30, 2021 and 2020 (in thousands):

	Three Months Ended June 30, 2021		Three Months Ended June 30, 2020	
	Residential units revenue	Land and lots revenue	Residential units revenue	Land and lots revenue
<u>Primary Geographical Market</u>				
Central	\$ 233,592	\$ 22,556	\$ 151,851	\$ 3,926
Southeast	99,908	17,750	76,816	240
Total revenues	<u>\$ 333,500</u>	<u>\$ 40,306</u>	<u>\$ 228,667</u>	<u>\$ 4,166</u>
<u>Type of Customer</u>				
Homebuyers	\$ 333,500	\$ —	\$ 228,667	\$ —
Homebuilders and Multi-family Developers	—	40,306	—	4,166
Total revenues	<u>\$ 333,500</u>	<u>\$ 40,306</u>	<u>\$ 228,667</u>	<u>\$ 4,166</u>
<u>Product Type</u>				
Residential units	\$ 333,500	\$ —	\$ 228,667	\$ —
Land and lots	—	40,306	—	4,166
Total revenues	<u>\$ 333,500</u>	<u>\$ 40,306</u>	<u>\$ 228,667</u>	<u>\$ 4,166</u>
<u>Timing of Revenue Recognition</u>				
Transferred at a point in time	\$ 332,279	\$ 40,306	\$ 226,785	\$ 4,166
Transferred over time	1,221	—	1,882	—
Total revenues	<u>\$ 333,500</u>	<u>\$ 40,306</u>	<u>\$ 228,667</u>	<u>\$ 4,166</u>

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	Six Months Ended June 30, 2021		Six Months Ended June 30, 2020	
	Residential units revenue	Land and lots revenue	Residential units revenue	Land and lots revenue
<u>Primary Geographical Market</u>				
Central	\$ 390,970	\$ 30,973	\$ 275,276	\$ 26,006
Southeast	159,766	26,576	144,578	240
Total revenues	<u>\$ 550,736</u>	<u>\$ 57,549</u>	<u>\$ 419,854</u>	<u>\$ 26,246</u>
<u>Type of Customer</u>				
Homebuyers	\$ 550,736	\$ —	\$ 419,854	\$ —
Homebuilders and Multi-family Developers	—	57,549	—	26,246
Total revenues	<u>\$ 550,736</u>	<u>\$ 57,549</u>	<u>\$ 419,854</u>	<u>\$ 26,246</u>
<u>Product Type</u>				
Residential units	\$ 550,736	\$ —	\$ 419,854	\$ —
Land and lots	—	57,549	—	26,246
Total revenues	<u>\$ 550,736</u>	<u>\$ 57,549</u>	<u>\$ 419,854</u>	<u>\$ 26,246</u>
<u>Timing of Revenue Recognition</u>				
Transferred at a point in time	\$ 548,413	\$ 57,549	\$ 416,033	\$ 26,246
Transferred over time	2,323	—	3,821	—
Total revenues	<u>\$ 550,736</u>	<u>\$ 57,549</u>	<u>\$ 419,854</u>	<u>\$ 26,246</u>

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 condensed consolidated balance sheets are as follows (in thousands):

	June 30, 2021	December 31, 2020
Customer and builder deposits	\$ 63,700	\$ 38,131

The difference between the opening and closing balances of customer and builder deposits results from the timing difference between the customers' payments of deposits 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 three and six months ended June 30, 2021 and 2020 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<u>Type of Customer</u>				
Homebuyers	\$ 13,266	\$ 7,334	\$ 15,846	\$ 11,153
Homebuilders and Multi-Family Developers	304	639	1,309	4,277
Total deposits recognized as revenue	<u>\$ 13,570</u>	<u>\$ 7,973</u>	<u>\$ 17,155</u>	<u>\$ 15,430</u>

Performance Obligations

There was no revenue recognized during the six months ended June 30, 2021 and 2020 from performance obligations satisfied in prior periods.

Transaction Price Allocated to the Remaining Performance Obligations

The aggregate amount of transaction price allocated to the remaining performance obligations on our land sale and lot option contracts is \$13.4 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):

	Total	
Remainder of 2021	\$	5,314
2022		6,554
2023		1,513
Total	\$	13,381

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, *Revenue from Contracts with Customers*, and therefore has not disclosed the transaction price allocated to remaining performance obligations as of the end of the reporting period.

9. SEGMENT INFORMATION

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.

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<u>Revenues: ⁽¹⁾</u>				
Builder operations				
Central	\$ 234,315	\$ 152,235	\$ 392,701	\$ 275,660
Southeast	117,658	77,056	186,342	144,818
Total builder operations	351,973	229,291	579,043	420,478
Land development	21,833	3,542	29,242	25,622
Total revenues	\$ 373,806	\$ 232,833	\$ 608,285	\$ 446,100

<u>Gross profit:</u>				
Builder operations				
Central	\$ 68,144	\$ 38,750	\$ 112,033	\$ 69,945
Southeast	34,293	20,329	53,342	38,587
Total builder operations	102,437	59,079	165,375	108,532
Land development	5,524	1,177	7,304	6,775
Corporate, other and unallocated ⁽²⁾	(6,985)	(6,361)	(12,714)	(12,443)
Total gross profit	\$ 100,976	\$ 53,895	\$ 159,965	\$ 102,864

<u>Income before income taxes:</u>				
Builder operations				
Central	\$ 44,360	\$ 25,038	\$ 69,218	\$ 37,005
Southeast	24,246	12,320	34,409	21,063
Total builder operations	68,606	37,358	103,627	58,068
Land development	5,285	198	7,129	5,737
Corporate, other and unallocated ⁽³⁾	86	(1,371)	(1,517)	(4,864)
Income before income taxes	\$ 73,977	\$ 36,185	\$ 109,239	\$ 58,941

	June 30, 2021	December 31, 2020
<u>Inventory:</u>		
Builder operations		
Central	\$ 490,409	\$ 421,477
Southeast	249,976	183,623
Total builder operations	740,385	605,100
Land development	336,257	213,555
Corporate, other and unallocated ⁽⁴⁾	29,499	25,980
Total inventory	\$ 1,106,141	\$ 844,635

<u>Goodwill:</u>		
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 condensed consolidated statements of income in periods when our builders have revenues from land or

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lot closings, which for the three and six months ended June 30, 2021 were \$18.5 million and \$28.3 million, respectively, compared to \$0.6 million for the three and six months ended June 30, 2020, 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) Corporate, other and unallocated income (loss) before income taxes includes results from Green Brick Title, LLC and investments in unconsolidated subsidiaries, in addition to capitalized cost adjustments that are not allocated to operating segments.
- (4) Corporate, other and unallocated inventory consists of capitalized overhead and interest related to work in process and land under development.

10. INCOME TAXES

The Company's income tax expense for the three and six months ended June 30, 2021 was \$15.7 million and \$23.2 million, respectively, compared to \$1.3 million and \$7.4 million in the prior year periods. The effective tax rate was 21.2% and 21.2% for the three and six months ended June 30, 2021, respectively, compared to 3.7% and 12.5% in the comparable prior year periods. The change in the effective tax rate for the three and six months ended June 30, 2021 relates primarily to the impact of projected noncontrolling interest for the year and a tax benefit from the enactment of the Taxpayer Certainty and Disaster Tax Relief Act of 2019 ("the 2019 Act"). The 2019 Act retroactively reinstated the federal energy efficient homes tax credit that expired on December 31, 2017 to homes closed from January 1, 2018 to December 31, 2020. In December 2020, Congress approved the Taxpayer Certainty and Disaster Tax Relief Act of 2020, which extended the federal energy efficient homes tax credit through December 31, 2021.

11. EARNINGS PER SHARE

The Company's RSAs 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 nonvested shares of RSAs 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 RSAs.

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):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income attributable to Green Brick Partners, Inc.	\$ 52,263	\$ 33,647	\$ 78,232	\$ 49,564
Weighted-average number of shares outstanding - basic	50,701	50,583	50,667	50,519
Basic net income attributable to Green Brick Partners, Inc. per share	\$ 1.03	\$ 0.67	\$ 1.54	\$ 0.98
Weighted-average number of shares outstanding - basic	50,701	50,583	50,667	50,519
Dilutive effect of stock options and restricted stock awards	363	109	362	150
Weighted-average number of shares outstanding - diluted	51,064	50,692	51,029	50,669
Diluted net income attributable to Green Brick Partners, Inc. per share	\$ 1.02	\$ 0.66	\$ 1.53	\$ 0.98

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The following shares which 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):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Antidilutive options to purchase common stock and restricted stock awards	—	40	—	20

12. FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

The Company's financial instruments, none of which are held for trading purposes, include cash and cash equivalents, 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 and cash equivalents, 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 condensed consolidated financial statements as of June 30, 2021 and December 31, 2020.

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 June 30, 2021 was \$256.9 million. The carrying value of senior unsecured notes as of June 30, 2021 was \$237.5 million.

There were no transfers between the levels of the fair value hierarchy for any of our financial instruments during the three and six months ended June 30, 2021.

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. The fair value of inventory is primarily determined by discounting the estimated future cash flow of each community using various unobservable inputs in our impairment analysis. Per the fair value hierarchy, these items are level 3 nonfinancial instruments. For additional information on the Company's inventory, refer to Note 2.

13. RELATED PARTY TRANSACTIONS

During the three and six months ended June 30, 2021 and 2020, the Company had the following related party transactions in the normal course of business.

Corporate Officers

Trevor Brickman, the son of Green Brick's Chief Executive Officer, is the President of CLH20, LLC ("Centre Living"). 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 condensed consolidated financial statements.

GRBK GHO

GRBK GHO leases office space from entities affiliated with the president of GRBK GHO. During the three and six months ended June 30, 2021, GRBK GHO incurred de minimis rent expense under such lease agreements. As of June 30, 2021, 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 six months ended June 30, 2021 and 2020, GRBK GHO incurred de minimis fees related to such title closing services. As of June 30, 2021, and December 31, 2020, no amounts were due to the title company affiliate.

14. 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 June 30, 2021 and December 31, 2020, letters of credit and performance bonds outstanding were \$7.0 million and \$9.8 million. 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 accruals are included within accrued expenses on the condensed consolidated balance sheets. Warranty activity during the three and six months ended June 30, 2021 and 2020 consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Warranty accrual, beginning of period	\$ 6,861	\$ 4,173	\$ 6,407	\$ 3,840
Warranties issued	1,662	1,015	2,762	1,855
Changes in liability for existing warranties	23	(52)	62	(139)
Settlements	(644)	(285)	(1,329)	(705)
Warranty accrual, end of period	\$ 7,902	\$ 4,851	\$ 7,902	\$ 4,851

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 \$0.4 million and \$0.7 million for the three and six months ended June 30, 2021, respectively, and \$0.3 million and \$0.6 million in the prior year periods, is included in selling, general and administrative expenses in the condensed consolidated statements of income. Cash paid for amounts included in the measurement of operating lease liabilities was \$0.3 million and \$0.6 million, respectively, for the three and six months ended June 30, 2021 and 2020.

As of June 30, 2021, the weighted-average remaining lease term and the weighted-average discount rate used in calculating our lease liabilities were 5.5 years and 4.2%, 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 condensed consolidated balance sheet as of June 30, 2021 are presented below (in thousands):

Remainder of 2021	\$ 625
2022	1,526
2023	1,298
2024	507
2025	517
Thereafter	1,368
Total future lease payments	\$ 5,841
Less: Interest	1,259
Present value of lease liabilities	\$ 4,582

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 right-of-use assets or lease liabilities and instead recognizes lease payments in the condensed consolidated income statements on a straight-line basis. Short-term lease cost of \$0.2 million and \$0.3 million for the three and six months ended June 30, 2021, respectively, and \$0.1 million and \$0.2 million for the comparable prior year periods, is included in selling, general and administrative expenses in the condensed 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.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements concern expectations, beliefs, projections, plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts and typically include the words "anticipate," "believe," "consider," "estimate," "expect," "feel," "forecast," "intend," "objective," "plan," "predict," "projection," "seek," "strategy," "target," "will" or other words of similar meaning. Forward-looking statements in this Quarterly Report include statements concerning (1) our balance sheet strategies, operational strength and margin performance; (2) our operational goals and strategies and their anticipated benefits; (3) expectations regarding our industry and our business in 2021 and beyond; (4) our land and lot acquisition strategy and its impact on our results; (5) the sufficiency of our capital resources to support our business strategy and to service our debt; (6) the impact of new accounting standards and changes in accounting estimates; (7) trends and expectations regarding backlog, cancellation rates, construction costs, land costs, profitability and inventories; (8) our future cash needs; (9) our strategy to utilize leverage to invest in our business; (10) seasonal factors and the impact of seasonality in future quarters; and (11) our expectations regarding access to additional growth capital.

