

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

**FORM 10-Q**

(Mark One)



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

**For the quarterly period ended June 30, 2020**

**or**



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

**Commission File Number 001-36491**

**CENTURY COMMUNITIES, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**68-0521411**

(I.R.S. Employer  
Identification No.)

**8390 East Crescent Parkway, Suite 650**

**Greenwood Village, CO**

(Address of principal executive offices)

**80111**

(Zip Code)

(Registrant's telephone number, including area code): **(303) 770-8300**

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

| Title of each class                      | Trading Symbol | Name of each exchange on which registered |
|------------------------------------------|----------------|-------------------------------------------|
| Common stock, par value \$0.01 per share | CCS            | New York Stock Exchange                   |

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒  
Non-accelerated Filer ☐

Accelerated Filer ☐  
Smaller Reporting Company ☐  
Emerging Growth Company ☐

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

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

On July 22, 2020, 33,350,633 shares of common stock, par value \$0.01 per share, were outstanding.

**CENTURY COMMUNITIES, INC.**

**FORM 10-Q**

**For the Three and Six Months Ended June 30, 2020**

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# PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS.

### **Century Communities, Inc.** **Condensed Consolidated Balance Sheets** **As of June 30, 2020 and December 31, 2019** *(in thousands, except share amounts)*

|                                                                                                                                                                             | June 30,<br>2020    | December 31,<br>2019 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------------------|
|                                                                                                                                                                             | (unaudited)         | (audited)            |
| <b>Assets</b>                                                                                                                                                               |                     |                      |
| Cash and cash equivalents                                                                                                                                                   | \$ 173,521          | \$ 55,436            |
| Cash held in escrow                                                                                                                                                         | 46,619              | 35,308               |
| Accounts receivable                                                                                                                                                         | 22,846              | 27,438               |
| Inventories                                                                                                                                                                 | 1,898,503           | 1,995,549            |
| Mortgage loans held for sale                                                                                                                                                | 219,615             | 185,246              |
| Prepaid expenses and other assets                                                                                                                                           | 115,095             | 124,008              |
| Property and equipment, net                                                                                                                                                 | 33,277              | 35,998               |
| Deferred tax assets, net                                                                                                                                                    | 11,911              | 10,589               |
| Goodwill                                                                                                                                                                    | 30,395              | 30,395               |
| <b>Total assets</b>                                                                                                                                                         | <b>\$ 2,551,782</b> | <b>\$ 2,499,967</b>  |
| <b>Liabilities and stockholders' equity</b>                                                                                                                                 |                     |                      |
| <b>Liabilities:</b>                                                                                                                                                         |                     |                      |
| Accounts payable                                                                                                                                                            | \$ 49,635           | \$ 84,794            |
| Accrued expenses and other liabilities                                                                                                                                      | 277,526             | 213,975              |
| Notes payable                                                                                                                                                               | 897,664             | 896,704              |
| Revolving line of credit                                                                                                                                                    | —                   | 68,700               |
| Mortgage repurchase facilities                                                                                                                                              | 197,469             | 174,095              |
| <b>Total liabilities</b>                                                                                                                                                    | <b>1,422,294</b>    | <b>1,438,268</b>     |
| <b>Stockholders' equity:</b>                                                                                                                                                |                     |                      |
| Preferred stock, \$0.01 par value, 50,000,000 shares authorized, none outstanding                                                                                           | —                   | —                    |
| Common stock, \$0.01 par value, 100,000,000 shares authorized, 33,350,633 and 33,067,375 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively | 334                 | 331                  |
| Additional paid-in capital                                                                                                                                                  | 687,564             | 684,354              |
| Retained earnings                                                                                                                                                           | 441,590             | 377,014              |
| <b>Total stockholders' equity</b>                                                                                                                                           | <b>1,129,488</b>    | <b>1,061,699</b>     |
| <b>Total liabilities and stockholders' equity</b>                                                                                                                           | <b>\$ 2,551,782</b> | <b>\$ 2,499,967</b>  |

See Notes to Unaudited Condensed Consolidated Financial Statements

**Century Communities, Inc.**  
**Unaudited Condensed Consolidated Statements of Operations**  
**For the Three and Six Months Ended June 30, 2020 and 2019**  
*(in thousands, except share and per share amounts)*

|                                                    | <b>Three Months Ended June 30,</b> |                  | <b>Six Months Ended June 30,</b> |                  |
|----------------------------------------------------|------------------------------------|------------------|----------------------------------|------------------|
|                                                    | <b>2020</b>                        | <b>2019</b>      | <b>2020</b>                      | <b>2019</b>      |
| <b>Revenues</b>                                    |                                    |                  |                                  |                  |
| Homebuilding revenues                              |                                    |                  |                                  |                  |
| Home sales revenues                                | \$ 747,415                         | \$ 608,636       | \$ 1,320,125                     | \$ 1,131,938     |
| Land sales and other revenues                      | 3,307                              | 1,399            | 23,411                           | 2,754            |
| Total homebuilding revenues                        | 750,722                            | 610,035          | 1,343,536                        | 1,134,692        |
| Financial services revenue                         | 25,722                             | 9,915            | 35,517                           | 18,315           |
| Total revenues                                     | 776,444                            | 619,950          | 1,379,053                        | 1,153,007        |
| Homebuilding cost of revenues                      |                                    |                  |                                  |                  |
| Cost of home sales revenues                        | (620,655)                          | (503,928)        | (1,091,181)                      | (937,685)        |
| Cost of land sales and other revenues              | (2,384)                            | (877)            | (16,551)                         | (1,491)          |
| Total homebuilding cost of revenues                | (623,039)                          | (504,805)        | (1,107,732)                      | (939,176)        |
| Financial services costs                           | (12,744)                           | (7,747)          | (22,330)                         | (14,576)         |
| Selling, general and administrative                | (86,706)                           | (75,217)         | (160,325)                        | (144,153)        |
| Loss on debt extinguishment                        | —                                  | (10,832)         | —                                | (10,832)         |
| Inventory impairment and other                     | (910)                              | —                | (1,691)                          | —                |
| Other expense                                      | (2,942)                            | (519)            | (2,784)                          | (443)            |
| Income before income tax expense                   | 50,103                             | 20,830           | 84,191                           | 43,827           |
| Income tax expense                                 | (11,653)                           | (5,335)          | (19,615)                         | (11,215)         |
| Net income                                         | <u>\$ 38,450</u>                   | <u>\$ 15,495</u> | <u>\$ 64,576</u>                 | <u>\$ 32,612</u> |
| <b>Earnings per share:</b>                         |                                    |                  |                                  |                  |
| Basic                                              | \$ 1.15                            | \$ 0.51          | \$ 1.94                          | \$ 1.08          |
| Diluted                                            | \$ 1.15                            | \$ 0.51          | \$ 1.93                          | \$ 1.07          |
| <b>Weighted average common shares outstanding:</b> |                                    |                  |                                  |                  |
| Basic                                              | 33,340,184                         | 30,341,628       | 33,274,056                       | 30,272,818       |
| Diluted                                            | 33,461,694                         | 30,568,848       | 33,469,069                       | 30,506,945       |

See Notes to Unaudited Condensed Consolidated Financial Statements

**Century Communities, Inc.**  
**Unaudited Condensed Consolidated Statements of Cash Flows**  
**For the Six Months Ended June 30, 2020 and 2019**  
*(in thousands)*

|                                                                                             | <b>Six Months Ended June 30,</b> |             |
|---------------------------------------------------------------------------------------------|----------------------------------|-------------|
|                                                                                             | <b>2020</b>                      | <b>2019</b> |
| <b>Operating activities</b>                                                                 |                                  |             |
| Net income                                                                                  | \$ 64,576                        | \$ 32,612   |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                                  |             |
| Depreciation and amortization                                                               | 6,842                            | 6,196       |
| Stock-based compensation expense                                                            | 8,588                            | 7,468       |
| Fair value of loans held for sale and other                                                 | (6,175)                          | (1,012)     |
| Loss on debt extinguishment                                                                 | —                                | 10,832      |
| Inventory impairment and other                                                              | 1,691                            | —           |
| Deferred income taxes                                                                       | (1,322)                          | 428         |
| Loss on disposition of assets                                                               | 914                              | 526         |
| Changes in assets and liabilities:                                                          |                                  |             |
| Cash held in escrow                                                                         | (11,311)                         | (1,495)     |
| Accounts receivable                                                                         | 4,592                            | (2,535)     |
| Inventories                                                                                 | 138,049                          | (121,734)   |
| Mortgage loans held for sale                                                                | (30,990)                         | (9,152)     |
| Prepaid expenses and other assets                                                           | 13,229                           | (4,296)     |
| Accounts payable                                                                            | (35,158)                         | 7,137       |
| Accrued expenses and other liabilities                                                      | 20,259                           | (17,974)    |
| Net cash provided by (used in) operating activities                                         | 173,784                          | (92,999)    |
| <b>Investing activities</b>                                                                 |                                  |             |
| Purchases of property and equipment                                                         | (4,913)                          | (6,274)     |
| Other investing activities                                                                  | 62                               | 59          |
| Net cash used in investing activities                                                       | (4,851)                          | (6,215)     |
| <b>Financing activities</b>                                                                 |                                  |             |
| Borrowings under revolving credit facilities                                                | 678,000                          | 767,600     |
| Payments on revolving credit facilities                                                     | (746,700)                        | (758,100)   |
| Proceeds from issuance of senior notes due 2027                                             | —                                | 500,000     |
| Extinguishment of senior notes due 2022                                                     | —                                | (391,942)   |
| Proceeds from issuance of insurance premium notes and other                                 | 4,542                            | 9,301       |
| Principal payments on insurance notes payable                                               | (4,220)                          | (17,586)    |
| Debt issuance costs                                                                         | —                                | (5,728)     |
| Net proceeds from mortgage repurchase facilities                                            | 23,374                           | (3,805)     |
| Net proceeds from issuances of common stock                                                 | —                                | 2,663       |
| Withholding of common stock upon vesting of restricted stock units                          | (5,145)                          | (3,434)     |
| Repurchases of common stock under stock repurchase program                                  | —                                | (1,439)     |
| Other                                                                                       | (345)                            | —           |
| Net cash provided by (used in) financing activities                                         | (50,494)                         | 97,530      |
| Net increase (decrease)                                                                     | \$ 118,439                       | \$ (1,684)  |
| Cash and cash equivalents and Restricted cash                                               |                                  |             |
| Beginning of period                                                                         | 58,521                           | 36,441      |
| End of period                                                                               | \$ 176,960                       | \$ 34,757   |
| <b>Supplemental cash flow disclosure</b>                                                    |                                  |             |
| Cash paid for income taxes                                                                  | \$ 410                           | \$ 13,111   |
| <b>Cash and cash equivalents and Restricted cash</b>                                        |                                  |             |
| Cash and cash equivalents                                                                   | \$ 173,521                       | \$ 31,704   |
| Restricted cash (Note 5)                                                                    | 3,439                            | 3,053       |
| Cash and cash equivalents and Restricted cash                                               | \$ 176,960                       | \$ 34,757   |

See Notes to Unaudited Condensed Consolidated Financial Statements

**Century Communities, Inc.**  
**Unaudited Condensed Consolidated Statements of Stockholders' Equity**  
**For the Three and Six Months Ended June 30, 2020 and 2019**  
*(in thousands)*

**Three Months Ended June 30, 2020 and 2019**

|                                                                    | <b>Common Stock</b> |               | <b>Additional Paid-In Capital</b> | <b>Retained Earnings</b> | <b>Total Stockholders' Equity</b> |
|--------------------------------------------------------------------|---------------------|---------------|-----------------------------------|--------------------------|-----------------------------------|
|                                                                    | <b>Shares</b>       | <b>Amount</b> |                                   |                          |                                   |
| <b>Balance at March 31, 2020</b>                                   | <u>33,319</u>       | <u>\$ 333</u> | <u>\$ 681,060</u>                 | <u>\$ 403,140</u>        | <u>\$ 1,084,533</u>               |
| Issuance of common stock                                           | —                   | —             | —                                 | —                        | —                                 |
| Other                                                              | —                   | —             | (230)                             | —                        | (230)                             |
| Vesting of restricted stock units                                  | 42                  | 1             | (1)                               | —                        | —                                 |
| Withholding of common stock upon vesting of restricted stock units | (10)                | —             | (168)                             | —                        | (168)                             |
| Stock-based compensation expense                                   | —                   | —             | 6,903                             | —                        | 6,903                             |
| Net income                                                         | —                   | —             | —                                 | 38,450                   | 38,450                            |
| <b>Balance at June 30, 2020</b>                                    | <u>33,351</u>       | <u>\$ 334</u> | <u>\$ 687,564</u>                 | <u>\$ 441,590</u>        | <u>\$ 1,129,488</u>               |
| <b>Balance at March 31, 2019</b>                                   | <u>30,304</u>       | <u>\$ 303</u> | <u>\$ 593,966</u>                 | <u>\$ 281,137</u>        | <u>\$ 875,406</u>                 |
| Issuance of common stock                                           | 100                 | 1             | 2,662                             | —                        | 2,663                             |
| Vesting of restricted stock units                                  | 45                  | —             | —                                 | —                        | —                                 |
| Withholding of common stock upon vesting of restricted stock units | (10)                | —             | (268)                             | —                        | (268)                             |
| Stock-based compensation expense                                   | —                   | —             | 3,933                             | —                        | 3,933                             |
| Net income                                                         | —                   | —             | —                                 | 15,495                   | 15,495                            |
| <b>Balance at June 30, 2019</b>                                    | <u>30,439</u>       | <u>\$ 304</u> | <u>\$ 600,293</u>                 | <u>\$ 296,632</u>        | <u>\$ 897,229</u>                 |

**Six Months Ended June 30, 2020 and 2019**

|                                                                    | <b>Common Stock</b> |               | <b>Additional Paid-In Capital</b> | <b>Retained Earnings</b> | <b>Total Stockholders' Equity</b> |
|--------------------------------------------------------------------|---------------------|---------------|-----------------------------------|--------------------------|-----------------------------------|
|                                                                    | <b>Shares</b>       | <b>Amount</b> |                                   |                          |                                   |
| <b>Balance at December 31, 2019</b>                                | <u>33,067</u>       | <u>\$ 331</u> | <u>\$ 684,354</u>                 | <u>\$ 377,014</u>        | <u>\$ 1,061,699</u>               |
| Issuance of common stock                                           | —                   | —             | —                                 | —                        | —                                 |
| Other                                                              | —                   | —             | (230)                             | —                        | (230)                             |
| Vesting of restricted stock units                                  | 454                 | 5             | (5)                               | —                        | —                                 |
| Withholding of common stock upon vesting of restricted stock units | (170)               | (2)           | (5,143)                           | —                        | (5,145)                           |
| Stock-based compensation expense                                   | —                   | —             | 8,588                             | —                        | 8,588                             |
| Net income                                                         | —                   | —             | —                                 | 64,576                   | 64,576                            |
| <b>Balance at June 30, 2020</b>                                    | <u>33,351</u>       | <u>\$ 334</u> | <u>\$ 687,564</u>                 | <u>\$ 441,590</u>        | <u>\$ 1,129,488</u>               |
| <b>Balance at December 31, 2018</b>                                | <u>30,155</u>       | <u>\$ 302</u> | <u>\$ 595,037</u>                 | <u>\$ 264,020</u>        | <u>\$ 859,359</u>                 |
| Issuance of common stock                                           | 100                 | 1             | 2,662                             | —                        | 2,663                             |
| Repurchase of common stock                                         | (83)                | (1)           | (1,438)                           | —                        | (1,439)                           |
| Vesting of restricted stock units                                  | 413                 | 4             | (4)                               | —                        | —                                 |
| Withholding of common stock upon vesting of restricted stock units | (146)               | (2)           | (3,432)                           | —                        | (3,434)                           |
| Stock-based compensation expense                                   | —                   | —             | 7,468                             | —                        | 7,468                             |
| Net income                                                         | —                   | —             | —                                 | 32,612                   | 32,612                            |
| <b>Balance at June 30, 2019</b>                                    | <u>30,439</u>       | <u>\$ 304</u> | <u>\$ 600,293</u>                 | <u>\$ 296,632</u>        | <u>\$ 897,229</u>                 |

*See Notes to Unaudited Condensed Consolidated Financial Statements*

**Century Communities, Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**June 30, 2020**

**1. Basis of Presentation**

Century Communities, Inc. (which we refer to as “we,” “CCS,” or the “Company”), together with its subsidiaries, is engaged in the development, design, construction, marketing and sale of single-family attached and detached homes in metropolitan areas in 17 states. In many of our projects, in addition to building homes, we are responsible for the entitlement and development of the underlying land. We build and sell homes under our Century Communities and Century Complete brands. Our Century Communities brand targets a wide range of buyer profiles including: first time, first and second time move up, and lifestyle homebuyers, and provides our homebuyers with the ability to personalize their homes through certain option and upgrade selections. Our Century Complete brand targets first time homebuyers, primarily sells homes through retail studios and the internet, and provides no option or upgrade selections. Our homebuilding operations are organized into the following five reportable segments: West, Mountain, Texas, Southeast, and Century Complete. Additionally, our indirect wholly owned subsidiaries, Inspire Home Loans, Inc., Parkway Title, LLC, and IHL Home Insurance Agency, LLC, which provide mortgage, title, and insurance services, respectively, to our homebuyers, have been identified as our Financial Services segment.

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (which we refer to as “GAAP”) and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (which we refer to as the “SEC”). In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments consisting of normal recurring adjustments necessary for a fair presentation of our financial position and results of operations for the periods presented. Interim results of operations are not necessarily indicative of the results that may be achieved for the full year, particularly in light of the novel coronavirus (“COVID-19”) pandemic and measures intended to mitigate the spread. The financial statements and related notes do not include all information and footnotes required by GAAP and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2019, which are included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 that was filed with the SEC on February 7, 2020.

The COVID-19 pandemic has led to adverse impacts on the U.S. and global economies and created uncertainty regarding potential impacts to our operations and customer demand. Commencing in March 2020, numerous state and local municipalities issued public health orders with varying expiration dates requiring the closure of nonessential businesses, as well as ordering individuals to stay at home and/or shelter in place whenever possible. These public health orders generally exempted the sale and construction of new homes, other than a small portion of our operations, which had to cease operations in early April. During the latter half of the second quarter of 2020, state and local municipalities in the majority of our markets began to lift the most stringent of the public health restrictions and numerous nonessential businesses were allowed to reopen. However, recent increases in COVID-19 positive cases throughout the United States during the later weeks of June and into July of 2020 have resulted in the slowing or altering of “re-opening” plans in numerous states, including many in which we conduct business. As of the date of this filing, we are able to build and sell homes in all of our markets.

**Principles of Consolidation**

The condensed consolidated financial statements include the accounts of the Company, as well as all subsidiaries in which we have a controlling interest, and variable interest entities for which the Company is deemed to be the primary beneficiary. We currently do not have any variable interest entities in which we are deemed the primary beneficiary. All intercompany accounts and transactions have been eliminated.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates, particularly given the uncertainties associated with the ongoing COVID-19 pandemic.

**Recently Adopted Accounting Standards**

***Financial Instruments - Credit Losses***

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. The standard changes the accounting for credit losses for most financial assets and certain

other instruments. Credit losses that have historically been accounted for on an incurred loss basis are now accounted for using an estimate of lifetime expected credit losses. This generally results in earlier recognition of allowances for credit losses. We adopted this standard on January 1, 2020 with no material effect on the consolidated financial statements and related disclosures.

### ***Internal-Use Software***

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)*. This update is intended to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement by providing guidance for determining when the arrangement includes a software license. We adopted this standard on January 1, 2020 with no material effect on the consolidated financial statements and related disclosures.

### **Recently Issued Accounting Standards**

In December 2019, the FASB issued ASU No. 2019-12, *“Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes”* (“ASU 2019-12”). The standard simplifies the accounting for income taxes, eliminates certain exceptions, and clarifies certain aspects of ASC 740 to promote consistency among reporting entities. ASU 2019-12 is effective for us beginning January 1, 2021. We do not expect this standard to have a material effect on the consolidated financial statements and related disclosures.

## **2. Reporting Segments**

Our homebuilding operations are engaged in the development, design, construction, marketing and sale of single-family attached and detached homes in 17 states. We build and sell homes under our Century Communities and Century Complete brands. Our Century Communities brand is managed by geographic location, and each of our four geographic regions targets a wide range of buyer profiles including: first time, first and second time move up, and lifestyle homebuyers, and provides our homebuyers with the ability to personalize their homes through certain option and upgrade selections. Each of our four geographic regions is considered a separate operating segment. Our Century Complete brand targets first time homebuyers, primarily sells homes through retail studios and the internet, and provides no option or upgrade selections. Our Century Complete brand currently has operations in 11 states and is managed separately from our four geographic regions. Accordingly, it is considered a separate operating segment.

The management of our four geographic regions and Century Complete reports to our chief operating decision makers (which we refer to as “CODMs”), the Co-Chief Executive Officers of our Company. The CODMs review the results of our operations, including total revenue and income before income tax expense to determine profitability and to allocate resources. Accordingly, we have presented our homebuilding operations as the following five reportable segments:

- West (California and Washington)
- Mountain (Colorado, Nevada and Utah)
- Texas
- Southeast (Georgia, North Carolina, South Carolina and Tennessee)
- Century Complete (Alabama, Arizona, Florida, Georgia, Indiana, Iowa, Michigan, North Carolina, Ohio, South Carolina, and Texas)

We have also identified our Financial Services operations, which provide mortgage, title, and insurance services to our homebuyers, as a sixth reportable segment. Our Corporate operations are a non-operating segment, as they serve to support our homebuilding, and to a lesser extent our financial services operations, through functions, such as our executive, finance, treasury, human resources, accounting and legal departments. The following table summarizes total revenue and income before income tax expense by segment (in thousands):

|                                          | Three Months Ended June 30, |                   | Six Months Ended June 30, |                     |
|------------------------------------------|-----------------------------|-------------------|---------------------------|---------------------|
|                                          | 2020                        | 2019              | 2020                      | 2019                |
| Revenue:                                 |                             |                   |                           |                     |
| West                                     | \$ 166,125                  | \$ 135,226        | \$ 298,012                | \$ 247,346          |
| Mountain                                 | 177,569                     | 179,410           | 348,721                   | 339,076             |
| Texas                                    | 98,678                      | 61,522            | 158,842                   | 112,008             |
| Southeast                                | 174,626                     | 124,814           | 306,128                   | 237,626             |
| Century Complete                         | 133,724                     | 109,063           | 231,833                   | 198,636             |
| Financial Services                       | 25,722                      | 9,915             | 35,517                    | 18,315              |
| Corporate                                | —                           | —                 | —                         | —                   |
| Total revenue                            | <u>\$ 776,444</u>           | <u>\$ 619,950</u> | <u>\$ 1,379,053</u>       | <u>\$ 1,153,007</u> |
| Income (loss) before income tax expense: |                             |                   |                           |                     |
| West                                     | \$ 13,747                   | \$ 9,973          | \$ 29,089                 | \$ 18,621           |
| Mountain                                 | 20,616                      | 22,526            | 39,094                    | 41,834              |
| Texas                                    | 9,610                       | 5,587             | 15,108                    | 9,336               |
| Southeast                                | 12,020                      | 4,649             | 20,329                    | 10,388              |
| Century Complete                         | 8,548                       | 8,318             | 9,333                     | 12,291              |
| Financial Services                       | 12,978                      | 2,168             | 13,187                    | 3,739               |
| Corporate                                | (27,416)                    | (32,391)          | (41,949)                  | (52,382)            |
| Total income before income tax expense   | <u>\$ 50,103</u>            | <u>\$ 20,830</u>  | <u>\$ 84,191</u>          | <u>\$ 43,827</u>    |

The following table summarizes total assets by operating segment (in thousands):

|                    | June 30,<br>2020    | December 31,<br>2019 |
|--------------------|---------------------|----------------------|
| West               | \$ 566,724          | \$ 610,248           |
| Mountain           | 691,622             | 635,201              |
| Texas              | 204,925             | 232,887              |
| Southeast          | 376,028             | 441,818              |
| Century Complete   | 189,215             | 244,827              |
| Financial Services | 306,519             | 254,282              |
| Corporate          | 216,749             | 80,704               |
| Total assets       | <u>\$ 2,551,782</u> | <u>\$ 2,499,967</u>  |

Corporate assets primarily include certain cash and cash equivalents, certain property and equipment, prepaid insurance, and deferred financing costs on our revolving line of credit.

### 3. Inventories

Inventories included the following (in thousands):

|                           | June 30,<br>2020    | December 31,<br>2019 |
|---------------------------|---------------------|----------------------|
| Homes under construction  | \$ 935,543          | \$ 1,091,576         |
| Land and land development | 892,649             | 836,904              |
| Capitalized interest      | 70,311              | 67,069               |
| Total inventories         | <u>\$ 1,898,503</u> | <u>\$ 1,995,549</u>  |

### 4. Financial Services

Our Financial Services are principally comprised of our mortgage lending operations, Inspire Home Loans, Inc. (which we refer to as “Inspire”). Inspire is a full-service mortgage lender and primarily originates mortgage loans for our homebuyers. Inspire sells substantially all of the loans it originates and their related servicing rights in the secondary mortgage market within a short period of time after origination, generally within 30 days. Inspire primarily finances these loans using its mortgage repurchase facilities. Mortgage loans in process for which interest rates were committed to borrowers totaled approximately \$124.3 million and \$37.6 million at June 30, 2020 and December 31, 2019, respectively, and carried a weighted average interest rate of approximately 3.8% and 3.9%, respectively. As of June 30, 2020 and December 31, 2019, Inspire had mortgage loans held for sale with an aggregate fair value of

\$219.6 million and \$185.2 million, respectively, and an aggregate outstanding principal balance of \$210.3 million and \$179.3 million, respectively.

Mortgage loans held-for-sale, including the rights to service the mortgage loans, as well as the derivative instrument used to economically hedge our interest rate risk, which are typically forward commitments on mortgage backed securities, are carried at fair value and changes in fair value are reflected in financial services revenue on the condensed consolidated statement of operations. Management believes carrying loans held-for-sale and the derivative instruments used to economically hedge them at fair value improves financial reporting by more accurately reflecting the underlying transaction. Refer to Note 11 – Fair Value Disclosures for further information regarding our derivative instruments.

## 5. Prepaid Expenses and Other Assets

Prepaid expenses and other assets included the following (in thousands):

|                                                           | June 30,<br>2020 | December 31,<br>2019 |
|-----------------------------------------------------------|------------------|----------------------|
| Prepaid insurance                                         | \$ 24,067        | \$ 26,175            |
| Lot option and escrow deposits                            | 37,826           | 48,810               |
| Performance deposits                                      | 5,776            | 6,299                |
| Deferred financing costs on revolving line of credit, net | 3,890            | 4,574                |
| Restricted cash <sup>(1)</sup>                            | 3,439            | 3,085                |
| Secured note receivable                                   | 2,486            | 2,602                |
| Right of use assets                                       | 18,008           | 18,854               |
| Other assets and prepaid expenses                         | 7,878            | 8,633                |
| Mortgage loans held for investment and derivative assets  | 11,640           | 4,768                |
| Amortizable intangible assets, net                        | 85               | 208                  |
| Total prepaid expenses and other assets                   | \$ 115,095       | \$ 124,008           |

<sup>(1)</sup> Restricted cash consists of earnest money deposits for home sale contracts held by third parties as required by various jurisdictions, and certain pledge balances associated with our mortgage repurchase facilities.

## 6. Accrued Expenses and Other Liabilities

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

|                                                        | June 30,<br>2020 | December 31,<br>2019 |
|--------------------------------------------------------|------------------|----------------------|
| Earnest money deposits                                 | \$ 18,334        | \$ 10,592            |
| Warranty reserve                                       | 11,221           | 9,731                |
| Accrued compensation costs                             | 29,937           | 30,888               |
| Land development and home construction accruals        | 152,717          | 110,284              |
| Accrued interest                                       | 14,063           | 19,306               |
| Lease liabilities - operating leases                   | 18,446           | 14,562               |
| Income taxes payable                                   | 7,153            | 329                  |
| Liability for product financing arrangements and other | 25,655           | 18,283               |
| Total accrued expenses and other liabilities           | \$ 277,526       | \$ 213,975           |

## 7. Warranties

Estimated future direct warranty costs are accrued and charged to cost of home sales revenues in the period when the related home sales revenues are recognized. Amounts accrued, which are included in accrued expenses and other liabilities on the consolidated balance sheets, are based upon historical experience rates. We subsequently assess the adequacy of our warranty accrual on a quarterly basis through an internal model that incorporates historical payment trends and adjust the amounts recorded, if necessary. Based on warranty payment trends relative to our estimates at the time of home closing, we reduced our warranty reserve by \$0.2 million and increased our reserve by \$0.2 million during the three months ended June 30, 2020 and 2019, respectively. We reduced our warranty reserve by \$1.3 million during the six months ended June 30, 2020, compared to a \$0.2 million increase during the same period in 2019. These

adjustments are included in cost of home sales revenues on our consolidated statements of operations. Changes in our warranty accrual for the three and six months ended June 30, 2020 and 2019 are detailed in the table below (in thousands):

|                             | Three Months Ended June 30, |          | Six Months Ended June 30, |          |
|-----------------------------|-----------------------------|----------|---------------------------|----------|
|                             | 2020                        | 2019     | 2020                      | 2019     |
| Beginning balance           | \$ 9,727                    | \$ 8,633 | \$ 9,731                  | \$ 7,970 |
| Warranty expense provisions | 2,274                       | 2,107    | 4,051                     | 3,768    |
| Payments                    | (612)                       | (1,174)  | (1,301)                   | (2,194)  |
| Warranty adjustment         | (168)                       | 202      | (1,260)                   | 224      |
| Ending balance              | \$ 11,221                   | \$ 9,768 | \$ 11,221                 | \$ 9,768 |

## 8. Debt

Our outstanding debt obligations included the following as of June 30, 2020 and December 31, 2019 (in thousands):

|                                                   | June 30,<br>2020 | December 31,<br>2019 |
|---------------------------------------------------|------------------|----------------------|
| 6.750% senior notes, due May 2027 <sup>(1)</sup>  | \$ 494,592       | \$ 494,307           |
| 5.875% senior notes, due July 2025 <sup>(1)</sup> | 396,473          | 396,120              |
| Other financing obligations                       | 6,599            | 6,277                |
| Notes payable                                     | 897,664          | 896,704              |
| Revolving line of credit, due April 2023          | —                | 68,700               |
| Mortgage repurchase facilities                    | 197,469          | 174,095              |
| Total debt                                        | \$ 1,095,133     | \$ 1,139,499         |

<sup>(1)</sup> The carrying value of senior notes reflects the impact of premiums, discounts, and issuance costs that are amortized to interest cost over the respective terms of the senior notes.

### *Revolving Line of Credit*

We are party to an Amended and Restated Credit Agreement with Texas Capital Bank, National Association, as Administrative Agent and L/C Issuer, the lenders party thereto and certain of our subsidiaries, which, as amended most recently on December 13, 2019, provides us with a revolving line of credit of up to \$640.0 million, and unless terminated earlier, will mature on April 30, 2023. Under the terms of the Amended and Restated Credit Agreement, we may request a twelve-month extension of the maturity date. Our obligations under the Amended and Restated Credit Agreement are guaranteed by certain of our subsidiaries. The Amended and Restated Credit Agreement contains customary affirmative and negative covenants (including limitations on our ability to grant liens, incur additional debt, pay dividends, redeem our common stock, make certain investments and engage in certain merger, consolidation or asset sale transactions), as well as customary events of default. These covenants are measured as defined in the Amended and Restated Credit Agreement and are reported to the lenders quarterly. Borrowings under the Amended and Restated Credit Agreement bear interest at a floating rate equal to the adjusted Eurodollar Rate plus an applicable margin between 2.60% and 3.10% per annum, or, at the Administrative Agent's discretion, a base rate plus an applicable margin between 1.60% and 2.10% per annum.

As of June 30, 2020, we had no amounts outstanding under the credit facility and were in compliance with all covenants.

### *Mortgage Repurchase Facilities – Financial Services*

On May 4, 2018, September 14, 2018, and August 1, 2019, Inspire entered into mortgage warehouse facilities, with Comerica Bank, J.P. Morgan, and Wells Fargo, respectively. The mortgage warehouse lines of credit (which we refer to as the “repurchase facilities”) provide Inspire with uncommitted repurchase facilities of up to an aggregate of \$275 million, secured by the mortgage loans financed thereunder. Amounts outstanding under the repurchase facilities are not guaranteed by us or any of our subsidiaries and the agreements contain various affirmative and negative covenants applicable to Inspire that are customary for arrangements of this type. As of June 30, 2020, we had \$197.5 million outstanding under these repurchase facilities and were in compliance with all covenants thereunder.

During the three months ended June 30, 2020 and 2019, we incurred interest expense on the repurchase facilities of \$0.5 million and \$0.9 million, respectively, which are included in financial services costs on our condensed consolidated statements of operations. During the six months ended June 30, 2020 and 2019, we incurred interest expense on the repurchase facilities of \$1.3 million and \$1.5 million, respectively.

## 9. Interest

Interest is capitalized to inventories while the related communities are being actively developed and until homes are completed. As our qualifying assets exceeded our outstanding debt during the six months ended June 30, 2020 and 2019, we capitalized all interest costs incurred during these periods, except for interest incurred on our mortgage repurchase facilities.

Our interest costs are as follows (in thousands):

|                                             | Three Months Ended June 30, |                  | Six Months Ended June 30, |                  |
|---------------------------------------------|-----------------------------|------------------|---------------------------|------------------|
|                                             | 2020                        | 2019             | 2020                      | 2019             |
| Interest capitalized beginning of period    | \$ 70,837                   | \$ 59,121        | \$ 67,069                 | \$ 53,842        |
| Interest capitalized during period          | 18,168                      | 18,602           | 35,621                    | 36,467           |
| Less: capitalized interest in cost of sales | (18,694)                    | (14,655)         | (32,379)                  | (27,241)         |
| Interest capitalized end of period          | <u>\$ 70,311</u>            | <u>\$ 63,068</u> | <u>\$ 70,311</u>          | <u>\$ 63,068</u> |

## 10. Income Taxes

At the end of each interim period we are required to estimate our annual effective tax rate for the fiscal year, and to use that rate to provide for income taxes for the current year-to-date reporting period. Our 2020 estimated annual effective tax rate of 23.4% is driven by our blended federal and state statutory rate of 25.6%, and certain other permanent differences between GAAP and tax which decreased our rate by 2.2%.

For the six months ended June 30, 2020, our estimated annual rate of 23.4% was impacted by discrete items which had a net impact of decreasing our rate by 0.1%, including excess tax benefits for vested stock-based compensation.

For the three months ended June 30, 2020 and 2019, we recorded income tax expense of \$11.7 million and \$5.3 million, respectively. For the six months ended June 30, 2020 and 2019, we recorded income tax expense of \$19.6 million and \$11.2 million, respectively.

## 11. Fair Value Disclosures

Accounting Standards Codification Topic 820, *Fair Value Measurement*, defines fair value as the price that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and requires assets and liabilities carried at fair value to be classified and disclosed in the following three categories:

Level 1 — Quoted prices for identical instruments in active markets.

Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are inactive; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets at measurement date.

Level 3 — Valuations derived from techniques where one or more significant inputs or significant value drivers are unobservable in active markets at measurement date.

The following table presents carrying values and estimated fair values of financial instruments (in thousands):

|                                               | Hierarchy | June 30, 2020 |            | December 31, 2019 |            |
|-----------------------------------------------|-----------|---------------|------------|-------------------|------------|
|                                               |           | Carrying      | Fair Value | Carrying          | Fair Value |
| Secured notes receivable <sup>(1)</sup>       | Level 2   | \$ 2,486      | \$ 2,532   | \$ 2,602          | \$ 2,545   |
| Mortgage loans held for sale <sup>(2)</sup>   | Level 2   | \$ 219,615    | \$ 219,615 | \$ 185,246        | \$ 185,246 |
| Derivative assets <sup>(3)</sup>              | Level 2   | \$ 4,827      | \$ 4,827   | \$ 1,382          | \$ 1,382   |
| 5.875% senior notes <sup>(4)(5)</sup>         | Level 2   | \$ 396,473    | \$ 401,520 | \$ 396,120        | \$ 415,680 |
| 6.750% senior notes <sup>(4)(5)</sup>         | Level 2   | \$ 494,592    | \$ 515,000 | \$ 494,307        | \$ 537,500 |
| Revolving line of credit <sup>(6)</sup>       | Level 3   | \$ —          | \$ —       | \$ 68,700         | \$ 68,700  |
| Other financing obligations <sup>(6)(7)</sup> | Level 2   | \$ 6,599      | \$ 6,599   | \$ 6,277          | \$ 6,277   |
| Derivative liabilities <sup>(3)</sup>         | Level 2   | \$ 795        | \$ 795     | \$ 147            | \$ 147     |
| Mortgage repurchase facilities <sup>(6)</sup> | Level 2   | \$ 197,469    | \$ 197,469 | \$ 174,095        | \$ 174,095 |

- (1) Estimated fair value of the secured notes receivable was based on cash flow models discounted at market interest rates which considered the underlying risks of the note. In May 2020, the maturity of the secured note receivable was extended by one year to May of 2021.
- (2) The mortgage loans held for sale are carried at fair value, which is based on quoted market prices for committed mortgage loans.
- (3) Derivative instruments are carried at fair value and based on market prices for similar instruments. Changes in fair value are reflected in financial services revenue on the condensed consolidated statement of operations. Derivative assets are presented within prepaid expenses and other assets on the condensed consolidated balance sheets. Derivative liabilities are presented within accrued expenses and other liabilities on the condensed consolidated balance sheets.
- (4) Estimated fair value of the senior notes is based on recent trading activity in inactive markets.
- (5) Carrying amounts include any associated unamortized deferred financing costs, premiums and discounts. As of June 30, 2020, these amounts totaled \$5.4 million and \$3.5 million for the 6.750% senior notes and 5.875% senior notes, respectively. As of December 31, 2019, these amounts totaled \$5.7 million and \$3.9 million for the 6.750% senior notes and 5.875% senior notes, respectively.
- (6) Carrying amount approximates fair value due to short-term nature and interest rate terms.
- (7) Insurance premium notes including in other financing obligations bore interest rates ranging from 3.278% to 3.240% during the periods ending June 30, 2020 and December 31, 2019, which approximated prevailing market rates for similar obligations at each period.

During the three months ended June 30, 2020, we determined that inventory with a carrying value before impairment of \$6.6 million within one community in our Texas segment was not recoverable. Accordingly, we recognized an impairment charge of \$0.9 million to reflect the estimated fair value of the community of \$5.7 million. During the six months ended June 30, 2020, total impairment charges of \$1.7 million were recorded, which includes \$0.8 million of impairment charges related to one community in our Century Complete segment which was recorded during the three months ended March 31, 2020. The estimated fair value of communities are determined through a discounted cash flow approach utilizing Level 3 inputs. Because the full magnitude and duration of the COVID-19 pandemic is uncertain and difficult to predict, changes in our cash flow projections may change our conclusions on the recoverability of inventory in the future.

The carrying amount of cash and cash equivalents approximates fair value. Non-financial assets and liabilities include items such as inventory and property and equipment that are measured at fair value when acquired and as a result of impairments, if deemed necessary.

## 12. Stock-Based Compensation

During the three and six months ended June 30, 2020, we granted restricted stock units (which we refer to as “RSUs”) covering 0.1 million and 0.4 million shares of common stock, respectively, with a grant date fair value of \$27.64 and \$30.44 per share, respectively, that vest over a three year period. During the three and six months ended June 30, 2020, we also granted performance share units (which we refer to as “PSUs”) covering up to 0.3 million shares of common stock, assuming maximum level of performance, with a grant date fair value of \$26.38 per share that are subject to both service and performance vesting conditions. The quantity of shares that will vest under the PSUs ranges from 0% to 250% of a targeted number of shares for each participant and will be determined based on an achievement of a three year pre-tax income performance goal.

A summary of our outstanding RSUs and PSUs, assuming current estimated level of performance achievement, are as follows (in thousands, except years):

|                                                 | <b>As of June 30, 2020</b> |
|-------------------------------------------------|----------------------------|
| Unvested units                                  | 1,435                      |
| Unrecognized compensation cost                  | \$ 22,151                  |
| Remaining period to recognize compensation cost | 1.84 yrs                   |

During the three months ended June 30, 2020 and 2019, we recognized stock-based compensation expense of \$6.9 million and \$3.9 million, respectively. During the six months ended June 30, 2020 and 2019, we recognized stock-based compensation expense of \$8.6 million and \$7.5 million, respectively. Stock-based compensation expense is included in selling, general, and administrative expense on our condensed consolidated statements of operations.