These forward-looking statements reflect our current views about future events and involve estimates and assumptions which may be affected by risks and uncertainties in our business, as well as other external factors, which could cause future results to materially differ from those expressed or implied in any forward-looking statement. These risks include, but are not limited to: (1) continuing impacts from the COVID-19 pandemic; (2) general economic conditions, seasonality, cyclical and competition in the homebuilding industry; (3) changes in macroeconomic conditions, including interest rates and unemployment rates, that could adversely impact demand for new homes or the ability of potential buyers to qualify; (4) shortages, delays or increased costs of raw materials, and increased demand for materials, or increases in other operating costs, including costs related to labor, real estate taxes and insurance, which in each case exceed our ability to increase prices; (5) a shortage of labor; (6) an inability to acquire land in our markets at anticipated prices or difficulty in obtaining land-use entitlements; (7) our inability to successfully execute our strategies; (8) a failure to recruit, retain or develop highly skilled and competent employees; (9) government regulation risks; (10) a lack of availability or volatility of mortgage financing or a rise in interest rates; (11) severe weather events or natural disasters; (12) difficulty in obtaining sufficient capital to fund our growth; (13) our ability to meet our debt service obligations; (14) a decline in the value of our inventories and resulting write-downs of the carrying value of our real estate assets; and (15) changes in accounting standards that adversely affect our reported earnings or financial condition.

Please see "Risk Factors" located in Part I, Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2020 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 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2020 filed with the Securities and Exchange Commission ("SEC") on March 8, 2020. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

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. Our results for each key financial and operating metric, as compared to the same period in 2020, are provided below:

	Three Months Ended June 30, 2021	Six Months Ended June 30, 2021
Home deliveries	Increased by 36.9%	Increased by 27.2%
Home closings revenue	Increased by 46.5%	Increased by 31.8%
Average sales price of homes delivered	Increased by 7.0%	Increased by 3.7%
Net new home orders	Increased by 3.8%	Increased by 38.9%

The United States has been impacted by the coronavirus ("COVID-19") pandemic. However, throughout the pandemic, we have continued to build, close and sell homes in our markets. The overwhelming expansion of our sales activity is attributable to the strong performance of our new Trophy brand division, an increase in average selling communities as well as the impact of macroeconomic factors such as low interest rates, an influx of millennial first-time home buyers and demand for suburban homes from apartment dwellers in response to COVID-19. The significant increase in new home demand has, in turn, led to increased demand for the raw materials, products and appliances for new homes. Due to the increased demand for certain materials, we have and may continue to experience price increases, shortages and significant extensions to our lead time for the delivery of materials such as lumber, appliances and windows.

Three Months Ended June 30, 2021 Compared to the Three Months Ended June 30, 2020

Residential Units Revenue and New Homes Delivered

The table below represents residential units revenue and new homes delivered for the three months ended June 30, 2021 and 2020 (dollars in thousands):

	Three Months Ended June 30,			
	2021	2020	Change	%
Home closings revenue	\$ 332,279	\$ 226,785	\$ 105,494	46.5%
Mechanic's lien contracts revenue	1,221	1,882	(661)	(35.1)%
Residential units revenue	\$ 333,500	\$ 228,667	\$ 104,833	45.8%
New homes delivered	757	553	204	36.9%
Average sales price of homes delivered	\$ 438.9	\$ 410.1	\$ 28.8	7.0%

The \$104.8 million increase in residential units revenue was primarily driven by the 36.9% increase in new homes delivered, which was primarily due to a large backlog of homes entering the quarter and an increased number of units under construction entering the quarter. The 7.0% increase in the average sales price of homes delivered for the three months ended June 30, 2021 was attributable to overall price increases driven by high demand and low supply of inventory.

New Home Orders and Backlog

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

	Three Months Ended June 30,		Change	%
	2021	2020		
Net new home orders	604	582	22	3.8 %
Cancellation rate	7.6 %	16.9 %	(9.3)%	(55.0)%
Absorption rate per average active selling community per quarter	6.8	6.3	0.5	7.9 %
Average active selling communities	89	92	(3)	(3.3)%
Active selling communities at end of period	87	90	(3)	(3.3)%
Backlog	\$ 974,349	\$ 446,573	\$ 527,776	118.2 %
Backlog (units)	1,876	999	877	87.8 %
Average sales price of backlog	\$ 519.4	\$ 447.0	\$ 72.4	16.2 %

Net new home orders increased 3.8% over the prior year period and our absorption rate per average active selling community increased 7.9% year over year. The absorption rate per average active selling community per quarter of 6.8 homes during the three months ended June 30, 2021, represented a decrease from 11.3 homes during the three months ended March 31, 2021 as a result of pro-active metering of home sales. Despite significant price increases taken by the Company (which averaged from 9% up to 25% depending on the builder) during the period from November 30, 2020, through April 30, 2021, net new home orders were 209.7% of home deliveries during the first quarter of 2021. Consequently, we determined that price increases were not sufficient to limit demand for net new home orders. As a result, we metered sales during the three months ended June 30, 2021, by limiting sales per community to better align the absorption rate of sales with the ability to deliver new homes. The absorption rate per average active selling community per quarter of 6.8 homes during the three months ended June 30, 2021, and 9.1 homes during the six months ended June 30, 2021, exceed the 5.9 net new home orders during both the three months and six months ended June 30, 2019, by 15.3% and 54.2%, respectively.

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 7.6% for the three months ended June 30, 2021, compared to 16.9% for the three months ended June 30, 2020. The decrease in our cancellation rate is due to macroeconomic factors such as low interest rates, an influx of millennial first-time buyers and demand for suburban homes from apartment dwellers in response to COVID-19. 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. Management believes a cancellation rate in the range of 15% to 20% is representative of an industry average cancellation rate.

The \$527.8 million increase in value of backlog was due to the 87.8% increase in the number of homes in backlog and the 16.2% increase in the average sales price of backlog. The 87.8% increase in the number of homes in backlog was due to a 7.9% increase in the absorption rate per average active selling community as well as the record level of backlog entering the quarter. The increase of the average sales price of homes in backlog was the result of price increases driven by the high demand and low supply of inventory. As a result of the metering of sales during the three months ended June 30, 2021, the value of backlog declined from \$995.7 million as of March 31, 2021, to \$974.3 million as of June 30, 2021, or 2.1%, despite increasing new homes delivered by 47.0% sequentially to 757 units, which is a record for any quarter in the existence of the Company.

Residential Units Gross Margin

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

	Three Months Ended June 30,			
	2021		2020	
Home closings revenue	\$	332,279	100.0 %	\$ 226,785 100.0 %
Cost of homebuilding units		243,224	73.2 %	174,176 76.8 %
Homebuilding gross margin	\$	89,055	26.8 %	\$ 52,609 23.2 %
Mechanic's lien contracts revenue	\$	1,221	100.0 %	\$ 1,882 100.0 %
Cost of mechanic's lien contracts		941	77.1 %	1,547 82.2 %
Mechanic's lien contracts gross margin	\$	280	22.9 %	\$ 335 17.8 %
Residential units revenue	\$	333,500	100.0 %	\$ 228,667 100.0 %
Cost of residential units		244,165	73.2 %	175,723 76.8 %
Residential units gross margin	\$	89,335	26.8 %	\$ 52,944 23.2 %

Cost of residential units for the three months ended June 30, 2021 increased by \$68.4 million, or 38.9%, compared to the three months ended June 30, 2020, primarily due to the 36.9% increase in the number of new homes delivered.

Residential units gross margin for the three months ended June 30, 2021 increased to 26.8%, compared to 23.2% for the three months ended June 30, 2020, primarily because of a decrease in sales incentives offered to customers and overall price increases.

Land and Lots Revenue

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

	Three Months Ended June 30,		Change	%
	2021	2020		
Lots revenue	\$ 4,615	\$ 4,166	\$ 449	10.8 %
Land revenue	35,691	—	35,691	100%
Land and lots revenue	\$ 40,306	\$ 4,166	\$ 36,140	867.5 %
Lots closed	63	26	37	142.3 %
Average sales price of lots closed	\$ 73.3	\$ 160.2	\$ (86.9)	(54.2)%

Lots revenue increased by 10.8%, primarily driven by a 142.3% increase in the number of lots closed and a higher number of lots developed internally. The average lot price decreased by 54.2% due to a higher number of entry level lots sold. Land revenue represents land acquired that also included parcels zoned for retail and multi family properties.

Selling, General and Administrative Expenses

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

	Three Months Ended June 30,		As Percentage of Segment Revenue	
	2021	2020	2021	2020
Builder operations	\$ 34,528	\$ 24,585	9.8 %	10.7 %
Land development	206	284	0.9 %	8.0 %
Corporate, other and unallocated	(749)	803	—	—
Total selling, general and administrative expenses	\$ 33,985	\$ 25,672	9.1 %	11.0 %

The 1.9% decrease of total selling, general and administrative expenses as a percentage of revenue was primarily driven by higher revenues.

Builder Operations

The 0.9% decrease in selling, general and administrative expenses as a percentage of revenue for builder operations was primarily attributable to an increase in builder operations revenues. 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 7.1% decrease in selling, general and administrative expenses as a percentage of revenue for land development was primarily attributable to an increase in land development segment revenues.

Corporate, Other and Unallocated

Selling, general and administrative expenses for the corporate, other and unallocated non-operating segment for the three months ended June 30, 2021 was income of \$0.7 million, compared to expenses of \$0.8 million for the three months ended June 30, 2020.

Equity in Income of Unconsolidated Entities

Equity in income of unconsolidated entities decreased to \$4.6 million, or 11.2%, for the three months ended June 30, 2021, compared to \$5.2 million for the three months ended June 30, 2020, primarily due to a decrease in earnings from GB Challenger, LLC and Green Brick Mortgage, LLC. See Note 3 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for a summary of Green Brick's share in net earnings by unconsolidated entity.

Other (Loss) Income, Net

Other income, net, decreased to \$2.4 million for the three months ended June 30, 2021, compared to income of \$2.8 million for the three months ended June 30, 2020.

Income Tax Expense

Income tax expense was \$15.7 million for the three months ended June 30, 2021 compared to a \$1.3 million for the three months ended June 30, 2020. The increase was partially due to higher taxable income. Also, during the quarter ended June 30, 2020, the company recognized favorable federal energy tax credits of \$6.7 million from building energy-efficient homes in prior tax years.

Six Months Ended June 30, 2021 Compared to the Six Months Ended June 30, 2020

Residential Units Revenue and New Homes Delivered

The table below represents residential units revenue and new homes delivered for the six months ended June 30, 2021 and 2020 (dollars in thousands):

	Six Months Ended June 30,		Change	%
	2021	2020		
Home closings revenue	\$ 548,413	\$ 416,033	\$ 132,380	31.8%
Mechanic's lien contracts revenue	2,323	3,821	(1,498)	(39.2)%
Residential units revenue	<u>\$ 550,736</u>	<u>\$ 419,854</u>	<u>\$ 130,882</u>	<u>31.2%</u>
New homes delivered	1,273	1,001	272	27.2%
Average sales price of homes delivered	\$ 430.8	\$ 415.6	\$ 15.2	3.7%

The \$130.9 million increase in residential units revenue was driven by the 27.2% increase in new homes delivered, which was due to a 40.0% increase in our absorption rate for net new home orders per average active selling community. The 3.7% increase in the average sales price of homes delivered for the six months ended June 30, 2021 was attributable to overall price increases driven by high demand and low supply of inventory.

New Home Orders and Backlog

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

	Six Months Ended June 30,		Change	%
	2021	2020		
Net new home orders	1,686	1,214	472	38.9 %
Cancellation rate	6.6 %	16.6 %	(10.0)%	(60.2)%
Absorption rate per average active selling community per quarter	9.1	6.5	2.6	40.0 %
Average active selling communities	93	93	—	— %
Active selling communities at end of period	87	90	(3)	(3.3)%

Net new home orders increased 38.9% over the prior year period. The increase reflects the strong performance of our new Trophy brand division as well as the impact of macroeconomic factors such as low interest rates, an influx of millennial first-time buyers and demand for suburban homes from apartment dwellers in response to COVID-19. Our absorption rate per average active selling community increased 40.0% year over year. The absorption rate per average active selling community per quarter of 6.8 homes during the three months ended June 30, 2021, represented a decrease from 11.3 homes during the three months ended March 31, 2021 as a result of pro-active metering of home sales. Despite significant price increases taken by the Company (which averaged from 9% up to 25% depending on the builder) during the period from November 30, 2020, through April 30, 2021, net new home orders were 209.7% of home deliveries during the first quarter of 2021. Consequently, we determined that price increases were not sufficient to limit demand for net new home orders. As a result, we metered sales during the three months ended June 30, 2021, by limiting sales per community to better align the absorption rate of sales with the ability to deliver new homes. The absorption rate per average active selling community per quarter of 6.8 homes during the three months ended June 30, 2021, and 9.1 homes during the six months ended June 30, 2021, exceeded the 5.9 net new home orders during both the three months and six months ended June 30, 2019, by 15.3% and 54.2%, respectively.

Our cancellation rate, which refers to sales contracts canceled divided by sales contracts executed during the relevant period, was 6.6% for the six months ended June 30, 2021, compared to 16.6% for the six months ended June 30, 2020. The decrease in our cancellation rate is due to macroeconomic factors such as low interest rates, an influx of millennial first-time buyers and demand for suburban homes from apartment dwellers in response to COVID-19. 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. Management believes a cancellation rate in the range of 15% to 20% is representative of an industry average cancellation rate.

Residential Units Gross Margin

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

	Six Months Ended June 30,			
	2021		2020	
Home closings revenue	\$ 548,413	100.0 %	\$ 416,033	100.0 %
Cost of homebuilding units	404,454	73.7 %	319,767	76.9 %
Homebuilding gross margin	\$ 143,959	26.3 %	\$ 96,266	23.1 %
Mechanic's lien contracts revenue	\$ 2,323	100.0 %	\$ 3,821	100.0 %
Cost of mechanic's lien contracts	1,783	76.8 %	3,143	82.3 %
Mechanic's lien contracts gross margin	\$ 540	23.2 %	\$ 678	17.7 %
Residential units revenue	\$ 550,736	100.0 %	\$ 419,854	100.0 %
Cost of residential units	406,237	73.8 %	322,910	76.9 %
Residential units gross margin	\$ 144,499	26.2 %	\$ 96,944	23.1 %

Cost of residential units for the six months ended June 30, 2021 increased by \$83.3 million, or 25.8%, compared to the six months ended June 30, 2020, primarily due to the 27.2% increase in the number of new homes delivered.

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Residential units gross margin for the six months ended June 30, 2021 increased to 26.2%, compared to 23.1% for the six months ended June 30, 2020, primarily because of a decrease in sales incentives offered to customers and overall price increases.

Land and Lots Revenue

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

	Six Months Ended June 30,		Change	%
	2021	2020		
Lots revenue	\$ 13,058	\$ 26,246	\$ (13,188)	(50.2)%
Land revenue	44,491	—	44,491	100.0%
Land and lots revenue	\$ 57,549	\$ 26,246	\$ 31,303	119.3 %
Lots closed	142	164	(22)	(13.4)%
Average sales price of lots closed	\$ 92.0	\$ 160.0	\$ (68.0)	(42.5)%

Lots revenue decreased by 50.2%, driven by a 13.4% decrease in the number of lots closed. The average lot price decreased by 42.5% due to a higher number of entry level lots sold. Land revenue represents land acquired that also included parcels zoned for retail and multi family properties.

Selling, General and Administrative Expenses

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

	Six Months Ended June 30,		As Percentage of Segment Revenue	
	2021	2020	2021	2020
Builder operations	\$ 62,688	\$ 50,045	10.8 %	11.9 %
Land development	245	611	0.8 %	2.4 %
Corporate, other and unallocated	540	1,885	—	—
Total selling, general and administrative expenses	\$ 63,473	\$ 52,541	10.4 %	11.8 %

The 1.4% decrease of total selling, general and administrative expenses as a percentage of revenue was primarily driven by an increase in revenues.

Builder Operations

The 1.1% decrease in selling, general and administrative expenses as a percentage of revenue for builder operations was primarily attributable to an increase in builder operations revenues. 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 1.6% decrease in selling, general and administrative expenses as a percentage of revenue for land development was primarily attributable to was primarily attributable to an increase in land development segment revenues.

Corporate, Other and Unallocated

Selling, general and administrative expenses for the corporate, other and unallocated non-operating segment for the six months ended June 30, 2021 was \$0.5 million, compared to \$1.9 million for the six months ended June 30, 2020, the decrease driven primarily by 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 \$8.5 million, or 9.6%, for the six months ended June 30, 2021, compared to \$7.7 million for the six months ended June 30, 2020, primarily due to an increase in earnings from GB Challenger,

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EJB River Holdings, and BHome Mortgage. See Note 3 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for a summary of Green Brick's share in net earnings by unconsolidated entity.

Other (Loss) Income, Net

Other income, net, increased to \$4.3 million for the six months ended June 30, 2021, compared to income of \$0.9 million for the six months ended June 30, 2020, the change is primarily due to \$1.5 million of allowances for option deposits and pre-acquisition costs caused by COVID-19 pandemic considerations recorded during the six months ended June 30, 2020 and an increase in title closing and settlement services of \$1.9 million arising from higher volume of closings during the period.

Income Tax Expense

Income tax expense was \$23.2 million for the six months ended June 30, 2021 compared to \$7.4 million for the six months ended June 30, 2020. The increase was partially due to higher taxable income. Also, during the quarter ended June 30, 2020, the company recognized favorable federal energy tax credits of \$6.7 million from building energy-efficient homes in prior tax years.

Lots Owned and Controlled

The following table presents the lots we owned or controlled, including lot option contracts, as of June 30, 2021 and December 31, 2020. Owned lots are those for which we hold title, while controlled lots are those for which we have the contractual right to acquire title but we do not currently own.

	June 30, 2021	December 31, 2020
Lots owned ⁽¹⁾		
Central	14,115	6,823
Southeast	2,212	2,097
Total lots owned	16,327	8,920
Lots controlled ⁽¹⁾		
Central	4,126	4,398
Southeast	898	1,150
Total lots controlled	5,024	5,548
Total lots owned and controlled ⁽¹⁾	21,351	14,468
Percentage of lots owned	76.5 %	61.7 %

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

The following table presents additional information on the lots we controlled as of June 30, 2021 and December 31, 2020.

	June 30, 2021	December 31, 2020
Lots under third party option contracts	2,574	2,970
Land under option for future acquisition and development	606	740
Lots under option through unconsolidated development joint ventures	1,844	1,838
Total lots controlled	5,024	5,548

The following table presents additional information on the lots we owned as of June 30, 2021 and December 31, 2020.

	June 30, 2021	December 31, 2020
Total lots owned	16,327	8,920
Land under option for future acquisition and development	606	740
Lots under option through unconsolidated development joint ventures	1,844	1,838
Total lots self-developed	18,777	11,498
Self-developed lots as a percentage of total lots owned and controlled	87.9 %	79.5 %

Liquidity and Capital Resources Overview

As of June 30, 2021 and December 31, 2020, we had \$33.5 million and \$19.5 million of unrestricted cash and cash equivalents, respectively. Our historical cash management strategy includes redeploying net cash from the sale of home inventory to acquire and develop land and lots that represent opportunities to generate desired margins and using cash to make additional investments in business acquisitions, joint ventures, or other strategic activities.

Our principal uses of capital for the six months ended June 30, 2021 were home construction, land purchases, land development, repayments of lines of credit, 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, the senior unsecured notes, and notes payable, net of debt issuance costs ("total debt"), divided by the total capitalization, which equals the sum of Green Brick Partners, Inc. stockholders' equity and total debt, was approximately 33.8% as of June 30, 2021. In addition, as of June 30, 2021, our net debt to total capitalization ratio, which is a non-GAAP financial measure, remained low at 31.7%. 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 provide us with significant additional growth capital.

Reconciliation of a Non-GAAP Financial Measure

In this Quarterly Report on Form 10-Q, we utilize a financial measure of net debt to total capitalization ratio that is a non-GAAP financial measure as defined by the Securities and Exchange Commission. Net debt to total capitalization is calculated as the total debt less cash and cash equivalents, divided by the sum of total Green Brick Partners, Inc. stockholders' equity and total debt less cash and cash equivalents. We present this measure because we believe it is useful to management and investors in evaluating the Company's financing structure. We also believe this measure facilitates the comparison of our financing structure with other companies in our industry. Because this measure is not calculated in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), it may not be comparable to other similarly titled measures of other companies and should not be considered in isolation or as a substitute for, or superior to, financial measures prepared in accordance with GAAP.

The closest GAAP financial measure to the net debt to total capitalization ratio is the debt to total capitalization ratio. The following table represents a reconciliation of the net debt to total capitalization ratio to the closest GAAP financial measure as of June 30, 2021:

	Gross	Cash and cash equivalents	Net
Total debt, net of debt issuance costs	\$ 366,462	\$ (33,517)	\$ 332,945
Total Green Brick Partners, Inc. stockholders' equity	717,389	—	717,389
Total capitalization	<u>\$ 1,083,851</u>	<u>\$ (33,517)</u>	<u>\$ 1,050,334</u>
Debt to total capitalization ratio	33.8 %		
Net debt to total capitalization ratio	31.7 %		

Key Sources of Liquidity

The Company's key sources of liquidity were funds generated by operations and borrowings during the six months ended June 30, 2021.

Debt Instruments

Senior Unsecured Notes - As of June 30, 2021, we had three series of senior unsecured notes outstanding which were each issued pursuant to a note purchase agreement. The aggregate amount of senior unsecured notes outstanding was \$235.6 million as of June 30, 2021 up from \$111.1 million as of December 31, 2020 due to the issuance of the 2028 Notes discussed below.

- In August 2019, we issued \$75 million of senior unsecured notes (the "2026 Notes"). Interest accrues at an annual rate of 4.0% and is payable quarterly. Principal on the 2026 Notes is required to be paid in increments of \$12.5 million on August 8, 2024 and \$12.5 million on August 8, 2025 with a final principal payment of \$50.0 million on August 8, 2026.
- In August 2020, we issued \$37.5 million of senior unsecured notes (the "2027 Notes"). Interest accrues at an annual rate of 3.35% and is payable quarterly. Principal on the 2027 Notes is due on August 26, 2027.
- In February 2021, we issued \$125 million of senior unsecured notes (the "2028 Notes"). Interest accrues at an annual rate of 3.25% and is payable quarterly. Principal on the 2028 Notes is due in increments of \$25.0 million annually on February 25 in each of 2024, 2025, 2026, 2027, and 2028.

Optional prepayment is allowed with payment of a "make-whole" premium which fluctuates depending on market interest rates. Interest is payable quarterly in arrears.

The 2028 Notes were issued pursuant to a Note Purchase Agreement to several institutional purchasers. We received net proceeds of \$124.4 million and incurred debt issuance costs of approximately \$0.6 million that were deferred and reduced the amount of debt on our condensed consolidated balance sheet. We used the net proceeds from the issuance of the 2028 Notes to repay borrowings under our existing secured and unsecured revolving credit facilities and for general corporate purposes.