During the three months ended June 30, 2020, we updated our recognition of stock-based compensation expense associated with previously granted PSU awards to reflect probable financial results as they relate to the performance goals of the awards. Accordingly, our estimate of the number of shares which will ultimately vest under our PSU awards increased by 0.2 million, and we recorded a cumulative catch-up adjustment to increase stock-based compensation expense of \$2.9 million (\$2.2 million net of tax), or \$0.07 per share (basic and diluted) for the three months ended June 30, 2020.

### 13. Stockholders' Equity

Our authorized capital stock consists of 100.0 million shares of common stock, par value \$0.01 per share, and 50.0 million shares of preferred stock, par value \$0.01 per share. As of June 30, 2020, and December 31, 2019, there were 33.4 million and 33.1 million shares of common stock issued and outstanding, respectively.

On May 10, 2017, our stockholders approved the adoption of the Century Communities, Inc. 2017 Omnibus Incentive Plan (which we refer to as our "2017 Incentive Plan"), which replaced our First Amended & Restated 2013 Long-Term Incentive Plan. We had reserved a total of 1.8 million shares of our common stock for issuance under our First Amended & Restated 2013 Long-Term Incentive Plan, of which approximately 0.6 million shares rolled over into the 2017 Incentive Plan when it became effective. On May 8, 2019, our stockholders approved the Century Communities, Inc. Amended and Restated 2017 Omnibus Incentive Plan (which we refer to as our "Amended 2017 Incentive Plan"), which increased the number of shares of our common stock authorized for issuance under the 2017 Incentive Plan by an additional 1.631 million shares. We issued 0.5 million and 0.4 million shares of common stock related to the vesting of RSUs during the six months ended June 30, 2020 and 2019, respectively. As of June 30, 2020, approximately 1.1 million shares of common stock remained available for issuance under the Amended 2017 Incentive Plan.

On November 27, 2019, we entered into a Distribution Agreement with J.P. Morgan Securities LLC, BofA Securities, Inc., Citigroup Global Markets Inc., and Fifth Third Securities, Inc. (which we refer to as the "Distribution Agreement"), as sales agents pursuant to which we may offer and sell shares of our common stock having an aggregate offering price of up to \$100.0 million from time to time through any of the sales agents party thereto in "at-the-market" offerings, in accordance with the terms and conditions set forth in the Distribution Agreement. This Distribution Agreement, which superseded and replaced a prior similar Distribution Agreement, had all \$100.0 million available for sale as of June 30, 2020. We did not sell or issue any shares of our common stock during the three and six months ended June 30, 2020. During the three and six months ended June 30, 2019, we sold and issued an aggregate of 0.1 million shares of our common stock under the previous Distribution Agreement, which provided proceeds of \$2.7 million, and in connection with such sales, paid total commissions and fees to the sales agents of \$0.1 million. The Distribution Agreement will remain in full force and effect until terminated by either party pursuant to the terms of the agreement or such date that the maximum offering amount has been sold in accordance with the terms of the agreement.

On November 6, 2018, we authorized a stock repurchase program, under which we may repurchase up to 4,500,000 shares of our outstanding common stock. During the three and six months ended June 30, 2020, we did not repurchase any shares of common stock; while, during the three and six months ended June 30, 2019, we repurchased 83,000 shares of common stock under this program for approximately \$1.4 million.

### 14. Earnings Per Share

We use the treasury stock method to calculate earnings per share as our currently issued non-vested RSUs and PSUs do not have participating rights.

The following table sets forth the computation of basic and diluted EPS for the three and six months ended June 30, 2020 and 2019 (in thousands, except share and per share information):

|                                                      | Three Months Ended<br>June 30, |            | Six Months Ended<br>June 30, |            |
|------------------------------------------------------|--------------------------------|------------|------------------------------|------------|
|                                                      | 2020                           | 2019       | 2020                         | 2019       |
| <b>Numerator</b>                                     |                                |            |                              |            |
| Net income                                           | \$ 38,450                      | \$ 15,495  | \$ 64,576                    | \$ 32,612  |
| <b>Denominator</b>                                   |                                |            |                              |            |
| Weighted average common shares outstanding - basic   | 33,340,184                     | 30,341,628 | 33,274,056                   | 30,272,818 |
| Dilutive effect of restricted stock units            | 121,510                        | 227,220    | 195,013                      | 234,127    |
| Weighted average common shares outstanding - diluted | 33,461,694                     | 30,568,848 | 33,469,069                   | 30,506,945 |
| <b>Earnings per share:</b>                           |                                |            |                              |            |
| Basic                                                | \$ 1.15                        | \$ 0.51    | \$ 1.94                      | \$ 1.08    |
| Diluted                                              | \$ 1.15                        | \$ 0.51    | \$ 1.93                      | \$ 1.07    |

Stock-based awards are excluded from the calculation of diluted EPS in the event they are subject to unsatisfied performance conditions or are antidilutive. We excluded 0.8 million and 0.6 million common unit equivalents from diluted earnings per share during the three and six months ended June 30, 2020 and 2019, respectively, related to the PSUs for which performance conditions remain unsatisfied.

## 15. Commitments and Contingencies

### Letters of Credit and Performance Bonds

In the normal course of business, we post letters of credit and performance bonds related to our land development performance obligations with local municipalities. As of June 30, 2020, and December 31, 2019, we had \$335.9 million and \$344.1 million, respectively, in letters of credit and performance bonds issued and outstanding.

### Litigation

We are subject to claims and lawsuits that arise primarily in the ordinary course of business, which consist primarily of construction defect claims. It is the opinion of our management that if the claims have merit, parties other than the Company would be, at least in part, liable for the claims, and the eventual outcome of these claims will not have a material adverse effect upon our consolidated financial condition, results of operations, or cash flows. When we believe that a loss is probable and estimable, we record a charge to selling, general, and administrative expense on our condensed consolidated statements of operations for our estimated loss.

Under various insurance policies, we have the ability to recoup costs in excess of applicable self-insured retentions. Estimates of such amounts are recorded in other assets when recovery is probable.

We do not believe that the ultimate resolution of any claims and lawsuits will have a material adverse effect upon our consolidated financial position, results of operations, or cash flows.

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

Some of the statements included in this Quarterly Report on Form 10-Q (which we refer to as this "Form 10-Q") constitute forward-looking statements within the meaning of the federal securities laws. Forward-looking statements relate to expectations, beliefs, projections, forecasts, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. These statements are only predictions. We caution that forward-looking statements are not guarantees. Actual events and results of operations could differ materially from those expressed or implied in the forward-looking statements. Forward-looking statements are typically identified by the use of terms such as "may," "will," "should," "expect," "could," "intend," "plan," "anticipate," "estimate," "believe," "continue," "predict," "potential," the negative of such terms and other comparable terminology and the use of future dates. You can also identify forward-looking statements by discussions of strategy, plans or intentions. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors.

The forward-looking statements included in this Form 10-Q reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. Statements regarding the following subjects, among others, may be forward-looking and subject to risks and uncertainties including among others:

- the impact of the COVID-19 pandemic on our business operations
- economic changes either nationally or in the markets in which we operate, including declines in employment, volatility of mortgage interest rates and inflation;
- a downturn in the homebuilding industry, including a reduction in demand or a decline in real estate values or market conditions resulting in impairment of our assets;
- changes in assumptions used to make industry forecasts or trends affecting housing demand or prices;
- continued volatility and uncertainty in the credit markets and broader financial markets;
- our future operating results and financial condition;
- our business operations;
- changes in our business and investment strategy;
- availability of land to acquire, and our ability to acquire such land on favorable terms or at all;
- availability, terms and deployment of capital;
- availability or cost of mortgage financing or an increase in the number of foreclosures in the market;
- shortages of or increased prices for labor, land or raw materials used in housing construction;
- delays in land development or home construction resulting from adverse weather conditions or other events outside our control;
- impact of construction defect, product liability, and/or home warranty claims, including the adequacy of accruals and the applicability and sufficiency of our insurance coverage;
- changes in, or the failure or inability to comply with, governmental laws and regulations;
- the timing of receipt of regulatory approvals and the opening of projects;
- the impact and cost of compliance with evolving environmental laws and regulations and third-party challenges to required permits and other approvals;
- the degree and nature of our competition;
- our leverage, debt service obligations and exposure to changes in interest rates;
- our ability to continue to fund and succeed in our mortgage lending business;
- availability of qualified personnel and our ability to retain our key personnel;
- taxation and tax policy changes, tax rate changes, new tax laws, new or revised tax law interpretations or guidance; and
- changes in United States generally accepted accounting principles (which we refer to as "GAAP").

Forward-looking statements are based on our beliefs, assumptions and expectations of future events, taking into account all information currently available to us. Forward-looking statements are not guarantees of future events or of our performance. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. Some of these events and factors are described above and in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and in "Part I, Item 1A. Risk Factors" in our Annual Report on Form 10-K, and other risks and uncertainties detailed in this report, including "Part II, Item 1A. Risk Factors", and our other reports and filings with the SEC. If a change occurs, our business, financial condition, liquidity, cash flows and results of operations may vary materially from those expressed in or implied by our forward-looking statements. New risks and uncertainties arise over time, and it is not possible for us to predict the occurrence of those matters or the manner in which they may affect us. Except as

required by law, we are not obligated to, and do not intend to, update or

revise any forward-looking statements, whether as a result of new information, future events or otherwise. Therefore, you should not rely on these forward-looking statements as of any date subsequent to the date of this Form 10-Q.

As used in this Form 10-Q, references to “we,” “us,” “our,” “Century” or the “Company” refer to Century Communities, Inc., a Delaware corporation, and, unless the context otherwise requires, its subsidiaries and affiliates.

The following discussion and analysis of our financial condition and results of operations is intended to help the reader understand our Company, business, operations and present business environment and is provided as a supplement to, and should be read in conjunction with, our condensed consolidated financial statements and the related notes to those statements included elsewhere in this Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended December 31, 2019. We use certain non-GAAP financial measures that we believe are important for purposes of comparison to prior periods. This information is also used by our management to measure the profitability of our ongoing operations and analyze our business performance and trends. Some of the numbers included herein have been rounded for the convenience of presentation.

## Overview

Century is engaged in the development, design, construction, marketing and sale of single-family attached and detached homes in metropolitan areas in 17 states. In many of our projects, in addition to building homes, we are responsible for the entitlement and development of the underlying land. We build and sell homes under our Century Communities and Century Complete brands. Our Century Communities brand targets a wide range of buyer profiles including: first time, first and second time move up, and lifestyle homebuyers, and provides our homebuyers with the ability to personalize their homes through certain option and upgrade selections. Our Century Complete brand, formerly referred to as Wade Journey Homes, targets first time homebuyers, primarily sells homes through retail studios and the internet and provides no option or upgrade selections. Our homebuilding operations are organized into the following five reportable segments: West, Mountain, Texas, Southeast, and Century Complete. Additionally, our indirect wholly owned subsidiaries, Inspire Home Loans, Inc., Parkway Title, LLC, and IHL Home Insurance Agency, LLC, which provide mortgage, title, and insurance services, respectively, to our homebuyers have been identified as our Financial Services segment.

We build and sell an extensive range of home types across a variety of price points.

## Impact of COVID-19 Pandemic

The outbreak of the novel coronavirus, COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, created significant volatility, disruption, and uncertainty across the nation and abroad. It resulted in government restrictions, such as “stay-at-home” or “shelter-in-place” directives, quarantines, travel advisories and the implementation of social distancing measures, leading to the closure of businesses and weakened economic conditions resulting in an economic slowdown and recession.

The homebuilding industry started to experience slowing sales trends in mid-March through April of 2020 at the outset of the widespread uncertainty concerning the pandemic. However, home sales sharply rebounded in May and June, aided by historically low interest rates, lack of supply, and potential renewed desire from customers to move out of urban areas and/or apartments and into new homes in suburban areas.

In response to the pandemic and government restrictions, we shifted our sales process to offer additional virtual online tours and appointments and, where permitted, appointment-only in-person meetings that comply with social distancing and other health and safety requirements and protocols. Construction and sale of residential real estate has been determined to be an essential business, and accordingly our operations, other than in certain markets during the first weeks of April, have been exempted from the applicable health orders. While these circumstances did not materially adversely affect our second quarter 2020 financial results, we recognize that long term macro-economic effects that could ultimately impact the homebuilding industry have yet to be known. There is still uncertainty regarding the extent and duration of the COVID-19 pandemic, as the situation has continued to evolve, and associated government and consumer responses have remained in a state of flux, especially in light of recent spikes in infections in key markets. Unemployment levels are at historically high levels and increases in COVID-19 positive cases in late June and early July of 2020 have resulted in the slowing or altering of the “re-opening” plans of numerous state and local municipalities. Accordingly, despite overall strong demand and sales during the second quarter of 2020, continued future demand for Century homes is uncertain in light of higher unemployment rates and anticipated decreased consumer confidence, availability of credit, and other factors, including those described elsewhere in this report. A decrease in demand for our homes would adversely affect our operating results in future periods, as well as have a direct effect on the origination volume of and revenues from our Financial Services segment. In addition, because the full magnitude and duration of the COVID-19 pandemic is uncertain and difficult to predict, changes in our cash flow projections may change our conclusions on the recoverability of inventory in the future.

Given the significant uncertainty regarding the impact of COVID-19, and in particular during the late March and April 2020 timeframe, we took significant steps to preserve cash and ensure we were positioned appropriately from a working capital perspective, including but not limited to extending the timing of certain land acquisitions, slowing or altering our land development activities, drawing additional amounts on our revolving line of credit, and implementing a reduction in our workforce along with other cost savings measures. As a result, and aided by the strong demand during the second quarter, we ended the second quarter of 2020 with no amounts outstanding on our revolving line of credit, \$173.5 million of cash and cash equivalents, \$46.6 million of cash held in escrow, and a net homebuilding debt to net capital ratio of 37.5%. While the impact of the COVID-19 pandemic will continue to evolve, we believe that we are well positioned to both operate in an uncertain environment as well as take advantage of strategic opportunities as they arise.

#### **Results of Operations**

During the three and six months ended June 30, 2020, we delivered 2,480 and 4,344 homes, respectively, with an average sales price of \$301.4 thousand and \$303.9 thousand, respectively. These deliveries represent increases of 26.1% and 19.7%, respectively, as compared to the three and six months ended June 30, 2019. During the three and six months ended June 30, 2020, we generated approximately \$747.4 million and \$1,320.1 million in home sales revenues, respectively, approximately \$50.1 million and \$84.2 million in income before income tax expense, respectively, and approximately \$38.5 million and \$64.6 million, respectively, in net income.

For the three and six months ended June 30, 2020, our new home contracts, net of cancellations, totaled 2,664 and 5,052, respectively, a 22.1% and 25.0% increase over the same respective periods in 2019. As of June 30, 2020, we had a backlog of 2,778 homes, a 7.2% increase as compared to June 30, 2019, representing approximately \$962.8 million in sales value, a 22.8% increase as compared to June 30, 2019.

The following table summarizes our results of operations for the three and six months ended June 30, 2020 and 2019.

(in thousands, except per share amounts)

|                                                                                                                                           | Three Months Ended June 30, |            | Six Months Ended June 30, |              |
|-------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|------------|---------------------------|--------------|
|                                                                                                                                           | 2020                        | 2019       | 2020                      | 2019         |
| <b>Consolidated Statements of Operations:</b>                                                                                             |                             |            |                           |              |
| Revenue                                                                                                                                   |                             |            |                           |              |
| Home sales revenues                                                                                                                       | \$ 747,415                  | \$ 608,636 | \$ 1,320,125              | \$ 1,131,938 |
| Land sales revenues                                                                                                                       | 3,307                       | 1,399      | 23,411                    | 2,754        |
|                                                                                                                                           | 750,722                     | 610,035    | 1,343,536                 | 1,134,692    |
| Financial services revenue                                                                                                                | 25,722                      | 9,915      | 35,517                    | 18,315       |
| Total revenues                                                                                                                            | 776,444                     | 619,950    | 1,379,053                 | 1,153,007    |
| Homebuilding cost of revenues                                                                                                             |                             |            |                           |              |
| Cost of home sales revenues                                                                                                               | (620,655)                   | (503,928)  | (1,091,181)               | (937,685)    |
| Cost of land sales and other revenues                                                                                                     | (2,384)                     | (877)      | (16,551)                  | (1,491)      |
|                                                                                                                                           | (623,039)                   | (504,805)  | (1,107,732)               | (939,176)    |
| Financial services costs                                                                                                                  | (12,744)                    | (7,747)    | (22,330)                  | (14,576)     |
| Selling, general, and administrative                                                                                                      | (86,706)                    | (75,217)   | (160,325)                 | (144,153)    |
| Loss on debt extinguishment                                                                                                               | —                           | (10,832)   | —                         | (10,832)     |
| Inventory impairment and other                                                                                                            | (910)                       | —          | (1,691)                   | —            |
| Other income (expense)                                                                                                                    | (2,942)                     | (519)      | (2,784)                   | (443)        |
| Income before income tax expense                                                                                                          | 50,103                      | 20,830     | 84,191                    | 43,827       |
| Income tax expense                                                                                                                        | (11,653)                    | (5,335)    | (19,615)                  | (11,215)     |
| Net income                                                                                                                                | \$ 38,450                   | \$ 15,495  | \$ 64,576                 | \$ 32,612    |
| <b>Earnings per share:</b>                                                                                                                |                             |            |                           |              |
| Basic                                                                                                                                     | \$ 1.15                     | \$ 0.51    | \$ 1.94                   | \$ 1.08      |
| Diluted                                                                                                                                   | \$ 1.15                     | \$ 0.51    | \$ 1.93                   | \$ 1.07      |
| Adjusted diluted earnings per share <sup>(1)</sup>                                                                                        | \$ 1.21                     | \$ 0.77    | \$ 2.00                   | \$ 1.38      |
| <b>Other Operating Information (dollars in thousands):</b>                                                                                |                             |            |                           |              |
| Number of homes delivered                                                                                                                 | 2,480                       | 1,967      | 4,344                     | 3,630        |
| Average sales price of homes delivered                                                                                                    | \$ 301.4                    | \$ 309.4   | \$ 303.9                  | \$ 311.8     |
| Homebuilding gross margin percentage <sup>(2)</sup>                                                                                       | 16.9 %                      | 17.2 %     | 17.2 %                    | 17.2 %       |
| Adjusted homebuilding gross margin excluding interest and purchase price accounting for acquired work in process inventory <sup>(1)</sup> | 19.5 %                      | 19.6 %     | 19.8 %                    | 19.7 %       |
| Backlog at end of period, number of homes                                                                                                 | 2,778                       | 2,591      | 2,778                     | 2,591        |
| Backlog at end of period, aggregate sales value                                                                                           | \$ 962,751                  | \$ 784,152 | \$ 962,751                | \$ 784,152   |
| Average sales price of homes in backlog                                                                                                   | \$ 346.6                    | \$ 302.6   | \$ 346.6                  | \$ 302.6     |
| Net new home contracts                                                                                                                    | 2,664                       | 2,182      | 5,052                     | 4,040        |
| Selling communities at period end <sup>(3)</sup>                                                                                          | 122                         | 125        | 122                       | 125          |
| Average selling communities <sup>(3)</sup>                                                                                                | 125                         | 124        | 127                       | 127          |
| Total owned and controlled lot inventory                                                                                                  | 34,832                      | 37,193     | 34,832                    | 37,193       |
| Adjusted EBITDA <sup>(1)</sup>                                                                                                            | \$ 74,034                   | \$ 49,439  | \$ 125,840                | \$ 89,835    |
| Adjusted income before income tax expense <sup>(1)</sup>                                                                                  | \$ 52,597                   | \$ 31,662  | \$ 87,466                 | \$ 56,383    |
| Adjusted net income <sup>(1)</sup>                                                                                                        | \$ 40,343                   | \$ 23,560  | \$ 67,088                 | \$ 41,955    |
| Net homebuilding debt to net capital <sup>(1)</sup>                                                                                       | 37.5 %                      | 53.8 %     | 37.5 %                    | 53.8 %       |

<sup>(1)</sup> This is a non-GAAP financial measure and should not be used as a substitute for the Company's operating results prepared in accordance with GAAP. See the reconciliations to the most comparable GAAP measure and other information under "Non-GAAP Financial Measures." An analysis of any non-GAAP financial measure should be used in conjunction with results presented in accordance with GAAP.

<sup>(2)</sup> Homebuilding gross margin percentage is inclusive of a \$0.9 million and \$1.7 million inventory impairment for the three and six months ended June 30, 2020, respectively, included within inventory impairment and other on our consolidated financial statements.

<sup>(3)</sup> As Century Complete does not sell homes by community, but through studios and other methods, that segment is excluded from the count of selling communities.

**Results of Operations by Segment**  
(dollars in thousands)

|                    | New Homes Delivered         |       | Average Sales Price of Homes Delivered |          | Home Sales Revenues         |            | Income before Income Tax    |             |
|--------------------|-----------------------------|-------|----------------------------------------|----------|-----------------------------|------------|-----------------------------|-------------|
|                    | Three Months Ended June 30, |       | Three Months Ended June 30,            |          | Three Months Ended June 30, |            | Three Months Ended June 30, |             |
|                    | 2020                        | 2019  | 2020                                   | 2019     | 2020                        | 2019       | 2020                        | 2019        |
| West               | 313                         | 255   | \$ 530.6                               | \$ 529.9 | \$ 166,089                  | \$ 135,115 | \$ 13,747                   | \$ 9,973    |
| Mountain           | 417                         | 411   | \$ 418.6                               | \$ 433.9 | \$ 174,559                  | \$ 178,351 | \$ 20,616                   | \$ 22,526   |
| Texas              | 400                         | 213   | \$ 246.4                               | \$ 288.7 | \$ 98,558                   | \$ 61,490  | \$ 9,610                    | \$ 5,587    |
| Southeast          | 515                         | 360   | \$ 338.8                               | \$ 346.2 | \$ 174,492                  | \$ 124,617 | \$ 12,020                   | \$ 4,649    |
| Century Complete   | 835                         | 728   | \$ 160.1                               | \$ 149.8 | \$ 133,717                  | \$ 109,063 | \$ 8,548                    | \$ 8,318    |
| Financial Services | —                           | —     | \$ —                                   | \$ —     | —                           | —          | \$ 12,978                   | \$ 2,168    |
| Corporate          | —                           | —     | \$ —                                   | \$ —     | —                           | —          | \$ (27,416)                 | \$ (32,391) |
| Total              | 2,480                       | 1,967 | \$ 301.4                               | \$ 309.4 | \$ 747,415                  | \$ 608,636 | \$ 50,103                   | \$ 20,830   |

|                    | New Homes Delivered       |       | Average Sales Price of Homes Delivered |          | Home Sales Revenues       |              | Income before Income Tax  |             |
|--------------------|---------------------------|-------|----------------------------------------|----------|---------------------------|--------------|---------------------------|-------------|
|                    | Six Months Ended June 30, |       | Six Months Ended June 30,              |          | Six Months Ended June 30, |              | Six Months Ended June 30, |             |
|                    | 2020                      | 2019  | 2020                                   | 2019     | 2020                      | 2019         | 2020                      | 2019        |
| West               | 546                       | 455   | \$ 536.0                               | \$ 543.3 | \$ 292,651                | \$ 247,179   | \$ 29,089                 | \$ 18,621   |
| Mountain           | 813                       | 778   | \$ 407.2                               | \$ 433.1 | \$ 331,091                | \$ 336,982   | \$ 39,094                 | \$ 41,834   |
| Texas              | 644                       | 379   | \$ 246.4                               | \$ 295.3 | \$ 158,697                | \$ 111,908   | \$ 15,108                 | \$ 9,336    |
| Southeast          | 883                       | 695   | \$ 346.4                               | \$ 341.3 | \$ 305,894                | \$ 237,233   | \$ 20,329                 | \$ 10,388   |
| Century Complete   | 1,458                     | 1,323 | \$ 159.0                               | \$ 150.1 | \$ 231,792                | \$ 198,636   | \$ 9,333                  | \$ 12,291   |
| Financial Services | —                         | —     | \$ —                                   | \$ —     | —                         | —            | \$ 13,187                 | \$ 3,739    |
| Corporate          | —                         | —     | \$ —                                   | \$ —     | —                         | —            | \$ (41,949)               | \$ (52,382) |
| Total              | 4,344                     | 3,630 | \$ 303.9                               | \$ 311.8 | \$ 1,320,125              | \$ 1,131,938 | \$ 84,191                 | \$ 43,827   |

**West**

In our West segment, for the three and six months ended June 30, 2020, our income before income tax increased by \$3.8 million and \$10.5 million, respectively, to \$13.7 million and \$29.1 million, respectively, compared to the same periods in 2019. These increases were primarily due to increases in new home deliveries of 22.7% and 20.0%, respectively, compared to the same periods in 2019, and the benefit of non-recurring land sales in the current year periods. During the three and six months ended June 30, 2020, we delivered 313 homes and 546 homes, respectively, with an average sales price of \$530.6 thousand and \$536.0 thousand, respectively, and generated \$166.1 million and \$292.7 million, respectively, in home sales revenue.

**Mountain**

In our Mountain segment, for the three and six months ended June 30, 2020, our income before income tax decreased by \$1.9 million and \$2.7 million, respectively, to \$20.6 million and \$39.1 million, respectively, compared to the same periods in 2019. These decreases were primarily related to decreases in home sales revenue for the three and six months ended June 30, 2020 compared to the same periods in 2019, which were primarily driven by decreases in our average sales prices in the current year periods.

**Texas**

In our Texas segment, for the three and six months ended June 30, 2020, our income before income tax increased by \$4.0 million and \$5.8 million, respectively, to \$9.6 million and \$15.1 million, respectively, compared to the same periods in 2019. These increases were primarily related to 87.8% and 69.9% increases in the number of homes delivered during the three and six months ended June 30, 2020, respectively, as compared to the same periods in 2019, which were partially offset by decreases in the average sales prices during the current year periods as we continued our shift towards first time homebuyers. For the three months ended June 30, 2020, the increase

in income before income tax was partially offset by a \$0.9 million impairment charge reflected during the three months ended June 30, 2020.

#### ***Southeast***

In our Southeast segment, for the three and six months ended June 30, 2020, our income before income tax increased by \$7.4 million and \$9.9 million, respectively, to \$12.0 million and \$20.3 million, respectively, as compared to \$4.6 million and \$10.4 million for the same periods in 2019. These increases were primarily related to 43.0% and 27.1% increases in the number of homes delivered during the three and six months ended June 30, 2020, respectively, as compared to the same periods in 2019.

#### ***Century Complete***

For the three and six months ended June 30, 2020, we delivered 835 homes and 1,458 homes, respectively, with an average price of \$160.1 thousand and \$159.0 thousand, respectively, and generated \$133.7 million and \$231.8 million in home sales revenues, respectively, in our Century Complete segment. Our income before income tax for the three and six months ended June 30, 2020 was \$8.5 million and \$9.3 million, respectively, as compared to \$8.3 million and \$12.3 million for the same periods in 2019. The increase in income before income tax for the three month comparison is primarily attributable to a 14.7% increase in new home deliveries. The decrease in income before income tax for the six month comparison is primarily attributable to an increase in certain fixed costs and \$0.8 million in inventory impairment charges.

#### ***Financial Services***

Our indirect wholly owned subsidiaries, Inspire Home Loans, Inc., Parkway Title, LLC, and IHL Home Insurance Agency, LLC, which provide mortgage, title, and insurance services, respectively, to our homebuyers have been identified as our Financial Services segment. Substantially all of the loans we originate are sold in the secondary market within a short period of time after origination, generally within 30 days. During the three and six months ended June 30, 2020, income before income tax increased \$10.8 million and \$9.4 million, respectively, to \$13.0 million and \$13.2 million, respectively, compared to the same periods in 2019. These increases were primarily the result of \$15.8 million and \$17.2 million overall increases in financial services revenue during the three and six months ended June 30, 2020, respectively, compared to the same periods in 2019.

#### ***Corporate***

During the three and six months ended June 30, 2020, our Corporate segment generated losses of \$27.4 million and \$41.9 million, respectively, as compared to losses of \$32.4 million and \$52.4 million, respectively, for the same periods in 2019. The decrease for the three month comparison was primarily attributed to the following: a \$10.8 million decrease in loss on debt extinguishment, partially offset by (1) a \$5.0 million increase in salaries and wages related to higher bonus expense, and (2) an increase in legal costs of \$1.1 million. The decrease for six month comparison was primarily attributed to the loss on debt extinguishment of \$10.8 million that occurred during the prior year period.

#### ***Homebuilding Gross Margin***

*(dollars in thousands)*

Homebuilding gross margin represents home sales revenues less cost of home sales revenues. Our homebuilding gross margin percentage, which represents homebuilding gross margin divided by home sales revenues, decreased during the three months ended June 30, 2020 to 16.9% as compared to 17.2% for the same period in 2019, which was primarily driven by impairment charges and a 0.2% increase in cost of home sales revenues as a percentage of home sales revenues. Our homebuilding gross margin for the six months ended June 30, 2020 remained consistent at 17.2% compared to the same period in 2019. For a portion of the three months ended June 30, 2020, we made the strategic decision to increase incentives across our markets, leading to an increase in incentives as a percent of home sales revenue as compared to the three months ended June 30, 2019.

In the following table, we calculate our homebuilding gross margin, as adjusted to exclude inventory impairment and other, interest in cost of home sales revenues, and purchase price accounting for acquired work in process inventory.

| Three Months Ended June 30,                                                                                                                                               |            |          |            |          |  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|----------|------------|----------|--|
|                                                                                                                                                                           | 2020       | %        | 2019       | %        |  |
| Home sales revenues                                                                                                                                                       | \$ 747,415 | 100.0 %  | \$ 608,636 | 100.0 %  |  |
| Cost of home sales revenues                                                                                                                                               | (620,655)  | (83.0) % | (503,928)  | (82.8) % |  |
| Inventory impairment and other                                                                                                                                            | (910)      | (0.1) %  | —          | — %      |  |
| Gross margin from home sales                                                                                                                                              | 125,850    | 16.9 %   | 104,708    | 17.2 %   |  |
| Add: Inventory impairment and other                                                                                                                                       | 910        | 0.1 %    | —          | — %      |  |
| Add: Interest in cost of home sales revenues                                                                                                                              | 18,694     | 2.5 %    | 14,655     | 2.4 %    |  |
| Adjusted homebuilding gross margin excluding interest and inventory impairment and other <sup>(1)</sup>                                                                   | 145,454    | 19.5 %   | 119,363    | 19.6 %   |  |
| Add: Purchase price accounting for acquired work in process inventory                                                                                                     | —          | — %      | —          | — %      |  |
| Adjusted homebuilding gross margin excluding interest, inventory impairment and other and purchase price accounting for acquired work in process inventory <sup>(1)</sup> | \$ 145,454 | 19.5 %   | \$ 119,363 | 19.6 %   |  |

| Six Months Ended June 30,                                                                                                                                                 |              |          |              |          |  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|----------|--------------|----------|--|
|                                                                                                                                                                           | 2020         | %        | 2019         | %        |  |
| Home sales revenues                                                                                                                                                       | \$ 1,320,125 | 100.0 %  | \$ 1,131,938 | 100.0 %  |  |
| Cost of home sales revenues                                                                                                                                               | (1,091,181)  | (82.7) % | (937,685)    | (82.8) % |  |
| Inventory impairment and other                                                                                                                                            | (1,691)      | (0.1) %  | —            | — %      |  |
| Gross margin from home sales                                                                                                                                              | 227,253      | 17.2 %   | 194,253      | 17.2 %   |  |
| Add: Inventory impairment and other                                                                                                                                       | 1,691        | 0.1 %    | —            | — %      |  |
| Add: Interest in cost of home sales revenues                                                                                                                              | 32,379       | 2.5 %    | 27,241       | 2.4 %    |  |
| Adjusted homebuilding gross margin excluding interest and inventory impairment and other <sup>(1)</sup>                                                                   | 261,323      | 19.8 %   | 221,494      | 19.6 %   |  |
| Add: Purchase price accounting for acquired work in process inventory                                                                                                     | —            | — %      | 1,724        | 0.2 %    |  |
| Adjusted homebuilding gross margin excluding interest, inventory impairment and other and purchase price accounting for acquired work in process inventory <sup>(1)</sup> | \$ 261,323   | 19.8 %   | \$ 223,218   | 19.7 %   |  |

<sup>(1)</sup> This non-GAAP financial measure should not be used as a substitute for the Company's operating results in accordance with GAAP. See the reconciliations to the most comparable GAAP measure and other information under "—Non-GAAP Financial Measures." An analysis of any non-GAAP financial measure should be used in conjunction with results presented in accordance with GAAP.

For the three and six months ended June 30, 2020, excluding impairment and other, interest in cost of home sales revenues and purchase price accounting for acquired work in process inventory, our adjusted homebuilding gross margin percentage was 19.5% and 19.8%, respectively, as compared to 19.6% and 19.7% for the same periods in 2019. We believe the above information is meaningful as it isolates the impact that inventory impairment, indebtedness and acquisitions have on our homebuilding gross margin and allows for comparability of our homebuilding gross margins to previous periods and our competitors.

### ***Selling, General and Administrative Expense***

*(dollars in thousands)*

|                                       | <b>Three Months Ended June 30,</b> |             | <b>Increase</b> |          |
|---------------------------------------|------------------------------------|-------------|-----------------|----------|
|                                       | <b>2020</b>                        | <b>2019</b> | <b>Amount</b>   | <b>%</b> |
| Selling, general and administrative   | \$ (86,706)                        | \$ (75,217) | \$ (11,489)     | 15.3 %   |
| As a percentage of home sales revenue | 11.6 %                             | 12.4 %      |                 |          |

|                                       | <b>Six Months Ended June 30,</b> |              | <b>Increase</b> |          |
|---------------------------------------|----------------------------------|--------------|-----------------|----------|
|                                       | <b>2020</b>                      | <b>2019</b>  | <b>Amount</b>   | <b>%</b> |
| Selling, general and administrative   | \$ (160,325)                     | \$ (144,153) | \$ (16,172)     | 11.2 %   |
| As a percentage of home sales revenue | 12.1 %                           | 12.7 %       |                 |          |

Our selling, general and administrative expense increased \$11.5 million and \$16.2 million for the three and six months ended June 30, 2020, respectively, as compared to the same periods in 2019. The increase for the three months ended June 30, 2020 was primarily attributable to the following: (1) an increase of \$7.5 million in commission expense due to the 22.8% increase in home sales revenues, and (2) an increase of \$4.0 million in our estimate of bonuses for 2020 as a result of our strong second quarter 2020 results. The increase for the six months ended June 30, 2020 was primarily attributable to the following: (1) an increase of \$10.6 million in commission expense due to the 16.6% increase in home sales revenues, (2) an increase of \$6.6 million across various salary and wage expenses, and (3) a increase of \$1.2 million in taxes and licenses.

### ***Income Tax Expense***

At the end of each interim period we are required to estimate our annual effective tax rate for the fiscal year, and to use that rate to provide for income taxes for the current year-to-date reporting period. Our 2020 estimated annual effective tax rate of 23.4% is driven by our blended federal and state statutory rate of 25.6%, and certain other permanent differences between GAAP and tax which decreased our rate by 2.2%.

For the six months ended June 30, 2020, our estimated annual rate of 23.4% was impacted by discrete items which had a net impact of decreasing our rate by 0.1%, including excess tax benefits for vested stock-based compensation.

For the three months ended June 30, 2020 and 2019, we recorded income tax expense of \$11.7 million and \$5.3 million, respectively. For the six months ended June 30, 2020 and 2019, we recorded income tax expense of \$19.6 million and \$11.2 million, respectively.

### ***Segment Assets***

*(Dollars in thousands)*

|                    | <b>June 30,</b> | <b>December 31,</b> | <b>Increase (Decrease)</b> |               |
|--------------------|-----------------|---------------------|----------------------------|---------------|
|                    | <b>2020</b>     | <b>2019</b>         | <b>Amount</b>              | <b>Change</b> |
| West               | \$ 566,724      | \$ 610,248          | \$ (43,524)                | (7.1)%        |
| Mountain           | 691,622         | 635,201             | 56,421                     | 8.9 %         |
| Texas              | 204,925         | 232,887             | (27,962)                   | (12.0)%       |
| Southeast          | 376,028         | 441,818             | (65,790)                   | (14.9)%       |
| Century Complete   | 189,215         | 244,827             | (55,612)                   | (22.7)%       |
| Financial Services | 306,519         | 254,282             | 52,237                     | 20.5 %        |
| Corporate          | 216,749         | 80,704              | 136,045                    | 168.6 %       |
| Total assets       | \$ 2,551,782    | \$ 2,499,967        | \$ 51,815                  | 2.1 %         |

*Lots owned and controlled*

|                  | June 30, 2020 |            |        | December 31, 2019 |            |        | % Change |            |         |
|------------------|---------------|------------|--------|-------------------|------------|--------|----------|------------|---------|
|                  | Owned         | Controlled | Total  | Owned             | Controlled | Total  | Owned    | Controlled | Total   |
| West             | 2,970         | 1,566      | 4,536  | 3,133             | 1,413      | 4,546  | (5.2)%   | 10.8 %     | (0.2)%  |
| Mountain         | 6,697         | 3,740      | 10,437 | 4,771             | 7,949      | 12,720 | 40.4%    | (53.0) %   | (17.9)% |
| Texas            | 2,871         | 2,272      | 5,143  | 3,326             | 2,278      | 5,604  | (13.7)%  | (0.3) %    | (8.2)%  |
| Southeast        | 3,724         | 2,879      | 6,603  | 4,160             | 3,827      | 7,987  | (10.5)%  | (24.8) %   | (17.3)% |
| Century Complete | 2,935         | 5,178      | 8,113  | 3,324             | 4,761      | 8,085  | (11.7)%  | 8.8 %      | 0.3%    |
| Total            | 19,197        | 15,635     | 34,832 | 18,714            | 20,228     | 38,942 | 2.6%     | (22.7) %   | (10.6)% |

Of our total lots owned and controlled as of June 30, 2020, 55.1% were owned and 44.9% were controlled, as compared to 48.1% owned and 51.9% controlled as of December 31, 2019.

Total assets increased by \$51.8 million, or 2.1%, to \$2.6 billion at June 30, 2020 as compared to December 31, 2019. The increase is driven by a 169% increase in corporate assets related to excess cash generated partially offset by a decrease in inventories across our markets, which are both attributable to our record home sales during the current year period.

**Other Homebuilding Operating Data**

| <i>Net new home contracts</i> | Three Months Ended |       |          |          | Six Months Ended |       |                     |          |
|-------------------------------|--------------------|-------|----------|----------|------------------|-------|---------------------|----------|
|                               | June 30,           |       | Increase |          | June 30,         |       | Increase (Decrease) |          |
|                               | 2020               | 2019  | Amount   | % Change | 2020             | 2019  | Amount              | % Change |
| West                          | 389                | 329   | 60       | 18.2 %   | 725              | 532   | 193                 | 36.3 %   |
| Mountain                      | 474                | 417   | 57       | 13.7 %   | 1,088            | 871   | 217                 | 24.9 %   |
| Texas                         | 391                | 244   | 147      | 60.2 %   | 724              | 473   | 251                 | 53.1 %   |
| Southeast                     | 566                | 411   | 155      | 37.7 %   | 1,082            | 756   | 326                 | 43.1 %   |
| Century Complete              | 844                | 781   | 63       | 8.1 %    | 1,433            | 1,408 | 25                  | 1.8 %    |
| Total                         | 2,664              | 2,182 | 482      | 22.1 %   | 5,052            | 4,040 | 1,012               | 25.0 %   |

Net new home contracts (new home contracts net of cancellations) for the three months ended June 30, 2020 increased by 482 homes, or 22.1%, to 2,664, compared to 2,182 for the same period in 2019. Net new home contracts for the six months ended June 30, 2020 increased by 1,012 homes, or 25.0%, to 5,052, compared to 4,040 for the same period in 2019. The increases in our net new home contracts were primarily driven by stronger sales in our West, Mountain, Texas, and Southeast regions. Since market conditions and further impacts from COVID-19 remain uncertain, it is difficult to predict our future net new home contracts.