Unsecured Revolving Credit Facility - As of June 30, 2021, our \$265.0 million Unsecured Revolving Credit Facility had a \$130.0 million balance, up from \$101.0 million as of December 31, 2020. The borrowings on the Unsecured Revolving Credit Facility 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 June 30, 2021, the interest rates on outstanding borrowings under the Unsecured Revolving Credit Facility ranged from 2.57% to 2.59% per annum. As amended, the aggregate principal amount of the revolving credit commitments under the Credit Agreement is \$265.0 million through December 14, 2022 and \$190.0 million through December 14, 2023. In addition, the Unsecured Revolving Credit Agreement, as amended, permits us, without the consent of the other lenders, to request that one or more lenders increase their revolving credit commitments to provide an aggregate of \$275 million of revolving credit commitments subject to compliance with customary conditions set forth in the Credit Agreement including compliance, on a pro forma basis, with the financial covenants set forth therein.

Secured Revolving Credit Facility - As of June 30, 2021, we had \$2.0 million outstanding under our Secured Revolving Credit facility, down from \$7.0 million as of December 31, 2020. 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 June 30, 2021, the interest rate on outstanding borrowings under the Secured Revolving Credit Facility was 4.00% per annum.

Our debt instruments require us to maintain specific financial covenants, each of which we were in compliance with as of June 30, 2021. Specifically, under the most restrictive covenants, we are required to maintain (1) a minimum interest coverage (consolidated EBITDA to interest incurred) of no less than 2.0 to 1.0 and, as of June 30, 2021, our interest coverage on a last 12 months' basis was 19.19 to 1.0, (2) a Consolidated Tangible Net Worth of no less than approximately \$452.0 million and, as of June 30, 2021, we had \$716.1 million and (3) maximum debt to total capitalization rolling average ratio of no more than 40.0% and, as of June 30, 2021, we had a rolling average ratio of 30.9%.

As of June 30, 2021, we believe that our cash on hand, capacity available under our lines of credit and cash flows from operations for the next twelve months will be sufficient to service our outstanding debt during the next twelve months. For additional information on the Company's lines of credit and senior unsecured notes, refer to Note 4 to the condensed consolidated financial statements located in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Cash Flows

The following summarizes our primary sources and uses of cash for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020:

- *Operating activities.* Net cash used by operating activities for the six months ended June 30, 2021 was \$118.7 million, compared to \$39.0 million provided by operating activities during the six months ended June 30, 2020. The net cash outflows for the six months ended June 30, 2021 were primarily driven by an increase in inventory of \$261.2 million, partially offset by \$86.3 million of cash generated from business operations, the deferral of expense payments through a \$21.2 million increase in accounts payable, and a \$25.6 million increase in customer and builder deposits.
- *Investing activities.* Net cash used in investing activities for the six months ended June 30, 2021 decreased to \$1.5 million, compared to \$1.7 million for the six months ended June 30, 2020.
- *Financing activities.* Net cash provided by financing activities for the six months ended June 30, 2021 was \$143.7 million, compared to \$23.7 million used by financing activities during the six months ended June 30, 2020. The cash inflows for the six months ended June 30, 2021 were primarily from our senior unsecured notes of \$125.0 million and from our borrowings from lines of credit.

Off-Balance Sheet Arrangements and Contractual Obligations

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. During the three months ended March 31, 2020, management determined to increase the allowance for certain option contracts due to the impact of the COVID-19 pandemic on the homebuilding industry and projected future demand for homes in certain markets and/or locations. However, management subsequently reassessed the market situation based on new information available and reversed such allowances for earnest money deposits and pre-acquisition costs related to option contracts in the subsequent quarter.

As of June 30, 2021, the Company had earnest money deposits of \$24.7 million at risk associated with contracts to purchase 3,787 lots past feasibility studies with an aggregate purchase price of approximately \$270.4 million.

Letters of Credit and Performance Bonds

Refer to Note 14 in the accompanying Notes to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for details of letters of credit and performance bonds outstanding.

Guarantee

Refer to Note 5 in the Notes to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 for details of our guarantee in relation to EJB River Holdings, LLC joint venture.

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 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 normally 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 second half of the year.

Critical Accounting Policies

Our critical accounting policies are described in Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the year ended December 31, 2020.

Recent Accounting Pronouncements

See Note 1 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for recent accounting pronouncements.

Related Party Transactions

See Note 13 to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for a description of our transactions with related parties.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer (“CEO”) and principal financial officer (“CFO”), we conducted an evaluation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of June 30, 2021 in providing reasonable assurance that information required to be disclosed in the reports we file, furnish, submit or otherwise provide to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that information required to be disclosed in reports filed by us under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, in such a manner as to allow timely decisions regarding the required disclosures.

Changes in Internal Control over Financial Reporting

During the three months ended June 30, 2021, 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.

PART II. OTHER INFORMATION**ITEM 5. OTHER INFORMATION****Item 1.01 Entry into a Material Definitive Agreement***Eighth Amendment to Unsecured Revolving Credit Facility*

On May 28, 2021, the Company, as borrower, entered into the Eighth Amendment (the “Eighth Amendment”) to the Credit Agreement for the Company’s Unsecured Revolving Credit Facility, with the lenders named therein and Flagstar Bank, FSB, as administrative agent (as previously amended, the “Credit Agreement”).

The Eighth Amendment reflected the substitution of Veritex Community Bank (“Veritex”) as a lender under the Credit Agreement with the assumption of the \$30.0 million credit commitment previously held by Credit Suisse AG. The Eighth Amendment also extended the termination date of Veritex’s credit commitment to December 14, 2023. As amended, the aggregate principal amount of the revolving credit commitments under the Credit Agreement is \$265.0 million through December 14, 2022 and \$190.0 million through December 14, 2023.

All other material terms of the Credit Agreement, as amended, remained unchanged. The description above is qualified in its entirety by the Eighth Amendment, a copy of which is filed as Exhibit 10.47 to this Quarterly Report on Form 10-Q.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e)

On July 28, 2021, the Company entered into an amended and restated employment agreement with Mr. Costello (the “2021 A&R Employment Agreement”), which modified the change of control provision set forth in Mr. Costello’s employment agreement to provide that such benefits will only be paid to the extent that Mr. Costello is terminated without Cause (other than due to death or disability) or resigns for Good Reason within 24 months following a Change in Control. All other material terms of Mr. Costello’s employment agreement remained the same.

ITEM 6. EXHIBITS

Number	Description
10.7*	Amended and Restated Employment Agreement, dated as of July 28, 2021, between the Company and Richard A. Costello.
10.47*	Eighth Amendment to the Credit Agreement, dated as of May 28, 2021, by and among Green Brick Partners, Inc., the lenders named therein, and Flagstar Bank, FSB, as agent.
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. The Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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 Form 10-Q.

** Submitted electronically herewith.

SIGNATURES

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

GREEN BRICK PARTNERS, INC.

/s/ James R. Brickman

By: James R. Brickman

Its: Chief Executive Officer

/s/ Richard A. Costello

By: Richard A. Costello

Its: Chief Financial Officer

Date: August 3, 2021

This **AMENDED AND RESTATED EMPLOYMENT AGREEMENT**, is entered into on July 28, 2021 (the “Effective Date”), by and between Green Brick Partners, Inc., a Delaware corporation (the “Company”), and Richard A. Costello (“Executive”) (each a “Party,” and collectively the “Parties”) (this “Agreement”).

WHEREAS, the Executive is presently employed by the Company as Chief Financial Officer, pursuant to that certain Employment Agreement, effective as of October 26, 2020 (the “Prior Effective Date”), by and between the Executive and the Company (the “Existing Employment Agreement”) which expires on October 26, 2023; and

WHEREAS, the parties wish to amend and restate the Existing Employment Agreement to modify certain change of control provisions to confirm that any such benefits are subject to a double-trigger.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants, understandings, representations, warranties, undertakings and promises hereinafter set forth, intending to be legally bound thereby, the Parties agree as follows:

1. Employment Period.

Subject to earlier termination in accordance with Section 3 of this Agreement, Executive shall continue to be employed by the Company pursuant to the terms of this Agreement for a period commencing on the Effective Date and ending on October 26, 2023 (or the third anniversary of the Prior Effective Date) (the “Employment Period”) unless the Parties mutually agree to extend the term at least ninety (90) days prior to the end of the Employment Period. Upon Executive’s termination of employment with the Company for any reason, at the Company’s request, Executive shall immediately resign all positions with the Company and all of its subsidiaries and any entity in which the Company is a member, partner or stockholder (collectively, the “Company Group”), including any position as a member of the Company’s Board of Directors (the “Board”).

2. Terms of Employment.

(a) Position. During the Employment Period, Executive shall serve as Chief Financial Officer of the Company and will perform such duties and exercise such supervision with regard to the business of the Company as are associated with such position, including such duties as may be prescribed from time to time by the Chief Executive Officer of the Company (the “CEO”) and the Board. Executive shall report directly to the CEO, and if reasonably requested by the Board, Executive hereby agrees to serve (without additional compensation) as an officer and director of other members of the Company Group.

(b) Duties. During the Employment Period, Executive shall have such responsibilities, duties, and authority that are customary for Executive’s position, subject at all times to the control of the CEO and the Board, and shall perform such services as customarily are provided by an executive of a corporation with Executive’s position and such other services consistent with Executive’s position, as shall be assigned to Executive from time to time by the CEO and the Board. During the Employment Period, and excluding any periods of vacation and sick leave to which Executive is entitled, Executive agrees to devote all of Executive’s business time to the business and affairs of the Company Group and to use Executive’s commercially reasonable efforts to perform faithfully, effectively and efficiently Executive’s responsibilities and obligations hereunder. Executive shall be entitled to engage in charitable and educational activities and to manage Executive’s personal and family investments, to the extent such activities are not competitive with the business of the Company Group, do not interfere with the performance of Executive’s duties for the Company Group and are otherwise consistent with the Company Group’s governance policies.

(c) Compensation.

(i) Base Salary. For the period commencing on the Effective Date and until the expiration or termination of the Employment Period, Executive shall receive an annual base salary in an amount equal to four

hundred and fifty thousand dollars (\$450,000) (the “Annual Base Salary”), which shall be paid in accordance with the customary payroll practices of the Company and prorated for partial calendar years of employment. The Annual Base Salary shall be subject to review from time to time by the Compensation Committee of the Board (the “Committee”), in its sole discretion, for possible increase (but not decrease) and any such increased Annual Base Salary shall constitute “Annual Base Salary” for purposes of this Agreement.

(ii) Annual Bonus. With respect to each completed fiscal year of the Company commencing with the fiscal year ending on December 31, 2021, Executive shall be eligible to receive a bonus (the “Bonus”) under the Company’s 2014 Omnibus Equity Incentive Plan and/or annual bonus plan, as in effect from time to time (the “Bonus Plan”), with a target amount equal to five hundred and fifty thousand dollars (\$550,000) (the “Target Bonus”), where the Target Bonus is contingent upon the achievement of qualitative and quantitative performance goals established by the Committee and assessed solely at the discretion of the Committee. The Bonus shall be paid in accordance with the terms of the Company’s Bonus Plan. The Bonus may be paid partially in cash and partially in equity, as determined by the Committee in its sole discretion. For the fiscal year ending on December 31, 2023 and, notwithstanding the foregoing, for any year in which the Employment Period expires due to non-extension thereof (provided that Executive is employed on the last day of such Employment Period), Executive shall be entitled to a prorated Bonus based on the actual performance results for such year, prorated based on the number of days elapsed in such year and payable when the Bonus would ordinarily be payable.

(iii) Benefits. During the Employment Period, Executive shall be eligible to participate in all retirement, compensation and employee benefit plans, practices, policies and programs provided by the Company to the extent applicable generally to senior executives of the Company (except severance plans, policies, practices, or programs) subject to the eligibility criteria set forth therein, as such may be amended or terminated from time to time. During the Employment Period, the Company will provide Executive with indemnification to the fullest extent permitted by applicable law and directors’ and officers’ insurance coverage.

(iv) Expenses. During the Employment Period, Executive shall be entitled to receive reimbursement for all reasonable business expenses incurred by Executive in performance of Executive’s duties hereunder provided that Executive provides all necessary documentation in accordance with the Company’s policies.

(d) Indemnification. The Company shall maintain an adequate level of directors’ and officers’ liability insurance to protect Executive from liability related to his employment with the Company on a basis no less favorable than that provided to any director or officer of the Company. To the extent Executive is not indemnified by such insurance, the Company agrees to indemnify Executive for liability related to his employment with the Company, other than any liability related to Executive’s gross negligence, willful misconduct, fraud or material breach of this Agreement or any of the Company’s policies, to the maximum extent permitted by applicable law and to promptly advance to Executive or Executive’s heirs or representatives related expenses upon written request with appropriate documentation of such expense upon receipt of an undertaking by Executive or on Executive’s behalf to repay such amount if it shall ultimately be determined that Executive is not entitled to be indemnified by the Company. The Company further agrees that such indemnification and agreement to advance expenses shall survive Executive’s resignation, termination or expiration of this Agreement, with respect to actions taken by him during his employment with the Company, unless such actions could have been grounds for termination by the Company for Cause.

(e) Claw-Back. The Company may claw back from Executive any Bonus and equity-based compensation received in the prior year if the Company is required to restate financial results due to material non-compliance with any financial reporting requirements; provided, however, that notwithstanding the foregoing, the Company shall be entitled to claw back any Bonus or equity-based compensation received by Executive, irrespective of when received, that is required to be recovered pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act once the rules thereunder have been implemented.

3. Termination of Employment.

(a) Death or Disability. Executive's employment shall terminate automatically upon Executive's death. If Executive becomes subject to a "Disability" (as defined below) during the Employment Period, the Company may give Executive written notice in accordance with Sections 3(g) and 9(g) hereof of its intention to terminate Executive's employment. For purposes of this Agreement, "Disability" means Executive's inability to perform Executive's duties hereunder by reason of any medically determinable physical or mental impairment for a period of ninety (90) consecutive days or one hundred eighty (180) days or more in any twelve (12) month period.

(b) Cause. Executive's employment may be terminated at any time by the Company for "Cause" (as defined below). For purposes of this Agreement, "Cause" shall mean Executive's (i) commission of a felony or a crime of moral turpitude, (ii) engaging in conduct that constitutes fraud or embezzlement, (iii) engaging in conduct that constitutes gross negligence or willful misconduct that results or could reasonably be expected to result in harm to the Company Group's business or reputation, (iv) breach of any material terms of Executive's employment, including this Agreement or (v) continued willful failure to substantially perform Executive's duties. Executive's employment shall not be terminated for "Cause" within the meaning of clauses (iv) and (v) above unless Executive has been given written notice by the Company stating the basis for such intended termination and Executive is given fifteen (15) days to cure, to the extent curable, the neglect or conduct that is the basis of any such claim.

(c) Termination Without Cause (other than due to death or Disability). The Company may terminate Executive's employment hereunder without Cause (other than due to death or Disability) at any time for any reason or no reason upon thirty (30) days' prior written notice.

(d) Good Reason. Executive's employment may be terminated by Executive for Good Reason upon the occurrence of any event or condition constituting Good Reason. For purposes of this Agreement, "Good Reason" means any of the following actions taken by the Company without Executive's express written consent: (i) any material failure of the Company to fulfill its obligations under this Agreement, (ii) a material and adverse change to, or a material reduction of, Executive's duties and responsibilities to the Company or, following a Change in Control (as defined below), a change in Executive's reporting position such that Executive no longer reports directly to the Chief Executive Officer, (iii) a material reduction in Executive's then current Annual Base Salary (not including any diminution related to a broader compensation reduction that is not limited to Executive specifically and that is not more than 10% in the aggregate), or (iv) the relocation of Executive's primary office to a location more than fifty (50) miles from the prior location, which materially increases Executive's commute to work; provided, that any such event shall not constitute Good Reason unless and until Executive shall have provided the Company with notice thereof no later than thirty (30) days following the initial occurrence of such event and the Company shall have failed to remedy such event within thirty (30) days following receipt of such notice (such 30-day period, the "Good Reason Cure Period"). If, at the end of the Good Reason Cure Period, the event or condition that constitutes Good Reason has not been remedied, Executive will be entitled to terminate employment for Good Reason during the 30-day period that follows the end of the Good Reason Cure Period. If Executive does not terminate employment during such 30-day period, Executive shall not be permitted to terminate employment for Good Reason as a result of such event or condition.

(e) Voluntary Termination. Executive's employment may be terminated at any time by Executive without Good Reason upon thirty (30) days' prior written notice.

(f) Termination as a Result of Expiration of the Employment Period. Unless otherwise agreed between the Parties pursuant to Section 1 hereof or otherwise, Executive's employment shall automatically terminate on the last date of the Employment Period.

(g) Notice of Termination. Any termination by the Company for Cause or without Cause or by reason of Disability, or by Executive for Good Reason or without Good Reason, shall be communicated by Notice of Termination to the other Party hereto given in accordance with Section 9(g). For purposes of this Agreement, a “Notice of Termination” means a written notice that (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive’s employment under the provision so indicated and (iii) if the “Date of Termination” (as defined below) is other than the date of receipt of such notice, specifies the termination date. The failure by Executive or the Company to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Good Reason or Cause shall not waive any right of Executive or the Company hereunder or preclude Executive or the Company from asserting such fact or circumstance in enforcing Executive’s or the Company’s rights hereunder.

(h) Date of Termination. “Date of Termination” means if Executive’s employment is terminated (i) by the Company for Cause, without Cause or by reason of Disability, the date specified in the Notice of Termination, (ii) by Executive for Good Reason or without Good Reason, the date specified in the Notice of Termination (provided such Date of Termination is in accordance with Section 3(d) or Section 3(e) hereof), (iii) by reason of death, the date of death, or (iv) due to the expiration of the Employment Period, the last day of the Employment Period.

4. Obligations of the Company.

(a) Without Cause (other than due to death or Disability); For Good Reason. If during the Employment Period, the Company shall terminate Executive’s employment without Cause (other than due to death or Disability) or Executive shall terminate Executive’s employment for Good Reason, then the Company will provide Executive with the following payments and/or benefits:

(i) The Company shall pay to Executive (A) any vested payments or benefits to which Executive or Executive’s estate may be entitled to receive under any of the Company’s benefit plans or applicable law, in accordance with the terms of such plans or law (B) any Bonus earned but not yet paid for any fiscal year ended prior to the year in which the Date of Termination occurs, at such time as such Bonus is otherwise payable and as determined in the sole discretion of the Committee; and (C) as soon as reasonably practicable but no later than sixty (60) days following the Date of Termination in a lump sum to the extent not previously paid, (1) the Annual Base Salary through the Date of Termination, and (2) the amount of any unpaid expense reimbursements to which Executive may be entitled pursuant to Section 2(c)(iv) hereof (clauses (A), (B) and (C), the “Accrued Obligations”); and

(ii) Subject to Sections 4(e) and 5(i) below, after the Date of Termination, the Company will pay Executive severance in an amount equal to (A) the sum of (x) Executive’s Annual Base Salary plus (y) the Target Bonus plus (B) to the extent that the Date of Termination occurs within 24 months following a Change in Control (as defined below), two hundred and fifty thousand dollars (\$250,000) (the “Severance Payment”). The Severance Payment shall be paid in a lump sum on the first payroll date following the Release Deadline Date (as defined in Section 4(e)), subject to the terms and conditions in Section 4(e) and 5(i) below. Thereafter, the Company Group shall have no further obligation to Executive or Executive’s legal representatives.

(b) Death or Disability. If Executive’s employment shall be terminated by reason of Executive’s death or Disability, then the Company will provide Executive with the Accrued Obligations. Thereafter, the Company Group shall have no further obligation to Executive or Executive’s legal representatives.

(c) Cause: Other than for Good Reason. If Executive's employment shall be terminated by the Company for Cause or by Executive without Good Reason, then the Company will provide Executive with the Accrued Obligations. Thereafter, the Company Group shall have no further obligation to Executive or Executive's legal representatives.

(d) Expiration of the Employment Period. If Executive's employment terminates by reason of the expiration of the Employment Period pursuant to Section 1 as a result of the Company's or Executive's non-extension, then the Company will provide Executive with the Accrued Obligations. Thereafter, the Company Group shall have no further obligation to Executive or Executive's legal representatives.

(e) Separation Agreement and General Release. The Company's obligation to pay the Severance Payment pursuant to Section 4(a) is conditioned on Executive's or Executive's legal representative's executing a separation agreement and general release of claims related to or arising from Executive's employment with the Company or the termination of employment, against the Company Group (and their respective officers and directors) in a form reasonably determined by the Company, which shall be provided by the Company to Executive within five (5) days following the Date of Termination; provided, that if such release does not become effective and irrevocable in accordance with its terms within fifty-five (55) days following the Date of Termination (the "Release Deadline Date"), the Company shall not have any obligation to provide the Severance Payment.

(f) Change in Control. For purposes of this Agreement, "Change in Control" means the occurrence of any of the following events:

(1) the acquisition, directly or indirectly, by any Person or Group of Beneficial Ownership of securities entitled to vote generally in the election of directors (the "Voting Securities") of the Company that represent 50% or more of the combined voting power of the Company's then outstanding Voting Securities, other than:

A. an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any Person controlled by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Person controlled by the Company, or

B. an acquisition of Voting Securities by a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, or

C. an acquisition of Voting Securities pursuant to a transaction described in Section 4(f)(i)(3) below that would not be a Change in Control under Section 4(f)(i)(3);

(2) individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to such date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person (including, without limitation, by reason of any agreement intended to avoid or settle any election contest or solicitation of proxies or consents) other than the Board;

(3) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets or (z) the acquisition of assets or stock of another entity, in each case, other than a transaction

a. which results in the Company's Voting Securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the Company or the Person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such Person, the "Successor Entity")), directly or indirectly, at least 50% of the combined voting power of the Successor Entity's outstanding Voting Securities immediately after the transaction, and

b. after which no Person or Group beneficially owns (individually or collectively) Voting Securities representing 50% or more of the combined voting power of the Successor Entity; or

(4) a liquidation or dissolution of the Company.

For purposes of clause 4(f)(i)(1) above, the calculation of voting power shall be made as if the date of the acquisition were a record date for a vote of the Company's stockholders, and for purposes of clause 4(f)(i)(3) above, the calculation of voting power shall be made as if the date of the consummation of the transaction were a record date for a vote of the Company's stockholders.

(ii) For purposes of the preceding definition, the terms "Person," "Group," "Beneficial Owner," and "Beneficial Ownership" have the meanings used in the Securities Exchange Act of 1934, as amended, and the regulations thereunder. Notwithstanding the foregoing, (1) Persons shall not be considered to be acting as a Group solely because they purchase or own stock of the Company at the same time, or as a result of the same public offering, (2) however, Persons will be considered to be acting as Group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction, with the Company, and (3) if a Person, including an entity, owns stock both in the Company and in a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar transaction, with the Company, such stockholders shall be considered to be acting as a Group with other stockholders only with respect to the ownership in the corporation before the transaction.

5. Restrictive Covenants.

(a) Non-Solicitation. In consideration of Executive's employment and receipt of payments hereunder, during the period commencing on the Effective Date and ending twelve (12) months after the Date of Termination (the "Restricted Period"), Executive shall not directly, or indirectly through another person or entity, (x) induce or attempt to induce any employee, representative, agent or consultant of any member of the Company Group to leave the employ or services of the Company Group, or in any way interfere with the relationship between any member of the Company Group and any employee, representative, agent or consultant thereof, (y) hire any person who was an employee, representative, agent or consultant of any member of the Company Group at any time during the twelve (12) month period immediately prior to the date on which such hiring would take place or (z) directly or indirectly call on, solicit or service any customer, supplier, licensee, licensor, representative, agent or other business relation of any member of the Company Group in order to induce or attempt to induce such person or entity to cease doing business with, or reduce the amount of business conducted with, any member of the Company Group, or in any way interfere with the relationship between any such customer, supplier, licensee, licensor, representative, agent or business relation of any member of the Company Group. No action by another person or entity shall be deemed to be a breach of this provision unless Executive directly or indirectly assisted, encouraged or otherwise counseled such person or entity to engage in such activity.