Our overall monthly “absorption rate” (the rate at which home orders are contracted, net of cancelations) for the three and six months ended June 30, 2020 by segment are included in the tables below:

|                  | Three Months Ended June 30, |      | Increase (Decrease) |          |
|------------------|-----------------------------|------|---------------------|----------|
|                  | 2020                        | 2019 | Amount              | % Change |
| West             | 5.6                         | 5.5  | 0.1                 | 1.8 %    |
| Mountain         | 4.2                         | 3.3  | 0.9                 | 27.3 %   |
| Texas            | 6.2                         | 3.9  | 2.3                 | 59.0 %   |
| Southeast        | 4.7                         | 3.3  | 1.4                 | 42.4 %   |
| Century Complete | N/A                         | N/A  | N/A                 | N/A      |
| Total            | 5.0                         | 3.7  | 1.3                 | 35.1 %   |

  

|                  | Six Months Ended June 30, |      | Increase |          |
|------------------|---------------------------|------|----------|----------|
|                  | 2020                      | 2019 | Amount   | % Change |
| West             | 5.3                       | 4.4  | 0.9      | 20.5 %   |
| Mountain         | 4.8                       | 3.5  | 1.3      | 37.1 %   |
| Texas            | 5.7                       | 3.8  | 1.9      | 50.0 %   |
| Southeast        | 4.5                       | 3.0  | 1.5      | 50.0 %   |
| Century Complete | N/A                       | N/A  | N/A      | N/A      |
| Total            | 4.9                       | 3.5  | 1.4      | 40.0 %   |

During the three and six months ended June 30, 2020, our absorption rates increased by 35.1% and 40.0%, respectively, to 5.0 and 4.9 per month, respectively, as compared to the same periods in 2019. These increases are attributable to historically low interest rates and strong demand for new homes during current year periods, in particular during the three months ended June 30, 2020.

*Selling communities at period end*

|                  | As of June 30, |      | Increase/(Decrease) |          |
|------------------|----------------|------|---------------------|----------|
|                  | 2020           | 2019 | Amount              | % Change |
| West             | 23             | 20   | 3                   | 15.0 %   |
| Mountain         | 38             | 42   | (4)                 | (9.5) %  |
| Texas            | 21             | 21   | —                   | — %      |
| Southeast        | 40             | 42   | (2)                 | (4.8) %  |
| Century Complete | N/A            | N/A  | N/A                 | N/A      |
| Total            | 122            | 125  | (3)                 | (2.4) %  |

N/A – Not Applicable

Our selling communities nominally decreased to 122 communities at June 30, 2020 as compared to 125 at June 30, 2019. As Century Complete does not sell homes by community, but through studios and other methods, there are no communities or absorptions presented for that segment.

*Backlog  
(Dollars in thousands)*

|                          | As of June 30, |              |                     |       |              |                     | % Change |              |                     |
|--------------------------|----------------|--------------|---------------------|-------|--------------|---------------------|----------|--------------|---------------------|
|                          | 2020           |              |                     | 2019  |              |                     |          |              |                     |
|                          | Homes          | Dollar Value | Average Sales Price | Homes | Dollar Value | Average Sales Price | Homes    | Dollar Value | Average Sales Price |
| West                     | 381            | \$ 203,395   | \$ 533.8            | 295   | \$ 146,071   | \$ 495.2            | 29.2 %   | 39.2 %       | 7.8 %               |
| Mountain                 | 648            | 281,999      | 435.2               | 494   | 214,673      | 434.6               | 31.2 %   | 31.4 %       | 0.1 %               |
| Texas                    | 355            | 95,193       | 268.1               | 275   | 83,172       | 302.4               | 29.1 %   | 14.5 %       | (11.3)%             |
| Southeast                | 712            | 262,096      | 368.1               | 531   | 187,306      | 352.7               | 34.1 %   | 39.9 %       | 4.4 %               |
| Century Complete         | 682            | 120,068      | 176.1               | 996   | 152,930      | 153.5               | (31.5)%  | (21.5)%      | 14.7 %              |
| Total / Weighted Average | 2,778          | \$ 962,751   | \$ 346.6            | 2,591 | \$ 784,152   | \$ 302.6            | 7.2 %    | 22.8 %       | 14.5 %              |

Backlog reflects the number of homes, net of actual cancellations experienced during the period, for which we have entered into a sales contract with a customer but for which we have not yet delivered the home. At June 30, 2020, we had 2,778 homes in backlog with a total value of \$962.8 million, which represents an increase of 7.2% and 22.8%, respectively, as compared to June 30, 2019. The increase in backlog dollar value is primarily attributable to the increases in backlog units and a 14.5% increase in the backlog average sales price.

**Supplemental Guarantor Information**

Our 5.875% senior notes due 2025 and 6.750% senior notes due 2027 (which we collectively refer to as our “Senior Notes”) are our unsecured senior obligations and are fully and unconditionally guaranteed on an unsecured basis, jointly and severally, by substantially all of our direct and indirect wholly-owned operating subsidiaries (which we refer to collectively as “Guarantors”). Our subsidiaries associated with our financial services operations (referred to as “Non-Guarantors”) do not guarantee the Senior Notes. The guarantees are senior unsecured obligations of the Guarantors that rank equal with all existing and future senior debt of the Guarantors and senior to all subordinated debt of the Guarantors. The guarantees are effectively subordinated to any secured debt of the Guarantors. In addition, our former 6.875% senior notes due 2022 which were extinguished during the second quarter of 2019, were our unsecured senior obligations and were fully and unconditionally guaranteed on an unsecured basis, jointly and severally, by the Guarantors. As of June 30, 2020, Century Communities, Inc. had outstanding \$900.0 million in total principal amount of Senior Notes.

Each of the indentures governing our Senior Notes provides that the guarantees of a Guarantor will be automatically and unconditionally released and discharged: (1) upon any sale, transfer, exchange or other disposition (by merger, consolidation or otherwise) of all of the equity interests of such Guarantor after which the applicable Guarantor is no longer a “Restricted Subsidiary” (as defined in the respective indentures), which sale, transfer, exchange or other disposition does not constitute an “Asset Sale” (as defined in the respective indentures) or is made in compliance with applicable provisions of the applicable indenture; (2) upon any sale, transfer, exchange or

other disposition (by merger, consolidation or otherwise) of all of the assets of such Guarantor, which sale, transfer, exchange or other disposition does not constitute an Asset Sale or is made in compliance with applicable provisions of the applicable indenture; provided, that after such sale, transfer, exchange or other disposition, such Guarantor is an “Immaterial Subsidiary” (as defined in the respective indentures); (3) unless a default has occurred and is continuing, upon the release or discharge of such Guarantor from its guarantee of any indebtedness for borrowed money of the Company and the Guarantors so long as such Guarantor would not then otherwise be required to provide a guarantee pursuant to the applicable indenture; provided that if such Guarantor has incurred any indebtedness in reliance on its status as a Guarantor in compliance with applicable provisions of the applicable Indenture, such Guarantor’s obligations under such indebtedness, as the case may be, so incurred are satisfied in full and discharged or are otherwise permitted to be incurred by a Restricted Subsidiary (other than a Guarantor) in compliance with applicable provisions of the applicable Indenture; (4) upon the designation of such Guarantor as an “Unrestricted Subsidiary” (as defined in the respective Indentures), in accordance with the applicable indenture; (5) if the Company exercises its legal defeasance option or covenant defeasance option under the applicable indenture or if the obligations of the Company and the Guarantors are discharged in compliance with applicable provisions of the applicable indenture, upon such exercise or discharge; or (6) in connection with the dissolution of such Guarantor under applicable law in accordance with the applicable indenture. The indenture governing our former 6.875% senior notes due 2022 contained a similar provision.

If a guarantor were to become a debtor in a case under the US Bankruptcy Code, a court may decline to enforce its guarantee of the Senior Notes. This may occur when, among other factors, it is found that the guarantor originally received less than fair consideration for the guarantee and the guarantor would be rendered insolvent by enforcement of the guarantee. On the basis of historical financial information, operating history and other factors, we believe that each of the guarantors, after giving effect to the issuance of its guarantee of the Senior Notes when the guarantee was issued, was not insolvent and did not and has not incurred debts beyond its ability to pay such debts as they mature. The Company cannot predict, however, what standard a court would apply in making these determinations or that a court would agree with our conclusions in this regard.

As the guarantees were made in connection with exchange offers effected in February 2015, October 2015 and April 2017 and the issuance of the 5.875% senior notes due 2025 and of the 6.750% senior notes due 2027, the Guarantors’ condensed financial information is presented as if the guarantees existed during the periods presented. If any Guarantors are released from the guarantees in future periods, the changes are reflected prospectively. We have determined that separate, full financial statements of the Guarantors would not be material to investors, and accordingly, supplemental financial information is presented below.

On March 2, 2020, the SEC adopted amendments to Rules 3-10 and 3-16 of Regulation S-X, under Rule Release No. 33-10762, Financial Disclosures about Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize a Registrant’s Securities (“Rule 33-10762”), that reduce and simplify the financial disclosure requirements applicable to registered debt offerings for guarantors and issuers of guaranteed securities (which we previously included within the notes to our financial statements in our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q). The amendments under Rule 33-10762 are effective January 4, 2021, but voluntary compliance is permitted in advance of the effective date. We have adopted the new disclosure requirements permitted under Rule 33-10762 for the period ending June 30, 2020.

The following summarized financial information is presented for Century Communities, Inc. and the Guarantor Subsidiaries on a combined basis after eliminating intercompany transactions and balances among Century Communities, Inc. and the Guarantor Subsidiaries, as well as their investment in, and equity in earnings from Non-Guarantor Subsidiaries.

# Century Communities, Inc. and Guarantor Subsidiaries

## Summarized Balance Sheet Data (in thousands)

|                                                   | June 30, 2020       | December 31, 2019   |
|---------------------------------------------------|---------------------|---------------------|
| <b>Assets</b>                                     |                     |                     |
| Cash and cash equivalents                         | \$ 128,516          | \$ 1,577            |
| Cash held in escrow                               | 46,619              | 35,308              |
| Accounts receivable                               | 20,341              | 27,690              |
| Inventories                                       | 1,898,503           | 1,995,549           |
| Prepaid expenses and other assets                 | 95,511              | 110,860             |
| Property and equipment, net                       | 32,202              | 34,870              |
| Deferred tax assets, net                          | 11,911              | 10,589              |
| Goodwill                                          | 30,395              | 30,395              |
| Total assets                                      | <u>\$ 2,263,998</u> | <u>\$ 2,246,838</u> |
| <b>Liabilities and stockholders' equity</b>       |                     |                     |
| Liabilities:                                      |                     |                     |
| Accounts payable                                  | \$ 48,875           | \$ 83,840           |
| Accrued expenses and other liabilities            | 282,015             | 201,617             |
| Notes payable                                     | 897,664             | 896,704             |
| Revolving line of credit                          | —                   | 68,700              |
| Total liabilities                                 | 1,228,554           | 1,250,861           |
| Stockholders' equity:                             | 1,035,444           | 995,977             |
| <b>Total liabilities and stockholders' equity</b> | <u>\$ 2,263,998</u> | <u>\$ 2,246,838</u> |

## Summarized Statement of Operations Data (in thousands)

|                                     | Six Months Ended June 30, 2020 | Year Ended December 31, 2019 |
|-------------------------------------|--------------------------------|------------------------------|
| Total homebuilding revenues         | 1,343,536                      | 2,492,649                    |
| Total homebuilding cost of revenues | (1,107,732)                    | (2,048,371)                  |
| Selling, general and administrative | (160,325)                      | (301,525)                    |
| Loss on debt extinguishment         | —                              | (10,832)                     |
| Inventory impairment and other      | (1,691)                        | (4,783)                      |
| Other income (expense)              | (3,141)                        | (5,353)                      |
| Income before income tax expense    | <u>70,647</u>                  | <u>121,785</u>               |
| Net income                          | <u>54,418</u>                  | <u>104,856</u>               |

## **Critical Accounting Policies**

Critical accounting estimates are those that we believe are both significant and require us to make difficult, subjective or complex judgments, often because we need to estimate the effect of inherently uncertain matters. We base our estimates and judgments on historical experiences and various other factors that we believe to be appropriate under the circumstances. Actual results may differ from these estimates, and the estimates included in our financial statements might be impacted if we used different assumptions or conditions. A summary of our critical accounting policies is included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the SEC on February 7, 2020, in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies.”

## **Liquidity and Capital Resources**

### ***Overview***

Our principal uses of capital for the three and six months ended June 30, 2020 were our land purchases, land development, home construction, and the payment of routine liabilities. We use funds generated by operations, available borrowings under our revolving line of credit, and from time to time proceeds from sales of our common stock, including under our current at-the-market facility, and debt securities to fund our short term working capital obligations and fund our purchases of land, as well as land development and home construction activities.

Cash flows for each of our communities depend on the stage in the development cycle and can differ substantially from reported earnings. Early stages of development or expansion require significant cash outlays for land acquisitions, entitlements and other approvals, and construction of model homes, roads, utilities, general landscaping and other amenities. Because these costs are a component of our inventory and are not recognized in our statements of operations until a home closes, we incur significant cash outlays prior to our recognition of earnings. In the later stages of community development, cash inflows may significantly exceed earnings reported for financial statement purposes, as the cash outflow associated with home and land construction was previously incurred.

In response to the COVID-19 pandemic, we took certain measures to ensure we are positioned with cash flow and liquidity to endure an extended period of lower demand for our homes, should it arise. Specifically commencing in mid-March of 2020, we slowed our land development activities and instituted a variety of actions designed to reduce our operating expenses, including a reduction in the size of our workforce through a targeted layoff in April 2020. In addition, given the uncertainty surrounding the COVID-19 pandemic, we increased our borrowings under our revolving line of credit during the end of the first quarter of 2020 and into the beginning of the second quarter of 2020 as a proactive measure in order to expand our financial flexibility at that time. We repaid these borrowings during the second quarter of 2020 in light of our strong second quarter 2020 operating results and to decrease our interest expense.

Our Financial Services operations use funds generated from operations, and availability under our mortgage repurchase facilities to finance operations including originations of mortgage loans to our homebuyers.

Under our shelf registration statement, which we filed with the SEC in July 2018 and was automatically effective upon filing, we have the ability to access the debt and equity capital markets in registered transactions from time to time and as needed as part of our ongoing financing strategy and subject to market conditions. In November 2019, we filed a prospectus supplement to offer up to \$100.0 million under the shelf registration statement under our at-the-market facility described below.

We believe that we will be able to fund our current and foreseeable liquidity needs with our cash on hand, cash generated from operations, and cash expected to be available from our revolving line of credit or through accessing debt or equity capital, as needed or appropriate, although no assurance can be provided that such additional debt or equity capital will be available or on acceptable terms, especially in light of the current COVID-19 pandemic, its impact on the macro-economy, and market conditions at the time.

### ***Revolving Line of Credit***

We are party to an Amended and Restated Credit Agreement with Texas Capital Bank, National Association, as Administrative Agent and L/C Issuer, the lenders party thereto and certain of our subsidiaries, which, as amended most recently on December 13, 2019, provides us with a revolving line of credit of up to \$640.0 million, and unless terminated earlier, will mature on April 30, 2023. Under the terms of the Amended and Restated Credit Agreement, we may request a twelve-month extension of the maturity date. Our obligations under the Amended and Restated Credit Agreement are guaranteed by certain of our subsidiaries. The Amended and Restated Credit Agreement contains customary affirmative and negative covenants (including limitations on our ability to grant liens, incur additional debt, pay dividends, redeem our common stock, make certain investments and engage in certain merger, consolidation or asset sale transactions), as well as customary events of default. These covenants are measured as defined in the Amended and Restated Credit Agreement and are reported to the lenders quarterly. Borrowings under the Amended and Restated Credit Agreement bear interest

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at a floating rate equal to the adjusted Eurodollar Rate plus an applicable margin between 2.60% and 3.10% per annum, or, in the Administrative Agent's discretion, a base rate plus an applicable margin between 1.60% and 2.10% per annum.

As of June 30, 2020, we had no amounts outstanding under the credit facility and were in compliance with all covenants.

***Mortgage Repurchase Facilities – Financial Services***

On May 4, 2018, September 14, 2018, and August 1, 2019, Inspire entered into mortgage warehouse facilities, with Comerica Bank, J.P. Morgan, and Wells Fargo, respectively. The mortgage warehouse lines of credit (which we refer to as the "repurchase facilities") provide Inspire with uncommitted repurchase facilities of up to an aggregate of \$275 million, secured by the mortgage loans financed thereunder. Amounts outstanding under the repurchase facilities are not guaranteed by us or any of our subsidiaries and the agreements contain various affirmative and negative covenants applicable to Inspire that are customary for arrangements of this type. As of June 30, 2020, we had \$197.5 million outstanding under these repurchase facilities and were in compliance with all covenants thereunder.

During the three and six months ended June 30, 2020, we incurred interest expense on the repurchase facilities of \$0.5 million and \$1.3 million, respectively. During the same periods in 2019, we incurred interest expense on the repurchase facilities of \$0.9 million and \$1.5 million, respectively. Interest expense on mortgage repurchase facilities is included in financial services costs on our condensed consolidated statements of operations.

***At-the-Market Offerings***

On November 27, 2019, we entered into a Distribution Agreement with J.P. Morgan Securities LLC, BofA Securities, Inc., Citigroup Global Markets Inc., and Fifth Third Securities, Inc. (which we refer to as the "Distribution Agreement"), as sales agents pursuant to which we may offer and sell shares of our common stock having an aggregate offering price of up to \$100.0 million from time to time through any of the sales agents party thereto in "at-the-market" offerings, in accordance with the terms and conditions set forth in the Distribution Agreement. This Distribution Agreement, which superseded and replaced a prior similar Distribution Agreement, had all \$100 million available for sale as of June 30, 2020. We did not sell or issue any shares of our common stock during the three and six months ended June 30, 2020. During the three and six months ended June 30, 2019, we sold and issued an aggregate of 0.1 million shares of our common stock under the previous Distribution Agreement, which provided proceeds of \$2.7 million, and in connection with such sales, paid total commissions and fees to the sales agents of \$0.1 million. The Distribution Agreement will remain in full force and effect until terminated by either party pursuant to the terms of the agreement or such date that the maximum offering amount has been sold in accordance with the terms of the agreement.

***Letters of Credit and Performance Bonds***

In the normal course of business, we post letters of credit and performance bonds related to our land development performance obligations with local municipalities. As of June 30, 2020, and December 31, 2019, we had \$335.9 million and \$344.1 million, respectively, in letters of credit and performance bonds issued and outstanding. Although significant development and construction activities have been completed related to the improvements at these sites, the letters of credit and performance bonds are not generally released until all development and construction activities are completed.

## Debt

Our outstanding debt obligations included the following as of June 30, 2020 and December 31, 2019 (in thousands):

|                                                   | June 30,<br>2020    | December 31,<br>2019 |
|---------------------------------------------------|---------------------|----------------------|
| 6.750% senior notes, due May 2027 <sup>(1)</sup>  | \$ 494,592          | \$ 494,307           |
| 5.875% senior notes, due July 2025 <sup>(1)</sup> | 396,473             | 396,120              |
| Other financing obligations                       | 6,599               | 6,277                |
| Notes payable                                     | 897,664             | 896,704              |
| Revolving line of credit, due April 2023          | —                   | 68,700               |
| Mortgage repurchase facilities                    | 197,469             | 174,095              |
| <b>Total debt</b>                                 | <b>\$ 1,095,133</b> | <b>\$ 1,139,499</b>  |

<sup>(1)</sup> The carrying value of senior notes reflects the impact of premiums, discounts, and issuance costs that are amortized to interest cost over the respective terms of the senior notes.

A summary of our debt obligations is included in Note 11 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the SEC on February 7, 2020.

## Stock Repurchase Program

On November 6, 2018, our Board of Directors authorized a stock repurchase program, under which we may repurchase up to 4,500,000 shares of our outstanding common stock. The shares may be repurchased from time to time in open market transactions at prevailing market prices, in privately negotiated transactions or by other means in accordance with federal securities laws. The actual manner, timing, amount and value of repurchases under the stock repurchase program will be determined by management at its discretion and will depend on a number of factors, including the market price of our common stock, trading volume, other capital management objectives and opportunities, applicable legal requirements, and general market and economic conditions.

We intend to finance any stock repurchases through available cash and our revolving credit facility. Repurchases also may be made under a trading plan under Rule 10b5-1 under the Securities Exchange Act of 1934, which would permit shares to be repurchased when we otherwise may be precluded from doing so because of self-imposed trading blackout periods or other regulatory restrictions. The stock repurchase program has no expiration date and may be extended, suspended or discontinued by our Board of Directors at any time without notice at our discretion. All shares of common stock repurchased under the program will be cancelled and returned to the status of authorized but unissued shares of common stock.

During the three and six months ended June 30, 2020 we did not repurchase any shares of common stock. During the three months ended June 30, 2019 we did not repurchase any shares of common stock while during the six months ended June 30, 2019, we repurchased 83,000 shares of common stock under this program for approximately \$1.4 million. The maximum number of shares available to be purchased under the stock repurchase program as of June 30, 2020 is 3,812,939.

## Cash Flows—Six Months Ended June 30, 2020 Compared to the Six Months Ended June 30, 2019

For the six months ended June 30, 2020 and 2019, the comparison of cash flows is as follows:

- Our primary sources of cash flows from operations are from the sale of single family attached and detached homes and mortgages. Our primary uses of cash flows from operations is the acquisition of land and expenditures associated with the construction of our single family attached and detached homes and the origination of mortgages held for sale. During the six months ended June 30, 2020 and 2019, we generated \$173.8 million and used \$93.0 million in cash from operations, respectively. The increase in cash provided by operations is primarily a result of a \$32.0 million increase in net income

and a comparatively favorable changes in assets and liabilities for the six months ended June 30, 2020 as compared to the six months ended June 30, 2019.

- Net cash used in investing activities decreased to \$4.9 million during the six months ended June 30, 2020, compared to \$6.2 million used during the same period in 2019. The decrease was primarily related to less purchases of property and equipment.
- Net cash used in financing activities was \$50.5 million during the six months ended June 30, 2020, compared to \$97.5 million provided by financing activities during the same period in 2019. The change for the six months ended June 30, 2020 was primarily attributable to a \$78.2 million increase in net payments under our revolving line of credit and a \$108.1 million decrease in proceeds from issuance and extinguishments of senior notes, partially offset by a \$27.2 million increase in net proceeds under our mortgage repurchase facilities.

As of June 30, 2020, our cash and cash equivalents and restricted cash balance was \$177.0 million.

#### **Off-Balance Sheet Arrangements**

In the ordinary course of business, we enter into land purchase contracts in order to procure lots for the construction of our homes. We are subject to customary obligations associated with entering into contracts for the purchase of land and improved lots. These purchase contracts typically require a cash deposit, and the purchase of properties under these contracts is generally contingent upon satisfaction of certain requirements, including obtaining applicable property and development entitlements. We also utilize option contracts with land sellers and others as a method of acquiring land in staged takedowns, to help us manage the financial and market risk associated with land holdings, and to reduce the use of funds from our corporate financing sources. Option contracts generally require payment by us of a non-refundable deposit for the right to acquire lots over a specified period of time at pre-determined prices. Our obligations with respect to purchase contracts and option contracts are generally limited to the forfeiture of the related non-refundable cash deposits. As of June 30, 2020, we had outstanding purchase contracts and option contracts for 15,635 lots with a total purchase price of approximately \$659.8 million and had \$31.8 million of non-refundable cash deposits pertaining to land option contracts. While our performance, including the timing and amount of purchase, if any, under these outstanding purchase and option contracts is subject to change, we currently anticipate performing on 50% to 60% of the purchase and option contracts during the next twelve months, with performance on the remaining purchase and option contracts occurring in future periods, if at all.

Our utilization of land option contracts is dependent on, among other things, the availability of land sellers willing to enter into option takedown arrangements, the availability of capital to financial intermediaries to finance the development of optioned lots, general housing market conditions, and local market dynamics.

We post letters of credit and performance bonds related to our land development performance obligations, with local municipalities. As of June 30, 2020, and December 31, 2019, we had \$335.9 million and \$344.1 million, respectively, in letters of credit and performance bonds issued and outstanding. We anticipate that the obligations secured by these performance bonds and letters of credit generally will be performed in the ordinary course of business.

#### **Contractual Obligations**

For the three and six months ended June 30, 2020, there have been no material changes to the contractual obligations we previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 that was filed with the SEC on February 7, 2020.

## Non-GAAP Financial Measures

In this Form 10-Q, we use certain non-GAAP financial measures, including EBITDA, Adjusted EBITDA, net homebuilding debt to net capital, and adjusted net earnings per diluted common shares. These non-GAAP financial measures are presented to provide investors additional information to facilitate the comparison of our past and present operations. We believe these non-GAAP financial measures provide useful information to investors because they are used to evaluate our performance on a comparable year-over-year basis. These non-GAAP financial measures are not in accordance with, or an alternative for, GAAP measures and may be different from non-GAAP financial measures used by other companies. In addition, these non-GAAP financial measures are not based on any comprehensive or standard set of accounting rules or principles. Accordingly, the calculation of our non-GAAP financial measures may differ from the definitions of other companies using the same or similar names limiting, to some extent, the usefulness of such measures for comparison purposes. Non-GAAP financial measures have limitations in that they do not reflect all of the amounts associated with our financial results as determined in accordance with GAAP. These measures should only be used to evaluate our financial results in conjunction with the corresponding GAAP measures. Accordingly, we qualify our use of non-GAAP financial information in a statement when non-GAAP financial information is presented.

## EBITDA and Adjusted EBITDA

The following table presents EBITDA and Adjusted EBITDA for the three and six months ended June 30, 2020, and 2019. Adjusted EBITDA is a non-GAAP financial measure we use as a supplemental measure in evaluating operating performance. We define Adjusted EBITDA as consolidated net income before (i) income tax expense, (ii) interest in cost of home sales revenues, (iii) other interest expense, (iv) loss on debt extinguishment, (v) inventory impairment and other, (vi) depreciation and amortization expense, and (vii) adjustments resulting from the application of purchase accounting for acquired work in process inventory related to business combinations. We believe Adjusted EBITDA provides an indicator of general economic performance that is not affected by fluctuations in interest rates or effective tax rates, levels of depreciation or amortization, and items considered to be non-recurring. Accordingly, our management believes that this measurement is useful for comparing general operating performance from period to period. Adjusted EBITDA should be considered in addition to, and not as a substitute for, consolidated net income in accordance with GAAP as a measure of performance. Our presentation of Adjusted EBITDA should not be construed as an indication that our future results will be unaffected by unusual or non-recurring items. Our Adjusted EBITDA is limited as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP.

|                                                                  | Three Months Ended June 30, |           |          | Six Months Ended June 30, |           |             |
|------------------------------------------------------------------|-----------------------------|-----------|----------|---------------------------|-----------|-------------|
|                                                                  | 2020                        | 2019      | % Change | 2020                      | 2019      | % Change    |
| Net income                                                       | \$ 38,450                   | \$ 15,495 | 148.1 %  | \$ 64,576                 | \$ 32,612 | 98.0 %      |
| Income tax expense                                               | 11,653                      | 5,335     | 118.4 %  | 19,615                    | 11,215    | 74.9 %      |
| Interest in cost of home sales revenues                          | 18,694                      | 14,655    | 27.6 %   | 32,379                    | 27,241    | 18.9 %      |
| Interest expense (income)                                        | (684)                       | —         | NM       | (847)                     | 15        | (5,746.7) % |
| Depreciation and amortization expense                            | 3,427                       | 3,122     | 9.8 %    | 6,842                     | 6,196     | 10.4 %      |
| EBITDA                                                           | 71,540                      | 38,607    | 85.3 %   | 122,565                   | 77,279    | 58.6 %      |
| Loss on debt extinguishment                                      | —                           | 10,832    | NM       | —                         | 10,832    | NM          |
| Inventory impairment and other                                   | 910                         | —         | NM       | 1,691                     | —         | NM          |
| Restructuring costs                                              | 1,584                       | —         | NM       | 1,584                     | —         | NM          |
| Purchase price accounting for acquired work in process inventory | —                           | —         | NM       | —                         | 1,724     | NM          |
| Adjusted EBITDA                                                  | \$ 74,034                   | \$ 49,439 | 49.7 %   | \$ 125,840                | \$ 89,835 | 40.1 %      |

NM – Not Meaningful

## Net Homebuilding Debt to Net Capital

The following table presents our ratio of net homebuilding debt to net capital, which is a non-GAAP financial measure. We calculate this by dividing net debt (notes payable and borrowings under our revolving line of credit less cash held in escrow and cash and cash equivalents) by net capital (net debt plus total stockholders' equity). The most directly comparable GAAP measure is the ratio of debt to total capital. We believe the ratio of net homebuilding debt to net capital is a relevant and useful financial measure to investors in understanding the leverage employed in our operations and as an indicator of our ability to obtain external financing.

|                                      | June 30,<br>2020 | December 31,<br>2019 |
|--------------------------------------|------------------|----------------------|
| Total homebuilding debt              | \$ 897,664       | \$ 965,404           |
| Total stockholders' equity           | 1,129,488        | 1,061,699            |
| Total capital                        | \$ 2,027,152     | \$ 2,027,103         |
| Homebuilding debt to capital         | 44.3%            | 47.6%                |
| Total homebuilding debt              | \$ 897,664       | \$ 965,404           |
| Cash and cash equivalents            | (173,521)        | (55,436)             |
| Cash held in escrow                  | (46,619)         | (35,308)             |
| Net homebuilding debt                | 677,524          | 874,660              |
| Total stockholders' equity           | 1,129,488        | 1,061,699            |
| Net capital                          | \$ 1,807,012     | \$ 1,936,359         |
| Net homebuilding debt to net capital | 37.5%            | 45.2%                |

## Adjusted Diluted Earnings per Common Share

Adjusted Diluted Earnings per Common Share (which we refer to as “Adjusted EPS”) is a non-GAAP financial measure that we believe is useful to management, investors and other users of our financial information in evaluating our operating results and understanding our operating trends without the effect of certain non-recurring items. We believe excluding certain non-recurring items provides more comparable assessment of our financial results from period to period. Adjusted Diluted EPS is calculated by excluding the effect of acquisition costs and purchase price accounting for acquired work in process from the calculation of reported EPS.

|                                                                  | Three Months Ended<br>June 30, |                   | Six Months Ended<br>June 30, |                   |
|------------------------------------------------------------------|--------------------------------|-------------------|------------------------------|-------------------|
|                                                                  | 2020                           | 2019              | 2020                         | 2019              |
| <b>Numerator</b>                                                 |                                |                   |                              |                   |
| Net income                                                       | \$ 38,450                      | \$ 15,495         | \$ 64,576                    | \$ 32,612         |
| <b>Denominator</b>                                               |                                |                   |                              |                   |
| Weighted average common shares outstanding - basic               | 33,340,184                     | 30,341,628        | 33,274,056                   | 30,272,818        |
| Dilutive effect of restricted stock units                        | 121,510                        | 227,220           | 195,013                      | 234,127           |
| Weighted average common shares outstanding - diluted             | <u>33,461,694</u>              | <u>30,568,848</u> | <u>33,469,069</u>            | <u>30,506,945</u> |
| <b>Earnings per share:</b>                                       |                                |                   |                              |                   |
| Basic                                                            | \$ 1.15                        | \$ 0.51           | \$ 1.94                      | \$ 1.08           |
| Diluted                                                          | \$ 1.15                        | \$ 0.51           | \$ 1.93                      | \$ 1.07           |
| <b>Adjusted earnings per share</b>                               |                                |                   |                              |                   |
| <b>Numerator</b>                                                 |                                |                   |                              |                   |
| Income before income tax expense                                 | \$ 50,103                      | \$ 20,830         | \$ 84,191                    | \$ 43,827         |
| Inventory impairment and other                                   | 910                            | —                 | 1,691                        | —                 |
| Restructuring costs                                              | 1,584                          | —                 | 1,584                        | —                 |
| Loss on debt extinguishment                                      | —                              | 10,832            | —                            | 10,832            |
| Purchase price accounting for acquired work in process inventory | —                              | —                 | —                            | 1,724             |
| Adjusted income before income tax expense                        | <u>52,597</u>                  | <u>31,662</u>     | <u>87,466</u>                | <u>56,383</u>     |
| Adjusted income tax expense <sup>(1)</sup>                       | <u>(12,254)</u>                | <u>(8,102)</u>    | <u>(20,378)</u>              | <u>(14,428)</u>   |
| Adjusted net income                                              | <u>40,343</u>                  | <u>23,560</u>     | <u>67,088</u>                | <u>41,955</u>     |
| <b>Denominator - Diluted</b>                                     | 33,461,694                     | 30,568,848        | 33,469,069                   | 30,506,945        |
| <b>Adjusted diluted earnings per share</b>                       | \$ 1.21                        | \$ 0.77           | \$ 2.00                      | \$ 1.38           |

<sup>(1)</sup> The tax rate used in calculating adjusted net income for the three and six months ended June 30, 2020 was 23.3%, which is reflective of the Company’s GAAP tax rate for the applicable period, as adjusted for certain discrete items. For the three and six months ended June 30, 2019 the tax rate utilized was our GAAP tax rate of 25.6%.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

#### **Interest Rates**

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is interest rate risk associated with our Amended and Restated Credit Agreement Borrowings under the Amended and Restated Credit Agreement, which bears interest at a floating rate equal to the adjusted Eurodollar Rate plus an applicable margin between 2.60% and 3.10% per annum, or, in the Administrative Agent's discretion, a base rate plus an applicable margin between 1.60% and 2.10% per annum. The "applicable margins" described above are determined by a schedule based on the leverage ratio of the Company, as defined in the Amended and Restated Credit Agreement. The Amended and Restated Credit Agreement also provides for fronting fees and letter of credit fees payable to the L/C Issuer and commitment fees payable to the Administrative Agent equal to 0.20% of the unused portion of the revolving line of credit.

For fixed rate debt, such as our senior notes, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows.

In our Financial Services business, we utilize mortgage-backed securities, forward commitments, option contracts and investor commitments to protect the value of rate-locked commitments and loans held-for-sale from fluctuations in mortgage-related interest rates. To mitigate interest risk associated with loans held-for-sale, we use derivative financial instruments to hedge our exposure to risk from the time a borrower locks a loan until the time the loan is securitized. We also hedge our interest rate exposure through entering into interest rate swap futures.

#### **Inflation**

Our homebuilding operations can be adversely impacted by inflation, primarily from higher land, financing, labor, material and construction costs. In addition, inflation can lead to higher mortgage rates, which can significantly affect the affordability of mortgage financing to homebuyers. While we attempt to pass on cost increases to customers through increased prices, when weak housing market conditions exist, we are often unable to offset cost increases with higher selling prices.

#### **Seasonality**

Historically, the homebuilding industry experiences seasonal fluctuations in quarterly operating results and capital requirements. We typically experience the highest new home order activity during the spring, although this activity is also highly dependent on the number of active selling communities, timing of new community openings and other market factors. Since it typically takes four to eight months to construct a new home, we deliver more homes in the second half of the year as spring and summer home orders convert to home deliveries. Because of this seasonality, home starts, construction costs and related cash outflows have historically been highest in the second and third quarters, and the majority of cash receipts from home deliveries occurs during the second half of the year. We expect this seasonal pattern to continue over the long term, although it may be affected by volatility in the homebuilding industry and the COVID-19 pandemic.

### **ITEM 4. CONTROLS AND PROCEDURES.**

#### **Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our co-principal executive officers and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined under Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (which we refer to as the "Exchange Act")) as of June 30, 2020, the end of the period covered by this Form 10-Q. Based on this evaluation, our co-principal executive officers and principal financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2020 in providing reasonable assurance that information required to be disclosed by us in the reports that we file or furnish under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

#### **Changes in Internal Control over Financial Reporting**

During the financial statement close for the quarter ended June 30, 2020, the substantial majority of accounting and finance employees worked remotely due to the COVID-19 pandemic. All internal control over financial reporting continued as in the past, but with certain necessary documentation changes in light of the remote working environment. There were no other changes during the second quarter of 2020 in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## PART II – OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

Because of the nature of the homebuilding business, we and certain of our subsidiaries and affiliates have been named as defendants in various claims, complaints and other legal actions arising in the ordinary course of business. In the opinion of our management, the outcome of these ordinary course matters will not have a material adverse effect upon our financial condition, results of operations or cash flows.

### ITEM 1A. RISK FACTORS.

There have been no material changes to the risk factors we previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 that was filed with the SEC on February 7, 2020, other than one new risk factor and the four revised risk factors below.

***The global novel strain of coronavirus (COVID-19) pandemic could adversely impact our business, operating results and financial condition.***

The global COVID-19 pandemic has created significant volatility, disruption and uncertainty. It has resulted in government restrictions, such as “stay-at-home” or “shelter-in-place” directives, quarantines, travel advisories and the implementation of social distancing measures, leading to the closure of businesses and causing weakened economic conditions and resulting in an economic slowdown and recession.

In response to the pandemic and these government restrictions, Century has shifted our sales process to offer additional virtual online tours and appointments and, where permitted, appointment-only in-person meetings that comply with social distancing and other health and safety requirements and protocols. As of the date of this filing, construction and sale of residential real estate has been determined to be an essential business, and accordingly our operations have been exempted from the applicable health orders. We are uncertain as to how long these restrictions will remain in place and whether the COVID-19 public health effort will be intensified to further restrict our business. While these circumstances did not materially adversely affect our second quarter 2020 financial results, we recognize that the long term macro-economic effects could ultimately impact the homebuilding industry and our business and future operating results.

The adverse effect of the COVID-19 pandemic on the broader economy could negatively impact demand for new homes. Despite strong demand and sales during the second quarter of 2020, continued demand for Century homes is uncertain in light of higher unemployment rates, decreased consumer confidence, decreased availability of credit, and other factors. This impact on demand for our homes could adversely affect our operating results in future periods. In addition, a decline in our home building operations would have a direct effect on the origination volume of and revenues from our Financial Services segment.

The COVID-19 pandemic may have other adverse effects on our business, operating results and financial condition, including:

- costs incurred as a result of necessary actions and preparedness plans to help ensure the health and safety of our employees and continued operations, including remote working accommodations, enhanced cleaning processes, and protocols designed to implement appropriate social distancing practices;
- availability of employees, their ability to conduct work away from normal working locations and/or under revised work environment protocols, as well as the general willingness of employees to come to and perform work;
- an increase in our use of sales incentives and concessions, which could adversely affect our margins;
- an increase in customer cancellations of home purchase contracts;
- deteriorating individual credit quality and an increase in default rates on mortgage loans we originated which may expose us to repurchase obligations or other liabilities, reduce our ability to sell or finance the loans we originate or on less favorable terms, lead us to impose stricter loan qualification standards, or result in us no longer being able to offer financing terms that are attractive to potential buyers;
- an increase in the costs or decrease in the supply of building materials or the availability of subcontractors and other talent, including as a result of infections or medically necessary or recommended self-quarantining, or governmental mandates to direct production activities to support public health efforts;
- one or more of our suppliers or subcontractors may experience financial distress, cancel, postpone or delay orders, be unable to perform under a contract, file for bankruptcy protection, go out of business, or suffer disruptions in their business or we may need to offer special payment terms or relief to our suppliers and subcontractors, subjecting us heightened credit risk;

- increased costs and delays in the completion of our development projects;
- decreased land acquisitions and the termination or modification of option contracts to conserve our cash resources;
- potential future restructuring, impairment and other charges, which may be material, for inventory impairments or land option contract abandonments, or both;
- potential disruption and volatility in the global capital and credit markets, which could adversely affect our ability to access lending, capital markets, and other sources of liquidity when needed and on reasonable terms and costs, or the ability of potential homebuyers to obtain suitable financing, especially if mortgage loan underwriting criteria tighten or default rates increase; and
- our ability to comply with the financial covenants in our debt agreements if a material or extended economic downturn occurs.

We are uncertain of the potential full magnitude or duration of the business and economic impacts from the COVID-19 pandemic. This inherent uncertainty, due in part to rapidly changing governmental directives, public health challenges and progress, and market reactions thereto, makes it challenging for our management to estimate the future performance of our business and plan accordingly. The full extent to which the COVID-19 pandemic will impact our business will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information that may emerge concerning COVID-19 and the actions to contain it or treat its impact. Should the potential adverse impacts described above (or others that are currently unknown) occur, whether individually or collectively, we would expect to experience, among other things, decreases in our homes delivered, average selling prices, net new home contracts, revenues and profitability.

Finally, the impacts from the COVID-19 pandemic and efforts to contain it have heightened the risks in certain of the other risk factors described in our Annual Report Form 10-K for the year ended December 31, 2019.

***We are subject to demand fluctuations in the housing industry. Reductions in demand for our homes will adversely affect our business, results of operations, and financial condition.***

Demand for our homes is subject to fluctuations, often due to factors outside of our control. In a housing market downturn when demand for our homes decreases, our revenues and results of operations are typically adversely affected; we may have significant inventory impairments and other write-offs; our gross margins may decline significantly from historical levels; and we may incur substantial losses from operations. At any particular time, we cannot predict whether housing market conditions existing at that time will continue. For example, while rising interest rates and tightening affordability created an industry-wide deceleration in housing growth during the second half of 2018 and into 2019, this deceleration reversed during the remainder of 2019 due in part to reduced mortgage rates. More recently, as a result of the COVID-19 pandemic, beginning in mid-March 2020, we began to experience a decrease in demand for our homes which reversed course in May and June of 2020. Despite overall strong demand and sales during the second quarter of 2020, continued demand for Century homes is uncertain in light of higher unemployment rates, decreased consumer confidence, decreased availability of credit, and other factors, including those described elsewhere in this report.

***Adverse changes in general economic conditions typically reduce the demand for our homes which may result in a material adverse effect on our business, results of operations and financial condition.***

The residential homebuilding industry is cyclical and is highly sensitive to changes in local and general economic conditions that are outside our control, including:

- consumer confidence, levels of employment, job growth, spending levels, wage and personal income growth, personal indebtedness levels, and household debt-to-income levels of potential homebuyers;
- the availability and cost of financing for homebuyers or restrictive mortgage standards, including private and federal mortgage financing programs and federal, state, and provincial regulation of lending practices;
- real estate taxes and federal and state income tax provisions, including provisions for the deduction of mortgage interest payments;
- U.S. and global financial system and credit markets, including short- and long-term interest rates and inflation;
- housing demand from population growth, household formations, new home buying catalysts (such as marriage and children), second home buying catalysts (such as retirement), home sale catalysts (such as an aging population), demographic changes (including immigration levels and trends in urban and suburban migration), generational shifts, or otherwise, or perceptions regarding the strength of the housing market, and home price appreciation and depreciation resulting therefrom;
- competition from other real estate investors with significant capital, including other real estate operating companies and developers, institutional investment funds and companies solely focused on single family rentals; and
- the supply of new or existing homes, including foreclosures, and other housing alternatives, such as apartments and other residential rental property, and the aging of existing housing inventory.

In the event these economic and business factors occur, we could experience a decline in the demand and pricing for our homes, an increase in customer cancellations, an increase in selling concessions and downward pressure on the market value of our inventory, which could have a material adverse effect on our business, prospects, liquidity, financial condition and results of operations and increase the risk for asset impairments. The current COVID-19 pandemic has led to weakened economic conditions that ultimately may result in an economic slowdown or recession. A significant or sustained downturn in the homebuilding market would likely have an adverse effect on our business and results of operations for multiple years.

In addition, an important segment of our customer base consists of first- and second-time move-up buyers, who often purchase homes subject to contingencies related to the sale of their existing homes. If these potential buyers face difficulties in selling their homes, whether due to periods of weak economic conditions, oversupply, high interest rates, restrictive mortgage standards or otherwise, our sales may be adversely affected. Moreover, we may need to reduce our sales prices and offer greater incentives to buyers to compete for sales that may result in reduced margins.

Furthermore, deployments of U.S. military personnel to foreign regions, terrorist attacks, other acts of violence or threats to national security and any corresponding response by the United States or others, related domestic or international instability or civil unrest may cause an economic slowdown in the markets where we operate, which could adversely affect our business.

***Increases in unemployment or underemployment typically lead to reduced demand for our homes and an increase in the number of loan delinquencies and property repossessions, which could have an adverse impact on our business and results of operations.***

In the United States, the unemployment rate was 3.5% as of the end of December 2019, according to the U.S. Bureau of Labor Statistics. As a result of impacts from the COVID-19 pandemic and efforts to contain it, the unemployment rate increased to 11.1% as of the end of June 2020 and it is uncertain how quickly the unemployment rate will improve or if it will further deteriorate. People who are not employed, are underemployed or are concerned about the loss of their jobs are less likely to purchase new homes, may be forced to try to sell the homes they own and may face difficulties in making required mortgage payments. Therefore, an increase in unemployment or underemployment may lead to an increase in the number of loan delinquencies and property repossessions and have an adverse impact on our business by both reducing the demand for the homes we build and increasing the supply of homes for sale, which would also likely adversely affect our Financial Services business, which is dependent upon the sale of our homes. In addition, an increase in unemployment or underemployment may result in increased default rates on mortgage loans we originated, which could expose us to repurchase obligations or other liabilities, reduce our ability to sell or finance the loans we originate or require us to sell or finance the loans we originate on less favorable terms, lead us to impose stricter loan qualification standards, or result in us no longer being able to offer financing terms that are attractive to potential buyers, all of which would adversely affect our Financial Services business.

***Our Financial Services segment could be adversely affected by reduced demand for our homes or by a slowdown in mortgage refinancing.***

Approximately 98.3% of the mortgage loans made by our Financial Services segment in 2019 were made to buyers of homes we built. Therefore, a decrease in the demand for our homes would adversely affect the revenues of this segment of our business. As a result of the COVID-19 pandemic, beginning in mid-March 2020, we began to experience a decrease in demand for our homes which reversed course in May and June of 2020. Despite overall strong demand and sales during the second quarter of 2020, continued demand for Century homes is uncertain in light of higher unemployment rates, decreased consumer confidence, decreased availability of credit, and other factors, including those described elsewhere in this report.

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

None.

## **ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

## **ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

## **ITEM 5. OTHER INFORMATION.**

On July 28, 2020, the Company entered into an amended and restated employment agreement (collectively, the “Amended Co-CEO Employment Agreements”) with each of its Co-Chief Executive Officers, Dale Francescon and Robert J. Francescon (the “Co-CEOs”). The Amended Co-CEO Employment Agreements are nearly identical in their terms. The Amended Co-CEO Employment Agreements reflect the following changes:

- Revision of the definition of “Retirement,” which requires 23 years of employment with the Company rather than 20 years;
- Eligibility for a full payout of performance-based equity awards upon a death or disability based on actual performance as opposed to a prorated payout;
- Eligibility for a prorated annual bonus payout based on actual performance in the event of a termination of the Co-CEO’s employment by the Company without cause or by the Co-CEO for good reason for the year in which such termination occurs; and
- Establishment of a new five-year contract term, with one-year evergreen renewal terms thereafter.

The Amended Co-CEO Employment Agreements also contain certain immaterial changes intended to provide additional clarification.

Additionally, on July 28, 2020, the Company entered into an amended and restated employment agreement (the “Amended CFO Employment Agreement”) with its Chief Financial Officer, David Messenger (the “CFO”). The Amended CFO Employment Agreement reflects the following changes:

- Eligibility for a full payout of performance-based equity awards in the event of a termination without cause or for good reason in connection with a change in control based on the greater of target or actual performance, as opposed to a prorated payout based on target performance;
- Eligibility for a prorated annual bonus payout based on actual performance in the event of a termination of the CFO’s employment by the Company without cause or by the CFO for good reason in connection with a change in control for the year in which such termination occurs;
- Eligibility for a prorated payout of performance-based equity awards based on target performance in the event of termination due to death or disability, even if the CFO worked less than 50% of such performance period;
- Inclusion of the CFO’s current base salary; and
- Establishment of a new three-year contract term, with one-year evergreen renewal terms thereafter.

The foregoing summaries of the Amended Co-CEO Employment Agreements and Amended CFO Employment Agreement do not purport to be complete and are qualified in their entirety by reference to the complete terms of the respective agreements, which are filed as Exhibits 10.1, 10.2 and 10.3 to this Quarterly Report on Form 10-Q and incorporated herein by reference.

#### **ITEM 6. EXHIBITS.**

The following exhibits are either filed herewith or incorporated herein by reference:

| <b>Item No.</b> | <b>Description</b>                                                                                                                                                                                                                                                         |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1             | <a href="#"><u>Certificate of Incorporation of Century Communities, Inc., as amended (incorporated by reference to Exhibit 3.1 to the initial filing of the Company’s Registration Statement on Form S-1, filed with the SEC on May 5, 2014 (File No. 333-195678))</u></a> |
| 3.2             | <a href="#"><u>Bylaws of Century Communities, Inc. (incorporated by reference to Exhibit 3.2 to the initial filing of the Company’s Registration Statement on Form S-1, filed with the SEC on May 5, 2014 (File No. 333-195678))</u></a>                                   |
| 3.3             | <a href="#"><u>Amendment to the Bylaws of Century Communities, Inc., adopted and effective on April 10, 2017 (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K, filed with the SEC on April 11, 2017 (File No. 001-36491))</u></a>     |
| 10.1            | <a href="#"><u>Amended and Restated Employment Agreement, effective as of July 28, 2020, between Century Communities, Inc. and Dale Francescon (filed herewith)</u></a>                                                                                                    |
| 10.2            | <a href="#"><u>Amended and Restated Employment Agreement, effective as of July 28, 2020, between Century Communities, Inc. and Robert J. Francescon (filed herewith)</u></a>                                                                                               |
| 10.3            | <a href="#"><u>Amended and Restated Employment Agreement, effective as of July 28, 2020, between Century Communities, Inc. and David Messenger (filed herewith)</u></a>                                                                                                    |

|         |                                                                                                                                                                                                  |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 22.1    | <a href="#">List of Guarantor Subsidiaries (filed herewith)</a>                                                                                                                                  |
| 31.1    | <a href="#">Certification of the Co-Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith)</a>                               |
| 31.2    | <a href="#">Certification of the Co-Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith)</a>                               |
| 31.3    | <a href="#">Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith)</a>                                  |
| 32.1    | <a href="#">Certification of the Co-Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)</a> |
| 32.2    | <a href="#">Certification of the Co-Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)</a> |
| 32.3    | <a href="#">Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)</a>    |
| 101.INS | Inline XBRL Instance Document (The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document)                            |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document (filed herewith)                                                                                                                                  |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith)                                                                                                                    |
| 101.DEF | Inline XBRL Taxonomy Definition Linkbase Document (filed herewith)                                                                                                                               |
| 101.LAB | Inline XBRL Taxonomy Extension Labels Linkbase Document (filed herewith)                                                                                                                         |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith)                                                                                                                   |
| 104     | Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101)                                                                                         |

## 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.

CENTURY COMMUNITIES, INC.

Date: July 28, 2020

By: /s/ Dale Francescon  
Dale Francescon  
*Chairman of the Board and Co-Chief Executive Officer*  
*(Co-Principal Executive Officer)*

Date: July 28, 2020

By: /s/ Robert J. Francescon  
Robert J. Francescon  
*Co-Chief Executive Officer and President*  
*(Co-Principal Executive Officer)*

Date: July 28, 2020

By: /s/ David Messenger  
David Messenger  
*Chief Financial Officer*  
*(Principal Financial Officer)*

Date: July 28, 2020

By: /s/ J. Scott Dixon  
J. Scott Dixon  
*Chief Accounting Officer*  
*(Principal Accounting Officer)*

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## **Amended and Restated Employment Agreement**

This Amended and Restated Employment Agreement (the “Amended Agreement”) is made between Century Communities, Inc., a Delaware corporation (the “Company”), and Dale Francescon (the “Executive”), effective as of July 28, 2020 (“Effective Date”).

### **Recitals**

Whereas, the Company has employed the Executive as its Co-Chief Executive Officer pursuant to an Amended and Restated Employment Agreement dated as of October 25, 2018 (the “Prior Agreement”), who further serves as Chairman of the Company’s Board of Directors;

Whereas, the Company and the Executive desire to modify the Prior Agreement and accordingly fully amend and restate the Prior Agreement pursuant to this Amended Agreement;

Now, Therefore, in consideration of the promises and mutual covenants herein and for other good and valuable consideration, the parties agree that the Prior Agreement is hereby amended and restated in its entirety to provide the following:

#### **General**

. The parties agree that, subject to the terms hereof, the Executive shall continue to serve as Co-Chief Executive Officer of the Company and Chairman of its Board of Directors, after the Effective Date hereof in accordance with the terms and conditions set out in this Amended Agreement.

#### **Employment, Duties and Agreements**

. The Company hereby agrees to continue to employ the Executive as its Co-Chief Executive Officer and Chairman of its Board of Directors at a location in Greenwood Village, Colorado, and the Executive hereby accepts such position and agrees to continue to serve the Company in such capacities on a full-time basis during the employment period fixed by Section 4 below (the “Employment Period”). With the Executive’s consent, the Executive shall also be appointed as Co-Chief Executive Officer of each of the principal, direct and indirect operating subsidiaries of the Company, and may also be appointed to other positions with the Company consistent with his leadership role as Co-Chief Executive Officer of the Company.

(a) The Executive shall have such duties and responsibilities as are consistent with the Executive’s position and as may be reasonably assigned by the Company’s Board of Directors (the “Board”) from time to time. During the Employment Period, the Executive shall be subject to, and shall act in accordance with, all reasonable instructions and directions of the Board and all applicable policies and rules of the Company.

(b) During the Employment Period, excluding any periods of paid time off to which the Executive is entitled, the Executive shall devote substantially his full working time and efforts to the performance of his duties and responsibilities hereunder and shall endeavor to promote the business and best interests of the Company.

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(c) During the Employment Period, the Executive shall not engage in any business activity other than on behalf of the Company without the express prior written approval of the Board. It will not be a violation of this exclusivity provision for the Executive to (i) manage the Executive's personal, financial and legal affairs, (ii) acquire, invest, manage, construct, develop, and dispose of the Executive's investments in apartments for-rent, multi-family properties, and non-residential real estate, directly or indirectly in any capacity, *provided* such activities do not take a material amount of the Executive's time and do not interfere with the Executive's duties and obligations to the Company, or (iii) serve on charitable or civic boards or committees.

(d) During the Employment Period, the Executive shall be nominated by the Board for election as a member of the Board at each annual meeting of stockholders of the Company held during the Employment Period. During the Employment Period, the Executive may also be a member of the board of directors of each principal operating subsidiary of the Company.

#### Compensation

. As compensation for the agreements made by the Executive herein and the performance by the Executive of his obligations hereunder, during the Employment Period the Executive is entitled to receive the following compensation:

(a) The Company shall pay the Executive, pursuant to the Company's normal and customary payroll procedures, a base salary at the rate of \$850,000 per annum (the "Base Salary"). The Base Salary shall be reviewed at least annually for possible increase (but not decrease) in the Company's sole discretion, as determined by the Compensation Committee of the Board (the "Compensation Committee"); *provided, however*, that the Executive shall be entitled to any annual cost-of-living increases in Base Salary that are granted to senior executives of the Company generally. Any increase in Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Amended Agreement. The term "Base Salary" as utilized in this Amended Agreement shall refer to Base Salary as so adjusted.

(b) In addition to the Base Salary, the Executive shall be eligible to earn, for each fiscal year of the Company ending during the Employment Period, an annual cash performance bonus (an "Annual Bonus") under the Company's bonus plan or plans applicable to senior executives. The amount of the Annual Bonus and the performance goals applicable to the Annual Bonus for any applicable year during the Employment Period shall be determined in accordance with the terms and conditions of said bonus plan as in effect from time to time with a threshold Annual Bonus opportunity equal to at least 87.5% of Base Salary (the "Threshold Bonus"), a target Annual Bonus opportunity equal to at least 175% of Base Salary (the "Target Bonus") and a maximum Annual Bonus opportunity equal to at least 350% of Base Salary (the "Maximum Bonus"). The terms and conditions of any such bonus plan shall be determined by the Compensation Committee in its sole discretion, except that the Threshold Bonus, Target Bonus and Maximum Bonus cannot be decreased from the levels set forth above, although they may be increased. Any Annual Bonus shall be paid on or before March 15th of each calendar year immediately following the year in which compensation is earned in accordance with the applicable plan.

(c) Pursuant to the Century Communities, Inc. 2017 Omnibus Incentive Plan, as amended from time to time, or such predecessor or successor plan (the “Incentive Plan”), the Company has granted and may in the future grant to the Executive certain equity awards (collectively and including awards substituted therefor covering the securities of a successor company, the “Equity Awards”), including, without limitation, restricted stock units that are to be settled with shares of the Company’s common stock (the “RSUs”) and performance-based awards in the form of performance share units that are to be settled with shares of the Company’s common stock (“PSUs”). The terms and conditions of the Equity Awards are and shall be set forth in an award agreement(s) entered into by the Company and the Executive in the form adopted by the Board or the Compensation Committee, as applicable, or as documented in minutes of meetings or consents of the Board or Compensation Committee and communicated to the Executive within five (5) days after any such term or condition is adopted (each, an “Equity Agreement,” and collectively, the “Equity Agreements”), as modified by the terms hereof.

(d) During the Employment Period, (i) the Executive shall be eligible to participate in all other incentive plans, practices, policies and programs, and all savings and retirement plans, policies and programs, in each case that are applicable generally to senior executives of the Company; (ii) the Executive and the Executive’s eligible family members and other qualified dependents shall be eligible for participation in the welfare benefit plans, practices, policies and programs (including, if applicable, medical, dental, vision, disability, employee life, group life and accidental death insurance plans and programs) maintained by the Company for its senior executives; (iii) the Company shall reimburse the Executive up to \$2,500 per month for premiums paid by or on behalf of the Executive for term life insurance coverage on the Executive’s life; (iv) the Executive shall be entitled to a \$2,500 per month automobile and cell phone allowance; and (v) the Executive shall be entitled to such fringe benefits and perquisites as are provided or maintained by the Company to and for its senior executives from time to time, in accordance with the policies, practices, and procedures of the Company.

(e) During the Employment Period, the Executive shall be entitled to personal time off in accordance with the Company’s policies and practices that are applicable to the Company’s senior executives.

(f) During the Employment Period, the Company shall maintain (i) a directors’ and officers’ liability insurance policy, or an equivalent errors and omissions liability insurance policy, including fiduciary coverage, and (ii) an employment practices liability insurance policy. Each such policy shall cover the Executive with scope, exclusions, amounts, and deductibles no less favorable to the Executive than those applicable to the Company’s senior executives and directors on the Effective Date, or any more favorable terms as may be available in the future to any other director or senior executive officer of the Company, while the Executive is employed with the Company and thereafter until the sixth (6<sup>th</sup>) anniversary of the Executive’s Scheduled Termination Date (as defined in Section 4) or other Date of Termination (as defined in Section 5(b)). Moreover, during the Employment Period and thereafter, the Company shall comply with the terms of its (i) bylaws with respect to indemnification of the Executive, and (ii) that certain indemnification agreement between the Company and the Executive dated as of April 30,

2013 and shall not repeal or modify the indemnification provisions contained therein in any manner that would adversely affect any right or protection of the Executive thereunder.

(g) The Company shall reimburse the Executive for all reasonable business expenses upon the presentation of statements of such expenses in accordance with the Company's policies and procedures now in force or as such policies and procedures may be modified with respect to all senior executives of the Company.

Employment Period

For purposes of this Amended Agreement, the Employment Period shall commence on the Effective Date and terminate on the fifth (5<sup>th</sup>) anniversary of the Effective Date (the "Initial Term"), provided that on the fifth (5<sup>th</sup>) anniversary of the Effective Date and on each anniversary thereafter, the Employment Period shall automatically be extended for additional one-year periods unless either party provides the other party with notice of non-renewal at least ninety (90) days before any such anniversary (the anniversary date on which the Employment Period terminates shall be referred to herein as the "Scheduled Termination Date"). Notwithstanding the foregoing, the Executive's employment hereunder may be terminated during the Employment Period prior to the Scheduled Termination Date upon the earliest to occur of any one of the following events (at which time the Employment Period shall be terminated):

(a) Death. The Executive's employment hereunder shall terminate upon his death.

(b) Disability. The Company shall be entitled to terminate the Executive's employment hereunder for Disability. For purposes of this Amended Agreement, the term "Disability" shall mean the Executive's inability by reason of physical or mental illness to fulfill his obligations hereunder for one hundred twenty (120) consecutive days or a total of one hundred eighty (180) days in any twelve (12) month period which, in the reasonable opinion of an independent physician selected by the Company or its insurers and reasonably acceptable to the Executive or the Executive's legal representative, renders the Executive unable to perform the essential functions of his job, even after reasonable accommodations are made by the Company, and which inability by reason of such physical or mental illness to fulfill his obligations has not been cured, as determined by such physician prior to the Date of Termination.

(c) Cause. The Company may terminate the Executive's employment hereunder for Cause. For purposes of this Amended Agreement, the term "Cause" shall mean:

(i) conviction (or a plea of *nolo contendere*) by the Executive to a felony;

(ii) acts of fraud, dishonesty or misappropriation committed by the Executive and intended to result in substantial personal enrichment at the expense of the Company;

(iii) willful misconduct by the Executive in the performance of the Executive's material duties required by this Amended Agreement which is likely

to materially damage the financial position or reputation of the Company, which is not cured within thirty (30) days following receipt by the Executive of a Notice of Termination (as defined under Section 5 below) from the Company; or

(iv) a material breach of this Amended Agreement by the Executive which is likely to materially damage the financial position or reputation of the Company and which is not cured within thirty (30) days following receipt by the Executive of a Notice of Termination (as defined under Section 5 below) from the Company.

The foregoing is an exclusive list of the acts or omissions that shall be considered Cause. Notwithstanding the foregoing, the termination of the Executive shall not be deemed to be for Cause unless and until: (A) the Board shall have provided the Executive with a Notice of Termination (as defined in Section 5 below) specifying in detail the basis for the termination of employment for Cause and the provision(s) under this Amended Agreement on which such termination is based, and (B) in the case of subsections (iii) and (iv) above, the Executive shall have had the opportunity to cure such breach within the time period specified, and (C) in all cases where Cause is alleged, the Executive shall have had a reasonable opportunity to prepare and present his case to the full Board (with the assistance of his own counsel) before any termination for Cause is finalized by a vote of a majority of the Board, including a majority of independent directors (not including the vote of the Executive).

For purposes of this Amended Agreement, no act or failure to act of the Executive shall be willful or intentional if performed in good faith with the reasonable belief that the action or inaction was in the best interest of the Company. In addition, nothing herein shall limit or otherwise prevent the Executive from challenging judicially any determination of Cause as made by the Board hereunder.

(d) Without Cause. The Company may terminate the Executive's employment hereunder during the Employment Period without Cause. For purposes of this Amended Agreement, a notice of non-renewal given by the Company as provided in Section 4 above shall be treated as a termination of employment by the Company without Cause.

(e) For Good Reason. The Executive may terminate his employment hereunder for Good Reason. For purposes of this Amended Agreement, "Good Reason" shall mean: (i) a material breach of this Amended Agreement by the Company (including the Company's withholding or failure to pay compensation when due to the Executive, and including a violation of Section 13(i) below); (ii) relocation of the Company's headquarters or the primary location where the Executive works to a location more than twenty-five (25) miles from the Company's office in Greenwood Village, Colorado as of the Effective Date; (iii) a material reduction in the Executive's titles, duties, authority, or responsibilities, or the assignment to the Executive of any duties materially inconsistent with the Executive's position, authority, duties, or responsibilities without the written consent of the Executive; (iv) a reduction in the Executive's annual Base Salary or Annual Bonus opportunity or other compensation, as currently in effect or as may be increased from time to time, including, but not limited to, elimination or reduction in the Executive's participation in

the Incentive Plan for reasons other than those specified in such plan; (v) the failure of the Company to nominate the Executive for election as a member of the Board; (vi) the failure of the Company's stockholders to elect the Executive as a member of the Board; (vii) the removal of the Executive as a member of the Board by the Company's stockholders; (viii) the failure of the Board to elect the Executive as its Chairman of the Board; or (ix) the failure by the Company to obtain a satisfactory agreement from any successor of the Company requiring such successor to assume and agree to perform all obligations under this Amended Agreement. With respect to the acts or omissions set forth in this Section 4(e), (A) the Executive shall provide the Board with a Notice of Termination (as defined in Section 5 below) within ninety (90) days after the initial existence of the circumstances constituting Good Reason specifying in detail the basis for the termination of employment for Good Reason and the provision(s) under this Amended Agreement on which such termination is based, (B) the Company shall have thirty (30) days to cure the matters specified in the notice delivered, and (C) if uncured, the Executive must terminate his employment with the Company within ninety (90) days after the expiration of the Company's cure period in order for such termination to be considered to be for Good Reason.

(f) Voluntarily. The Executive may voluntarily terminate his employment hereunder, without Good Reason, *provided* that the Executive provides the Company with notice of his intent to terminate his employment at least thirty (30) days in advance of the Date of Termination (as defined in Section 5 below).

(g) Retirement. The Executive may voluntarily terminate his employment hereunder at any time by reason of Retirement. For purposes of this Amended Agreement, "Retirement" shall mean the Executive's voluntary termination of his employment upon satisfaction of the following conditions: (i) the Executive has reached (or will reach on the Date of Termination) the age of sixty (60) along with at least twenty three (23) years of employment with the Company (for purposes of this Amended Agreement, it is agreed that the Executive's employment with the Company commenced on November 1, 2000); and (ii) the Executive provides the Company with a Notice of Termination stating his intent to terminate his employment due to Retirement at least ninety (90) days in advance of the Date of Termination (as defined in Section 5 below).

#### Termination Procedure

(a) Notice of Termination. Any termination of the Executive's employment by the Company or by the Executive during the Employment Period (other than a termination on account of the death of the Executive) shall be communicated by a written "Notice of Termination" to the other party hereto in accordance with Section 13(a) below.

(b) Date of Termination. "Date of Termination" shall mean: (i) if the Executive's employment is terminated by his death, the date of his death, (ii) if the Executive's employment is terminated due to his Disability in accordance with and pursuant to Section 4(b) above, on the date the Executive receives Notice of Termination from the Company, (iii) if the Executive voluntarily terminates his employment (other than for Good Reason), the date specified in the notice given pursuant to Section 4(f) or Section

4(g) above, as the case may be, which shall not be less than thirty (30) days after the Notice of Termination (or ninety (90) days in event of Retirement), (iv) if the Executive terminates his employment for Good Reason, the date specified in the notice given pursuant to Section 4(e) which shall not be more than ninety (90) days after the expiration of the Company's cure period, and (v) if the Executive's employment is terminated for any other reason, the date on which a Notice of Termination is given or any later date (within thirty (30) days, or any alternative time period agreed upon by the parties, after the giving of such notice) set forth in such Notice of Termination (subject to the rights granted to the Executive under Section 4(c) above).

#### Termination Payments

(a) Without Cause or for Good Reason, Including in Connection with a Change in Control. In the event the Employment Period terminates under this Amended Agreement as a result of the Company terminating the Executive's employment without Cause (other than pursuant to Sections 4(a) or 4(b)) or the Executive terminating his employment for Good Reason:

(i) The Company shall pay or deliver, as applicable, to the Executive, upon the Date of Termination (or as otherwise provided below):

(A) (i) the Executive's unreimbursed business expenses and Base Salary through the Date of Termination (to the extent not theretofore paid) (the "Accrued Benefits"); and (ii) two (2) times the Executive's Base Salary, in each case payable in a lump sum (the "Base Severance");

(B) a lump sum amount equal to the greater of: (i) two (2) times the Executive's average Annual Bonus for the three (3) completed fiscal years immediately preceding the Date of Termination; or (ii) two (2) times the Executive's potential Target Bonus for the year in which the Date of Termination occurs (the "Base Incentive");

(C) in lieu of any Annual Bonus under Section 3(b) for the fiscal year in which the Executive's employment terminates, a lump sum amount equal to the Annual Bonus that would have become payable in cash to the Executive for that fiscal year if his employment had not terminated, based on performance actually achieved in that year (determined by the Board following completion of the performance year and paid at the time specified in the applicable plan) multiplied by a fraction, the numerator of which is the number of days the Executive was employed in such fiscal year and the denominator of which is the total number of days in such fiscal year;

(D) (i) any fully vested Equity Awards previously granted to the Executive, if not then already delivered or paid, shall be delivered or paid to the Executive on the Date of Termination; (ii) with regard to Equity Awards held by the Executive as of the Date of Termination not then based on performance, any such unvested Equity Awards will be 100% vested and

delivered or paid to the Executive on the Date of Termination; and (i ii) with regard to any Equity Awards held by the Executive as of the Date of Termination the amount of which is based on the attainment of specified levels of performance, the amount of such Equity Awards to be vested and delivered to the Executive shall be equal to the greater of: (1) the amount payable upon attainment of the target level for performance without proration of any kind; or (2) if actual performance has exceeded the target level, the actual performance achieved based on a proration of the original performance goals as hereinafter described (but without proration based on the Executive's actual period of service). For purposes of subparagraph (iii), actual performance achieved will be determined utilizing the Company's cumulative financial results from the beginning of the performance period through the last completed quarter immediately prior to the Date of Termination (the "Measurement Period"). The actual performance for the Measurement Period will then be compared to time-adjusted performance goals (at all levels) determined by multiplying the performance goals for the original performance period by a fraction, the numerator of which is the number of days in the Measurement Period and the denominator of which is the total number of days in the original performance period. Each performance based Equity Award subject to this provision will be calculated based on the performance measures, interpolation methods or other criteria set forth in the particular Equity Agreement to determine if it will be vested and paid at target or a higher level. To the extent that the formula in subparagraph (iii) cannot be applied to any performance based Equity Awards because the performance goals cannot reasonably be pro-rated as indicated above, then performance as of the Date of Termination will be calculated as set forth in the applicable Equity Agreement in accordance with the termination provisions thereof; and

(E) any Annual Bonus(es) that the Executive earned for any fiscal year(s) prior to the fiscal year in which the Executive's employment terminated to the extent that such Annual Bonus(es) had not yet been paid before the Date of Termination.

Notwithstanding any provision of Section 6(a)(i)(D) above, any holding period requirement applicable to any Equity Award held by the Executive will be eliminated.

(ii) If the Executive timely elects continuation coverage under the Company's group medical plan for the Executive and his covered dependents pursuant to Section 4980B of the Internal Revenue Code of 1986, as amended (the "Code"), and Section 601 of the Employee Retirement Income Security Act of 1974, as amended (which provisions are commonly known as "COBRA"), in accordance with ordinary plan practices, the Company shall pay, for up to eighteen (18) months, that portion of the COBRA premium payable by the Executive that is in excess of the premium payable by the Executive for the level of coverage the Executive and his covered dependents are enrolled in the Company's group medical

plan at the Date of Termination, to the extent permitted under the terms of the Company's medical plan; *provided, however*, that if the Executive and his covered dependents become eligible to receive comparable medical benefits under another employer provided plan, the Company's obligation to make COBRA payments described herein shall be terminated. Unless direct payment by the Company of such COBRA payments is permitted by applicable law, the Executive shall pay the full cost of the premiums for such coverage, as determined and set under the then current practices of the Company, on the first day of each month such coverage is provided and the Company shall reimburse the Executive the excess, if any, of the amount the Executive pays for COBRA continuation coverage above the amount of the applicable premium that the Executive would have paid for comparable coverage if he had remained an executive officer of the Company during the period such coverage is provided (the "Reimbursement Amounts"). Any Reimbursement Amounts to be paid by the Company to the Executive under this Section 6(a)(ii) shall be made on the tenth (10<sup>th</sup>) day of each month the Executive pays the amount required by this Section 6(a)(ii) for COBRA continuation coverage, commencing on the first such date immediately following the effective date of the Release under Section 6(a)(vi) (the "First Reimbursement Date"), and any installment of the Reimbursement Amount that would have otherwise been paid prior to the First Reimbursement Date shall instead be accumulated and paid on the First Reimbursement Date. To the extent the Executive is precluded from participation in the Company's medical plan due to Medicare eligibility and/or requirements to enroll in Medicare, the Executive will receive the monthly COBRA subsidy amount for the balance of the COBRA continuation period. The Executive shall promptly notify the Company of any changes in his eligibility for medical benefits coverage.

(iii) To the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any vested benefits and other amounts or benefits required to be paid or provided or which the Executive is eligible to receive as of the Date of Termination under any plan, program, policy, practice, contract, or agreement of the Company and its affiliates (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(iv) If the Date of Termination under this Section 6(a) occurs within six (6) months preceding or within twenty-four (24) months following a Change in Control, the Company shall, in lieu of the payment provided for in subsection 6(a)(i)(B) above, pay the Executive an amount equal to the greater of: (A) three (3) times the Executive's potential Target Bonus for the year in which the Date of Termination occurs; or (B) three (3) times the Executive's average Annual Bonus for the three (3) completed fiscal years immediately preceding the Date of Termination. In addition, the Company shall pay the Executive three (3) times the Executive's Base Salary in a lump sum in lieu of the payment provided for in subsection 6(a)(i)(A)(ii) above. For purposes of this Amended Agreement, "Change in Control" shall have the meaning specified on Exhibit A attached hereto.

(v) For the avoidance of doubt, upon a termination of the Employment Period by the Company without Cause or by the Executive for Good Reason, the

Executive shall not be entitled to any other compensation or benefits not expressly provided for in this Section 6(a), regardless of the time that would otherwise remain in the Employment Period had the Employment Period not been terminated without Cause or for Good Reason. The Company shall have no additional obligations under this Amended Agreement except as provided in this Section 6(a), any vested benefits under any tax qualified pension plans of the Company, and continuation of health insurance benefits on the terms and to the extent required by COBRA or such other analogous legislation as may be applicable to the Executive.

(vi) The payments and benefits provided under this Section 6(a), other than the Accrued Benefits described in Section 6(a)(i)(A), the earned Bonus(es) described in Section 6(a)(i)(E), the vested Equity Awards described in Section 6(a)(i)(D)(i) and the Other Benefits under Section 6(a)(iii), are subject to and conditioned upon: (A) the Executive executing a timely and valid release of claims ("Release") in the form attached hereto as Exhibit B (but reflecting any subsequent changes in applicable law as provided therein) waiving all claims the Executive may have against the Company, its successors, assigns, affiliates, executives, officers and directors; (B) the Executive delivering the executed Release to the Company within twenty-one (21) days following the Date of Termination (the "Release Period"); (C) such Release and the waiver contained therein becoming effective; and (D) the Executive's compliance with the restrictive covenants contained in Sections 9 and 10 of this Amended Agreement. In the event that the Release Period spans two of the Executive's taxable years, the payments and benefits provided under this Section 6(a), other than the Accrued Benefits described in Section 6(a)(i)(A), the earned Bonus(es) described in Section 6(a)(i)(E), the vested Equity Awards described in Section 6(a)(i)(D)(i) and the Other Benefits under Section 6(a)(iii), must be made in the second of the two taxable years. In the event that payments are made hereunder prior to the execution of the Release and the Executive does not execute the Release in the time and manner set forth herein, the Executive shall promptly pay to the Company, together with interest from the date of payment to the date of repayment at the prime rate, such amounts or the value of such benefits so received.

(a) For Cause or Voluntary Termination by Executive. If the Executive's employment is terminated during the Employment Period by the Company for Cause, then the Company shall pay the Executive upon the Date of Termination the Accrued Benefits and the Other Benefits, and any benefits or compensation provided under the Equity Agreements shall be paid in accordance with such agreements. If the Executive's employment is terminated during the Employment Period by the Executive other than for Good Reason and other than by reason of Retirement, then the Company shall pay the Executive upon the Date of Termination the Accrued Benefits, the Other Benefits, the earned Bonus(es) described in Section 6(a)(i)(E), the vested Equity Awards described in Section 6(a)(i)(D)(i), and any benefits or compensation provided under the Equity Agreements shall be paid in accordance with such agreements. Except as provided in this Section 6(b) or with respect to any vested benefits under any tax qualified pension plans of the Company and the continuation of health insurance benefits on the terms and to the extent required by COBRA or any other analogous legislation as may be applicable to the

Executive, the Company shall have no additional obligations under this Amended Agreement. Notwithstanding anything herein to the contrary, the Executive will not be required to execute a Release to receive the payments and benefits under this Section 6(b). For the avoidance of doubt, this Section 6(b) does not address the situation of a termination of the Executive's employment as a result of the Executive's death or a termination of the Executive's employment by the Company for Disability, which are covered under Section 6(c).

(b) Death, Disability, or Retirement. If the Executive's employment is terminated during the Employment Period as a result of the Executive's death, by the Company for Disability or by the Executive by reason of Retirement, then:

(i) The Company shall pay or deliver, as applicable, to the Executive or the Executive's estate, as the case may be, within thirty (30) days following the Date of Termination (or otherwise as provided below):

(A) the Accrued Benefits and Other Benefits;

(B) Equity Awards held by the Executive on the Date of Termination shall be vested, delivered and paid in the same manner as provided in Section 6(a)(i)(D)(i), (ii) and (iii), except that in the event of Retirement, the Executive shall continue to vest and be paid for any performance based Equity Awards in accordance with the terms in place for the performance based Equity Awards as if his Retirement had not occurred;

(C) in lieu of any Annual Bonus under Section 3(b) for the fiscal year in which the Executive's employment terminates, a lump sum amount equal to the Annual Bonus that would have become payable in cash to the Executive for that fiscal year if his employment had not terminated, based on performance actually achieved in that year (determined by the Board following completion of the performance year and paid at the time specified in the applicable plan) multiplied by a fraction, the numerator of which is the number of days the Executive was employed in such fiscal year and the denominator of which is the total number of days in such fiscal year; and

(D) any Annual Bonus(es) that the Executive earned for any fiscal year(s) prior to the fiscal year in which the Executive's employment terminated to the extent that such Annual Bonus(es) had not yet been paid before the Date of Termination.

Notwithstanding any provision of Section 6(c)(i)(B) above, any holding period requirement applicable to any Equity Award held by the Executive will be eliminated.

(ii) If the Executive or his covered dependents timely elect COBRA continuation coverage under the Company's group medical plan, in accordance with ordinary plan practices, the Company shall pay that portion of the COBRA

premium payable by the Executive or such covered dependents that is in excess of the premium payable by the Executive for the level of coverage the Executive and such covered dependents are enrolled in the Company's group medical plan at the Date of Termination for up to the maximum COBRA continuation period following the Date of Termination, to the extent permitted under the terms of the Company's medical plan; *provided, however*, that if the Executive becomes eligible to receive comparable medical benefits under another employer provided plan, then the Company's obligation to make COBRA payments described herein shall be terminated. Unless direct payment by the Company of such COBRA payments is permitted by applicable law, the Executive or covered dependent shall pay the full cost of the premiums for such coverage, as determined and set under the then current practices of the Company, on the first day of each month such coverage is provided and the Company shall reimburse the Executive or covered dependent the excess, if any, of the amount the Executive or covered dependent pays for COBRA continuation coverage above the amount of the applicable premium that the Executive would have paid for comparable coverage if he had remained an executive officer of the Company during the period such coverage is provided. Any such Reimbursement Amounts to be paid by the Company to the Executive or covered dependent under this Section 6(c)(ii) shall be made on the tenth (10<sup>th</sup>) day of each month the Executive pays the amount required by this Section 6(c)(ii) for COBRA continuation coverage, and, if applicable, commencing on the First Reimbursement Date, and any installment of the Reimbursement Amount that would have otherwise been paid prior to the First Reimbursement Date shall instead be accumulated and paid on the First Reimbursement Date. To the extent the Executive or covered dependent is precluded from participation in the Company's medical plan due to Medicare eligibility and/or requirements to enroll in Medicare, the Executive or covered dependent will receive the monthly COBRA subsidy amount for the balance of the COBRA continuation period. The Executive or covered dependent shall promptly notify the Company of any changes in his or her eligibility for medical benefits coverage.

(iii) The Company shall have no additional obligations under this Amended Agreement except as provided in this Section 6(c), or pursuant to the terms of the Equity Agreements, and except for any vested benefits under any tax qualified pension plans of the Company, and continuation of health insurance benefits on the terms and to the extent required by COBRA or any other analogous legislation as may be applicable to the Executive.

(iv) Except in the event of the Executive's death or a termination by the Company for Disability, the Executive will be required to execute a Release as set forth in Section 6(a)(vi) above to receive the payments, grants, vesting and benefits under this Section 6(c), other than the benefits provided under Section 6(c)(i)(A), and Section 6(a)(i)(D)(i) as referred to in Section 6(c)(i)(B) and Section 6(c)(i)(D).

(c) Mitigation. In no event shall the Executive be obligated to seek other employment or to take any other action by way of mitigation of the amounts payable to the Executive under the provisions of this Section 6.

(d) Termination from the Board and any Offices Held. Upon termination of the Executive's employment for any reason, the Executive agrees that the Executive's membership on the Board, the board of directors of any of the Company's subsidiaries or affiliates, any committees of the Board, any committees of the board of directors of any of the Company's subsidiaries or affiliates and any and all offices held, if applicable, shall be automatically terminated. The Executive hereby agrees to cooperate with the Company and its subsidiaries and affiliates and to execute any documents reasonably required by them or competent authorities to effect this provision.