(b) Non-Competition. Executive acknowledges and agrees that the Company Group would be irreparably damaged if Executive were to provide services to any person or entity competing with any member of

the Company Group or engaged in a similar business and that such competition by Executive would result in a significant loss of goodwill by the Company Group. Therefore, in consideration of the payments and benefits provided to Executive and other obligations of the Company to Executive pursuant to this Agreement, including, without limitation, the Company's promise and obligation to provide Executive with Confidential Information (as defined below), Executive agrees that during the Restricted Period, Executive shall not (and shall cause each of Executive's affiliates not to) directly or indirectly own any interest in, manage, control, participate in (whether as an officer, director, manager, employee, partner, equity holder, member, agent, representative or otherwise), consult with, render services for, or in any other manner engage in any business engaged directly or indirectly, in the Geographic Area (as defined below), in the business of the Company Group as currently conducted or proposed to be conducted as of the Date of Termination; provided, that nothing herein shall prohibit Executive from being a passive owner of not more than 5% of the outstanding stock of any class of a corporation which is publicly traded so long as Executive does not actively participate in the business of such corporation. For purposes of this Agreement, the "Geographic Area" shall mean the United States of America and any other country or territory in which the Company Group has material business operations.

(c) Non-Disclosure; Non-Use of Confidential Information. Executive acknowledges that the Company Group has a legitimate and continuing proprietary interest in the protection of its Confidential Information and that it has invested substantial sums and will continue to invest substantial sums to develop, maintain and protect such Confidential Information. Executive shall not disclose or use at any time, either during Executive's employment with the Company or at any time thereafter, any Confidential Information of which Executive is or becomes aware, whether or not such information is developed by Executive, except to the extent that such disclosure or use is directly related to and required by Executive's performance in good faith of duties assigned to Executive by the Company. Executive will take all appropriate steps to safeguard Confidential Information in Executive's possession and to protect it against disclosure, misuse, espionage, loss and theft. Executive shall deliver to the Company at the termination of Executive's employment with the Company, or at any time the Company may request, all memoranda, notes, plans, records, reports, computer tapes and software and other documents and data (and copies thereof) relating to the Confidential Information or the "Work Product" (as defined in Section 5(e)(ii)) of the business of the Company Group that Executive may then possess or have under Executive's control. In accordance with the Defend Trade Secrets Act, 18 U.S.C. § 1833(b), and other applicable law, nothing in this Agreement or any other agreement or policy shall prevent Executive from, or expose Executive to criminal or civil liability under federal or state trade secret law for, (A) directly or indirectly sharing any Company Group trade secrets or other confidential information (except information protected by the Company's attorney-client or work product privilege) with an attorney or with any federal, state, or local government agencies, regulators, or officials, for the purpose of investigating or reporting a suspected violation of law, whether in response to a subpoena or otherwise, without notice to the Company, or (B) disclosing trade secrets in a complaint or other document filed in connection with a legal claim, provided that the filing is made under seal.

Notwithstanding anything herein to the contrary, nothing in this Agreement shall (A) prohibit the Executive from making reports of possible violations of federal law or regulation to any governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or of any other whistleblower protection provisions of state or federal law or regulation, or (B) require notification or prior approval by the Company of any reporting described in clause (A).

(d) Proprietary Rights. Executive recognizes that the Company Group possesses a legitimate and continuing proprietary interest in all Confidential Information and Work Product and has the exclusive right and privilege to use, protect by copyright, patent or trademark, or otherwise exploit the processes, ideas and concepts described therein to the exclusion of Executive, except as otherwise agreed between the Company Group and Executive in writing. Executive expressly agrees that any Work Product made or developed by Executive or Executive's agents during the course of Executive's employment, including any Work Product which is based on or arises out of Work Product, shall be the property of and inure to the exclusive benefit of the Company Group. Executive further agrees that all Work Product developed by Executive (whether or not able to be protected by copyright, patent or trademark) during the course of Executive's employment with the Company, or involving the

use of the time, materials or other resources of the Company Group, shall be promptly disclosed to the Company Group and shall become the exclusive property of the Company Group, and Executive shall execute and deliver any and all documents necessary or appropriate to implement the foregoing.

(e) Certain Definitions.

(i) As used herein, the term “Confidential Information” means information that is not generally known to the public (but for purposes of clarity, Confidential Information shall never exclude any such information that becomes known to the public because of Executive’s unauthorized disclosure) and that is used, developed or obtained by the Company Group in connection with its business, including, but not limited to, information, observations and data obtained by Executive while employed by the Company Group concerning (A) the business or affairs of the Company Group, (B) products or services, (C) fees, costs and pricing structures, (D) designs, (E) analyses, (F) drawings, photographs and reports, (G) computer software, including operating systems, applications and program listings, (H) flow charts, manuals and documentation, (I) databases, (J) accounting and business methods, (K) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (L) customers and clients and customer or client lists, (M) other copyrightable works, (N) all production methods, processes, strategies, plans, technology and trade secrets, (O) personnel information, and (P) all similar and related information in whatever form. Confidential Information will not include any information that has been published in a form generally available to the public (except as a result of Executive’s unauthorized disclosure) prior to the date Executive proposes to disclose or use such information. Confidential Information will not be deemed to have been published or otherwise disclosed merely because individual portions of the information have been separately published, but only if all material features comprising such information have been published in combination.

(ii) As used herein, the term “Work Product” means all inventions, innovations, improvements, technical information, systems, software developments, methods, designs, analyses, drawings, reports, service marks, trademarks, trade names, logos and all similar or related information (whether patentable or unpatentable) that relates to the Company Group’s actual or anticipated business, research and development or existing or future products or services and that are conceived, developed or made by Executive (whether or not during usual business hours and whether or not alone or in conjunction with any other person) while employed by the Company together with all patent applications, letters patent, trademark, trade name and service mark applications or registrations, copyrights and reissues thereof that may be granted for or upon any of the foregoing.

(f) Enforcement. If Executive commits a breach of any of the provisions of this Section 5 or Section 6 below, the Company shall have the right and remedy to have the provisions specifically enforced by any court having jurisdiction, it being acknowledged and agreed by Executive that the services being rendered hereunder to the Company Group are of a special, unique and extraordinary character and that any such breach will cause irreparable injury to the Company Group and that money damages will not provide an adequate remedy to the Company Group. Such right and remedy shall be in addition to, and not in lieu of, any other rights and remedies available to the Company at law or in equity. Accordingly, Executive consents to the issuance of an injunction, whether preliminary or permanent, consistent with the terms of this Agreement (without posting a bond or other security) if the Company establishes a violation of Section 5 or 6 of this Agreement.

(g) Blue Pencil. If, at any time, the provisions of this Section 5 shall be determined to be invalid or unenforceable under any applicable law, by reason of being vague or unreasonable as to area, duration or scope of activity, this Agreement shall be considered divisible and shall become and be immediately amended to only such area, duration and scope of activity as shall be determined to be reasonable and enforceable by the court or other body having jurisdiction over the matter and Executive and the Company agree that this Agreement as so amended shall be valid and binding as though any invalid or unenforceable provision had not been included herein.

(h) EXECUTIVE ACKNOWLEDGES THAT EXECUTIVE HAS CAREFULLY READ THIS SECTION 5 AND HAS HAD THE OPPORTUNITY TO REVIEW ITS PROVISIONS WITH ANY ADVISORS AS EXECUTIVE CONSIDERED NECESSARY AND THAT EXECUTIVE UNDERSTANDS THIS AGREEMENT'S CONTENTS AND SIGNIFIES SUCH UNDERSTANDING AND AGREEMENT BY SIGNING BELOW.

(i) Severance Payments. In addition to the rights and remedies available to the Company under this Agreement, and not in any way in limitation of any right or remedy otherwise available to the Company Group, in the event that Executive violates any material term of this Agreement or any other agreement between the Company and Executive, (i) the Company's obligation to pay the Severance Payment and Executive's right to receive such Severance Payment shall terminate and be of no further force or effect and (ii) Executive shall promptly repay to the Company an amount equal to the portion of the Severance Payment previously paid to Executive.

6. Non-Disparagement.

(a) During the Employment Period and at all times thereafter, neither Executive nor Executive's agents shall directly or indirectly, whether in public or private, make, publish, encourage, ratify, or authorize; or assist or enable any other person or entity in making, authorizing, ratifying, or publishing; any statements that in any way defame, criticize, malign, impugn, reflect negatively on, or disparage any of the Company Parties (as defined below), or cast any of the Company Parties (as defined below) in a negative light in any manner whatsoever. Executive also agrees that Executive will not publicly comment upon or discuss, or assist or permit any other person or entity to publicly comment upon or discuss, any of the Company Parties with any media source or outlet (whether negatively or otherwise), including but not limited to or with any reporters, bloggers, weblogs, websites, newspapers, magazines, television stations or productions, radio stations, news organizations, news outlets, or publications, or in any movie, book, or theatrical production. The foregoing shall not be violated by truthful responses to (i) legal process or governmental inquiry or (ii) by private statements to the Company's officers, directors or employees; provided, that in the case of Executive, with respect to clause (ii), such statements are made in the course of carrying out Executive's duties pursuant to this Agreement. For purposes of this Agreement, "Company Parties" shall include the Company Group and all of its members; and all of the past, present, and future stockholders, members, partners, principals, investors, directors, officers, managers, benefit plans, fiduciaries, employees, agents, attorneys, heirs, representatives, administrators, successors, and assigns of any of the foregoing entities. Each of the Company Parties shall be a third-party beneficiary of this Agreement and shall be authorized to enforce this Agreement in accordance with its terms.

(b) During the Employment Period and at all times thereafter, the Company shall take all reasonable steps to ensure that no member of the Board nor any senior executive of the Company (the "Key Persons") shall directly or indirectly, whether in public or private, make, publish, encourage, ratify, or authorize; or assist or enable any other person or entity in making, authorizing, ratifying, or publishing; any statements that in any way defame, criticize, malign, impugn, reflect negatively on, or disparage Executive, or cast Executive in a negative light in any manner whatsoever. The foregoing shall not be violated by truthful responses to (i) legal process or governmental inquiry or (ii) by private statements to the Company's officers, directors or employees by Key Persons; provided, that with respect to clause (ii), such statements are made in the course of carrying out the Key Person's duties pursuant to the Company.

7. Confidentiality of Agreement.

The Parties acknowledge and agree that this Agreement shall be filed with the Securities and Exchange Commission. Notwithstanding the foregoing, the Parties agree that the discussions and correspondence that led to this Agreement are private and confidential. Except as may be required by applicable law, regulation, or stock

exchange requirement, neither Party may disclose the above information to any other person or entity without the prior written approval of the other Party.

8. Executive's Representations, Warranties and Covenants.

(a) Executive hereby represents and warrants to the Company that:

(i) Executive has all requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby, and this Agreement has been duly executed by Executive;

(ii) the execution, delivery and performance of this Agreement by Executive does not and will not, with or without notice or the passage of time, conflict with, breach, violate or cause a default under any agreement, contract or instrument to which Executive is a party or any judgment, order or decree to which Executive is subject;

(iii) Executive is not a party to or bound by any employment agreement, consulting agreement, non-compete agreement, fee for services agreement, confidentiality agreement or similar agreement with any other person;

(iv) upon the execution and delivery of this Agreement by the Company and Executive, this Agreement will be a legal, valid and binding obligation of Executive, enforceable in accordance with its terms;

(v) Executive understands that the Company will rely upon the accuracy and truth of the representations and warranties of Executive set forth herein and Executive consents to such reliance; and

(vi) as of the date of execution of this Agreement, Executive is not in breach of any of its terms, including having committed any acts that would form the basis for a Cause termination if such act had occurred after the Effective Date.