#### Excise Tax Limitation

(a) Payment Limitation. Notwithstanding anything contained in this Amended Agreement (or in any other agreement between the Executive and the Company) to the contrary, to the extent that any payments and benefits provided under this Amended Agreement or any other plan or agreement of the Company (such payments or benefits are collectively referred to as the "Payments") would be subject to the excise tax (the "Excise Tax") imposed under Section 4999 of the Code, the Payments shall be reduced if and to the extent that a reduction in the Payments would result in the Executive retaining a larger amount, on an after-tax basis (taking into account federal, state and local income taxes and the Excise Tax), than he would have retained had he been entitled to receive all of the Payments (such reduced amount is hereinafter referred to as the "Limited Payment Amount"). The Company shall reduce the Payments by first reducing or eliminating payments or benefits which are not payable in cash and then by reducing or eliminating cash payments, in each case in reverse order beginning with payments or benefits which are to be paid the farthest in time from the date the "Determination" (as defined in Section 7(b) below) is delivered to the Company and the Executive.

(b) Determination and Dispute. The determination as to whether the Payments shall be reduced to the Limited Payment Amount and the amount of such Limited Payment Amount (the "Determination") shall be made at the Company's expense by an accounting or consulting firm selected by the Company and reasonably acceptable to the Executive (the "Firm"). The Firm shall provide the Determination in writing, together with detailed supporting calculations and documentation, to the Company and the Executive on or prior to the effective date of termination of the Executive's employment if applicable, or at such other time as requested by the Company or by the Executive. Within ten (10) days of the delivery of the Determination to the Executive, the Executive shall have the right to dispute the Determination (the "Dispute") in writing setting forth the precise basis of the Dispute. If there is no Dispute, the Determination shall be binding, final and conclusive upon the Company and the Executive.

(c) Excise Tax is Obligation of the Executive. Any Excise Tax with respect to the Executive's Payments shall be the sole obligation of the Executive, subject to any tax withholding obligation imposed on the Company with respect thereto.

#### Compliance with Section 409A

. This Amended Agreement and the payments hereunder are intended to be exempt, to the greatest extent possible, from the requirements of Section 409A of the Code, and to the extent not so exempt, to comply with the requirements of

Section 409A of the Code, and shall be construed and administered consistent with, and to give full effect to, such intent. The payments to the Executive pursuant to this Amended Agreement are also intended to be exempt from Section 409A of the Code to the maximum extent possible, under either the separation pay exemption pursuant to Treasury regulation § 1.409A-1 (b)(9)(iii) or as short-term deferrals pursuant to Treasury regulation § 1.409A-1(b)(4). In the event the terms of this Amended Agreement would subject the Executive to taxes or penalties under Section 409A of the Code (“409A Penalties”), the Company and the Executive shall cooperate diligently to amend the terms of the Amended Agreement to avoid such 409A Penalties, to the extent possible; *provided* that such amendment shall not increase or reduce (in the aggregate) the amounts payable to the Executive hereunder. Any taxable reimbursement payable to the Executive pursuant to this Amended Agreement shall be paid to the Executive no later than the last day of the calendar year following the calendar year in which the Executive incurred the reimbursable expense. Any amount of expenses eligible for taxable reimbursement, or such in-kind benefit provided, during a calendar year shall not affect the amount of such expenses eligible for reimbursement, or such in-kind benefit to be provided, during any other calendar year. The right to such reimbursement or such in-kind benefits pursuant to this Amended Agreement shall not be subject to liquidation or exchange for any other benefit. Any right to a series of installment payments pursuant to this Amended Agreement is to be treated as a right to a series of separate payments. A termination of employment shall not be deemed to have occurred for purposes of this Amended Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a “separation from service” within the meaning of Section 409A of the Code. If on the date of termination of employment the Executive is a “specified employee” within the meaning of that term under Section 409A of the Code, then, notwithstanding any other provision herein, with regard to any payment or benefit that is properly treated as nonqualified deferred compensation under Section 409A of the Code (after taking into account all exclusions applicable to such payment or benefit) and is payable on account of such separation from service, such payment or benefit shall not be made or provided prior to the expiration of the earlier of the six-month period measured from the date of such separation from service, or the Executive’s death. All payments and benefits delayed pursuant to the preceding provisions of this Section 8 shall be paid to the Executive on the first payroll date following the end of the delay period.

#### Protection of Trade Secrets and Confidential Information

(a) Acknowledgments Regarding “Confidential Information”. In performing his duties as an executive of the Company, the Executive acknowledges that he will have access to documents, trade secrets, and other confidential and proprietary information which consists of information known by the Executive as a consequence of his employment with the Company (including information originated, discovered and/or developed by the Executive). The Executive acknowledges: (i) that all of the Confidential Information, as defined in Section 9(b) below, made accessible to the Executive shall be provided only in strict confidence; (ii) that unauthorized disclosure of Confidential Information may damage the Company’s business; (iii) that Confidential Information could be susceptible to immediate competitive application by a competitor of the Company; (vi) that the Company’s business is substantially dependent on access to and the continuing secrecy of Confidential Information; (v) that Confidential Information is novel, unique to the Company and known only to the Executive, the Company and certain key employees and

contractors of the Company; (vi) that the Company shall at all times retain ownership and control of all Confidential Information; and (vii) that the restrictions contained in this Amended Agreement are reasonable and necessary for the protection of the Company's legitimate business interests.

(b) Definition of Confidential Information. The term "Confidential Information" means confidential and proprietary information of the Company, including, but not limited to, (i) information not generally known outside the Company such as information which is unique to the Company, (ii) information about the Company's real estate investments, projects, developments, business plans, financial plans, products, processes and services, research and development activities, client lists, marketing techniques, pricing policies, financial targets, financial information and projections, and (iii) any trade secret information as that term is defined in the Colorado Uniform Trade Secrets Act, C.R.S. § 7-74-101 *et seq.* However, the term Confidential Information shall not include information that: (w) becomes generally available to and known by the public; (x) was available to the Executive on a non-confidential basis prior to its disclosure; (y) becomes available to the Executive from a source other than the Company, *provided* that the Executive has no knowledge that such source is prohibited from disclosing such information to the Executive by a contractual, legal or fiduciary obligation to the Company; or (z) the Executive has independently developed with no reliance on or access to any of the information provided directly or indirectly by the Company.

(c) The Executive's Use of Confidential Information. Except in connection with and in furtherance of the Executive's work on the Company's behalf, the Executive shall not, without the Company's prior written consent, at any time, directly or indirectly: (i) use any Confidential Information for any purpose; or (ii) disclose or otherwise communicate any Confidential Information to any person or entity; or (iii) accept or participate in any employment, consulting engagement, or other business opportunity that inevitably will result in the disclosure or use of any Confidential Information.

(d) Third-Parties' Confidential Information. The Executive acknowledges that the Company has received and in the future will receive from third parties confidential or proprietary information, and that the Company must maintain the confidentiality of such information and use it only for authorized purposes. The Executive shall not use or disclose any such information except as authorized by the Company or the third party to whom the information belongs.

(e) Ownership of Works. The Executive agrees to promptly disclose in writing to the Company all inventions, discoveries, developments, improvements, and innovations (collectively referred to as "Inventions") that the Executive has conceived or made during his employment with the Company; *provided, however*, that in this context "Inventions" are limited to those which (i) relate in any manner to the existing or contemplated business or research activities of the Company and its affiliates; (ii) are suggested by or result from the Executive's work at the Company; or (iii) result from the use of the time, materials or facilities of the Company and its affiliates. All Inventions will be the Company's property rather than the Executive's. Should the Company request it, the Executive agrees to sign

any document that the Company may reasonably require to establish ownership in any Invention.

(f) Subsidiaries Included. For purposes of this Section 9, the term “Company” includes all of the Company’s direct and indirect wholly-owned and majority-owned subsidiaries.

Unfair Competition

. To protect the interests of the Company and its Confidential Information, and in consideration of the covenants and promises and other valuable consideration described in this Amended Agreement, the Executive agrees as follows:

(a) Non-Compete. The Executive will not, at any time during his employment and for a period of two (2) years following termination of his employment by the Company for Cause, by the Executive without Good Reason, or by the Executive by reason of Retirement, acting alone or in conjunction with others, directly or indirectly, engage (either as owner, investor, partner, stockholder, lender, employer, employee, consultant, advisor, member, or director) in any aspect of a Residential Project (as defined in Section 10(a)(ii) below) in the Geographic Region (as defined in Section 10(a)(iii) below), including, but not limited to, any land acquisition, land development, entitlements or construction, marketing, sale, financing or management of any Residential Project.

(i) The Executive acknowledges that in light of his position, duties and responsibilities with the Company, the Executive will have access to and be familiar with the Company’s Confidential Information and trade secrets for each such Residential Project, and that this two (2) year non-compete provision is narrowly tailored and reasonable to protect the Company’s Confidential Information and trade secrets.

(ii) For purposes of this Section 10, the term “Residential Project” shall mean any residential building project for which the Company has invested resources, performed due diligence, planned land development and/or initiated real estate acquisitions during the Executive’s employment with the Company.

(iii) For purposes of this Section 10, the term “Geographic Region” shall mean (i) any and all counties in any state in which the Company has engaged in any Residential Project in the past or in which it is currently conducting any Residential Project, and (ii) any and all other counties in any state that the Company engages in any Residential Project in the future during the Executive’s employment with the Company.

(iv) It will not be a violation of this Section 10 or of Section 10(c) below for the Executive to own not more than five percent (5%) of the equity securities of any company having securities listed on an exchange or regularly traded in the over-the-counter market.

(v) It will not be a violation of this Section 10 or of Section 10(c) below for the Executive to acquire, invest, manage, construct, develop, or dispose of the

Executive's investments in apartments for-rent, multi-family properties, and non-residential real estate, directly or indirectly, in any capacity.

(b) Non-Solicitation of Company Employees. The Executive agrees that the Company has invested substantial time and effort in assembling and training its present staff of personnel. Accordingly, the Executive agrees that for a period of two (2) years following termination of employment by the Company for Cause, by the Executive without Good Reason or by the Executive by reason of Retirement, the Executive will not directly or indirectly induce or solicit or seek to induce or solicit on behalf of employee or others any of the Company's employees to leave employment with the Company.

(c) Non-Solicitation of Clients and Suppliers. The Executive agrees that the Company's relationships with its "Clients and Suppliers" (as such term is defined in this Section 10(c)) are solely the assets and property of the Company. The Executive agrees that for a period of two (2) years following termination of the Executive's employment by the Company for Cause, by the Executive without Good Reason or by the Executive by reason of Retirement, the Executive shall not directly or through others solicit or attempt to solicit any of the Company's Clients and/or Suppliers for the purpose of providing products or services competitive to those offered by the Company. This restriction applies only to those Clients and/or Suppliers with whom the Executive had "material contact" (as such term is defined in this Section 10(c)) on behalf of the Company. "Material contact" means: (i) direct personal contact with a Supplier or Client for the purpose of, respectively, purchasing real estate, materials or services for use by the Company or selling the Company's real estate, products or services to Clients or (ii) any direct supervision of direct personal contacts other employees of the Company may have with Suppliers and/or Clients. "Clients and Suppliers" are those clients or suppliers with whom the Executive had material contact within one (1) year prior to the termination of the Executive's employment with the Company. The terms "Client" and "Supplier" shall also include prospective Clients and Suppliers of the Company.

(d) Acknowledgments. The Executive acknowledges that the foregoing restriction on competition is fair and reasonable, given the nature and scope of the Company's business operations and the nature of the Executive's position with the Company. The Executive also acknowledges that while employed by the Company, the Executive will have access to information that would be valuable or useful to the Company's competitors, and therefore acknowledges that the foregoing restrictions on the Executive's future employment and business activities are fair and reasonable.

(e) Acknowledgments of Law. The Executive acknowledges the following provisions of Colorado law, set forth in Colorado Revised Statutes § 8-2-113(2):

Any covenant not to compete which restricts the right of any person to receive compensation for performance of skilled or unskilled labor for any employer shall be void, but this subsection (2) shall not apply to:

any contract for the protection of trade secrets; or

executive and management personnel and officers and employees who constitute professional staff to executive and management personnel.

The Executive acknowledges that this Amended Agreement is a contract for the protection of trade secrets within the meaning of § 8-2-113(2)(b) and is intended to protect the Confidential Information identified above and that the Executive qualifies as executive personnel within the meaning of § 8-2-113(2)(d).

(f) Subsidiaries Included. For purposes of this Section 10, the term “Company” includes all of the Company’s direct and indirect wholly-owned and majority-owned subsidiaries.

#### Enforcement of Restrictive Covenants

. The Executive agrees and acknowledges that the remedies at law for any breach by the Executive of any provision of Section 9 or Section 10 of this Amended Agreement will be inadequate and that the Company shall be entitled to obtain injunctive relief against the Executive from a court of competent jurisdiction in the event of any breach of any provision of Section 9 or 10 of this Amended Agreement, in addition to seeking monetary damages as afforded by this Amended Agreement and applicable law.

#### Cooperation

. The parties agree that certain matters in which the Executive will be involved during the term of this Employment Agreement may necessitate the Executive’s cooperation in the future. Accordingly, following the termination of the Executive’s employment for any reason and *provided* such cooperation is not directly adverse to his legal interests, to the extent reasonably requested by the Board, the Executive shall cooperate with the Company and its subsidiaries and affiliates and their designated attorneys, representatives and agents in connection with matters arising out of the Executive’s service to the Company; *provided* that, the Company shall provide reasonable advance notice and make reasonable efforts to minimize disruption of Executive’s other activities. The Company shall reimburse the Executive for reasonable expenses incurred in connection with such cooperation within thirty (30) business days of receipt of supporting documentation of such expenses and the Company shall compensate the Executive at an hourly rate based on the Executive’s Base Salary and Annual Bonus for the most recently completed fiscal year as determined under Item 402 of Regulation S-K promulgated under the Exchange Act divided by 2,080. The Executive will submit invoices to the Company each month indicating the number of hours of services provided hereunder by the Executive, and payment of agreed-upon charges will be made within thirty (30) days of receipt of invoice, but in no event later than March 15 of the year following the year in which the services were performed. If invoices are not submitted within sixty (60) days following the end of the month in which the Executive’s services are performed, such invoices will not be eligible for payment and the Executive will not be compensated by the Company for the services described therein. For the avoidance of doubt, the parties understand, acknowledge and agree that if the Executive continues to serve as a non-employee director on the Board after the Date of Termination, the Executive will be eligible to receive non-employee director compensation in addition to any compensation received pursuant to this Section 12.

(a) Any notice or other communication required or permitted under this Amended Agreement shall be effective only if it is in writing and shall be deemed to be given when delivered personally or four (4) days after it is mailed by registered or certified mail, postage prepaid, return receipt requested or one (1) day after it is sent by a reputable overnight courier service and, in each case, addressed as follows (or if it is sent through any other method agreed upon by the parties):

If to the Company: Century Communities, Inc.  
8390 East Crescent Parkway  
Suite 650  
Greenwood Village, CO 80111  
Attn: Chief Executive Officer

with a copy to: Fox Rothschild LLP  
222 South Ninth Street  
Suite 2000  
Minneapolis, MN 55402  
Attn: Amy E. Culbert, Esq.

If to the Executive: Dale Francescon  
8390 East Crescent Parkway  
Suite 650  
Greenwood Village, CO 80111

or to such other address as any party hereto may designate by notice to the others.

(b) This Amended Agreement may be amended only by an instrument in writing signed by the parties hereto, and any provision hereof may be waived only by an instrument in writing signed by the party or parties against whom or which enforcement of such waiver is sought. The failure of any party hereto at any time to require the performance by any other party hereto of any provision hereof shall in no way affect the full right to require such performance at any time thereafter, nor shall the waiver by any party hereto of a breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision or a waiver of the provision itself or a waiver of any other provision of this Amended Agreement.

(c) The parties hereto acknowledge and agree that each party has reviewed and negotiated the terms and provisions of this Amended Agreement and has had the opportunity to contribute to its revision. Accordingly, the rule of construction to the effect that ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Amended Agreement. Rather, the terms of this Amended Agreement shall be construed fairly as to both parties hereto and not in favor of or against either party.

(d) The parties hereto hereby represent that they each have the authority to enter into this Amended Agreement, and the Executive hereby represents to the Company that

the execution of, and performance of duties under, this Amended Agreement shall not constitute a breach of or otherwise violate any other agreement to which the Executive is a party. The Executive hereby further represents to the Company that he will not utilize or disclose any confidential information obtained by the Executive in connection with any former employment with respect to his duties and responsibilities hereunder.

(e) By entering into this Agreement, the Executive acknowledges and agrees that the Company has given him a full and complete opportunity and sufficient time to consult with counsel and other advisors of his own choosing concerning the terms, enforceability and implications of this Amended Agreement and related documents/matters, or has made a knowing and voluntary decision to not engage his own counsel and other advisors with respect to the foregoing. The Executive also acknowledges and affirms that the Company has not made any representations or warranties to the Executive concerning the terms, enforceability or implications of this Amended Agreement other than as reflected in this Amended Agreement, and that the Executive has not relied upon the advice of the Company and/or its counsel or advisors as he has negotiated regarding, and decided to enter into, this Amended Agreement.

(f) This Amended Agreement is binding on and is for the benefit of the parties hereto and their respective successors, assigns, heirs, executors, administrators and other legal representatives. Neither this Amended Agreement nor any right or obligation hereunder may be assigned by the Executive.

(g) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume this Amended Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. As used in the Amended Agreement, the "Company" shall mean both the Company as defined above and any such successor that assumes this Amended Agreement, by operation of law or otherwise.

(h) Any provision of this Amended Agreement (or portion thereof) which is deemed invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction and subject to this Section 13(h), be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions thereof in such jurisdiction or rendering that or any other provisions of this Amended Agreement invalid, illegal, or unenforceable in any other jurisdiction. If any covenant should be deemed invalid, illegal or unenforceable because its scope is considered excessive, such covenant shall be modified so that the scope of the covenant is reduced only to the minimum extent necessary to render the modified covenant valid, legal and enforceable.

(i) As material obligations of the Company hereunder: the Company shall employ Robert J. Francescon as its Co-Chief Executive Officer and as a member of the Company's Board of Directors; the Company shall not: (a) terminate the employment of Robert J. Francescon without Cause; or (b) create or permit to exist any circumstance that would constitute "Good Reason" (as such term is defined in Robert J. Francescon's employment agreement with the Company) which results in Robert J. Francescon

terminating his employment under his employment agreement, unless in the case of clause (b) hereof, Robert J. Francescon consents in writing to such action.

(j) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Amended Agreement or the failure to assert any right the Executive or the Company may have hereunder shall not be deemed to be a waiver of such provision or right or any other provision or right of this Amended Agreement.

(k) Notwithstanding anything herein to the contrary, payment of amounts to the Executive under this Amended Agreement will be subject to applicable mandatory forfeiture or repayment provisions under the Sarbanes-Oxley Act of 2002 or any other applicable law, rule or regulation or stock exchange requirement, and the Company's clawback and forfeiture policy, and if the Executive is required to forfeit or to make any repayment of any compensation or benefit(s) to the Company under the Sarbanes-Oxley Act of 2002, any other law, rule or regulation or any stock exchange requirement, or under the Company's clawback and forfeiture policy, in each case which is applicable to the Company and the Executive, such forfeiture or repayment shall not constitute Good Reason under this Amended Agreement.

(l) The obligations under this Amended Agreement shall be unfunded. Payments and benefits payable under this Amended Agreement shall be paid from the general assets of the Company. The Company shall have no obligation to establish any fund or to set aside any assets to provide benefits under this Amended Agreement.

(m) The Company may withhold from any amounts payable to the Executive hereunder all federal, state, city or other taxes that the Company may reasonably determine are required to be withheld pursuant to any applicable law or regulation (it being understood that the Executive shall be responsible for payment of all taxes in respect of the payments and benefits provided herein).

(n) This Amended Agreement shall be governed by and construed in accordance with the laws of the State of Colorado without reference to its principles of conflicts of law.

(o) This Amended Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. A facsimile or PDF of a signature shall be deemed to be and have the effect of an original signature.

(p) The headings in this Amended Agreement are inserted for convenience of reference only and shall not be a part of or control or affect the meaning of any provision hereof.

(q) This Amended Agreement shall constitute the entire agreement among the parties hereto with respect to the Executive's employment hereunder, and supersedes and is in full substitution for any and all prior understandings or agreements (including the Prior Agreement) with respect to the Executive's employment.

(r) Effective at the Effective Date, the Prior Agreement shall terminate and shall be superseded in its entirety by this Amended Agreement with respect to all aspects of the Executive's employment with the Company on or after the Effective Date. The Executive acknowledges and agrees that, as of the Effective Date, no event has occurred which constitutes Good Reason, as that term is defined in the Prior Agreement. For the avoidance of doubt, the Prior Agreement shall continue to apply after the Effective Date with respect to any compensation or benefits due to the Executive through the Effective Date.

*[Signature Page Follows]*

In Witness Whereof, the parties have executed this Amended and Restated Employment Agreement as of the Effective Date first written above.

Executive:

/s/ Dale Francescon

**Dale Francescon**

Company:

**Century Communities, Inc.**, a Delaware corporation

By: /s/ David L.

Messenger

David L. Messenger,  
Chief Financial Officer

## EXHIBIT A

For purposes of the Amended Agreement, “Change in Control” shall mean the occurrence of any of the following events:

(a) Any transaction or event resulting in the beneficial ownership of voting securities, directly or indirectly, by any “person” or “group” (as those terms are defined in Sections 3(a)(9), 13(d), and 14(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules thereunder) having “beneficial ownership” (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of directors (“voting securities”) of the Company that represent greater than 35% of the combined voting power of the Company’s then outstanding voting securities (unless the Executive has beneficial ownership of at least 35% of such voting securities), other than any transaction or event resulting in the beneficial ownership of securities:

(i) 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

(ii) by the Company or 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

(iii) pursuant to a transaction described in clause (c) below that would not be a Change in Control under clause (c);

(s) 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 the date hereof whose election by the Company’s stockholders, or nomination for election by the Board, was approved by a vote of at least a majority 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 election contest with respect to the election or removal of directors or other solicitation of proxies or consents by or on behalf of a person other than the Board;

(t) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (i) a merger, consolidation, reorganization, or business combination, (ii) a sale or other disposition of all or substantially all of the Company’s assets, or (iii) the acquisition of assets or stock of another entity, in each case, other than a transaction:

(i) 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, greater than 25% of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(ii) after which no person or group beneficially owns voting securities representing greater than 50% of the combined voting power of the Successor Entity; *provided, however*, that no person or group shall be treated for purposes of this clause (ii) as beneficially owning greater than 50% of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(u) The approval by the Company's stockholders of a liquidation or dissolution of the Company.

For purposes of clause (a) 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 (c) 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.

## EXHIBIT B

### **FORM OF SEPARATION AGREEMENT AND GENERAL RELEASE**

This SEPARATION AGREEMENT AND GENERAL RELEASE (this “Separation Agreement”) is entered into by and between DALE FRANCESCON (the “Executive,” a term which includes the Executive’s spouse (if any), and all assigns, heirs, and successors in interest) and CENTURY COMMUNITIES, INC. (the “Company”), a term which for the purposes of this Separation Agreement includes Century Communities, Inc. or any affiliate or subsidiary thereof), and its directors, owners, officers and shareholders. Pursuant to the mutual promises, covenants and commitments as referenced herein, the parties agree as follows:

#### **Termination of Employment**

. The Executive’s employment with the Company ended on [\_\_\_\_\_] pursuant to the terms of an Amended and Restated Employment Agreement between the parties dated [\_\_\_\_\_] (hereinafter “Employment Agreement”), the terms of which are incorporated herein by reference. Capitalized terms not otherwise defined herein have the respective meanings as set forth in the Employment Agreement. Nothing herein shall affect in any way Executive’s rights with respect to the ownership or acquisition of any Company stock or securities and options or other rights to acquire any Company stock or securities, or any rights Executive has as a holder of any stock or securities of the Company. For the avoidance of doubt, the treatment of the Executive’s rights with respect to its Equity Awards will be governed by the terms of the Equity Agreements and modified by the Employment Agreement.

#### **No Admissions**

. The Executive and the Company agree that the entry of the parties into this Separation Agreement is not and shall not be construed to be an admission of liability on the part of any party hereto or hereby released.

#### **Adequacy of Consideration**

. The parties acknowledge and agree that in the Employment Agreement, the Company offered certain severance payments conditioned upon the Executive’s execution of this Separation Agreement. The Executive acknowledges that the severance payments offered by the Company constitute good and valuable consideration to which the Executive would otherwise not be entitled absent his execution of this Separation Agreement.

#### **Acknowledgement and Covenants Made by the Company for the Benefit of the Executive**

. In consideration for the promises made by the Executive as set forth herein, the Company agrees to pay the Executive the conditional severance payments as set forth in Section 6 of the Executive’s Employment Agreement.

#### **Acknowledgements and Covenants Made by the Executive for the Benefit of the Company**

. In consideration for the undertakings and promises of the Company as set forth in this Separation Agreement, the Executive:

- (a) acknowledges that he has been or by virtue of this Separation Agreement will be paid all compensation and benefits to which he is legally due;
- (b) acknowledges the enforceability of Sections 9 and 10 of his Employment Agreement with the Company and promises that he has been, currently is, and will continue

to be in full compliance with Sections 9 and 10 of the Employment Agreement, which by their terms extend beyond and survive the termination of the employment relationship.

(c) Unconditionally releases, discharges, and holds harmless the Company and the Company's officers, directors, shareholders, employees, agents, attorneys and contractors, (hereinafter referred to collectively as "Releasees") from each and every claim, cause of action, right, liability or demand of any kind and nature arising from the Executive's relationship with the Company as an employee and officer of the Company, and from any claims which may be derived therefrom (collectively referred to as "claims"), that the Executive had, has, or might claim to have against the Company at the time the Executive executes this Separation Agreement, including but not limited to any and all claims:

(i) arising from the Executive's Employment Agreement with the Company, employment, pay, bonuses, employee benefits, and other terms and conditions of employment or employment practices of the Company;

(ii) relating to the termination of the Executive's employment with the Company or the surrounding circumstances thereof;

(iii) relating to payment of any attorneys' fees for the Executive; except for attorneys' fees that may be provided in connection with a claim covered under the Company's directors' and officers' liability ("D&O") and employment practice liability ("EPL") insurance policies for actions by the Executive within the scope of employment and within the coverage of the Company's D&O and EPL insurance policies, or in connection with any indemnification agreement between the Executive and the Company for actions by the Executive within the scope covered by such agreement.

(iv) based on discrimination on the basis of race, color, religion, sex, pregnancy, national origin, handicap, disability, or any other category protected by law under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, 42 USC § 1981, Executive Order 11246, the Equal Pay Act, the Americans With Disabilities Act, the Rehabilitation Act of 1973, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act, as any of these laws may have been amended or any other similar federal, state or local labor, employment or anti-discrimination laws;

(v) the Age Discrimination in Employment Act and the Older Workers Benefits Protection Act;

(vi) based on any contract, tort, whistleblower, personal injury, or wrongful discharge theory; and

(vii) based on any other federal, state or local constitution, regulation, law (statutory or common), or legal theory.

Except as otherwise may be provided in this Separation Agreement, it is understood and agreed that this is a full, complete and final general release of any and all claims described as aforesaid, and that the parties hereto agree that it shall apply to all unknown, unanticipated, unsuspected and undisclosed claims, demands, liabilities, actions or causes of action, in law, equity or otherwise, as well as those which are now known, anticipated, suspected or disclosed. Notwithstanding the foregoing, the provisions of this Paragraph 5 shall not be deemed to be a release of any claims arising from the Executive's ownership of stock or other equity securities of the Company or any other contractual relationship between the Executive and the Company not released under Paragraph 5(c) above, as limited by this paragraph, including, but not limited to, (A) any payments and benefits pursuant to Section 6 of the Employment Agreement, any equity award granted to the Executive by the Company, or the Indemnification Agreement between the Company and the Executive; (B) to be indemnified and advanced expenses in accordance with applicable law or the corporate documents of the Company, or to be covered under any applicable directors' and officers' liability insurance policies of the Company; and (C) with respect to any claims which arise after the Effective Date of this Release, including but not limited to any claims arising out of this Separation Agreement.

**18. Acknowledgements and Covenants made by the Company for the benefit of the Executive.** In consideration for the undertakings and promises of the Executive as set forth in this Separation Agreement, the Company: Unconditionally releases, discharges, and holds harmless the Executive from each and every claim, cause of action, right, liability or demand of any kind and nature arising from the Executive's relationship with the Company as an employee and officer of the Company, and from any claims which may be derived therefrom (collectively referred to as "claims"), that the Company had, has, or might claim to have against the Executive at the time the Executive executes this Separation Agreement, including but not limited to any and all claims:

- (a) arising from the Executive's Employment Agreement with, or activities on behalf of, the Company;
- (b) based on any contract, tort, or common law theory; and
- (c) based on any other federal, state or local constitution, regulation, law (statutory or common), or legal theory.

Except as otherwise may be provided in this Separation Agreement, it is understood and agreed that this is a full, complete and final general release of any and all claims described as aforesaid, and that the Parties agree that it shall apply to all unknown, unanticipated, unsuspected and undisclosed claims, demands, liabilities, actions or causes of action, in law, equity or otherwise, as well as those which are now known, anticipated, suspected or disclosed. Notwithstanding the foregoing, the provisions of this Paragraph 6 shall not be deemed to be a release of any claims arising under Sections 9 and 10 of the Employment Agreement.

**Executive's Covenant Not to Sue or Accept Recovery**

. The Executive covenants not to file a lawsuit against the Company or Releasee based on any claim released under this Separation Agreement. It is understood and agreed that the following are not waived or barred by this Separation Agreement: (i) claims related to the validity or challenging the enforceability of this Separation Agreement; (ii) claims by either party to enforce this Separation Agreement; (iii) claims which cannot legally be waived; (iv) claims seeking state workers' compensation or unemployment benefits. Further, it is understood and agreed that this Separation Agreement does not bar the Executive's right to file an administrative charge with the Equal Employment Opportunity Commission ("EEOC"), the United States Department of Labor ("USDOL"), the Securities and Exchange Commission ("SEC"), or any other federal, state or local agency. Other than unemployment benefits, the Executive further covenants not to accept, recover or receive any monetary damages or any other form of relief which may arise out of or in connection with any administrative remedies which may be filed with or pursued against the Company or any Releasee independently by any governmental agency or agencies, whether federal, state or local, except that Executive may receive an award from the SEC under the federal securities laws.

**No Pending Actions or Claims**

. To the extent applicable, the Executive represents that the Executive has not filed any lawsuits against the Company or any Releases at the time the Executive executes this Separation Agreement. Further, to the extent applicable, the Executive has not suffered any work-related illness or injury that could form the basis of any workers' compensation or disability claim as of the date the Executive executed this Separation Agreement of which Executive is reasonably aware. The Executive further agrees that the Executive has been paid all compensation due as a result of the Executive's employment with the Company, *provided* that Executive has received all compensation and payments due and owing to the Executive under Section 6(a) of the Employment Agreement.

**Confidentiality**

. Except as otherwise expressly provided in this paragraph, the parties agree that the terms and conditions of this Separation Agreement are and shall be deemed to be confidential and hereafter shall not be disclosed to any other person or entity. The only disclosures excepted by this paragraph are (a) as may be required by applicable law, rule or regulation or the stock exchange on which the Company's securities may then be listed; (b) the parties may tell prospective employers the dates of the Executive's employment, positions held, the Executive's duties and responsibilities and salary history with the Company; (c) the Executive is able to disclose Sections 9 and 10 of the Employment Agreement, as referenced herein, to potential or future employers; (d) the parties may disclose the terms and conditions of this Separation Agreement to their attorneys, accountants, tax advisors, and/or any other person necessary to enforce such terms and conditions; and (e) the parties may disclose the terms and conditions of this Separation Agreement to their respective spouses, if any, *provided, however*, that the Executive makes the Executive's spouse aware of the confidentiality provisions of this paragraph and the Executive's spouse agrees to keep the terms of this Separation Agreement confidential.

**No Harassing Conduct**

- (a) The Executive covenants that the Executive shall not undertake any harassing or disparaging conduct directed at the Company or any Releasee and that the

Executive shall refrain from making any harassing or disparaging statements concerning the Company or any Releasee to any third party.

(b) The Company covenants that the Company shall not undertake any harassing or disparaging conduct directed at the Executive and that the Company shall refrain from making any harassing or disparaging statements concerning the Executive to any third party.

**Enforcement**

. The parties agree to pay their own attorneys' fees and all other costs and expenses incurred in enforcing this Separation Agreement.

**No Reliance Upon Other Statements**

. This Separation Agreement is entered into without reliance upon any statement or representation of any party hereto or parties hereby released other than the statements and representations contained in writing in this Separation Agreement, and the terms of the Employment Agreement, incorporated herein by reference.

**Full and Knowing Waiver**

. By signing this Separation Agreement, the Executive certifies that:

- (a) the Executive has read and understands this Separation Agreement;
- (b) the Executive was given at least twenty-one (21) calendar days from the date this Separation Agreement was initially presented to consider this Separation Agreement before signing this Separation Agreement;
- (c) the Executive was advised in writing, via this Separation Agreement, to consult with an attorney before signing this Separation Agreement;
- (d) the Executive agrees to its terms knowingly, voluntarily and without intimidation, coercion or pressure.

**Revocation of Age Release**

. The Executive may revoke this Separation Agreement within seven (7) calendar days after signing it. To be effective, such revocation must be received in writing by the Human Resources Director for Century Communities, Inc., at 8390 E. Crescent Parkway, Suite 650, Greenwood Village, CO 80111. Revocation can be made by hand delivery, telegram, facsimile, or postmarking before the expiration date of this seven (7) day period.

**Acceptance of Separation Agreement**

. To accept this Separation Agreement, the Executive understands that he must sign this Separation Agreement and return an original signed document to the Human Resources Director for Century Communities, Inc., at 8390 E. Crescent Parkway, Suite 650, Greenwood Village, CO 80111.

**No Application or Reemployment**

. The Executive hereby agrees that he shall not seek reinstatement or apply for future employment with the Company. The Executive agrees that any application for reinstatement or for future employment with the Company will be considered void from its inception, and may be summarily rejected by the Company without explanation or liability. In addition, if the Executive should be offered or accept a position with the Company, the offer may be withdrawn, or the Executive may be terminated immediately, without notice or

cause. The Executive further agrees that, in the event of such an offer and withdrawal, or hiring and termination, he waives any right to recover damages, seek or obtain equitable remedies, obtain unemployment benefits, claim wrongful termination or breach of contract, and that this Separation Agreement may be used as a defense by the Company in any legal or administrative proceeding.

**Colorado Law and Venue**

. The laws of the State of Colorado shall govern this Separation Agreement without regard to choice of law. The parties further understand and agree that, in any legal proceeding arising under this Separation Agreement, venue shall be in Arapahoe County, Colorado.

**Severability**

. Should any provision of this Separation Agreement be declared or be determined by any court of competent jurisdiction to be wholly or partially illegal, invalid, or unenforceable, the legality, validity, and enforceability of the remaining parts, terms, or provisions shall not be affected thereby, and said illegal, unenforceable, or invalid part, term, or provision shall be deemed not to be a part of this Separation Agreement.

**Entire Agreement**

. This Separation Agreement, and the references to certain provisions of the Employment Agreement (i.e., Sections 6, 8, 9, 10, and 11) incorporated by reference herein sets forth the entire agreement between the parties hereto and fully supersedes any and all prior or contemporaneous agreements or understandings, written or oral, between the parties pertaining to the subject matter hereof.

*[Signature Page Follows]*

In Witness Whereof, the undersigned hereunto set their hands to this Separation Agreement effective as of \_\_\_\_\_.

Executive:

**Dale Francescon**

Address:

City, State & Zip:

Telephone

Facsimile:

email:

Company:

**Century Communities, Inc.**, a Delaware corporation

By:

Name:

Title:

Address: 8390 E. Crescent Parkway, Suite 650  
Greenwood Village, CO 80111

Telephone:

Facsimile:

email:

## **Amended and Restated Employment Agreement**

This Amended and Restated Employment Agreement (the “Amended Agreement”) is made between Century Communities, Inc., a Delaware corporation (the “Company”), and Robert J. Francescon (the “Executive”), effective as of July 28, 2020 (“Effective Date”).

### **Recitals**

Whereas, the Company has employed the Executive as its Co-Chief Executive Officer and President pursuant to an Amended and Restated Employment Agreement dated as of October 25, 2018 (the “Prior Agreement”), who further serves as a member of the Company’s Board of Directors;

Whereas, the Company and the Executive desire to modify the Prior Agreement and accordingly fully amend and restate the Prior Agreement pursuant to this Amended Agreement;

Now, Therefore, in consideration of the promises and mutual covenants herein and for other good and valuable consideration, the parties agree that the Prior Agreement is hereby amended and restated in its entirety to provide the following:

#### **General**

. The parties agree that, subject to the terms hereof, the Executive shall continue to serve as Co-Chief Executive Officer and President of the Company and member of its Board of Directors, after the Effective Date hereof in accordance with the terms and conditions set out in this Amended Agreement.

#### **Employment, Duties and Agreements**

. The Company hereby agrees to continue to employ the Executive as its Co-Chief Executive Officer and President and member of its Board of Directors at a location in Greenwood Village, Colorado, and the Executive hereby accepts such position and agrees to continue to serve the Company in such capacities on a full-time basis during the employment period fixed by Section 4 below (the “Employment Period”). With the Executive’s consent, the Executive shall also be appointed as Co-Chief Executive Officer of each of the principal, direct and indirect operating subsidiaries of the Company, and may also be appointed to other positions with the Company consistent with his leadership role as Co-Chief Executive Officer of the Company.

(a) The Executive shall have such duties and responsibilities as are consistent with the Executive’s position and as may be reasonably assigned by the Company’s Board of Directors (the “Board”) from time to time. During the Employment Period, the Executive shall be subject to, and shall act in accordance with, all reasonable instructions and directions of the Board and all applicable policies and rules of the Company.

(b) During the Employment Period, excluding any periods of paid time off to which the Executive is entitled, the Executive shall devote substantially his full working time and efforts to the performance of his duties and responsibilities hereunder and shall endeavor to promote the business and best interests of the Company.

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(c) During the Employment Period, the Executive shall not engage in any business activity other than on behalf of the Company without the express prior written approval of the Board. It will not be a violation of this exclusivity provision for the Executive to (i) manage the Executive's personal, financial and legal affairs, (ii) acquire, invest, manage, construct, develop, and dispose of the Executive's investments in apartments for-rent, multi-family properties, and non-residential real estate, directly or indirectly in any capacity, *provided* such activities do not take a material amount of the Executive's time and do not interfere with the Executive's duties and obligations to the Company, or (iii) serve on charitable or civic boards or committees.

(d) During the Employment Period, the Executive shall be nominated by the Board for election as a member of the Board at each annual meeting of stockholders of the Company held during the Employment Period. During the Employment Period, the Executive may also be a member of the board of directors of each principal operating subsidiary of the Company.

#### Compensation

. As compensation for the agreements made by the Executive herein and the performance by the Executive of his obligations hereunder, during the Employment Period the Executive is entitled to receive the following compensation:

(a) The Company shall pay the Executive, pursuant to the Company's normal and customary payroll procedures, a base salary at the rate of \$850,000 per annum (the "Base Salary"). The Base Salary shall be reviewed at least annually for possible increase (but not decrease) in the Company's sole discretion, as determined by the Compensation Committee of the Board (the "Compensation Committee"); *provided, however*, that the Executive shall be entitled to any annual cost-of-living increases in Base Salary that are granted to senior executives of the Company generally. Any increase in Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Amended Agreement. The term "Base Salary" as utilized in this Amended Agreement shall refer to Base Salary as so adjusted.

(b) In addition to the Base Salary, the Executive shall be eligible to earn, for each fiscal year of the Company ending during the Employment Period, an annual cash performance bonus (an "Annual Bonus") under the Company's bonus plan or plans applicable to senior executives. The amount of the Annual Bonus and the performance goals applicable to the Annual Bonus for any applicable year during the Employment Period shall be determined in accordance with the terms and conditions of said bonus plan as in effect from time to time with a threshold Annual Bonus opportunity equal to at least 87.5% of Base Salary (the "Threshold Bonus"), a target Annual Bonus opportunity equal to at least 175% of Base Salary (the "Target Bonus") and a maximum Annual Bonus opportunity equal to at least 350% of Base Salary (the "Maximum Bonus"). The terms and conditions of any such bonus plan shall be determined by the Compensation Committee in its sole discretion, except that the Threshold Bonus, Target Bonus and Maximum Bonus cannot be decreased from the levels set forth above, although they may be increased. Any Annual Bonus shall be paid on or before March 15th of each calendar year immediately following the year in which compensation is earned in accordance with the applicable plan.

(c) Pursuant to the Century Communities, Inc. 2017 Omnibus Incentive Plan, as amended from time to time, or such predecessor or successor plan (the “Incentive Plan”), the Company has granted and may in the future grant to the Executive certain equity awards (collectively and including awards substituted therefor covering the securities of a successor company, the “Equity Awards”), including, without limitation, restricted stock units that are to be settled with shares of the Company’s common stock (the “RSUs”) and performance-based awards in the form of performance share units that are to be settled with shares of the Company’s common stock (“PSUs”). The terms and conditions of the Equity Awards are and shall be set forth in an award agreement(s) entered into by the Company and the Executive in the form adopted by the Board or the Compensation Committee, as applicable, or as documented in minutes of meetings or consents of the Board or Compensation Committee and communicated to the Executive within five (5) days after any such term or condition is adopted (each, an “Equity Agreement,” and collectively, the “Equity Agreements”), as modified by the terms hereof.

(d) During the Employment Period, (i) the Executive shall be eligible to participate in all other incentive plans, practices, policies and programs, and all savings and retirement plans, policies and programs, in each case that are applicable generally to senior executives of the Company; (ii) the Executive and the Executive’s eligible family members and other qualified dependents shall be eligible for participation in the welfare benefit plans, practices, policies and programs (including, if applicable, medical, dental, vision, disability, employee life, group life and accidental death insurance plans and programs) maintained by the Company for its senior executives; (iii) the Company shall reimburse the Executive up to \$2,500 per month for premiums paid by or on behalf of the Executive for term life insurance coverage on the Executive’s life; (iv) the Executive shall be entitled to a \$2,500 per month automobile and cell phone allowance; and (v) the Executive shall be entitled to such fringe benefits and perquisites as are provided or maintained by the Company to and for its senior executives from time to time, in accordance with the policies, practices, and procedures of the Company.

(e) During the Employment Period, the Executive shall be entitled to personal time off in accordance with the Company’s policies and practices that are applicable to the Company’s senior executives.

(f) During the Employment Period, the Company shall maintain (i) a directors’ and officers’ liability insurance policy, or an equivalent errors and omissions liability insurance policy, including fiduciary coverage, and (ii) an employment practices liability insurance policy. Each such policy shall cover the Executive with scope, exclusions, amounts, and deductibles no less favorable to the Executive than those applicable to the Company’s senior executives and directors on the Effective Date, or any more favorable terms as may be available in the future to any other director or senior executive officer of the Company, while the Executive is employed with the Company and thereafter until the sixth (6<sup>th</sup>) anniversary of the Executive’s Scheduled Termination Date (as defined in Section 4) or other Date of Termination (as defined in Section 5(b)). Moreover, during the Employment Period and thereafter, the Company shall comply with the terms of its (i) bylaws with respect to indemnification of the Executive, and (ii) that certain indemnification agreement between the Company and the Executive dated as of April 30,

2013 and shall not repeal or modify the indemnification provisions contained therein in any manner that would adversely affect any right or protection of the Executive thereunder.

(g) The Company shall reimburse the Executive for all reasonable business expenses upon the presentation of statements of such expenses in accordance with the Company's policies and procedures now in force or as such policies and procedures may be modified with respect to all senior executives of the Company.

Employment Period

For purposes of this Amended Agreement, the Employment Period shall commence on the Effective Date and terminate on the fifth (5<sup>th</sup>) anniversary of the Effective Date (the "Initial Term"), provided that on the fifth (5<sup>th</sup>) anniversary of the Effective Date and on each anniversary thereafter, the Employment Period shall automatically be extended for additional one-year periods unless either party provides the other party with notice of non-renewal at least ninety (90) days before any such anniversary (the anniversary date on which the Employment Period terminates shall be referred to herein as the "Scheduled Termination Date"). Notwithstanding the foregoing, the Executive's employment hereunder may be terminated during the Employment Period prior to the Scheduled Termination Date upon the earliest to occur of any one of the following events (at which time the Employment Period shall be terminated):

(a) Death. The Executive's employment hereunder shall terminate upon his death.

(b) Disability. The Company shall be entitled to terminate the Executive's employment hereunder for Disability. For purposes of this Amended Agreement, the term "Disability" shall mean the Executive's inability by reason of physical or mental illness to fulfill his obligations hereunder for one hundred twenty (120) consecutive days or a total of one hundred eighty (180) days in any twelve (12) month period which, in the reasonable opinion of an independent physician selected by the Company or its insurers and reasonably acceptable to the Executive or the Executive's legal representative, renders the Executive unable to perform the essential functions of his job, even after reasonable accommodations are made by the Company, and which inability by reason of such physical or mental illness to fulfill his obligations has not been cured, as determined by such physician prior to the Date of Termination.

(c) Cause. The Company may terminate the Executive's employment hereunder for Cause. For purposes of this Amended Agreement, the term "Cause" shall mean:

(i) conviction (or a plea of *nolo contendere*) by the Executive to a felony;

(ii) acts of fraud, dishonesty or misappropriation committed by the Executive and intended to result in substantial personal enrichment at the expense of the Company;

(iii) willful misconduct by the Executive in the performance of the Executive's material duties required by this Amended Agreement which is likely

to materially damage the financial position or reputation of the Company, which is not cured within thirty (30) days following receipt by the Executive of a Notice of Termination (as defined under Section 5 below) from the Company; or

(iv) a material breach of this Amended Agreement by the Executive which is likely to materially damage the financial position or reputation of the Company and which is not cured within thirty (30) days following receipt by the Executive of a Notice of Termination (as defined under Section 5 below) from the Company.

The foregoing is an exclusive list of the acts or omissions that shall be considered Cause. Notwithstanding the foregoing, the termination of the Executive shall not be deemed to be for Cause unless and until: (A) the Board shall have provided the Executive with a Notice of Termination (as defined in Section 5 below) specifying in detail the basis for the termination of employment for Cause and the provision(s) under this Amended Agreement on which such termination is based, and (B) in the case of subsections (iii) and (iv) above, the Executive shall have had the opportunity to cure such breach within the time period specified, and (C) in all cases where Cause is alleged, the Executive shall have had a reasonable opportunity to prepare and present his case to the full Board (with the assistance of his own counsel) before any termination for Cause is finalized by a vote of a majority of the Board, including a majority of independent directors (not including the vote of the Executive).

For purposes of this Amended Agreement, no act or failure to act of the Executive shall be willful or intentional if performed in good faith with the reasonable belief that the action or inaction was in the best interest of the Company. In addition, nothing herein shall limit or otherwise prevent the Executive from challenging judicially any determination of Cause as made by the Board hereunder.

(d) Without Cause. The Company may terminate the Executive's employment hereunder during the Employment Period without Cause. For purposes of this Amended Agreement, a notice of non-renewal given by the Company as provided in Section 4 above shall be treated as a termination of employment by the Company without Cause.

(e) For Good Reason. The Executive may terminate his employment hereunder for Good Reason. For purposes of this Amended Agreement, "Good Reason" shall mean: (i) a material breach of this Amended Agreement by the Company (including the Company's withholding or failure to pay compensation when due to the Executive, and including a violation of Section 13(i) below); (ii) relocation of the Company's headquarters or the primary location where the Executive works to a location more than twenty-five (25) miles from the Company's office in Greenwood Village, Colorado as of the Effective Date; (iii) a material reduction in the Executive's titles, duties, authority, or responsibilities, or the assignment to the Executive of any duties materially inconsistent with the Executive's position, authority, duties, or responsibilities without the written consent of the Executive; (iv) a reduction in the Executive's annual Base Salary or Annual Bonus opportunity or other compensation, as currently in effect or as may be increased from time to time, including, but not limited to, elimination or reduction in the Executive's participation in

the Incentive Plan for reasons other than those specified in such plan; (v) the failure of the Company to nominate the Executive for election as a member of the Board; (vi) the failure of the Company's stockholders to elect the Executive as a member of the Board; (vii) the removal of the Executive as a member of the Board by the Company's stockholders; or (viii) the failure by the Company to obtain a satisfactory agreement from any successor of the Company requiring such successor to assume and agree to perform all obligations under this Amended Agreement. With respect to the acts or omissions set forth in this Section 4(e), (A) the Executive shall provide the Board with a Notice of Termination (as defined in Section 5 below) within ninety (90) days after the initial existence of the circumstances constituting Good Reason specifying in detail the basis for the termination of employment for Good Reason and the provision(s) under this Amended Agreement on which such termination is based, (B) the Company shall have thirty (30) days to cure the matters specified in the notice delivered, and (C) if uncured, the Executive must terminate his employment with the Company within ninety (90) days after the expiration of the Company's cure period in order for such termination to be considered to be for Good Reason.

(f) Voluntarily. The Executive may voluntarily terminate his employment hereunder, without Good Reason, *provided* that the Executive provides the Company with notice of his intent to terminate his employment at least thirty (30) days in advance of the Date of Termination (as defined in Section 5 below).

(g) Retirement. The Executive may voluntarily terminate his employment hereunder at any time by reason of Retirement. For purposes of this Amended Agreement, "Retirement" shall mean the Executive's voluntary termination of his employment upon satisfaction of the following conditions: (i) the Executive has reached (or will reach on the Date of Termination) the age of sixty (60) along with at least twenty three (23) years of employment with the Company (for purposes of this Amended Agreement, it is agreed that the Executive's employment with the Company commenced on November 1, 2000); and (ii) the Executive provides the Company with a Notice of Termination stating his intent to terminate his employment due to Retirement at least ninety (90) days in advance of the Date of Termination (as defined in Section 5 below).

#### Termination Procedure

(a) Notice of Termination. Any termination of the Executive's employment by the Company or by the Executive during the Employment Period (other than a termination on account of the death of the Executive) shall be communicated by a written "Notice of Termination" to the other party hereto in accordance with Section 13(a) below.

(b) Date of Termination. "Date of Termination" shall mean: (i) if the Executive's employment is terminated by his death, the date of his death, (ii) if the Executive's employment is terminated due to his Disability in accordance with and pursuant to Section 4(b) above, on the date the Executive receives Notice of Termination from the Company, (iii) if the Executive voluntarily terminates his employment (other than for Good Reason), the date specified in the notice given pursuant to Section 4(f) or Section 4(g) above, as the case may be, which shall not be less than thirty (30) days after the Notice

of Termination (or ninety (90) days in event of Retirement), (iv) if the Executive terminates his employment for Good Reason, the date specified in the notice given pursuant to Section 4(e) which shall not be more than ninety (90) days after the expiration of the Company's cure period, and (v) if the Executive's employment is terminated for any other reason, the date on which a Notice of Termination is given or any later date (within thirty (30) days, or any alternative time period agreed upon by the parties, after the giving of such notice) set forth in such Notice of Termination (subject to the rights granted to the Executive under Section 4(c) above).

#### Termination Payments

(a) Without Cause or for Good Reason, Including in Connection with a Change in Control. In the event the Employment Period terminates under this Amended Agreement as a result of the Company terminating the Executive's employment without Cause (other than pursuant to Sections 4(a) or 4(b)) or the Executive terminating his employment for Good Reason:

(i) The Company shall pay or deliver, as applicable, to the Executive, upon the Date of Termination (or as otherwise provided below):

(A) (i) the Executive's unreimbursed business expenses and Base Salary through the Date of Termination (to the extent not theretofore paid) (the "Accrued Benefits"); and (ii) two (2) times the Executive's Base Salary, in each case payable in a lump sum (the "Base Severance");

(B) a lump sum amount equal to the greater of: (i) two (2) times the Executive's average Annual Bonus for the three (3) completed fiscal years immediately preceding the Date of Termination; or (ii) two (2) times the Executive's potential Target Bonus for the year in which the Date of Termination occurs (the "Base Incentive");

(C) in lieu of any Annual Bonus under Section 3(b) for the fiscal year in which the Executive's employment terminates, a lump sum amount equal to the Annual Bonus that would have become payable in cash to the Executive for that fiscal year if his employment had not terminated, based on performance actually achieved in that year (determined by the Board following completion of the performance year and paid at the time specified in the applicable plan) multiplied by a fraction, the numerator of which is the number of days the Executive was employed in such fiscal year and the denominator of which is the total number of days in such fiscal year;

(D) (i) any fully vested Equity Awards previously granted to the Executive, if not then already delivered or paid, shall be delivered or paid to the Executive on the Date of Termination; (ii) with regard to Equity Awards held by the Executive as of the Date of Termination not then based on performance, any such unvested Equity Awards will be 100% vested and delivered or paid to the Executive on the Date of Termination; and (iii) with

regard to any Equity Awards held by the Executive as of the Date of Termination the amount of which is based on the attainment of specified levels of performance, the amount of such Equity Awards to be vested and delivered to the Executive shall be equal to the greater of: (1) the amount payable upon attainment of the target level for performance without proration of any kind; or (2) if actual performance has exceeded the target level, the actual performance achieved based on a proration of the original performance goals as hereinafter described (but without proration based on the Executive's actual period of service). For purposes of subparagraph (iii), actual performance achieved will be determined utilizing the Company's cumulative financial results from the beginning of the performance period through the last completed quarter immediately prior to the Date of Termination (the "Measurement Period"). The actual performance for the Measurement Period will then be compared to time-adjusted performance goals (at all levels) determined by multiplying the performance goals for the original performance period by a fraction, the numerator of which is the number of days in the Measurement Period and the denominator of which is the total number of days in the original performance period. Each performance based Equity Award subject to this provision will be calculated based on the performance measures, interpolation methods or other criteria set forth in the particular Equity Agreement to determine if it will be vested and paid at target or a higher level. To the extent that the formula in subparagraph (iii) cannot be applied to any performance based Equity Awards because the performance goals cannot reasonably be pro-rated as indicated above, then performance as of the Date of Termination will be calculated as set forth in the applicable Equity Agreement in accordance with the termination provisions thereof; and

(E) any Annual Bonus(es) that the Executive earned for any fiscal year(s) prior to the fiscal year in which the Executive's employment terminated to the extent that such Annual Bonus(es) had not yet been paid before the Date of Termination.

Notwithstanding any provision of Section 6(a)(i)(D) above, any holding period requirement applicable to any Equity Award held by the Executive will be eliminated.

(ii) If the Executive timely elects continuation coverage under the Company's group medical plan for the Executive and his covered dependents pursuant to Section 4980B of the Internal Revenue Code of 1986, as amended (the "Code"), and Section 601 of the Employee Retirement Income Security Act of 1974, as amended (which provisions are commonly known as "COBRA"), in accordance with ordinary plan practices, the Company shall pay, for up to eighteen (18) months, that portion of the COBRA premium payable by the Executive that is in excess of the premium payable by the Executive for the level of coverage the Executive and his covered dependents are enrolled in the Company's group medical plan at the Date of Termination, to the extent permitted under the terms of the

Company's medical plan; *provided, however*, that if the Executive and his covered dependents become eligible to receive comparable medical benefits under another employer provided plan, the Company's obligation to make COBRA payments described herein shall be terminated. Unless direct payment by the Company of such COBRA payments is permitted by applicable law, the Executive shall pay the full cost of the premiums for such coverage, as determined and set under the then current practices of the Company, on the first day of each month such coverage is provided and the Company shall reimburse the Executive the excess, if any, of the amount the Executive pays for COBRA continuation coverage above the amount of the applicable premium that the Executive would have paid for comparable coverage if he had remained an executive officer of the Company during the period such coverage is provided (the "Reimbursement Amounts"). Any Reimbursement Amounts to be paid by the Company to the Executive under this Section 6(a)(ii) shall be made on the tenth (10<sup>th</sup>) day of each month the Executive pays the amount required by this Section 6(a)(ii) for COBRA continuation coverage, commencing on the first such date immediately following the effective date of the Release under Section 6(a)(vi) (the "First Reimbursement Date"), and any installment of the Reimbursement Amount that would have otherwise been paid prior to the First Reimbursement Date shall instead be accumulated and paid on the First Reimbursement Date. To the extent the Executive is precluded from participation in the Company's medical plan due to Medicare eligibility and/or requirements to enroll in Medicare, the Executive will receive the monthly COBRA subsidy amount for the balance of the COBRA continuation period. The Executive shall promptly notify the Company of any changes in his eligibility for medical benefits coverage.

(iii) To the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any vested benefits and other amounts or benefits required to be paid or provided or which the Executive is eligible to receive as of the Date of Termination under any plan, program, policy, practice, contract, or agreement of the Company and its affiliates (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(iv) If the Date of Termination under this Section 6(a) occurs within six (6) months preceding or within twenty-four (24) months following a Change in Control, the Company shall, in lieu of the payment provided for in subsection 6(a)(i)(B) above, pay the Executive an amount equal to the greater of: (A) three (3) times the Executive's potential Target Bonus for the year in which the Date of Termination occurs; or (B) three (3) times the Executive's average Annual Bonus for the three (3) completed fiscal years immediately preceding the Date of Termination. In addition, the Company shall pay the Executive three (3) times the Executive's Base Salary in a lump sum in lieu of the payment provided for in subsection 6(a)(i)(A)(ii) above. For purposes of this Amended Agreement, "Change in Control" shall have the meaning specified on Exhibit A attached hereto.

(v) For the avoidance of doubt, upon a termination of the Employment Period by the Company without Cause or by the Executive for Good Reason, the Executive shall not be entitled to any other compensation or benefits not expressly

provided for in this Section 6(a), regardless of the time that would otherwise remain in the Employment Period had the Employment Period not been terminated without Cause or for Good Reason. The Company shall have no additional obligations under this Amended Agreement except as provided in this Section 6(a), any vested benefits under any tax qualified pension plans of the Company, and continuation of health insurance benefits on the terms and to the extent required by COBRA or such other analogous legislation as may be applicable to the Executive.

(vi) The payments and benefits provided under this Section 6(a), other than the Accrued Benefits described in Section 6(a)(i)(A), the earned Bonus(es) described in Section 6(a)(i)(E), the vested Equity Awards described in Section 6(a)(i)(D)(i) and the Other Benefits under Section 6(a)(iii), are subject to and conditioned upon: (A) the Executive executing a timely and valid release of claims ("Release") in the form attached hereto as Exhibit B (but reflecting any subsequent changes in applicable law as provided therein) waiving all claims the Executive may have against the Company, its successors, assigns, affiliates, executives, officers and directors; (B) the Executive delivering the executed Release to the Company within twenty-one (21) days following the Date of Termination (the "Release Period"); (C) such Release and the waiver contained therein becoming effective; and (D) the Executive's compliance with the restrictive covenants contained in Sections 9 and 10 of this Amended Agreement. In the event that the Release Period spans two of the Executive's taxable years, the payments and benefits provided under this Section 6(a), other than the Accrued Benefits described in Section 6(a)(i)(A), the earned Bonus(es) described in Section 6(a)(i)(E), the vested Equity Awards described in Section 6(a)(i)(D)(i) and the Other Benefits under Section 6(a)(iii), must be made in the second of the two taxable years. In the event that payments are made hereunder prior to the execution of the Release and the Executive does not execute the Release in the time and manner set forth herein, the Executive shall promptly pay to the Company, together with interest from the date of payment to the date of repayment at the prime rate, such amounts or the value of such benefits so received.

(a) For Cause or Voluntary Termination by Executive. If the Executive's employment is terminated during the Employment Period by the Company for Cause, then the Company shall pay the Executive upon the Date of Termination the Accrued Benefits and the Other Benefits, and any benefits or compensation provided under the Equity Agreements shall be paid in accordance with such agreements. If the Executive's employment is terminated during the Employment Period by the Executive other than for Good Reason and other than by reason of Retirement, then the Company shall pay the Executive upon the Date of Termination the Accrued Benefits, the Other Benefits, the earned Bonus(es) described in Section 6(a)(i)(E), the vested Equity Awards described in Section 6(a)(i)(D)(i), and any benefits or compensation provided under the Equity Agreements shall be paid in accordance with such agreements. Except as provided in this Section 6(b) or with respect to any vested benefits under any tax qualified pension plans of the Company and the continuation of health insurance benefits on the terms and to the extent required by COBRA or any other analogous legislation as may be applicable to the Executive, the Company shall have no additional obligations under this Amended

Agreement. Notwithstanding anything herein to the contrary, the Executive will not be required to execute a Release to receive the payments and benefits under this Section 6(b). For the avoidance of doubt, this Section 6(b) does not address the situation of a termination of the Executive's employment as a result of the Executive's death or a termination of the Executive's employment by the Company for Disability, which are covered under Section 6(c).

(b) Death, Disability, or Retirement. If the Executive's employment is terminated during the Employment Period as a result of the Executive's death, by the Company for Disability or by the Executive by reason of Retirement, then:

(i) The Company shall pay or deliver, as applicable, to the Executive or the Executive's estate, as the case may be, within thirty (30) days following the Date of Termination (or otherwise as provided below):

(A) the Accrued Benefits and Other Benefits;

(B) Equity Awards held by the Executive on the Date of Termination shall be vested, delivered and paid in the same manner as provided in Section 6(a)(i)(D)(i), (ii) and (iii), except that in the event of Retirement, the Executive shall continue to vest and be paid for any performance based Equity Awards in accordance with the terms in place for the performance based Equity Awards as if his Retirement had not occurred;

(C) in lieu of any Annual Bonus under Section 3(b) for the fiscal year in which the Executive's employment terminates, a lump sum amount equal to the Annual Bonus that would have become payable in cash to the Executive for that fiscal year if his employment had not terminated, based on performance actually achieved in that year (determined by the Board following completion of the performance year and paid at the time specified in the applicable plan) multiplied by a fraction, the numerator of which is the number of days the Executive was employed in such fiscal year and the denominator of which is the total number of days in such fiscal year; and

(D) any Annual Bonus(es) that the Executive earned for any fiscal year(s) prior to the fiscal year in which the Executive's employment terminated to the extent that such Annual Bonus(es) had not yet been paid before the Date of Termination.

Notwithstanding any provision of Section 6(c)(i)(B) above, any holding period requirement applicable to any Equity Award held by the Executive will be eliminated.

(ii) If the Executive or his covered dependents timely elect COBRA continuation coverage under the Company's group medical plan, in accordance with ordinary plan practices, the Company shall pay that portion of the COBRA premium payable by the Executive or such covered dependents that is in excess of

the premium payable by the Executive for the level of coverage the Executive and such covered dependents are enrolled in the Company's group medical plan at the Date of Termination for up to the maximum COBRA continuation period following the Date of Termination, to the extent permitted under the terms of the Company's medical plan; *provided, however*, that if the Executive becomes eligible to receive comparable medical benefits under another employer provided plan, then the Company's obligation to make COBRA payments described herein shall be terminated. Unless direct payment by the Company of such COBRA payments is permitted by applicable law, the Executive or covered dependent shall pay the full cost of the premiums for such coverage, as determined and set under the then current practices of the Company, on the first day of each month such coverage is provided and the Company shall reimburse the Executive or covered dependent the excess, if any, of the amount the Executive or covered dependent pays for COBRA continuation coverage above the amount of the applicable premium that the Executive would have paid for comparable coverage if he had remained an executive officer of the Company during the period such coverage is provided. Any such Reimbursement Amounts to be paid by the Company to the Executive or covered dependent under this Section 6(c)(ii) shall be made on the tenth (10<sup>th</sup>) day of each month the Executive pays the amount required by this Section 6(c)(ii) for COBRA continuation coverage, and, if applicable, commencing on the First Reimbursement Date, and any installment of the Reimbursement Amount that would have otherwise been paid prior to the First Reimbursement Date shall instead be accumulated and paid on the First Reimbursement Date. To the extent the Executive or covered dependent is precluded from participation in the Company's medical plan due to Medicare eligibility and/or requirements to enroll in Medicare, the Executive or covered dependent will receive the monthly COBRA subsidy amount for the balance of the COBRA continuation period. The Executive or covered dependent shall promptly notify the Company of any changes in his or her eligibility for medical benefits coverage.

(iii) The Company shall have no additional obligations under this Amended Agreement except as provided in this Section 6(c), or pursuant to the terms of the Equity Agreements, and except for any vested benefits under any tax qualified pension plans of the Company, and continuation of health insurance benefits on the terms and to the extent required by COBRA or any other analogous legislation as may be applicable to the Executive.

(iv) Except in the event of the Executive's death or a termination by the Company for Disability, the Executive will be required to execute a Release as set forth in Section 6(a)(vi) above to receive the payments, grants, vesting and benefits under this Section 6(c), other than the benefits provided under Section 6(c)(i)(A), and Section 6(a)(i)(D)(i) as referred to in Section 6(c)(i)(B) and Section 6(c)(i)(D).

(c) Mitigation. In no event shall the Executive be obligated to seek other employment or to take any other action by way of mitigation of the amounts payable to the Executive under the provisions of this Section 6.

(d) Termination from the Board and any Offices Held. Upon termination of the Executive's employment for any reason, the Executive agrees that the Executive's membership on the Board, the board of directors of any of the Company's subsidiaries or affiliates, any committees of the Board, any committees of the board of directors of any of the Company's subsidiaries or affiliates and any and all offices held, if applicable, shall be automatically terminated. The Executive hereby agrees to cooperate with the Company and its subsidiaries and affiliates and to execute any documents reasonably required by them or competent authorities to effect this provision.

#### Excise Tax Limitation

(a) Payment Limitation. Notwithstanding anything contained in this Amended Agreement (or in any other agreement between the Executive and the Company) to the contrary, to the extent that any payments and benefits provided under this Amended Agreement or any other plan or agreement of the Company (such payments or benefits are collectively referred to as the "Payments") would be subject to the excise tax (the "Excise Tax") imposed under Section 4999 of the Code, the Payments shall be reduced if and to the extent that a reduction in the Payments would result in the Executive retaining a larger amount, on an after-tax basis (taking into account federal, state and local income taxes and the Excise Tax), than he would have retained had he been entitled to receive all of the Payments (such reduced amount is hereinafter referred to as the "Limited Payment Amount"). The Company shall reduce the Payments by first reducing or eliminating payments or benefits which are not payable in cash and then by reducing or eliminating cash payments, in each case in reverse order beginning with payments or benefits which are to be paid the farthest in time from the date the "Determination" (as defined in Section 7(b) below) is delivered to the Company and the Executive.

(b) Determination and Dispute. The determination as to whether the Payments shall be reduced to the Limited Payment Amount and the amount of such Limited Payment Amount (the "Determination") shall be made at the Company's expense by an accounting or consulting firm selected by the Company and reasonably acceptable to the Executive (the "Firm"). The Firm shall provide the Determination in writing, together with detailed supporting calculations and documentation, to the Company and the Executive on or prior to the effective date of termination of the Executive's employment if applicable, or at such other time as requested by the Company or by the Executive. Within ten (10) days of the delivery of the Determination to the Executive, the Executive shall have the right to dispute the Determination (the "Dispute") in writing setting forth the precise basis of the Dispute. If there is no Dispute, the Determination shall be binding, final and conclusive upon the Company and the Executive.

(c) Excise Tax is Obligation of the Executive. Any Excise Tax with respect to the Executive's Payments shall be the sole obligation of the Executive, subject to any tax withholding obligation imposed on the Company with respect thereto.

#### Compliance with Section 409A

. This Amended Agreement and the payments hereunder are intended to be exempt, to the greatest extent possible, from the requirements of Section 409A of the Code, and to the extent not so exempt, to comply with the requirements of

Section 409A of the Code, and shall be construed and administered consistent with, and to give full effect to, such intent. The payments to the Executive pursuant to this Amended Agreement are also intended to be exempt from Section 409A of the Code to the maximum extent possible, under either the separation pay exemption pursuant to Treasury regulation § 1.409A-1 (b)(9)(iii) or as short-term deferrals pursuant to Treasury regulation § 1.409A-1(b)(4). In the event the terms of this Amended Agreement would subject the Executive to taxes or penalties under Section 409A of the Code ("409A Penalties"), the Company and the Executive shall cooperate diligently to amend the terms of the Amended Agreement to avoid such 409A Penalties, to the extent possible; *provided* that such amendment shall not increase or reduce (in the aggregate) the amounts payable to the Executive hereunder. Any taxable reimbursement payable to the Executive pursuant to this Amended Agreement shall be paid to the Executive no later than the last day of the calendar year following the calendar year in which the Executive incurred the reimbursable expense. Any amount of expenses eligible for taxable reimbursement, or such in-kind benefit provided, during a calendar year shall not affect the amount of such expenses eligible for reimbursement, or such in-kind benefit to be provided, during any other calendar year. The right to such reimbursement or such in-kind benefits pursuant to this Amended Agreement shall not be subject to liquidation or exchange for any other benefit. Any right to a series of installment payments pursuant to this Amended Agreement is to be treated as a right to a series of separate payments. A termination of employment shall not be deemed to have occurred for purposes of this Amended Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A of the Code. If on the date of termination of employment the Executive is a "specified employee" within the meaning of that term under Section 409A of the Code, then, notwithstanding any other provision herein, with regard to any payment or benefit that is properly treated as nonqualified deferred compensation under Section 409A of the Code (after taking into account all exclusions applicable to such payment or benefit) and is payable on account of such separation from service, such payment or benefit shall not be made or provided prior to the expiration of the earlier of the six-month period measured from the date of such separation from service, or the Executive's death. All payments and benefits delayed pursuant to the preceding provisions of this Section 8 shall be paid to the Executive on the first payroll date following the end of the delay period.

#### Protection of Trade Secrets and Confidential Information

(a) Acknowledgments Regarding "Confidential Information". In performing his duties as an executive of the Company, the Executive acknowledges that he will have access to documents, trade secrets, and other confidential and proprietary information which consists of information known by the Executive as a consequence of his employment with the Company (including information originated, discovered and/or developed by the Executive). The Executive acknowledges: (i) that all of the Confidential Information, as defined in Section 9(b) below, made accessible to the Executive shall be provided only in strict confidence; (ii) that unauthorized disclosure of Confidential Information may damage the Company's business; (iii) that Confidential Information could be susceptible to immediate competitive application by a competitor of the Company; (vi) that the Company's business is substantially dependent on access to and the continuing secrecy of Confidential Information; (v) that Confidential Information is novel, unique to the Company and known only to the Executive, the Company and certain key employees and

contractors of the Company; (vi) that the Company shall at all times retain ownership and control of all Confidential Information; and (vii) that the restrictions contained in this Amended Agreement are reasonable and necessary for the protection of the Company's legitimate business interests.

(b) Definition of Confidential Information. The term "Confidential Information" means confidential and proprietary information of the Company, including, but not limited to, (i) information not generally known outside the Company such as information which is unique to the Company, (ii) information about the Company's real estate investments, projects, developments, business plans, financial plans, products, processes and services, research and development activities, client lists, marketing techniques, pricing policies, financial targets, financial information and projections, and (iii) any trade secret information as that term is defined in the Colorado Uniform Trade Secrets Act, C.R.S. § 7-74-101 *et seq.* However, the term Confidential Information shall not include information that: (w) becomes generally available to and known by the public; (x) was available to the Executive on a non-confidential basis prior to its disclosure; (y) becomes available to the Executive from a source other than the Company, *provided* that the Executive has no knowledge that such source is prohibited from disclosing such information to the Executive by a contractual, legal or fiduciary obligation to the Company; or (z) the Executive has independently developed with no reliance on or access to any of the information provided directly or indirectly by the Company.

(c) The Executive's Use of Confidential Information. Except in connection with and in furtherance of the Executive's work on the Company's behalf, the Executive shall not, without the Company's prior written consent, at any time, directly or indirectly: (i) use any Confidential Information for any purpose; or (ii) disclose or otherwise communicate any Confidential Information to any person or entity; or (iii) accept or participate in any employment, consulting engagement, or other business opportunity that inevitably will result in the disclosure or use of any Confidential Information.

(d) Third-Parties' Confidential Information. The Executive acknowledges that the Company has received and in the future will receive from third parties confidential or proprietary information, and that the Company must maintain the confidentiality of such information and use it only for authorized purposes. The Executive shall not use or disclose any such information except as authorized by the Company or the third party to whom the information belongs.

(e) Ownership of Works. The Executive agrees to promptly disclose in writing to the Company all inventions, discoveries, developments, improvements, and innovations (collectively referred to as "Inventions") that the Executive has conceived or made during his employment with the Company; *provided, however*, that in this context "Inventions" are limited to those which (i) relate in any manner to the existing or contemplated business or research activities of the Company and its affiliates; (ii) are suggested by or result from the Executive's work at the Company; or (iii) result from the use of the time, materials or facilities of the Company and its affiliates. All Inventions will be the Company's property rather than the Executive's. Should the Company request it, the Executive agrees to sign

any document that the Company may reasonably require to establish ownership in any Invention.

(f) Subsidiaries Included. For purposes of this Section 9, the term “Company” includes all of the Company’s direct and indirect wholly-owned and majority-owned subsidiaries.

Unfair Competition

. To protect the interests of the Company and its Confidential Information, and in consideration of the covenants and promises and other valuable consideration described in this Amended Agreement, the Executive agrees as follows:

(a) Non-Compete. The Executive will not, at any time during his employment and for a period of two (2) years following termination of his employment by the Company for Cause, by the Executive without Good Reason, or by the Executive by reason of Retirement, acting alone or in conjunction with others, directly or indirectly, engage (either as owner, investor, partner, stockholder, lender, employer, employee, consultant, advisor, member, or director) in any aspect of a Residential Project (as defined in Section 10(a)(ii) below) in the Geographic Region (as defined in Section 10(a)(iii) below), including, but not limited to, any land acquisition, land development, entitlements or construction, marketing, sale, financing or management of any Residential Project.

(i) The Executive acknowledges that in light of his position, duties and responsibilities with the Company, the Executive will have access to and be familiar with the Company’s Confidential Information and trade secrets for each such Residential Project, and that this two (2) year non-compete provision is narrowly tailored and reasonable to protect the Company’s Confidential Information and trade secrets.

(ii) For purposes of this Section 10, the term “Residential Project” shall mean any residential building project for which the Company has invested resources, performed due diligence, planned land development and/or initiated real estate acquisitions during the Executive’s employment with the Company.

(iii) For purposes of this Section 10, the term “Geographic Region” shall mean (i) any and all counties in any state in which the Company has engaged in any Residential Project in the past or in which it is currently conducting any Residential Project, and (ii) any and all other counties in any state that the Company engages in any Residential Project in the future during the Executive’s employment with the Company.

(iv) It will not be a violation of this Section 10 or of Section 10(c) below for the Executive to own not more than five percent (5%) of the equity securities of any company having securities listed on an exchange or regularly traded in the over-the-counter market.

(v) It will not be a violation of this Section 10 or of Section 10(c) below for the Executive to acquire, invest, manage, construct, develop, or dispose of the

Executive's investments in apartments for-rent, multi-family properties, and non-residential real estate, directly or indirectly, in any capacity.

(b) Non-Solicitation of Company Employees. The Executive agrees that the Company has invested substantial time and effort in assembling and training its present staff of personnel. Accordingly, the Executive agrees that for a period of two (2) years following termination of employment by the Company for Cause, by the Executive without Good Reason or by the Executive by reason of Retirement, the Executive will not directly or indirectly induce or solicit or seek to induce or solicit on behalf of employee or others any of the Company's employees to leave employment with the Company.

(c) Non-Solicitation of Clients and Suppliers. The Executive agrees that the Company's relationships with its "Clients and Suppliers" (as such term is defined in this Section 10(c)) are solely the assets and property of the Company. The Executive agrees that for a period of two (2) years following termination of the Executive's employment by the Company for Cause, by the Executive without Good Reason or by the Executive by reason of Retirement, the Executive shall not directly or through others solicit or attempt to solicit any of the Company's Clients and/or Suppliers for the purpose of providing products or services competitive to those offered by the Company. This restriction applies only to those Clients and/or Suppliers with whom the Executive had "material contact" (as such term is defined in this Section 10(c)) on behalf of the Company. "Material contact" means: (i) direct personal contact with a Supplier or Client for the purpose of, respectively, purchasing real estate, materials or services for use by the Company or selling the Company's real estate, products or services to Clients or (ii) any direct supervision of direct personal contacts other employees of the Company may have with Suppliers and/or Clients. "Clients and Suppliers" are those clients or suppliers with whom the Executive had material contact within one (1) year prior to the termination of the Executive's employment with the Company. The terms "Client" and "Supplier" shall also include prospective Clients and Suppliers of the Company.

(d) Acknowledgments. The Executive acknowledges that the foregoing restriction on competition is fair and reasonable, given the nature and scope of the Company's business operations and the nature of the Executive's position with the Company. The Executive also acknowledges that while employed by the Company, the Executive will have access to information that would be valuable or useful to the Company's competitors, and therefore acknowledges that the foregoing restrictions on the Executive's future employment and business activities are fair and reasonable.

(e) Acknowledgments of Law. The Executive acknowledges the following provisions of Colorado law, set forth in Colorado Revised Statutes § 8-2-113(2):

Any covenant not to compete which restricts the right of any person to receive compensation for performance of skilled or unskilled labor for any employer shall be void, but this subsection (2) shall not apply to:

any contract for the protection of trade secrets; or

executive and management personnel and officers and employees who constitute professional staff to executive and management personnel.

The Executive acknowledges that this Amended Agreement is a contract for the protection of trade secrets within the meaning of § 8-2-113(2)(b) and is intended to protect the Confidential Information identified above and that the Executive qualifies as executive personnel within the meaning of § 8-2-113(2)(d).

(f) Subsidiaries Included. For purposes of this Section 10, the term “Company” includes all of the Company’s direct and indirect wholly-owned and majority-owned subsidiaries.

#### Enforcement of Restrictive Covenants

. The Executive agrees and acknowledges that the remedies at law for any breach by the Executive of any provision of Section 9 or Section 10 of this Amended Agreement will be inadequate and that the Company shall be entitled to obtain injunctive relief against the Executive from a court of competent jurisdiction in the event of any breach of any provision of Section 9 or 10 of this Amended Agreement, in addition to seeking monetary damages as afforded by this Amended Agreement and applicable law.

#### Cooperation

. The parties agree that certain matters in which the Executive will be involved during the term of this Employment Agreement may necessitate the Executive’s cooperation in the future. Accordingly, following the termination of the Executive’s employment for any reason and *provided* such cooperation is not directly adverse to his legal interests, to the extent reasonably requested by the Board, the Executive shall cooperate with the Company and its subsidiaries and affiliates and their designated attorneys, representatives and agents in connection with matters arising out of the Executive’s service to the Company; *provided* that, the Company shall provide reasonable advance notice and make reasonable efforts to minimize disruption of Executive’s other activities. The Company shall reimburse the Executive for reasonable expenses incurred in connection with such cooperation within thirty (30) business days of receipt of supporting documentation of such expenses and the Company shall compensate the Executive at an hourly rate based on the Executive’s Base Salary and Annual Bonus for the most recently completed fiscal year as determined under Item 402 of Regulation S-K promulgated under the Exchange Act divided by 2,080. The Executive will submit invoices to the Company each month indicating the number of hours of services provided hereunder by the Executive, and payment of agreed-upon charges will be made within thirty (30) days of receipt of invoice, but in no event later than March 15 of the year following the year in which the services were performed. If invoices are not submitted within sixty (60) days following the end of the month in which the Executive’s services are performed, such invoices will not be eligible for payment and the Executive will not be compensated by the Company for the services described therein. For the avoidance of doubt, the parties understand, acknowledge and agree that if the Executive continues to serve as a non-employee director on the Board after the Date of Termination, the Executive will be eligible to receive non-employee director compensation in addition to any compensation received pursuant to this Section 12.

(a) Any notice or other communication required or permitted under this Amended Agreement shall be effective only if it is in writing and shall be deemed to be given when delivered personally or four (4) days after it is mailed by registered or certified mail, postage prepaid, return receipt requested or one (1) day after it is sent by a reputable overnight courier service and, in each case, addressed as follows (or if it is sent through any other method agreed upon by the parties):

If to the Company: Century Communities, Inc.  
8390 East Crescent Parkway  
Suite 650  
Greenwood Village, CO 80111  
Attn: Chief Executive Officer

with a copy to: Fox Rothschild LLP  
222 South Ninth Street  
Suite 2000  
Minneapolis, MN 55402  
Attn: Amy E. Culbert, Esq.