(b) The Company hereby represents and warrants to Executive that:

(i) the Company has all requisite power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby, and this Agreement has been duly executed by the Company;

(ii) the execution, delivery and performance of this Agreement by the Company does not and will not, with or without notice or the passage of time, conflict with, breach, violate or cause a default under any agreement, contract or instrument to which the Company is a party or any judgment, order or decree to which the Company is subject;

(iii) upon the execution and delivery of this Agreement by the Company and Executive, this Agreement will be a legal, valid and binding obligation of the Company, enforceable in accordance with its terms; and

(iv) the Company understands that Executive will rely upon the accuracy and truth of the representations and warranties of the Company set forth herein and the Company consents to such reliance.

9. General Provisions.

(a) Severability. It is the desire and intent of the Parties hereto that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Agreement shall be adjudicated by a court of competent jurisdiction to be invalid, prohibited or unenforceable under any present or future law, and if the rights and obligations of any Party under this Agreement will not be materially and adversely affected thereby, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction; furthermore, in lieu of such invalid or unenforceable provision there will be added automatically as a part of this Agreement, a legal, valid and enforceable provision as similar in terms to such invalid or unenforceable provision as may be possible. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

(b) Entire Agreement and Effectiveness. Effective as of the Effective Date, this Agreement embodies the complete agreement and understanding among the Parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the Parties, written or oral, which may have related to the subject matter hereof in any way.

(c) Successors and Assigns.

(i) This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by Executive's legal representatives.

(ii) This Agreement shall inure to the benefit of and be binding upon the Company Group and their successors and assigns.

(d) Governing Law. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICTING PROVISION OR RULE THAT WOULD CAUSE THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF DELAWARE TO BE APPLIED. IN FURTHERANCE OF THE FOREGOING, THE INTERNAL LAW OF THE STATE OF DELAWARE WILL CONTROL THE INTERPRETATION AND CONSTRUCTION OF THIS AGREEMENT, EVEN IF UNDER SUCH JURISDICTION'S CHOICE OF LAW OR CONFLICT OF LAW ANALYSIS, THE SUBSTANTIVE LAW OF SOME OTHER JURISDICTION WOULD ORDINARILY APPLY.

(e) Enforcement.

(i) Arbitration. Except as specifically set forth in Section 5(f) of this Agreement, in consideration of Executive's employment with the Company and Executive's receipt of compensation and other benefits under this Agreement, EXECUTIVE AGREES THAT ANY AND ALL CONTROVERSIES, CLAIMS, OR DISPUTES WITH ANYONE (INCLUDING THE COMPANY GROUP AND ANY EMPLOYEE, OFFICER, DIRECTOR, STOCKHOLDER OR BENEFIT PLAN OF THE COMPANY GROUP, IN THEIR CAPACITY AS SUCH OR OTHERWISE) ARISING OUT OF, RELATING TO, OR RESULTING FROM EXECUTIVE'S EMPLOYMENT WITH THE COMPANY OR THE TERMINATION OF EXECUTIVE'S EMPLOYMENT WITH THE COMPANY, INCLUDING ANY BREACH OF THIS AGREEMENT, SHALL BE SUBJECT TO BINDING

ARBITRATION. Such arbitration shall take place in Dallas, Texas (unless the Parties agree in writing to a different location), before a single arbitrator, who shall be an attorney, in accordance with the Employment Dispute Resolution Rules of the American Arbitration Association then in effect. Executive agrees that the arbitrator shall have the power to decide any motions brought by any party to the arbitration, including motions for summary judgment and/or adjudication and motions to dismiss and demurrers, prior to any arbitration hearing. Executive also agrees that the arbitrator shall have the power to award any remedies, including attorneys' fees and costs, available under applicable law. The decision and award made by the arbitrator shall be final, binding and conclusive on all Parties hereto for all purposes, and judgment may be entered thereon in any court having jurisdiction thereof. The Company will bear the totality of the arbitrator's and administrative fees and costs. Each Party shall otherwise bear its own litigation costs and expenses; provided, however, that the arbitrator shall have the discretion to award the prevailing Party reimbursement of its reasonable attorney's fees and costs. The arbitration shall be conducted on a strictly confidential basis, and Executive shall not disclose the existence of a claim, the nature of a claim, any documents, exhibits, or information exchanged or presented in connection with such a claim, or the result of any claim (collectively, "Arbitration Materials") to any third party, with the sole exception of Executive's legal counsel, who Executive shall ensure also fully complies with the confidentiality provisions of this Agreement. In the event of any court proceeding to challenge or enforce an arbitrator's award, the Parties hereby consent to the exclusive jurisdiction of the state and federal courts in Dallas, Texas and agree to exclusive venue in Dallas, Texas. The Parties hereby agree to take all steps necessary to protect the confidentiality of the Arbitration Materials in connection with any court proceeding, agree to take all appropriate steps to file all Confidential Information (and documents containing Confidential Information) under seal in any such proceeding where possible, and agree to the entry of an appropriate protective order encompassing the confidentiality provisions of this Agreement.

(ii) Remedies. All remedies hereunder are cumulative, are in addition to any other remedies provided for by law and may, to the extent permitted by law, be exercised concurrently or separately, and the exercise of any one remedy shall not be deemed to be an election of such remedy or to preclude the exercise of any other remedy.

(iii) Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT.

(f) Amendment and Waiver. The provisions of this Agreement may be amended and waived only with the prior written consent of the Company and Executive and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall be construed as a waiver of such provisions or affect the validity, binding effect or enforceability of this Agreement or any provision hereof.

(g) Notices. Any notice provided for in this Agreement must be in writing and must be either personally delivered, transmitted via telecopier, mailed by first class mail (postage prepaid and return receipt requested) or sent by reputable overnight courier service (charges prepaid) to the recipient at the address below indicated or at such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party. Notices will be deemed to have been given hereunder and received when delivered personally, when received if transmitted via telecopier, five (5) days after deposit in the U.S. mail and one day after deposit for overnight delivery with a reputable overnight courier service.

If to the Company, to:

Green Brick Partners, Inc.
2805 North Dallas Parkway Suite 400
Plano, TX 75093
Attention: Chief Executive Officer

with a copy (which shall not constitute notice) to:

Kara MacCullough
Greenberg Traurig, P.A.
401 East Las Olas Blvd., Suite 2000
Fort Lauderdale, FL 33301

If to Executive, to:

Executive's home address most recently on file with the Company.

(h) Withholdings Taxes. The Company may withhold from any amounts payable under this Agreement such federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

(i) Survival of Representations, Warranties and Agreements. All representations, warranties and agreements contained herein shall survive any termination of Executive's employment under this Agreement.

(j) Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement. All references to a "Section" in this Agreement are to a section of this Agreement unless otherwise noted.

(k) Construction. Where specific language is used to clarify by example a general statement contained herein, such specific language shall not be deemed to modify, limit or restrict in any manner the construction of the general statement to which it relates. The language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

(l) Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

(m) Section 409A.

(i) Compliance. Notwithstanding anything herein to the contrary, this Agreement is intended to be interpreted and applied so that the payments and benefits set forth herein either shall either be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), or shall comply with the requirements of Code Section 409A, and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be exempt from or in compliance with Code Section 409A. To the extent that the Company determines that any provision of this Agreement would cause the Executive to incur any additional tax or interest under Code Section 409A, the Company shall be entitled to reform such provision to attempt to comply with or be exempt from Code Section 409A through good faith modifications. To the extent that any provision hereof is modified in order to comply with Code Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to Executive and the Company without violating the provisions of Code Section 409A. Notwithstanding anything herein to the contrary, in no event does the Company, the Company Group, its officers, equity holders, employees, agents, members, directors, or representatives guarantee the exemption from or compliance with Code Section 409A and no such party shall have any liability for failure of this Agreement to be exempt from or comply with such Code section.

(ii) Separate Payments. Notwithstanding anything in this Agreement to the contrary, each payment payable hereunder shall be deemed to be a payment in a series of separate payments for purposes of Code Section 409A.

(iii) Specified Employee. Notwithstanding any provision in this Agreement or elsewhere to the contrary, if on the date of Executive's termination from employment with the Company, Executive is deemed to be a "specified employee" within the meaning of Code Section 409A and the Final Treasury Regulations using the identification methodology selected by the Company from time to time, or if none, the default methodology under Code Section 409A, any payments or benefits that constitute non-exempt deferred compensation under Code Section 409A and that are due upon a termination of Executive's employment shall be delayed and paid or provided (or commence, in the case of installments) on the first payroll date on or following the earlier of (i) the date which is six (6) months and one (1) day after Executive's termination of employment for any reason other than death, and (ii) the date of Executive's death, and any remaining payments and benefits shall be paid or provided in accordance with the normal payment dates specified for such payment or benefit.

(iv) Separation from Service. Notwithstanding anything in this Agreement or elsewhere to the contrary, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits that constitute "non-qualified deferred compensation" within the meaning of Code Section 409A upon or following a termination of Executive's employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service" and the date of such separation from service shall be the date of termination of Executive's employment by the Company for purposes of any such payment or benefits.

(v) No Designation. In no event may Executive, directly or indirectly, designate the calendar year of any payment to be made under this Agreement or otherwise which constitutes a "deferral of compensation" within the meaning of Code Section 409A.

(vi) Expense Reimbursement. With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Code Section 409A, (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, and (iii) such payments shall be made on or before the last day of Executive's taxable year following the taxable year in which the expense was incurred.

(n) Excess Parachute Payments. Notwithstanding anything in this Agreement to the contrary, if any of the payments or benefits provided or to be provided by the Company or any member of the Company Group to Executive or for Executive's benefit pursuant to the terms of this Agreement or otherwise ("Covered Payments") are determined to constitute "excess parachute payments" within the meaning of Section 280G of the Code and would, but for this Section 9(n) be subject to the excise tax imposed under Section 4999 of the Code (or any successor provision thereto) or any similar tax imposed by state or local law or any interest or penalties with respect to such taxes (collectively, the "Excise Tax"), then the Covered Payments shall be reduced to the minimum extent necessary to ensure that no portion of the Covered Payments is subject to the Excise Tax. All determinations required to be made under this Section 9(n), including whether a payment would result in an "excess parachute payment" and the assumptions utilized in arriving at such determination, shall be made by an accounting firm selected by the Company.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement.

GREEN BRICK PARTNERS, INC.

By: /s/ James R. Brickman
Name: James R. Brickman
Title: Chief Executive Officer

EXECUTIVE

By: /s/ Richard A. Costello
Name: Richard A. Costello
Title: Chief Financial Officer

EIGHTH AMENDMENT dated as of May 28, 2021 (this “Agreement”) by and among GREEN BRICK PARTNERS, INC. (the “Borrower”), the LENDERS party hereto and FLAGSTAR BANK, FSB (“Flagstar”), as administrative agent (the “Administrative Agent”), to the CREDIT AGREEMENT dated as of December 15, 2015 (as amended by the First Amendment, dated as of August 31, 2016, the Second Amendment, dated as of December 1, 2016, the Third Amendment, dated as of September 1, 2017, the Fourth Amendment, dated as of December 1, 2017, the Fifth Amendment, dated as of November 2, 2018, the Sixth Amendment, dated as of December 17, 2019, and the Seventh Amendment, dated as of December 22, 2020, and as in effect prior to the effectiveness of this Agreement, the “Credit Agreement”), among the Borrower, the Lenders from time to time party thereto and the Administrative Agent.