If to the Executive: Robert J. Francescon  
8390 East Crescent Parkway  
Suite 650  
Greenwood Village, CO 80111

or to such other address as any party hereto may designate by notice to the others.

(b) This Amended Agreement may be amended only by an instrument in writing signed by the parties hereto, and any provision hereof may be waived only by an instrument in writing signed by the party or parties against whom or which enforcement of such waiver is sought. The failure of any party hereto at any time to require the performance by any other party hereto of any provision hereof shall in no way affect the full right to require such performance at any time thereafter, nor shall the waiver by any party hereto of a breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision or a waiver of the provision itself or a waiver of any other provision of this Amended Agreement.

(c) The parties hereto acknowledge and agree that each party has reviewed and negotiated the terms and provisions of this Amended Agreement and has had the opportunity to contribute to its revision. Accordingly, the rule of construction to the effect that ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Amended Agreement. Rather, the terms of this Amended Agreement shall be construed fairly as to both parties hereto and not in favor of or against either party.

(d) The parties hereto hereby represent that they each have the authority to enter into this Amended Agreement, and the Executive hereby represents to the Company that

the execution of, and performance of duties under, this Amended Agreement shall not constitute a breach of or otherwise violate any other agreement to which the Executive is a party. The Executive hereby further represents to the Company that he will not utilize or disclose any confidential information obtained by the Executive in connection with any former employment with respect to his duties and responsibilities hereunder.

(e) By entering into this Agreement, the Executive acknowledges and agrees that the Company has given him a full and complete opportunity and sufficient time to consult with counsel and other advisors of his own choosing concerning the terms, enforceability and implications of this Amended Agreement and related documents/matters, or has made a knowing and voluntary decision to not engage his own counsel and other advisors with respect to the foregoing. The Executive also acknowledges and affirms that the Company has not made any representations or warranties to the Executive concerning the terms, enforceability or implications of this Amended Agreement other than as reflected in this Amended Agreement, and that the Executive has not relied upon the advice of the Company and/or its counsel or advisors as he has negotiated regarding, and decided to enter into, this Amended Agreement.

(f) This Amended Agreement is binding on and is for the benefit of the parties hereto and their respective successors, assigns, heirs, executors, administrators and other legal representatives. Neither this Amended Agreement nor any right or obligation hereunder may be assigned by the Executive.

(g) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume this Amended Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. As used in the Amended Agreement, the "Company" shall mean both the Company as defined above and any such successor that assumes this Amended Agreement, by operation of law or otherwise.

(h) Any provision of this Amended Agreement (or portion thereof) which is deemed invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction and subject to this Section 13(h), be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions thereof in such jurisdiction or rendering that or any other provisions of this Amended Agreement invalid, illegal, or unenforceable in any other jurisdiction. If any covenant should be deemed invalid, illegal or unenforceable because its scope is considered excessive, such covenant shall be modified so that the scope of the covenant is reduced only to the minimum extent necessary to render the modified covenant valid, legal and enforceable.

(i) As material obligations of the Company hereunder: the Company shall employ Dale Francescon as its Co-Chief Executive Officer and as Chairman of the Board of the Company's Board of Directors; the Company shall not: (a) terminate the employment of Dale Francescon without Cause; or (b) create or permit to exist any circumstance that would constitute "Good Reason" (as such term is defined in Dale Francescon's employment agreement with the Company) which results in Dale Francescon

terminating his employment under his employment agreement, unless in the case of clause (b) hereof, Dale Francescon consents in writing to such action.

(j) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Amended Agreement or the failure to assert any right the Executive or the Company may have hereunder shall not be deemed to be a waiver of such provision or right or any other provision or right of this Amended Agreement.

(k) Notwithstanding anything herein to the contrary, payment of amounts to the Executive under this Amended Agreement will be subject to applicable mandatory forfeiture or repayment provisions under the Sarbanes-Oxley Act of 2002 or any other applicable law, rule or regulation or stock exchange requirement, and the Company's clawback and forfeiture policy, and if the Executive is required to forfeit or to make any repayment of any compensation or benefit(s) to the Company under the Sarbanes-Oxley Act of 2002, any other law, rule or regulation or any stock exchange requirement, or under the Company's clawback and forfeiture policy, in each case which is applicable to the Company and the Executive, such forfeiture or repayment shall not constitute Good Reason under this Amended Agreement.

(l) The obligations under this Amended Agreement shall be unfunded. Payments and benefits payable under this Amended Agreement shall be paid from the general assets of the Company. The Company shall have no obligation to establish any fund or to set aside any assets to provide benefits under this Amended Agreement.

(m) The Company may withhold from any amounts payable to the Executive hereunder all federal, state, city or other taxes that the Company may reasonably determine are required to be withheld pursuant to any applicable law or regulation (it being understood that the Executive shall be responsible for payment of all taxes in respect of the payments and benefits provided herein).

(n) This Amended Agreement shall be governed by and construed in accordance with the laws of the State of Colorado without reference to its principles of conflicts of law.

(o) This Amended Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. A facsimile or PDF of a signature shall be deemed to be and have the effect of an original signature.

(p) The headings in this Amended Agreement are inserted for convenience of reference only and shall not be a part of or control or affect the meaning of any provision hereof.

(q) This Amended Agreement shall constitute the entire agreement among the parties hereto with respect to the Executive's employment hereunder, and supersedes and is in full substitution for any and all prior understandings or agreements (including the Prior Agreement) with respect to the Executive's employment.

(r) Effective at the Effective Date, the Prior Agreement shall terminate and shall be superseded in its entirety by this Amended Agreement with respect to all aspects of the Executive's employment with the Company on or after the Effective Date. The Executive acknowledges and agrees that, as of the Effective Date, no event has occurred which constitutes Good Reason, as that term is defined in the Prior Agreement. For the avoidance of doubt, the Prior Agreement shall continue to apply after the Effective Date with respect to any compensation or benefits due to the Executive through the Effective Date.

*[Signature Page Follows]*

In Witness Whereof, the parties have executed this Amended and Restated Employment Agreement as of the Effective Date first written above.

Executive:

/s/ Robert J. Francescon

**Robert J. Francescon**

Company:

**Century Communities, Inc.**, a Delaware corporation

By: /s/ David L.

Messenger

David L. Messenger,  
Chief Financial Officer

## EXHIBIT A

For purposes of the Amended Agreement, “Change in Control” shall mean the occurrence of any of the following events:

(a) Any transaction or event resulting in the beneficial ownership of voting securities, directly or indirectly, by any “person” or “group” (as those terms are defined in Sections 3(a)(9), 13(d), and 14(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules thereunder) having “beneficial ownership” (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of directors (“voting securities”) of the Company that represent greater than 35% of the combined voting power of the Company’s then outstanding voting securities (unless the Executive has beneficial ownership of at least 35% of such voting securities), other than any transaction or event resulting in the beneficial ownership of securities:

(i) 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

(ii) by the Company or 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

(iii) pursuant to a transaction described in clause (c) below that would not be a Change in Control under clause (c);

(s) 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 the date hereof whose election by the Company’s stockholders, or nomination for election by the Board, was approved by a vote of at least a majority 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 election contest with respect to the election or removal of directors or other solicitation of proxies or consents by or on behalf of a person other than the Board;

(t) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (i) a merger, consolidation, reorganization, or business combination, (ii) a sale or other disposition of all or substantially all of the Company’s assets, or (iii) the acquisition of assets or stock of another entity, in each case, other than a transaction:

(i) 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, greater than 25% of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(ii) after which no person or group beneficially owns voting securities representing greater than 50% of the combined voting power of the Successor Entity; *provided, however*, that no person or group shall be treated for purposes of this clause (ii) as beneficially owning greater than 50% of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(u) The approval by the Company's stockholders of a liquidation or dissolution of the Company.

For purposes of clause (a) 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 (c) 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.

## EXHIBIT B

### **FORM OF SEPARATION AGREEMENT AND GENERAL RELEASE**

This SEPARATION AGREEMENT AND GENERAL RELEASE (this “Separation Agreement”) is entered into by and between ROBERT J. FRANCESCON (the “Executive,” a term which includes the Executive’s spouse (if any), and all assigns, heirs, and successors in interest) and CENTURY COMMUNITIES, INC. (the “Company”), a term which for the purposes of this Separation Agreement includes Century Communities, Inc. or any affiliate or subsidiary thereof), and its directors, owners, officers and shareholders. Pursuant to the mutual promises, covenants and commitments as referenced herein, the parties agree as follows:

#### **Termination of Employment**

. The Executive’s employment with the Company ended on [\_\_\_\_\_] pursuant to the terms of an Amended and Restated Employment Agreement between the parties dated [\_\_\_\_\_] (hereinafter “Employment Agreement”), the terms of which are incorporated herein by reference. Capitalized terms not otherwise defined herein have the respective meanings as set forth in the Employment Agreement. Nothing herein shall affect in any way Executive’s rights with respect to the ownership or acquisition of any Company stock or securities and options or other rights to acquire any Company stock or securities, or any rights Executive has as a holder of any stock or securities of the Company. For the avoidance of doubt, the treatment of the Executive’s rights with respect to its Equity Awards will be governed by the terms of the Equity Agreements and modified by the Employment Agreement.

#### **No Admissions**

. The Executive and the Company agree that the entry of the parties into this Separation Agreement is not and shall not be construed to be an admission of liability on the part of any party hereto or hereby released.

#### **Adequacy of Consideration**

. The parties acknowledge and agree that in the Employment Agreement, the Company offered certain severance payments conditioned upon the Executive’s execution of this Separation Agreement. The Executive acknowledges that the severance payments offered by the Company constitute good and valuable consideration to which the Executive would otherwise not be entitled absent his execution of this Separation Agreement.

#### **Acknowledgement and Covenants Made by the Company for the Benefit of the Executive**

. In consideration for the promises made by the Executive as set forth herein, the Company agrees to pay the Executive the conditional severance payments as set forth in Section 6 of the Executive’s Employment Agreement.

#### **Acknowledgements and Covenants Made by the Executive for the Benefit of the Company**

. In consideration for the undertakings and promises of the Company as set forth in this Separation Agreement, the Executive:

- (a) acknowledges that he has been or by virtue of this Separation Agreement will be paid all compensation and benefits to which he is legally due;
- (b) acknowledges the enforceability of Sections 9 and 10 of his Employment Agreement with the Company and promises that he has been, currently is, and will continue

to be in full compliance with Sections 9 and 10 of the Employment Agreement, which by their terms extend beyond and survive the termination of the employment relationship.

(c) Unconditionally releases, discharges, and holds harmless the Company and the Company's officers, directors, shareholders, employees, agents, attorneys and contractors, (hereinafter referred to collectively as "Releasees") from each and every claim, cause of action, right, liability or demand of any kind and nature arising from the Executive's relationship with the Company as an employee and officer of the Company, and from any claims which may be derived therefrom (collectively referred to as "claims"), that the Executive had, has, or might claim to have against the Company at the time the Executive executes this Separation Agreement, including but not limited to any and all claims:

(i) arising from the Executive's Employment Agreement with the Company, employment, pay, bonuses, employee benefits, and other terms and conditions of employment or employment practices of the Company;

(ii) relating to the termination of the Executive's employment with the Company or the surrounding circumstances thereof;

(iii) relating to payment of any attorneys' fees for the Executive; except for attorneys' fees that may be provided in connection with a claim covered under the Company's directors' and officers' liability ("D&O") and employment practice liability ("EPL") insurance policies for actions by the Executive within the scope of employment and within the coverage of the Company's D&O and EPL insurance policies, or in connection with any indemnification agreement between the Executive and the Company for actions by the Executive within the scope covered by such agreement.

(iv) based on discrimination on the basis of race, color, religion, sex, pregnancy, national origin, handicap, disability, or any other category protected by law under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, 42 USC § 1981, Executive Order 11246, the Equal Pay Act, the Americans With Disabilities Act, the Rehabilitation Act of 1973, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act, as any of these laws may have been amended or any other similar federal, state or local labor, employment or anti-discrimination laws;

(v) the Age Discrimination in Employment Act and the Older Workers Benefits Protection Act;

(vi) based on any contract, tort, whistleblower, personal injury, or wrongful discharge theory; and

(vii) based on any other federal, state or local constitution, regulation, law (statutory or common), or legal theory.

Except as otherwise may be provided in this Separation Agreement, it is understood and agreed that this is a full, complete and final general release of any and all claims described as aforesaid, and that the parties hereto agree that it shall apply to all unknown, unanticipated, unsuspected and undisclosed claims, demands, liabilities, actions or causes of action, in law, equity or otherwise, as well as those which are now known, anticipated, suspected or disclosed. Notwithstanding the foregoing, the provisions of this Paragraph 5 shall not be deemed to be a release of any claims arising from the Executive's ownership of stock or other equity securities of the Company or any other contractual relationship between the Executive and the Company not released under Paragraph 5(c) above, as limited by this paragraph, including, but not limited to, (A) any payments and benefits pursuant to Section 6 of the Employment Agreement, any equity award granted to the Executive by the Company, or the Indemnification Agreement between the Company and the Executive; (B) to be indemnified and advanced expenses in accordance with applicable law or the corporate documents of the Company, or to be covered under any applicable directors' and officers' liability insurance policies of the Company; and (C) with respect to any claims which arise after the Effective Date of this Release, including but not limited to any claims arising out of this Separation Agreement.

**18. Acknowledgements and Covenants made by the Company for the benefit of the Executive.** In consideration for the undertakings and promises of the Executive as set forth in this Separation Agreement, the Company: Unconditionally releases, discharges, and holds harmless the Executive from each and every claim, cause of action, right, liability or demand of any kind and nature arising from the Executive's relationship with the Company as an employee and officer of the Company, and from any claims which may be derived therefrom (collectively referred to as "claims"), that the Company had, has, or might claim to have against the Executive at the time the Executive executes this Separation Agreement, including but not limited to any and all claims:

- (a) arising from the Executive's Employment Agreement with, or activities on behalf of, the Company;
- (b) based on any contract, tort, or common law theory; and
- (c) based on any other federal, state or local constitution, regulation, law (statutory or common), or legal theory.

Except as otherwise may be provided in this Separation Agreement, it is understood and agreed that this is a full, complete and final general release of any and all claims described as aforesaid, and that the Parties agree that it shall apply to all unknown, unanticipated, unsuspected and undisclosed claims, demands, liabilities, actions or causes of action, in law, equity or otherwise, as well as those which are now known, anticipated, suspected or disclosed. Notwithstanding the foregoing, the provisions of this Paragraph 6 shall not be deemed to be a release of any claims arising under Sections 9 and 10 of the Employment Agreement.

**Executive's Covenant Not to Sue or Accept Recovery**

. The Executive covenants not to file a lawsuit against the Company or Releasee based on any claim released under this Separation Agreement. It is understood and agreed that the following are not waived or barred by this Separation Agreement: (i) claims related to the validity or challenging the enforceability of this Separation Agreement; (ii) claims by either party to enforce this Separation Agreement; (iii) claims which cannot legally be waived; (iv) claims seeking state workers' compensation or unemployment benefits. Further, it is understood and agreed that this Separation Agreement does not bar the Executive's right to file an administrative charge with the Equal Employment Opportunity Commission ("EEOC"), the United States Department of Labor ("USDOL"), the Securities and Exchange Commission ("SEC"), or any other federal, state or local agency. Other than unemployment benefits, the Executive further covenants not to accept, recover or receive any monetary damages or any other form of relief which may arise out of or in connection with any administrative remedies which may be filed with or pursued against the Company or any Releasee independently by any governmental agency or agencies, whether federal, state or local, except that Executive may receive an award from the SEC under the federal securities laws.

**No Pending Actions or Claims**

. To the extent applicable, the Executive represents that the Executive has not filed any lawsuits against the Company or any Releases at the time the Executive executes this Separation Agreement. Further, to the extent applicable, the Executive has not suffered any work-related illness or injury that could form the basis of any workers' compensation or disability claim as of the date the Executive executed this Separation Agreement of which Executive is reasonably aware. The Executive further agrees that the Executive has been paid all compensation due as a result of the Executive's employment with the Company, *provided* that Executive has received all compensation and payments due and owing to the Executive under Section 6(a) of the Employment Agreement.

**Confidentiality**

. Except as otherwise expressly provided in this paragraph, the parties agree that the terms and conditions of this Separation Agreement are and shall be deemed to be confidential and hereafter shall not be disclosed to any other person or entity. The only disclosures excepted by this paragraph are (a) as may be required by applicable law, rule or regulation or the stock exchange on which the Company's securities may then be listed; (b) the parties may tell prospective employers the dates of the Executive's employment, positions held, the Executive's duties and responsibilities and salary history with the Company; (c) the Executive is able to disclose Sections 9 and 10 of the Employment Agreement, as referenced herein, to potential or future employers; (d) the parties may disclose the terms and conditions of this Separation Agreement to their attorneys, accountants, tax advisors, and/or any other person necessary to enforce such terms and conditions; and (e) the parties may disclose the terms and conditions of this Separation Agreement to their respective spouses, if any, *provided, however*, that the Executive makes the Executive's spouse aware of the confidentiality provisions of this paragraph and the Executive's spouse agrees to keep the terms of this Separation Agreement confidential.

**No Harassing Conduct**

- (a) The Executive covenants that the Executive shall not undertake any harassing or disparaging conduct directed at the Company or any Releasee and that the

Executive shall refrain from making any harassing or disparaging statements concerning the Company or any Releasee to any third party.

(b) The Company covenants that the Company shall not undertake any harassing or disparaging conduct directed at the Executive and that the Company shall refrain from making any harassing or disparaging statements concerning the Executive to any third party.

**Enforcement**

. The parties agree to pay their own attorneys' fees and all other costs and expenses incurred in enforcing this Separation Agreement.

**No Reliance Upon Other Statements**

. This Separation Agreement is entered into without reliance upon any statement or representation of any party hereto or parties hereby released other than the statements and representations contained in writing in this Separation Agreement, and the terms of the Employment Agreement, incorporated herein by reference.

**Full and Knowing Waiver**

. By signing this Separation Agreement, the Executive certifies that:

- (a) the Executive has read and understands this Separation Agreement;
- (b) the Executive was given at least twenty-one (21) calendar days from the date this Separation Agreement was initially presented to consider this Separation Agreement before signing this Separation Agreement;
- (c) the Executive was advised in writing, via this Separation Agreement, to consult with an attorney before signing this Separation Agreement;
- (d) the Executive agrees to its terms knowingly, voluntarily and without intimidation, coercion or pressure.

**Revocation of Age Release**

. The Executive may revoke this Separation Agreement within seven (7) calendar days after signing it. To be effective, such revocation must be received in writing by the Human Resources Director for Century Communities, Inc., at 8390 E. Crescent Parkway, Suite 650, Greenwood Village, CO 80111. Revocation can be made by hand delivery, telegram, facsimile, or postmarking before the expiration date of this seven (7) day period.

**Acceptance of Separation Agreement**

. To accept this Separation Agreement, the Executive understands that he must sign this Separation Agreement and return an original signed document to the Human Resources Director for Century Communities, Inc., at 8390 E. Crescent Parkway, Suite 650, Greenwood Village, CO 80111.

**No Application or Reemployment**

. The Executive hereby agrees that he shall not seek reinstatement or apply for future employment with the Company. The Executive agrees that any application for reinstatement or for future employment with the Company will be considered void from its inception, and may be summarily rejected by the Company without explanation or liability. In addition, if the Executive should be offered or accept a position with the Company, the offer may be withdrawn, or the Executive may be terminated immediately, without notice or

cause. The Executive further agrees that, in the event of such an offer and withdrawal, or hiring and termination, he waives any right to recover damages, seek or obtain equitable remedies, obtain unemployment benefits, claim wrongful termination or breach of contract, and that this Separation Agreement may be used as a defense by the Company in any legal or administrative proceeding.

**Colorado Law and Venue**

. The laws of the State of Colorado shall govern this Separation Agreement without regard to choice of law. The parties further understand and agree that, in any legal proceeding arising under this Separation Agreement, venue shall be in Arapahoe County, Colorado.

**Severability**

. Should any provision of this Separation Agreement be declared or be determined by any court of competent jurisdiction to be wholly or partially illegal, invalid, or unenforceable, the legality, validity, and enforceability of the remaining parts, terms, or provisions shall not be affected thereby, and said illegal, unenforceable, or invalid part, term, or provision shall be deemed not to be a part of this Separation Agreement.

**Entire Agreement**

. This Separation Agreement, and the references to certain provisions of the Employment Agreement (i.e., Sections 6, 8, 9, 10, and 11) incorporated by reference herein sets forth the entire agreement between the parties hereto and fully supersedes any and all prior or contemporaneous agreements or understandings, written or oral, between the parties pertaining to the subject matter hereof.

*[Signature Page Follows]*

In Witness Whereof, the undersigned hereunto set their hands to this Separation Agreement effective as of \_\_\_\_\_.

Executive:

**Robert J. Francescon**

Address:

City, State & Zip:

Telephone

Facsimile:

email:

Company:

**Century Communities, Inc.**, a Delaware corporation

By:

Name:

Title:

Address: 8390 E. Crescent Parkway, Suite 650  
Greenwood Village, CO 80111

Telephone:

Facsimile:

email:

**AMENDED AND RESTATED EMPLOYMENT AGREEMENT**

This AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the “Agreement”) is made between CENTURY COMMUNITIES, INC., a Delaware corporation (the “Company”), and DAVID MESSENGER (the “Executive”), effective as of July 28, 2020 (“Effective Date”).

**RECITALS**

WHEREAS, the Company has employed the Executive as the Company’s Chief Financial Officer pursuant to an Employment Agreement dated as of November 17, 2017 (the “Prior Agreement”); and

WHEREAS, the Company and the Executive desire to modify the Prior Agreement and accordingly fully amend and restate the Prior Agreement pursuant to this Agreement.

NOW, THEREFORE, in consideration of the promises and mutual covenants herein and for other good and valuable consideration, the parties agree that the Prior Agreement is hereby amended and restated in its entirety to provide the following:

1. General. The parties agree that, subject to the terms hereof, the Executive shall continue to serve as Chief Financial Officer of the Company, after the Effective Date hereof in accordance with the terms and conditions set out in this Agreement.

2. Employment, Duties and Agreements. The Company hereby agrees to continue to employ the Executive as its Chief Financial Officer, and the Executive hereby agrees to continue to serve the Company in such capacity on a full-time basis during the employment period fixed by Section 4 below (the “Employment Period”).

(a) The Executive shall have such duties and responsibilities as are consistent with the Executive’s position and as may be reasonably assigned by the Company’s Chief Executive Officers and the Company’s Board of Directors (the “Board”) from time to time. During the Employment Period, the Executive shall be subject to, and shall act in accordance with, all reasonable instructions and directions of the Chief Executive Officers and the Board and all applicable policies and rules of the Company.

(b) During the Employment Period, excluding any periods of paid personal time off to which the Executive is entitled, the Executive shall devote substantially his full working time and efforts to the performance of his duties and responsibilities hereunder and shall endeavor to promote the business and best interests of the Company.

(c) During the Employment Period, the Executive shall not engage in any business activity other than on behalf of the Company without the express prior written approval of the Board and/or Chief Executive Officer. It will not be a violation of this exclusivity provision for the Executive to (i) manage the Executive’s personal, financial and legal affairs, or (ii) serve on charitable or civic boards or committees.

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3. Compensation. As compensation for the agreements made by the Executive herein and the performance by the Executive of his obligations hereunder, during the Employment Period the Executive is entitled to receive the following compensation:

(a) The Company shall pay the Executive, pursuant to the Company's normal and customary payroll procedures, a base salary at the rate of \$550,000 per annum (the "Base Salary"). The Base Salary shall be reviewed at least annually for possible increase or decrease in the Company's sole discretion, as determined by the Compensation Committee of the Board (the "Compensation Committee"). Any increase in Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. The term "Base Salary" as utilized in this Agreement shall refer to Base Salary as so adjusted.

(b) In addition to the Base Salary, the Executive shall be eligible to earn, for each fiscal year of the Company ending during the Employment Period, an annual cash performance bonus (an "Annual Bonus") under the Company's bonus plan or plans applicable to senior executives. The amount of the Annual Bonus and the performance goals applicable to the Annual Bonus for any applicable year during the Employment Period shall be determined in accordance with the terms and conditions of said bonus plan as in effect from time to time with a threshold Annual Bonus opportunity equal to 50% of Base Salary (the "Threshold Bonus"), a target Annual Bonus opportunity equal to 100% of Base Salary (the "Target Bonus") and a maximum Annual Bonus opportunity equal to 200% of Base Salary (the "Maximum Bonus"). The terms and conditions of any such bonus plan shall be determined by the Compensation Committee in its sole discretion. Any Annual Bonus shall be paid on or before March 15<sup>th</sup> of each calendar year immediately following the year in which compensation is earned in accordance with the applicable plan.

(c) Pursuant to the Century Communities, Inc. 2017 Omnibus Incentive Plan, as amended from time to time, or such predecessor or successor plan (the "Incentive Plan"), the Company has granted and may in the future grant to the Executive certain equity awards (collectively and including awards substituted therefor covering the securities of a successor company, the "Equity Awards"), including, without limitation, restricted stock units that are to be settled with shares of the Company's common stock (the "RSUs") and performance-based awards in the form of performance share units that are to be settled with shares of the Company's common stock ("PSUs"). The terms and conditions of the Equity Awards are and shall be set forth in an award agreement(s) entered into by the Company and the Executive in the form adopted by the Board or the Compensation Committee, as applicable, or as documented in minutes of meetings or consents of the Board or Compensation Committee and communicated to the Executive within five (5) days after any such term or condition is adopted (each, an "Equity Agreement," and collectively, the "Equity Agreements"), as modified by the terms hereof.

(d) During the Employment Period, (i) the Executive shall be eligible to participate in all other incentive plans, practices, policies and programs, and all savings and retirement plans, policies and programs, in each case that are applicable generally to senior executives of the Company; (ii) the Executive and the Executive's eligible family members and other qualified dependents shall be eligible for participation in the welfare

benefit plans, practices, policies and programs (including, if applicable, medical, dental, vision, disability, employee life, group life and accidental death insurance plans and programs) maintained by the Company for its senior executives; (iii) the Executive shall be entitled to a \$500 per month automobile and cell phone allowance; and (iv) the Executive shall be entitled to such fringe benefits and perquisites as are provided or maintained by the Company to and for its senior executives from time to time, in accordance with the policies, practices, and procedures of the Company.

(e) During the Employment Period, the Executive shall be entitled to personal time off in accordance with the Company's policies and practices that are applicable to the Company's senior executives.

(f) During the Employment Period, the Company shall maintain (i) a directors' and officers' liability insurance policy, or an equivalent errors and omissions liability insurance policy, including fiduciary coverage, and (ii) an employment practices liability insurance policy. Each such policy shall cover the Executive with scope, exclusions, amounts and deductibles no less favorable to the Executive than those applicable to the Company's senior executive officers on the Effective Date, or any more favorable terms as may be available in the future to any other senior executive officer of the Company, while the Executive is employed with the Company and thereafter until the sixth (6th) anniversary of the Executive's Scheduled Termination Date (as defined in Section 4) or other Date of Termination (as defined in Section 5(b)).

(g) The Company shall reimburse the Executive for all reasonable business expenses upon the presentation of statements of such expenses in accordance with the Company's policies and procedures now in force or as such policies and procedures may be modified with respect to all senior executive officers of the Company.

4. Employment Period. For purposes of this Agreement, the Employment Period shall commence on the Effective Date, and terminate on the third anniversary of the Effective Date, provided that on the third anniversary of the Effective Date and on each anniversary thereafter, the Employment Period shall automatically be extended for additional one-year periods unless either party provides the other party with notice of non-renewal at least ninety (90) days before any such anniversary (the anniversary date on which the Employment Period terminates shall be referred to herein as the "Scheduled Termination Date"). Notwithstanding the foregoing, the Executive's employment hereunder may be terminated during the Employment Period prior to the Scheduled Termination Date upon the earliest to occur of any one of the following events (at which time the Employment Period shall be terminated):

(a) Death. The Executive's employment hereunder shall terminate upon his death.

(b) Disability. The Company shall be entitled to terminate the Executive's employment hereunder for Disability. For purposes of this Agreement, the term "Disability" shall mean the Executive's inability by reason of physical or mental illness to fulfill his obligations hereunder for one hundred twenty (120) consecutive days or a total of one hundred eighty (180) days in any twelve (12)-month period which, in the reasonable

opinion of an independent physician selected by the Company or its insurers and reasonably acceptable to the Executive or the Executive's legal representative, renders the Executive unable to perform the essential functions of his job, even after reasonable accommodations are made by the Company, and which inability by reason of such physical or mental illness to fulfill his obligations has not been cured, as determined by such physician prior to the Date of Termination.

(c) Cause. The Company may terminate the Executive's employment hereunder for Cause. For purposes of this Agreement, the term "Cause" shall include, without limitation, the following:

- (i) conviction (or a plea of *nolo contendere*) by the Executive to a felony;
- (ii) acts of fraud, dishonesty or misappropriation committed by the Executive and intended to result in substantial personal enrichment at the expense of the Company;
- (iii) willful, intentional or reckless misconduct by the Executive in the performance of the Executive's material duties required by this Agreement which materially damaged or is reasonably likely to materially damage the financial position or reputation of the Company; or
- (iv) a material breach of this Agreement by the Executive which is not cured within thirty (30) days following receipt by the Executive of a written Notice of Termination (as defined under Section 5 below) from the Company.

The foregoing is an non-exclusive list of the acts or omissions that shall be considered Cause. Notwithstanding the foregoing, the termination of the Executive shall not be deemed to be for Cause unless and until (A) the Board shall have provided the Executive with a Notice of Termination (as defined in Section 5 below) specifying in detail the basis for the termination of employment for Cause, and (B) in the case of subsection (iv) above, the Executive shall have had the opportunity to cure such breach within the time period specified.

For purposes of this Agreement, no act or failure to act of the Executive shall be willful, intentional or reckless if performed in good faith with the reasonable belief that the action or inaction was in the best interest of the Company. In addition, nothing herein shall limit or otherwise prevent the Executive from challenging judicially any determination of Cause as made by the Board hereunder.

(d) Without Cause. The Company may terminate the Executive's employment hereunder during the Employment Period without Cause. For purposes of this Agreement, a notice of non-renewal given by the Company as provided in Section 4 above shall not be treated as a termination of employment by the Company without Cause.

(e) For Good Reason. The Executive may terminate his employment hereunder for Good Reason. For purposes of this Agreement, "Good Reason" shall mean: (i) a material breach of this Agreement by the Company (including the Company's withholding

or failure to pay compensation when due to the Executive); (ii) relocation of the Company's headquarters or the location where the Executive works, to a location fifty (50) or more miles from the Company's office in Greenwood Village, Colorado, (iii) a change in reporting relationship whereby Executive ceases to report directly to the CEO; or (iv) a material reduction in the Executive's titles, duties, authority, or responsibilities, or the assignment to the Executive of any duties materially inconsistent with the Executive's position, authority, duties, or responsibilities without the written consent of the Executive. With respect to the acts or omissions set forth in this Section 4(e), (A) the Executive shall provide the Board with a Notice of Termination (as defined in Section 5 below) within ninety (90) days after the initial existence of the circumstances constituting Good Reason specifying in detail the basis for the termination of employment for Good Reason and the provision(s) under this Agreement on which such termination is based, (B) the Company shall have thirty (30) days to cure the matters specified in the notice delivered, and (C) if uncured, the Executive must terminate his employment with the Company within ninety (90) days after the expiration of the Company's cure period in order for such termination to be considered to be for Good Reason.

(f) Voluntarily. The Executive may voluntarily terminate his employment hereunder, without Good Reason, *provided* that the Executive provides the Company with notice of his intent to terminate his employment at least thirty (30) days in advance of the Date of Termination (as defined in Section 5 below).

#### 5. Termination Procedure.

(a) Notice of Termination. Any termination of the Executive's employment by the Company or by the Executive during the Employment Period (other than a termination on account of the death of the Executive) shall be communicated by a written "Notice of Termination" to the other party hereto in accordance with Section 12(a) below.

(b) Date of Termination. "Date of Termination" shall mean (i) if the Executive's employment is terminated by his death, the date of his death, (ii) if the Executive's employment is terminated due to his Disability in accordance with and pursuant to Section 4(b) above, on the date the Executive receives Notice of Termination from the Company, (iii) if the Executive voluntarily terminates his employment (whether or not for Good Reason), the date specified in the notice given pursuant to Section 4(e) above which shall not be less than thirty (30) days after the date the Notice of Termination is given, and (iv) if the Executive's employment is terminated for any other reason, the date on which a Notice of Termination is given or any later date (within thirty (30) days if a right to cure exists, or any alternative time period agreed upon by the parties, after the giving of such notice) set forth in such Notice of Termination (subject to the rights granted to the Executive under Section 4(c) above).

#### 6. Termination Payments.

(a) Without Cause or for Good Reason, Including in Connection with a Change in Control. In the event the Employment Period terminates under this Agreement as a result of the Company terminating the Executive's employment without Cause (other than

pursuant to Sections 4(a) or 4(b)) or the Executive terminating his employment for Good Reason:

(i) The Company shall pay or deliver, as applicable, to the Executive upon the Date of Termination (or as otherwise provided below):

(A) the Executive's unreimbursed appropriate business expenses and Base Salary through the Date of Termination (to the extent not theretofore paid) (the "Accrued Benefits"), payable in a lump sum;

(B) an amount equal to the Executive's Base Salary, payable as salary continuation payments in accordance with the Company's normal and customary payroll procedures over twelve (12) months (the "Base Severance");

(C) in lieu of any Annual Bonus under Section 3(b) for the fiscal year in which the Executive's employment terminates, a lump sum amount equal to the Annual Bonus that would have become payable in cash to the Executive for that fiscal year if his employment had not terminated, based on performance actually achieved in that year (determined by the Board following completion of the performance period and paid at the time specified in the applicable plan), multiplied by a fraction, the numerator of which is the number of days the Executive was employed in the performance period that includes the Executive's Date of termination and the denominator of which is the total number of days in such performance period;

(D) (i) any fully vested Equity Awards previously granted to the Executive, if not then already delivered or paid, shall be delivered or paid to the Executive on the Date of Termination; (ii) with regard to Equity Awards held by the Executive as of the Date of Termination not then based on performance, any such unvested Equity Awards will be 100% vested and delivered or paid to the Executive on the Date of Termination; and (iii) with regard to any Equity Awards held by the Executive as of the Date of Termination the amount of which is based on the attainment of specified levels of performance, the amount of such Equity Awards to be vested and delivered to the Executive shall be equal to the amount payable upon attainment of the target level of performance, multiplied by a fraction, the numerator of which is the number of days the Executive was employed in the performance period that includes the Executive's Date of Termination and the denominator of which is the total number of days in the performance period;

(E) any Annual Bonus(es) that the Executive earned for any fiscal year(s) prior to the fiscal year in which the Executive's employment terminated to the extent that such Annual Bonus(es) had not yet been paid before the Date of Termination.

Notwithstanding any provision of Section 6(a)(i)(D) above, any holding period requirement applicable to any Equity Award held by the Executive will be eliminated.

(ii) If the Executive timely elects continuation coverage under the Company's group medical plan for the Executive and his covered dependents pursuant to Section 4980B of the Internal Revenue Code of 1986, as amended (the "Code"), and Section 601 of the Employee Retirement Income Security Act of 1974, as amended (which provisions are commonly known as "COBRA"), in accordance with ordinary plan practices, the Company shall pay, for up to eighteen (18) months, that portion of the COBRA premium payable by the Executive that is in excess of the premium payable by the Executive if the Executive had continued in active employment with the Company, for the level of coverage the Executive and his covered dependents are enrolled in the Company's group medical plan at the Date of Termination, to the extent permitted under the terms of the Company's medical plan; *provided, however*, that if the Executive and his covered dependents become eligible to receive comparable medical benefits under another employer provided plan, the Company's obligation to make COBRA payments described herein shall be terminated. Unless direct payment by the Company of such COBRA payments is permitted by applicable law, the Executive shall pay the full cost of the premiums for such coverage, as determined and set under the then current practices of the Company, on the first day of each month such coverage is provided and the Company shall reimburse the Executive the excess, if any, of the amount the Executive pays for COBRA continuation coverage above the amount of the applicable premium that the Executive would have paid for comparable coverage if he had remained an executive officer of the Company during the period such coverage is provided (the "Reimbursement Amounts"). Any Reimbursement Amounts to be paid by the Company to the Executive under this Section 6(a)(ii) shall be made on the tenth (10<sup>th</sup>) day of each month the Executive pays the amount required by this Section 6(a)(ii) for COBRA continuation coverage, commencing on the first such date immediately following the effective date of the Release under Section 6(a)(vi) (the "First Reimbursement Date"), and any installment of the Reimbursement Amount that would have otherwise been paid prior to the First Reimbursement Date shall instead be accumulated and paid on the First Reimbursement Date. To the extent the Executive is precluded from participation in the Company's medical plan due to Medicare eligibility and/or requirements to enroll in Medicare, the Executive will receive the monthly COBRA subsidy amount for the balance of the COBRA continuation period. The Executive shall promptly notify the Company of any changes in his eligibility for medical benefits coverage.

(iii) To the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any vested benefits and other amounts or benefits required to be paid or provided or which the Executive is eligible to receive as of the Date of Termination under any plan, program, policy, practice, contract, or agreement of the Company and its affiliates (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(iv) If the Date of Termination under this Section 6(a) occurs within the twenty four (24)-month period following a Change in Control,

(A) the Company shall, in lieu of the payment provided for in Section 6(a)(i)(B), pay the Executive, in a lump sum, upon the Date of Termination, an amount equal to (A) two (2) times the Executive's Base Salary, plus (B) two (2) times the greater of (I) the Target Bonus, or (II) the average of the Annual Bonuses paid to Executive for the three (3) preceding years; and

(B) the Company shall, in lieu of the payments provided for in Section 6(a)(i)(D)(iii), the amount of such Equity Awards held by the Executive as of the Date of Termination the amount of which is based on the attainment of specified levels of performance to be vested and delivered to the Executive shall be equal to the greater of: (1) the amount payable upon attainment of the target level for performance without proration of any kind; or (2) if actual performance has exceeded the target level, the actual performance achieved based on a proration of the original performance goals as hereinafter described (but without proration based on the Executive's actual period of service). For purposes of this subparagraph (iv)(B), actual performance achieved will be determined utilizing the Company's cumulative financial results from the beginning of the performance period through the last completed quarter immediately prior to the Date of Termination (the "Measurement Period"). The actual performance for the Measurement Period will then be compared to time-adjusted performance goals (at all levels) determined by multiplying the performance goals for the original performance period by a fraction, the numerator of which is the number of days in the Measurement Period and the denominator of which is the total number of days in the original performance period. Each performance based Equity Award subject to this provision will be calculated based on the performance measures, interpolation methods or other criteria set forth in the particular Equity Agreement to determine if it will be vested and paid at target or a higher level. To the extent that the formula in this subparagraph (iv)(B) cannot be applied to any performance based Equity Awards because the performance goals cannot reasonably be pro-rated as indicated above, then performance as of the Date of Termination will be calculated as set forth in the applicable Equity Agreement in accordance with the termination provisions thereof.

For purposes of this Agreement, "Change in Control" shall have the meaning specified on Exhibit A attached hereto.

(v) For the avoidance of doubt, upon a termination of the Employment Period by the Company without Cause or by the Executive for Good Reason, the Executive shall not be entitled to any other compensation or benefits not expressly provided for in this Section 6(a), regardless of the time that would otherwise remain in the Employment Period had the Employment Period not been terminated without

Cause or for Good Reason. The Company shall have no additional obligations under this Agreement except as provided in this Section 6(a), any vested benefits under any tax qualified pension plans of the Company, and continuation of health insurance benefits on the terms and to the extent required by COBRA or such other analogous legislation as may be applicable to the Executive.

(vi) The payments and benefits provided under this Section 6(a), other than the Accrued Benefits described in Section 6(a)(i)(A), the earned Bonus(es) described in Section 6(a)(i)(E), the vested Equity Awards described in Section 6(a)(i)(D)(i) and the Other Benefits under Section 6(a)(iii), are subject to and conditioned upon (A) the Executive executing a timely and valid release of claims (“Release”) in the form attached hereto as Exhibit B (but reflecting any subsequent changes in applicable law as provided therein) waiving all claims the Executive may have against the Company, its successors, assigns, affiliates, executives, officers and directors; (B) the Executive delivering the executed Release to the Company within twenty-one (21) days following the Date of Termination (the “Release Period”); (C) such Release and the waiver contained therein becoming effective; and (D) the Executive’s compliance with the restrictive covenants contained in Sections 9 and 10 of this Agreement. In the event that the Release Period spans two of the Executive’s taxable years, the payments and benefits provided under this Section 6(a), other than the Accrued Benefits described in Section 6(a)(i)(A), the earned Bonus(es) described in Section 6(a)(i)(E), the vested Equity Awards described in Section 6(a)(i)(D)(i) and the Other Benefits under Section 6(a)(iii), must be made in the second of the two taxable years. In the event that payments are made hereunder prior to the execution of the Release and the Executive does not execute the Release in the time and manner set forth herein, the Executive shall promptly pay to the Company, together with interest from the date of payment to the date of repayment at the prime rate, such amounts or the value of such benefits so received.