WHEREAS, the Lenders have agreed to extend credit to the Borrower under the Credit Agreement on the terms and subject to the conditions set forth therein; capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Credit Agreement;

WHEREAS, pursuant to Section 9.07 of the Credit Agreement, Veritex Community Bank (the “New Lender”) has become a Lender under the Credit Agreement and desires to extend the Termination Date in effect with respect to its (and only its) Revolving Credit Commitment; and

WHEREAS, the Borrower and the Lenders party hereto desire that certain provisions of the Credit Agreement be amended as provided herein (as so amended, the “Amended Credit Agreement”);

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

SECTION 1. Amendment. Effective as of the Amendment Effective Date (as defined below), the Credit Agreement is hereby amended as follows:

- (a) The Termination Date in effect with respect to the New Lender’s Revolving Credit Commitment shall be extended to December 14, 2023, and Schedule I to the Credit Agreement shall be replaced with Schedule I attached hereto, which reflects such extension.
 - (b) The final paragraph of Section 2.18(b) of the Credit Agreement shall be amended to add the following sentence after the final sentence thereof:
-

“Notwithstanding anything herein to the contrary, in connection with an assignment required by the Borrower in respect of a Non-Extending Lender, the applicable assignee may, at the time of such assignment, elect to extend the Termination Date of its Revolving Credit Commitment to the then-latest Termination Date applicable to any Lender without any vote or consent by any party other than the Agent and the Borrower.”

(c) The final paragraph of Section 9.07(b) of the Credit Agreement shall be amended to add the following sentence after the penultimate sentence thereof:

“; provided, further, that, notwithstanding anything herein to the contrary, in connection with an assignment by a Non-Extending Lender, the applicable assignee may, at the time of such assignment, elect to extend the Termination Date of its Revolving Credit Commitment to the then-latest Termination Date applicable to any Lender without any vote or consent by any party other than the Agent and the Borrower.”

SECTION 2. Revolving Credit Commitments. As of the Amendment Effective Date, after giving effect to the amendments contemplated by Section 1 hereof, each Lender shall have a Revolving Credit Commitment in the amount set forth opposite such Lender’s name on Schedule I hereto and the aggregate principal amount of the Revolving Credit Commitments shall be \$265,000,000.

(b) The New Lender, by delivering its signature page to this Agreement, shall be deemed to have acknowledged receipt of, and consented to and approved, each Loan Document and each other document required to be delivered to, or be approved by or satisfactory to, the Administrative Agent or any Lenders on or prior to the Amendment Effective Date.

SECTION 3. Representations and Warranties. To induce the other parties hereto to enter into this Agreement, the Borrower hereby represents and warrants to the Administrative Agent and the Lenders party hereto (including the New Lender) that:

(a) This Agreement has been duly authorized, executed and delivered by the Borrower and constitutes its legal, valid and binding obligation, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors’ rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(b) On the Amendment Effective Date, and after giving effect to this Agreement, the representations and warranties of the Borrower set forth in the Amended Credit Agreement are true and correct in all material respects (other than any representation or warranty qualified by materiality or Material Adverse Effect, which shall be true and correct in all respects), as though made on and as of the Amendment Effective Date.

- (c) On and as of the Amendment Effective Date, no event has occurred and is continuing that constitutes a Default or Event of Default.
- (d) On and as of the Amendment Effective Date, and after giving effect to this Agreement, (A) the Borrower will be in compliance with the covenants set forth in Sections 6.01(a), (b) and (c) of the Amended Credit Agreement and (B) the compliance certificate dated as of May 11, 2021 previously delivered to the Administrative Agent by the Borrower remains true and accurate on and as of the Amendment Effective Date.

SECTION 4. Conditions to Effectiveness. This Agreement and, with respect to each Lender party hereto, its consent to the amendments contemplated hereunder, shall become effective on the date and at the time (the “Amendment Effective Date”) on which each of the following conditions is first satisfied:

- (a) The Administrative Agent shall have executed this Agreement and shall have received from the Borrower, the New Lender and other Lenders constituting Required Lenders under the Credit Agreement (i) a counterpart of this Agreement signed on behalf of such party or (ii) evidence satisfactory to the Administrative Agent (which may include a facsimile transmission or other electronic transmission of a signed counterpart of this Agreement) that such party has signed a counterpart of this Agreement.
- (b) On such date and after giving effect to this Agreement, (i) no Default or Event of Default shall have occurred and be continuing, (ii) the Borrower shall be in compliance with the financial covenants set forth in Sections 6.01(a), (b) and (c) of the Amended Credit Agreement, (iii) each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents shall be true and correct in all material respects; *provided* that to the extent any such representation or warranty is already qualified by materiality or reference to Material Adverse Effect, such representation or warranty shall be true and correct in all respects, and (iv) the Administrative Agent shall have received a certificate, dated as of the Amendment Effective Date and signed by an Authorized Financial Officer, confirming compliance with (x) clauses (i), (ii) and (iii) of this Section 4(b) and (y) the representations and warranties contained in Section 3 above.
- (c) The Administrative Agent shall have received, in immediately available funds, payment of all fees and reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower under the Credit Agreement or under Sections 5(a) and 5(b) hereof.

The Administrative Agent shall notify the Borrower and the Lenders party hereto (including the New Lender) of the Amendment Effective Date, and such notice shall be conclusive and binding.

SECTION 5. Fees and Expenses.

(a) The Borrower agrees to pay to, or cause to be paid to, the New Lender an upfront fee of \$150,000, which fee shall be due and payable on the Amendment Effective Date.

(b) The Borrower agrees to reimburse the Administrative Agent for its reasonable out-of-pocket expenses in connection with this Agreement and the transactions contemplated hereby, including the reasonable fees, charges and disbursements of Cravath, Swaine & Moore LLP.

SECTION 6. Effect of this Agreement. Except as expressly set forth herein, this Agreement shall not by implication or otherwise limit, impair, constitute a waiver of or otherwise affect the rights and remedies of the Administrative Agent or the Lenders under the Credit Agreement, the Amended Credit Agreement and the other Loan Documents, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement, the Amended Credit Agreement or any of the other Loan Documents, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle the Borrower to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or the Amended Credit Agreement in similar or different circumstances. This Agreement shall constitute a “Loan Document” for all purposes of the Credit Agreement, the Amended Credit Agreement and the other Loan Documents.

SECTION 7. Applicable Law. **THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

SECTION 8. Counterparts. This Agreement may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. The exchange of copies of this Agreement and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Agreement as to the parties hereto and may be used in lieu of the original Agreement for all purposes. Any signature to this Agreement may be delivered by facsimile, electronic mail (including pdf) or any electronic signature complying with the U.S. federal ESIGN Act of 2000 or the New York Electronic Signature and Records Act or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes to the fullest extent permitted by applicable law. Each of the parties represents and warrants to the other parties that it has the corporate capacity and authority to execute this Agreement through electronic means and there are no restrictions for doing so in that party’s constitutive documents.

SECTION 9. Headings. The Section headings used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

GREEN BRICK PARTNERS, INC.

By

/s/ Richard A. Costello

Name: Richard A. Costello

Title: Chief Financial Officer

[Signature Page to Eighth Amendment]

FLAGSTAR BANK, FSB, as Administrative
Agent and a Lender

By

/s/ Jerry C. Schillaci

Name: Jerry C. Schillaci

Title: Vice President

[Signature Page to Eighth Amendment]

TCF NATIONAL BANK, a national banking
association, successor by merger to Chemical
Bank, as a Lender

By

/s/ Ron Konstantinovsky

Name: Ron Konstantinovsky

Title: Vice President

[Signature Page to Eighth Amendment]

VERITEX COMMUNITY BANK,
as a Lender

By

/s/ Ben Weimer

Name: Ben Weimer

Title: Senior Vice President

[Signature Page to Eighth Amendment]

REAFFIRMATION

May 28, 2021

Reference is made to the Eighth Amendment, dated as of May 28, 2021 (the “Eighth Amendment”), by and among Green Brick Partners, Inc. (the “Borrower”), the lenders party thereto and Flagstar Bank, FSB, as administrative agent (the “Administrative Agent”), to the Credit Agreement, dated as of December 15, 2015 (as amended by the First Amendment, dated as of August 31, 2016, the Second Amendment, dated as of December 1, 2016, the Third Amendment, dated as of September 1, 2017, the Fourth Amendment, dated as of December 1, 2017, the Fifth Amendment, dated as of November 2, 2018, and the Sixth Amendment, dated as of December 17, 2019, Seventh Amendment, dated as of December 22, 2020, as amended, amended and restated, supplemented, restated or otherwise modified from time to time, the “Credit Agreement”), among the Borrower, the lenders from time to time party thereto and the Administrative Agent. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

Each of the undersigned Loan Parties (which, for the avoidance of doubt, collectively constitute the Loan Parties to the Credit Agreement as of the date hereof) hereby consents to the Eighth Amendment and the transactions contemplated thereby. Each of the undersigned Loan Parties further (a) affirms and confirms its respective guarantees, pledges, grants of security interests and other obligations under the Credit Agreement and each of the other Loan Documents to which it is a party, in respect of, and to secure, the Obligations, (b) agrees that, notwithstanding the effectiveness of the Eighth Amendment and the transactions contemplated thereby, the Loan Documents to which it is a party, and such guarantees, pledges, grants of security interests and other obligations thereunder, shall continue to be in full force and effect in accordance with the terms thereof and (c) represents and warrants that as of the date hereof that this reaffirmation and the transactions contemplated hereby have been duly authorized, executed and delivered by such Loan Party and constitutes its legal, valid and binding obligation, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors’ rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law. Borrower reaffirms and acknowledges its obligations to the Administrative Agent with respect to the Loan Documents.

[Signature page follows]

GREEN BRICK PARTNERS, INC.

By

/s/ Richard A. Costello

Name: Richard A. Costello

Title: Chief Financial Officer

[Signature Page to Reaffirmation Agreement]

CB JENI BERKSHIRE PLACE LLC
CB JENI – BRICK ROW TOWNHOMES, LLC
CB JENI HOMES DFW LLC
CB JENI MUSTANG PARK LLC
GRBK CHURCH STREET, LLC
GRBK DEVORE, LLC
GRBK EDGEWOOD LLC
GRBK FRISCO LLC
GRBK GC, LLC
GRBK HAYNES, LLC
GRBK STRINGER, LLC
GRBKMP, LLC
JBGL ATLANTA DEVELOPMENT, LLC
JBGL ATLANTA DEVELOPMENT 2014, LLC
JBGL BUILDER FINANCE LLC
JBGL CHATEAU, LLC
JBGL EXCHANGE LLC
JBGL HAWTHORNE, LLC
JBGL MUSTANG LLC
JBGL OWNERSHIP LLC
JOHNS CREEK 206, LLC
NORMANDY HOMES CYPRESS MEADOWS, LLC
NORMANDY HOMES LAKESIDE, LLC
SGHDAL LLC
THE PROVIDENCE GROUP OF GEORGIA, L.L.C.
THE PROVIDENCE GROUP OF GEORGIA CUSTOM
HOMES, L.L.C.
TPG HOMES, L.L.C.
TROPHY SIGNATURE HOMES, LLC
TSHH, LLC
TSHWS, LLC

By

/s/ Richard A. Costello

Name: Richard A. Costello

Title: Chief Financial Officer, President or
Vice President,
as applicable

[Signature Page to Reaffirmation Agreement]

[[5621504]]

Revolving Credit Commitments

Lenders	Revolving Credit Commitments	Termination Date
Flagstar Bank, FSB	\$80,000,000	December 14, 2023
Goldman Sachs Bank USA	\$50,000,000	December 14, 2023
Citibank, N.A.	\$40,000,000	December 14, 2022
JPMorgan Chase Bank, N.A.	\$35,000,000	December 14, 2022
TCF National Bank (as successor to Chemical Bank)	\$30,000,000	December 14, 2023
Veritex Community Bank	\$30,000,000	December 14, 2023
Total	\$265,000,000	

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 Quarterly Report on Form 10-Q of Green Brick Partners, Inc. for the period ended June 30, 2021;
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: August 3, 2021

By: /s/ James R. Brickman
Name: James R. Brickman
Title: Chief Executive Officer

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 Quarterly Report on Form 10-Q of Green Brick Partners, Inc. for the period ended June 30, 2021;
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: August 3, 2021

By: /s/ Richard A. Costello
Name: Richard A. Costello
Title: Chief Financial Officer

Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Green Brick Partners, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2021 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: August 3, 2021

By: /s/ James R. Brickman
Name: James R. Brickman
Title: Chief Executive Officer

Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Green Brick Partners, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2021 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: August 3, 2021

By: /s/ Richard A. Costello

Name: Richard A. Costello

Title: Chief Financial Officer