(b) For Cause or Voluntary Termination by Executive. If the Executive’s employment is terminated during the Employment Period by the Company for Cause or by the Executive other than for Good Reason, then the Company shall pay the Executive upon the Date of Termination the Accrued Benefits and the Other Benefits and any benefits or compensation provided under the Equity Agreements which shall be paid in accordance with such agreements. Except as provided in this Section 6(b) or with respect to any vested benefits under any tax qualified pension plans of the Company and the continuation of health insurance benefits on the terms and to the extent required by COBRA or any other analogous legislation as may be applicable to the Executive, the Company shall have no additional obligations under this Agreement. Notwithstanding anything herein to the contrary, the Executive will not be required to execute a Release to receive the payments and benefits under this Section 6(b). For the avoidance of doubt, this Section 6(b) does not address the situation of a termination of the Executive’s employment as a result of the Executive’s death or a termination of the Executive’s employment by the Company for Disability, which are covered under Section 6(c).

(c) Death or Disability. If the Executive's employment is terminated during the Employment Period as a result of the Executive's death or by the Company for Disability, then:

(i) The Company shall pay or deliver, as applicable, to the Executive, the Executive's spouse, or if no surviving spouse, the Executive's estate, as the case may be, within thirty (30) days following the Date of Termination (or otherwise as provided below):

(A) the Accrued Benefits and Other Benefits;

(B) any Equity Awards held by the Executive on the Date of Termination shall be vested, delivered and paid in the same manner as provided in Section 6(a)(i)(D)(i), (ii) and (iii);

(C) in lieu of any Annual Bonus under Section 3(b) for the fiscal year in which the Executive's employment terminates, a lump sum amount equal to the Annual Bonus that would have become payable in cash to the Executive for that fiscal year if his employment had not terminated, based on performance actually achieved in that year (determined by the Board following completion of the performance year and paid at the time specified in the applicable plan), multiplied by a fraction, the numerator of which is the number of days the Executive was employed in such fiscal year and the denominator of which is the total number of days in such fiscal year; and

(D) any Annual Bonus(es) that the Executive earned for any fiscal year(s) prior to the fiscal year in which the Executive's employment terminated to the extent that such Annual Bonus(es) had not yet been paid before the Date of Termination.

Notwithstanding any provision of Section 6(c)(i)(B) above, any holding period requirement applicable to any Equity Award held by the Executive will be eliminated.

(ii) the Company shall pay that portion of the Executive's COBRA premiums that is equal to the employer's portion of the cost of the premium that the Executive would have paid if the Executive had continued in active employment with the Company during any time in which the Executive (or the Executive's spouse in the event of the Executive's death or Disability) elects COBRA continuation coverage for up to eighteen (18) months following the Date of Termination, to the extent permitted under the terms of the Company's medical plan; *provided, however*, that if the Executive (or the Executive's spouse in the event of the Executive's death or Disability) is or becomes eligible to receive comparable medical benefits under another employer provided plan, then the Company's obligation to make COBRA payments described herein shall be terminated. The Executive (or the Executive's spouse in the event of the Executive's death or Disability) shall promptly notify the Company of any changes in his (or her) eligibility for medical benefits coverage.

(iii) except as provided in this Section 6(c), or pursuant to the terms of the Equity Agreements, and except for any vested benefits under any tax qualified pension plans of the Company, and continuation of health insurance benefits on the terms and to the extent required by COBRA or any other analogous legislation as may be applicable to the Executive, the Company shall have no additional obligations under this Agreement.

(iv) Notwithstanding anything herein to the contrary, the Executive (or the Executive's surviving spouse, or, if none, a representative of the Executive's estate, as applicable) will be required to execute a Release (*see, e.g., Section 6(a)(vii) above*) to receive the payments, grants, vesting and benefits under Section 6(c)(i)(B) and (C) and Section 6(c)(ii) and (iii).

## 7. Excise Tax Limitation.

(a) Payment Limitation. Notwithstanding anything contained in this Agreement (or in any other agreement between the Executive and the Company) to the contrary, to the extent that any payments and benefits provided under this Agreement or any other plan or agreement of the Company (such payments or benefits are collectively referred to as the "Payments") would be subject to the excise tax (the "Excise Tax") imposed under Section 4999 of the Code, the Payments shall be reduced if and to the extent that a reduction in the Payments would result in the Executive retaining a larger amount, on an after-tax basis (taking into account federal, state and local income taxes and the Excise Tax), than he would have retained had he been entitled to receive all of the Payments (such reduced amount is hereinafter referred to as the "Limited Payment Amount"). The Company shall reduce the Payments by first reducing or eliminating payments or benefits which are not payable in cash and then by reducing or eliminating cash payments, in each case in reverse order beginning with payments or benefits which are to be paid the farthest in time from the date the "Determination" (as defined in Section 7(b) below) is delivered to the Company and the Executive.

(b) Determination and Dispute. The determination as to whether the Payments shall be reduced to the Limited Payment Amount and the amount of such Limited Payment Amount (the "Determination") shall be made at the Company's expense by an accounting or consulting firm selected by the Company and reasonably acceptable to the Executive (the "Firm"). The Firm shall provide the Determination in writing, together with detailed supporting calculations and documentation, to the Company and the Executive on or prior to the effective date of termination of the Executive's employment if applicable, or at such other time as requested by the Company or by the Executive. Within ten (10) business days of the delivery of the Determination to the Executive, the Executive shall have the right to dispute the Determination (the "Dispute") in writing setting forth the precise basis of the Dispute. If there is no Dispute, the Determination shall be binding, final and conclusive upon the Company and the Executive.

(c) Excise Tax is Obligation of the Executive. Any Excise Tax with respect to the Executive's Payments shall be the sole obligation of the Executive, subject to any tax withholding obligation imposed on the Company with respect thereto.

8. Compliance with Section 409A. This Agreement and the payments hereunder are intended to be exempt, to the greatest extent possible, from the requirements of Section 409A of the Code, and to the extent not so exempt, to comply with the requirements of Section 409A of the Code, and shall be construed and administered consistent with such intent. The payments to the Executive pursuant to this Agreement are intended to be exempt from Section 409A of the Code to the maximum extent possible, under either the separation pay exemption pursuant to Treasury regulation § 1.409A-1(b)(9)(iii) or as short-term deferrals pursuant to Treasury regulation § 1.409A-1(b)(4). In the event the terms of this Agreement would subject the Executive to taxes or penalties under Section 409A of the Code (“409A Penalties”), the Company and the Executive shall cooperate diligently to amend the terms of the Agreement to avoid such 409A Penalties, to the extent possible; *provided* that such amendment shall not increase or reduce (in the aggregate) the amounts payable to the Executive hereunder. Any taxable reimbursement payable to the Executive pursuant to this Agreement shall be paid to the Executive no later than the last day of the calendar year following the calendar year in which the Executive incurred the reimbursable expense. Any amount of expenses eligible for taxable reimbursement, or such in-kind benefit provided, during a calendar year shall not affect the amount of such expenses eligible for reimbursement, or such in-kind benefit to be provided, during any other calendar year. The right to such reimbursement or such in-kind benefits pursuant to this Agreement shall not be subject to liquidation or exchange for any other benefit. Any right to a series of installment payments pursuant to this Agreement is to be treated as a right to a series of separate payments. A termination of employment shall not be deemed to have occurred for purposes of the Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a “separation from service” within the meaning of Section 409A of the Code. If on the date of termination of employment the Executive is a “specified employee” within the meaning of that term under Section 409A of the Code, then, notwithstanding any other provision herein, with regard to any payment or benefit that is properly treated as nonqualified deferred compensation under Section 409A of the Code (after taking into account all exclusions applicable to such payment or benefit) and is payable on account of such separation from service, such payment or benefit shall not be made or provided prior to the expiration of the earlier of the six-month period measured from the date of such separation from service, or the Executive’s death. All payments and benefits delayed pursuant to the preceding provisions of this Section 8 shall be paid to the Executive on the first payroll date following the end of the delay period.

9. Protection of Trade Secrets and Confidential Information.

(a) Acknowledgments Regarding “Confidential Information”. In performing his duties as an executive of the Company, the Executive acknowledges that he will have access to documents, trade secrets, and other confidential and proprietary information which consists of information known by the Executive as a consequence of his employment with the Company (including information originated, discovered and/or developed by the Executive). The Executive acknowledges: (i) that all of the Confidential Information, as defined in Section 9(b) below, made accessible to the Executive shall be provided only in strict confidence; (ii) that unauthorized disclosure of Confidential Information may damage the Company’s business; (iii) that Confidential Information could be susceptible to immediate competitive application by a competitor of the Company; (iv) that the Company’s business is substantially dependent on access to and the continuing secrecy of Confidential Information; (v) that Confidential Information is novel, unique to the

Company and known only to the Executive, the Company and certain key employees and contractors of the Company; (vi) that the Company shall at all times retain ownership and control of all Confidential Information; and (vii) that the restrictions contained in this Agreement are reasonable and necessary for the protection of the Company's legitimate business interests.

(b) Definition of Confidential Information. The term "Confidential Information" means confidential and proprietary information of the Company, including, but not limited to, (i) information not generally known outside the Company such as information which is unique to the Company, (ii) information about the Company's real estate investments, projects, developments, business plans, financial plans, products, processes and services, research and development activities, client lists, marketing techniques, pricing policies, financial targets, financial information and projections, and (iii) any trade secret information as that term is defined in the Colorado Uniform Trade Secrets Act, C.R.S. § 7-74-101 *et seq.* However, the term Confidential Information shall not include information that: (w) becomes generally available to and known by the public; (x) was available to the Executive on a non-confidential basis prior to its disclosure; (y) becomes available to the Executive from a source other than the Company, provided that the Executive has no knowledge that such source is prohibited from disclosing such information to the Executive by a contractual, legal or fiduciary obligation to the Company; or (z) the Executive has independently developed with no reliance on or access to any of the information provided directly or indirectly by the Company.

(c) The Executive's Use of Confidential Information. Except in connection with and in furtherance of the Executive's work on the Company's behalf, the Executive shall not, without the Company's prior written consent, at any time, directly or indirectly: (i) use any Confidential Information for any purpose; or (ii) disclose or otherwise communicate any Confidential Information to any person or entity; or (iii) accept or participate in any employment, consulting engagement or other business opportunity that inevitably will result in the disclosure or use of any Confidential Information.

(d) Third-Parties' Confidential Information. The Executive acknowledges that the Company has received and in the future will receive from third parties confidential or proprietary information, and that the Company must maintain the confidentiality of such information and use it only for authorized purposes. The Executive shall not use or disclose any such information except as authorized by the Company or the third party to whom the information belongs.

(e) Ownership of Works. The Executive agrees to promptly disclose in writing to the Company all inventions, discoveries, developments, improvements and innovations (collectively referred to as "Inventions") that the Executive has conceived or made during his employment with the Company; provided, however, that in this context "Inventions" are limited to those which (i) relate in any manner to the existing or contemplated business or research activities of the Company and its affiliates; (ii) are suggested by or result from the Executive's work at the Company; or (iii) result from the use of the time, materials or facilities of the Company and its affiliates. All Inventions will be the Company's property rather than the Executive's. Should the Company request it, the Executive agrees to sign

any document that the Company may reasonably require to establish ownership in any Invention.

(f) Subsidiaries Included. For purposes of this Section 9, the term “Company” includes all of the Company’s direct and indirect wholly-owned and majority-owned subsidiaries.

10. Unfair Competition. To protect the interests of the Company and its Confidential Information, and in consideration of the covenants and promises and other valuable consideration described in this Agreement, the Executive agrees as follows:

(a) Non-Compete. The Executive will not, at any time during his employment and for a period of one (1) year following termination of his employment by the Company for Cause, or by the Executive without Good Reason, acting alone or in conjunction with others, directly or indirectly, engage (either as owner, investor, partner, stockholder, lender, employer, employee, consultant, advisor, member, or director) in any aspect of a Residential Project (as defined in Section 10(a)(ii) below) in the Geographic Region (as defined in Section 10(a)(iii) below), including, but not limited to, any land acquisition, land development, entitlements or construction, marketing, sale, financing or management of any Residential Project.

(i) The Executive acknowledges that in light of his position, duties and responsibilities with the Company, the Executive will have access to and be familiar with the Company’s Confidential Information and trade secrets for each such Residential Project, and that this one (1) year non-compete provision is narrowly tailored and reasonable to protect the Company’s Confidential Information and trade secrets.

(ii) For purposes of this Section 10, the term “Residential Project” shall mean any residential building project for which the Company has invested resources, performed due diligence, planned land development, initiated real estate acquisitions and/or conducted business during the Executive’s employment with the Company.

(iii) For purposes of this Section 10, the term “Geographic Region” shall mean (i) any and all counties in any state in which the Company has engaged in any Residential Project in the past or in which it is currently conducting any Residential Project, and (ii) any and all other counties in any state that the Company engages in any Residential Project in the future during the Executive’s employment with the Company.

(iv) It will not be a violation of this Section 10 or of Section 10(c) below for the Executive to own not more than five percent (5%) of the equity securities of any company having securities listed on an exchange or regularly traded in the over-the-counter market.

(b) Non-Solicitation of Company Employees. The Executive agrees that the Company has invested substantial time and effort in assembling and training its present

staff of personnel. Accordingly, the Executive agrees that for a period of one (1) year following termination of employment by the Company for Cause or by the Executive without Good Reason, the Executive will not directly or indirectly induce or solicit or seek to induce or solicit on behalf of employee or others any of the Company's employees to leave employment with the Company.

(c) Non-Solicitation of Clients and Suppliers. The Executive agrees that the Company's relationships with its "Clients and Suppliers" (as such term is defined in this Section 10(c)) are solely the assets and property of the Company. The Executive agrees that for a period of one (1) year following termination of the Executive's employment by the Company for Cause or by the Executive without Good Reason, the Executive shall not directly or through others solicit or attempt to solicit any of the Company's Clients and/or Suppliers for the purpose of providing products or services competitive to those offered by the Company. This restriction applies only to those Clients and/or Suppliers with whom the Executive had "material contact" (as such term is defined in this Section 10(c)) on behalf of the Company. "Material contact" means: (i) direct personal contact with a Supplier or Client for the purpose of, respectively, purchasing real estate, materials or services for use by the Company or selling the Company's real estate, products or services to Clients or (ii) any direct supervision of direct personal contacts other employees of the Company may have with Suppliers and/or Clients. "Clients and Suppliers" are those clients or suppliers with whom the Executive had material contact within one (1) year prior to the termination of the Executive's employment with the Company. The terms "Client" and "Supplier" shall also include prospective Clients and Suppliers of the Company.

(d) Acknowledgments. The Executive acknowledges that the foregoing restriction on competition is fair and reasonable, given the nature and scope of the Company's business operations and the nature of the Executive's position with the Company. The Executive also acknowledges that while employed by the Company, the Executive will have access to information that would be valuable or useful to the Company's competitors, and therefore acknowledges that the foregoing restrictions on the Executive's future employment and business activities are fair and reasonable.

(e) Acknowledgments of Law. The Executive acknowledges the following provisions of Colorado law, set forth in Colorado Revised Statutes § 8-2-113(2):

Any covenant not to compete which restricts the right of any person to receive compensation for performance of skilled or unskilled labor for any employer shall be void, but this subsection (2) shall not apply to:

any contract for the protection of trade secrets; or

executive and management personnel and officers and employees who constitute professional staff to executive and management personnel.

The Executive acknowledges that this Agreement is a contract for the protection of trade secrets within the meaning of § 8-2-113(2)(b) and is intended to protect the

Confidential Information identified above and that the Executive qualifies as executive personnel within the meaning of § 8-2-113(2)(d).

(f) Subsidiaries Included. For purposes of this Section 10, the term “Company” includes all of the Company’s direct and indirect wholly-owned and majority-owned subsidiaries.

(g) Enforcement of Restrictive Covenants. The Executive agrees and acknowledges that the remedies at law for any breach by the Executive of any provision of Section 9 or 10 of this Agreement will be inadequate and that the Company shall be entitled to obtain injunctive relief against the Executive from a court of competent jurisdiction in the event of any breach of any provision of Section 9 or 10 of this Agreement, in addition to seeking monetary damages as afforded by this Agreement and applicable law.

#### 11. Arbitration Provisions.

(a) Mandatory Arbitration. Any dispute between the Company and Executive with respect to any matter pertaining to this, or the terms of this, Agreement (a “Dispute”) shall be subject to mandatory arbitration as detailed herein; each party is hereby waiving its right to seek a judicial determination of any Dispute including, without limitation, whether a party is in breach of, or default under, any of the terms or provisions of this Agreement, except for relief sought in connection with Section 10(f) above. The arbitration provisions in this Section supersede any prior arbitration provisions or agreements between the Company and the Executive.

(b) Initiation of Claim and Appointment of Arbitrator. If any Dispute pertaining to this Agreement shall arise between the parties, then, after the expiration of any applicable cure period, any such party may initiate arbitration by serving written notice on the other party of its intention to arbitrate the Dispute (the “Arbitration Notice”), which Arbitration Notice shall contain a statement setting forth the nature of the Dispute and the remedy sought. A copy of such Arbitration Notice shall also be filed at the office of the Judicial Arbiter Group, Inc. (“JAG”), in Denver, Colorado together with this arbitration provision. Within twenty-one (21) days of filing of the Arbitration Notice, the parties shall mutually select an arbitrator from JAG’s list of available arbitrators. If the parties are unable to so mutually agree during said twenty-one (21) day period, an arbitrator shall be appointed thereafter by the President or Chief Administrative Officer of JAG. In the event JAG no longer exists at the time of any such arbitration, the parties shall select a body of comparable standing to handle the arbitration.

(c) Governing Rules. The arbitration shall be conducted in accordance with the Employment Arbitration Rules for the American Arbitration Association, except to the extent modified herein. The Colorado Revised Uniform Arbitration Act, C.R.S. section 12-22-201, *et seq.* shall be applicable.

(d) Hearing. The arbitrator shall faithfully and fairly determine the question at issue. The arbitration proceeding shall take place in Denver, Colorado and the scope of the

arbitration proceedings shall be limited to the matters that are the basis of the Dispute, and shall include no other matters.

(e) Fees and Expenses. In any matter involving an alleged claim of wrongful termination or employment discrimination, the provisions of this Section 11(e) shall apply. Executive shall only be required to bear such costs as the Executive would otherwise be required to bear if he were bringing a civil action or as may otherwise be required by the rules of the American Arbitration Association governing employment disputes. The Company shall bear all other costs that are unique to arbitration. Unless ordered otherwise by the arbitration award, each party will bear their own attorney's fees and legal costs. Nevertheless, this Agreement shall in no way be interpreted to limit the statutorily available remedies of either party.

(f) In any matter in which Section 11(e) does not apply, each party shall bear his/its own attorney's fees and legal costs, and the parties shall evenly divide the costs of the arbitration services.

## 12. Miscellaneous.

(a) Any notice or other communication required or permitted under this Agreement shall be effective only if it is in writing and shall be deemed to be given when delivered personally or four (4) days after it is mailed by registered or certified mail, postage prepaid, return receipt requested or one (1) day after it is sent by a reputable overnight courier service and, in each case, addressed as follows (or if it is sent through any other method agreed upon by the parties):

If to the Company: CENTURY COMMUNITIES, INC.  
8390 East Crescent Parkway  
Suite 650  
Greenwood Village, CO 80111  
Attn: Chief Executive Officer

with a copy to: FOX ROTHSCHILD LLP  
1225 Seventeenth Street  
Suite 2200  
Denver, Colorado 80202  
Attn: Marshall H. Fishman

If to the Executive: DAVID MESSENGER

With a copy to: POLSINELLI  
1401 Lawrence Street, Suite 2300  
Denver, Colorado 80202-2498  
Attn: Donald L. Samuels

or to such other address as any party hereto may designate by notice to the others.

(b) This Agreement may be amended only by an instrument in writing signed by the parties hereto, and any provision hereof may be waived only by an instrument in writing signed by the party or parties against whom or which enforcement of such waiver is sought. The failure of any party hereto at any time to require the performance by any other party hereto of any provision hereof shall in no way affect the full right to require such performance at any time thereafter, nor shall the waiver by any party hereto of a breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision or a waiver of the provision itself or a waiver of any other provision of this Agreement.

(c) The parties hereto acknowledge and agree that each party has reviewed and negotiated the terms and provisions of this Agreement and has had the opportunity to contribute to its revision. Accordingly, the rule of construction to the effect that ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement. Rather, the terms of this Agreement shall be construed fairly as to both parties hereto and not in favor of or against either party.

(d) The parties hereto hereby represent that they each have the authority to enter into this Agreement, and the Executive hereby represents to the Company that the execution of, and performance of duties under, this Agreement shall not constitute a breach of or otherwise violate any other agreement to which the Executive is a party. The Executive hereby further represents to the Company that he will not utilize or disclose any confidential information obtained by the Executive in connection with any former employment with respect to his duties and responsibilities hereunder.

(e) The Executive acknowledges that he has had a full and complete opportunity to consult with counsel and other advisors of his own choosing concerning the terms, enforceability and implications of this Agreement, and that the Company has not made any representations or warranties to the Executive concerning the terms, enforceability or implications of this Agreement other than as reflected in this Agreement.

(f) This Agreement is binding on and is for the benefit of the parties hereto and their respective successors, assigns, heirs, executors, administrators and other legal representatives. Neither this Agreement nor any right or obligation hereunder may be assigned by the Executive.

(g) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. As used in the Agreement, the "Company" shall mean both the Company as defined above and any such successor that assumes this Agreement, by operation of law or otherwise.

(h) Any provision of this Agreement (or portion thereof) which is deemed invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction and subject to this Section 12(h), be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions thereof in such jurisdiction or rendering that or any other provisions of this Agreement invalid, illegal, or unenforceable in any other jurisdiction. If any covenant should be deemed invalid, illegal or unenforceable because its scope is considered excessive, such covenant shall be modified so that the scope of the covenant is reduced only to the minimum extent necessary to render the modified covenant valid, legal and enforceable.

(i) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(j) Notwithstanding anything herein to the contrary, payment of amounts to the Executive under this Agreement will be subject to applicable mandatory forfeiture or repayment provisions under the Sarbanes-Oxley Act of 2002 or any other applicable law, rule or regulation or stock exchange requirement, and the Company's clawback and forfeiture policy, and if the Executive is required to forfeit or to make any repayment of any compensation or benefit(s) to the Company under the Sarbanes-Oxley Act of 2002, any other law, rule or regulation or any stock exchange requirement, or under the Company's clawback and forfeiture policy, in each case which is applicable to the Company and the Executive, such forfeiture or repayment shall not constitute Good Reason under this Agreement.

(k) The obligations under this Agreement shall be unfunded. Payments and benefits payable under this Agreement shall be paid from the general assets of the Company. The Company shall have no obligation to establish any fund or to set aside any assets to provide benefits under this Agreement.

(l) The Company may withhold from any amounts payable to the Executive hereunder all federal, state, city or other taxes that the Company may reasonably determine are required to be withheld pursuant to any applicable law or regulation (it being understood that the Executive shall be responsible for payment of all taxes in respect of the payments and benefits provided herein).

(m) The Company's obligation to pay the Executive the amounts provided and to make the arrangements provided hereunder shall be subject to set off, counterclaim or recoupment of amounts owed by the Executive to the Company or any of its affiliates. The Executive shall not be required to mitigate the amount of any payment provided for pursuant to this Agreement by seeking other employment, and such payments shall not be reduced by any compensation or benefits received from any subsequent employer or other endeavor.

(n) This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado without reference to its principles of conflicts of law.

(o) This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. A facsimile or PDF of a signature shall be deemed to be and have the effect of an original signature.

(p) The headings in this Agreement are inserted for convenience of reference only and shall not be a part of or control or affect the meaning of any provision hereof.

(q) This Agreement shall constitute the entire agreement among the parties hereto with respect to the Executive's employment hereunder, and supersedes and is in full substitution for any and all prior understandings or agreements with respect to the Executive's employment.

(r) Effective at the Effective Date, the Prior Agreement shall terminate and shall be superseded in its entirety by this Agreement with respect to all aspects of the Executive's employment with the Company on or after the Effective Date. The Executive acknowledges and agrees that, as of the Effective Date, no event has occurred which constitutes Good Reason, as that term is defined in the Prior Agreement. For the avoidance of doubt, the Prior Agreement shall continue to apply after the Effective Date with respect to any compensation or benefits due to the Executive through the Effective Date.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the parties have executed this AMENDED AND RESTATED EMPLOYMENT AGREEMENT as of the Effective Date first written above.

EXECUTIVE:

/s/ David Messenger

**DAVID MESSENGER**

COMPANY:

**CENTURY COMMUNITIES, INC.,**  
a Delaware corporation

By: /s/ Dale Francescon

Dale Francescon, Co-Chief Executive Officer

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## EXHIBIT A

For purposes of the Agreement, “Change in Control” shall mean the occurrence of any of the following events:

(a) Any transaction or event resulting in the beneficial ownership of voting securities, directly or indirectly, by any “person” or “group” (as those terms are defined in Sections 3(a)(9), 13(d), and 14(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules thereunder) having “beneficial ownership” (as determined pursuant to Rule 13d 3 under the Exchange Act) of securities entitled to vote generally in the election of directors (“voting securities”) of the Company that represent greater than 35% of the combined voting power of the Company’s then outstanding voting securities (unless the Executive has beneficial ownership of at least 35% of such voting securities), other than any transaction or event resulting in the beneficial ownership of securities:

(i) 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

(ii) by the Company or 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

(iii) pursuant to a transaction described in clause (c) below that would not be a Change in Control under clause (c);

(b) 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 the date hereof whose election by the Company’s stockholders, or nomination for election by the Board, was approved by a vote of at least a majority 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 election contest with respect to the election or removal of directors or other solicitation of proxies or consents by or on behalf of a person other than the Board;

(c) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (I) a merger, consolidation, reorganization, or business combination, (II) a sale or other disposition of all or substantially all of the Company’s assets, or (III) the acquisition of assets or stock of another entity, in each case, other than a transaction:

(i) 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

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Company (the Company or such person, the "Successor Entity")) directly or indirectly, greater than 25% of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(ii) after which no person or group beneficially owns voting securities representing greater than 50% of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this clause(ii) as beneficially owning greater than 50% of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(d) The approval by the Company's stockholders of a liquidation or dissolution of the Company;

*provided, however*, such event also constitutes a change in ownership or effective control of, or a change in the ownership of a substantial portion of the assets of, the Company under Code Section 409A.

For purposes of clause (a) 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 (c) 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.

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## EXHIBIT B

### **FORM OF SEPARATION AGREEMENT AND GENERAL RELEASE**

This SEPARATION AGREEMENT AND GENERAL RELEASE ("Separation Agreement") is entered into by and between DAVID MESSENGER (the "Executive," a term which includes the Executive's spouse (if any), and all assigns, heirs, and successors in interest) and CENTURY COMMUNITIES, INC. (the "Company", a term which for the purposes of this Separation Agreement includes Century Communities, Inc. or any affiliate or subsidiary thereof), and its directors, owners, officers and shareholders. Pursuant to the mutual promises, covenants and commitments as referenced herein, the parties agree as follows:

1. **Termination of Employment.** The Executive's employment with the Company ended on [ ] pursuant to the terms of an Amended and Restated Employment Agreement between the parties dated [ ] (hereinafter "Employment Agreement"), the terms of which are incorporated herein by reference. Capitalized terms not otherwise defined herein have the respective meanings as set forth in the Employment Agreement. Nothing herein shall affect in any way Executive's rights with respect to the ownership or acquisition of any Company stock or securities and options or other rights to acquire any Company stock or securities, or any rights Executive has as a holder of any stock or securities of the Company. For the avoidance of doubt, the treatment of the Executive's rights with respect to its Equity Awards will be governed by the terms of the Equity Agreements and modified by the Employment Agreement.

2. **No Admissions.** The Executive and the Company agree that the entry of the parties into this Separation Agreement is not and shall not be construed to be an admission of liability on the part of any party hereto or hereby released.

3. **Adequacy of Consideration.** The parties acknowledge and agree that in the Employment Agreement, the Company offered certain severance payments conditioned upon the Executive's execution of this Separation Agreement. The Executive acknowledges that the severance payments offered by the Company constitute good and valuable consideration to which the Executive would otherwise not be entitled absent his execution of this Separation Agreement.

4. **Acknowledgement and Covenants Made by the Company for the Benefit of the Executive.** In consideration for the promises made by the Executive as set forth herein, the Company agrees to pay the Executive the conditional severance payments as set forth in Section 6 of the Executive's Employment Agreement.

5. **Acknowledgements and Covenants Made by the Executive for the Benefit of the Company.** In consideration for the undertakings and promises of the Company as set forth in this Separation Agreement, the Executive:

(a) acknowledges that he has been or by virtue of this Separation Agreement will be paid all compensation and benefits to which he is legally due;

(b) acknowledges the enforceability of Sections 9 and 10 of his Employment Agreement with the Company and covenants that he has been, currently is, and will continue to be in full compliance with Sections 9 and 10 of the Employment Agreement,

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which by their terms extend beyond and survive the termination of the employment relationship.

(c) Unconditionally releases, discharges, and holds harmless the Company and the Company's officers, directors, shareholders, employees, agents, attorneys and contractors, (hereinafter referred to collectively as "Releasees") from each and every claim, cause of action, right, liability or demand of any kind and nature arising from the Executive's relationship with the Company as an employee and officer of the Company, and from any claims which may be derived therefrom (collectively referred to as "claims"), that the Executive had, has, or might claim to have against the Company at the time the Executive executes this Separation Agreement, including but not limited to any and all claims:

(i) arising from the Executive's Employment Agreement with the Company, employment, pay, bonuses, employee benefits and other terms and conditions of employment or employment practices of the Company;

(ii) relating to the termination of the Executive's employment with the Company or the surrounding circumstances thereof;

(iii) relating to payment of any attorneys' fees for the Executive; except for attorneys' fees that may be provided in connection with a claim covered under the Company's directors' and officers' liability ("D&O") and employment practice liability ("EPL") insurance policies for actions by the Executive within the scope of employment and within the coverage of the Company's D&O and EPL insurance policies, or in connection with any indemnification agreement between the Executive and the Company for actions by the Executive within the scope covered by such agreement.

(iv) based on discrimination on the basis of race, color, religion, sex, pregnancy, national origin, handicap, disability, or any other category protected by law under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, 42 USC § 1981, Executive Order 11246, the Equal Pay Act, the Americans With Disabilities Act, the Rehabilitation Act of 1973, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act, as any of these laws may have been amended or any other similar federal, state or local labor, employment or anti-discrimination laws;

(v) the Age Discrimination in Employment Act and the Older Workers Benefits Protection Act;

(vi) based on any contract, tort, whistleblower, personal injury, or wrongful discharge theory; and

(vii) based on any other federal, state or local constitution, regulation, law (statutory or common), or legal theory.

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Except as otherwise may be provided in this Separation Agreement, it is understood and agreed that this is a full, complete and final general release of any and all claims described as aforesaid, and that the parties hereto agree that it shall apply to all unknown, unanticipated, unsuspected and undisclosed claims, demands, liabilities, actions or causes of action, in law, equity or otherwise, as well as those which are now known, anticipated, suspected or disclosed. Notwithstanding the foregoing, the provisions of this Paragraph 5 shall not be deemed to be a release of any claims arising from the Executive's ownership of stock or other equity securities of the Company or any other contractual relationship between the Executive and the Company not released under Paragraph 5(c) above, as limited by this paragraph, including, but not limited to, (A) any payments and benefits pursuant to Section 6 of the Employment Agreement, any equity award granted to the Executive by the Company, or the Indemnification Agreement between the Company and the Executive; (B) to be indemnified and advanced expenses in accordance with applicable law or the corporate documents of the Company, or to be covered under any applicable directors' and officers' liability insurance policies of the Company; and (C) with respect to any claims which arise after the Effective Date of this Release, including but not limited to, any claims arising out of this Separation Agreement.

6. **Acknowledgements and Covenants Made by the Company for the Benefit of the Executive.** In consideration for the undertakings and promises of the Executive as set forth in this Separation Agreement, the Company: Unconditionally releases, discharges, and holds harmless the Executive from each and every claim, cause of action, right, liability or demand of any kind and nature arising from the Executive's relationship with the Company as an employee and officer of the Company, and from any claims which may be derived therefrom (collectively referred to as "claims"), that the Company had, has, or might claim to have against the Executive at the time the Executive executes this Separation Agreement, including but not limited to any and all claims:

- (a) arising from the Executive's Employment Agreement with, or activities on behalf of, the Company;
- (b) based on any contract, tort, or common law theory; and
- (c) based on any other federal, state or local constitution, regulation, law (statutory or common), or legal theory.

Except as otherwise may be provided in this Separation Agreement, it is understood and agreed that this is a full, complete and final general release of any and all claims described as aforesaid, and that the Parties agree that it shall apply to all unknown, unanticipated, unsuspected and undisclosed claims, demands, liabilities, actions or causes of action, in law, equity or otherwise, as well as those which are now known, anticipated, suspected or disclosed. Notwithstanding the foregoing, the provisions of this Paragraph 6 shall not be deemed to be a release of any claims arising under Sections 9 and 10 of the Employment Agreement.

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7. **Executive's Covenant Not to Sue or Accept Recovery.** The Executive covenants not to file a lawsuit against the Company or Releasee based on any claim released under this Separation Agreement. It is understood and agreed that the following are not waived or barred by this Separation Agreement: (i) claims related to the validity or challenging the enforceability of this Separation Agreement; (ii) claims by either party to enforce this Separation Agreement; (iii) claims which cannot legally be waived; (iv) claims seeking state workers' compensation or unemployment benefits. Further, it is understood and agreed that this Separation Agreement does not bar the Executive's right to file an administrative charge with the Equal Employment Opportunity Commission ("EEOC"), the United States Department of Labor ("USDOL"), the Securities and Exchange Commission ("SEC"), or any other federal, state or local agency. Other than unemployment benefits, the Executive further covenants not to accept, recover or receive any monetary damages or any other form of relief which may arise out of or in connection with any administrative remedies which may be filed with or pursued against the Company or any Releasee independently by any governmental agency or agencies, whether federal, state or local, except that Executive may receive an award from the SEC under the federal securities laws.

8. **No Pending Actions or Claims.** To the extent applicable, the Executive represents that the Executive has not filed any lawsuits against the Company or any Releasees at the time the Executive executes this Separation Agreement of which the Executive is reasonably aware. Further, to the extent applicable, the Executive has not suffered any work-related illness or injury that could form the basis of any workers' compensation or disability claim as of the date the Executive executed this Separation Agreement. The Executive further agrees that the Executive has been paid all compensation due as a result of the Executive's employment with the Company, provided that Executive has received all compensation and payments due and owing to the Executive under Section 6(a) of the Employment Agreement.

9. **Confidentiality.** Except as otherwise expressly provided in this paragraph, the parties agree that the terms and conditions of this Separation Agreement are and shall be deemed to be confidential and hereafter shall not be disclosed to any other person or entity. The only disclosures excepted by this paragraph are (a) as may be required by applicable law, rule or regulation or the stock exchange on which the Company's securities may then be listed; (b) the parties may tell prospective employers the dates of the Executive's employment, positions held, the Executive's duties and responsibilities and salary history with the Company; (c) the Executive is able to disclose Sections 9 and 10 of the Employment Agreement, as referenced herein, to potential or future employers; (d) the parties may disclose the terms and conditions of this Separation Agreement to their attorneys, accountants, tax advisors, and/or any other person necessary to enforce such terms and conditions; and (e) the parties may disclose the terms and conditions of this Separation Agreement to their respective spouses, if any, provided, however, that the Executive makes the Executive's spouse aware of the confidentiality provisions of this paragraph and the Executive's spouse agrees to keep the terms of this Separation Agreement confidential.

10. **No Harassing Conduct.**

(a) The Executive covenants that the Executive shall not undertake any harassing or disparaging conduct directed at the Company or any Releasee and that the

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Executive shall refrain from making any harassing or disparaging statements concerning the Company or any Releasee to any third party.

(b) The Company covenants that the Company shall not undertake any harassing or disparaging conduct directed at the Executive and that the Company shall refrain from making any harassing or disparaging statements concerning the Executive to any third party.

11. **Severance Payments; Fees and Expenses; Arbitration.** The Executive agrees that should a breach of any portion of this Separation Agreement be asserted by the Company, the Company shall be entitled to cease immediately any outstanding payments due to the Executive under this Separation Agreement and to recover from the Executive any payments made to the Executive as liquidated damages. The parties agree to pay their own attorneys' fees and all other costs and expenses incurred in enforcing this Separation Agreement. All claims to enforce this Separation Agreement shall be settled by arbitration and not by judicial review, and such claims shall be tried before an arbitrator selected through an employment arbitration service and under the procedures of that service.

12. **No Reliance Upon Other Statements.** This Separation Agreement is entered into without reliance upon any statement or representation of any party hereto or parties hereby released other than the statements and representations contained in writing in this Separation Agreement, and the terms of the Employment Agreement, incorporated herein by reference.

13. **Full and Knowing Waiver.** By signing this Separation Agreement, the Executive certifies that:

- (a) the Executive has read and understands this Separation Agreement;
- (b) the Executive was given at least twenty-one (21) calendar days from the date this Separation Agreement was initially presented to consider this Separation Agreement before signing this Separation Agreement;
- (c) the Executive was advised in writing, via this Separation Agreement, to consult with an attorney before signing this Separation Agreement;
- (d) the Executive agrees to its terms knowingly, voluntarily and without intimidation, coercion or pressure.

14. **Revocation of Age Release.** The Executive may revoke this Separation Agreement within seven (7) calendar days after signing it. To be effective, such revocation must be received in writing by the Human Resources Director for Century Communities, Inc., at 8390 E. Crescent Parkway, Suite 650, Greenwood Village, CO 80111. Revocation can be made by hand delivery, telegram, facsimile, or postmarking before the expiration date of this seven (7) day period.

15. **Acceptance of Separation Agreement.** To accept this Separation Agreement, the Executive understands that he must sign this Separation Agreement and return an original signed document to the Human Resources Director for Century Communities, Inc., at 8390 E. Crescent Parkway, Suite 650, Greenwood Village, CO 80111.

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16. **No Application or Reemployment.** The Executive hereby agrees that he shall not seek reinstatement or apply for future employment with the Company. The Executive agrees that any application for reinstatement or for future employment with the Company will be considered void from its inception, and may be summarily rejected by the Company without explanation or liability. In addition, if the Executive should be offered or accept a position with the Company, the offer may be withdrawn, or the Executive may be terminated immediately, without notice or cause. The Executive further agrees that, in the event of such an offer and withdrawal, or hiring and termination, he waives any right to recover damages, seek or obtain equitable remedies, obtain unemployment benefits, claim wrongful termination or breach of contract, and that this Separation Agreement may be used as a defense by the Company in any legal or administrative proceeding.

17. **Cooperation.** The Executive shall provide his reasonable cooperation in connection with any action or proceeding (or any appeal from any action or proceeding) which relates to events occurring during Executive's employment with the Company and its affiliates and shall be reimbursed for any reasonable costs or expenses, including a reasonable payment for his time to the extent permitted by law, incurred in connection therewith, subject to the Company's receipt of customary back up and supporting documentation regarding such costs and expenses. Payment in respect of approved costs and expenses shall be made on or before the last day of the taxable year following the taxable year in which such costs and expenses were incurred.

18. **Board/Committee Resignation.** The Executive agrees to resign as an officer and from the board of directors or similar governing body (and any committees thereof) of any of the Company's subsidiaries or affiliates, as applicable, on the later of (x) Executive's date of termination and (y) such date as may be requested by the Company.

19. **Colorado Law and Venue.** The laws of the State of Colorado shall govern this Separation Agreement without regard to choice of law. The parties further understand and agree that, in any legal proceeding arising under this Separation Agreement, venue shall be in Arapahoe County, Colorado.

20. **Severability.** Should any provision of this Separation Agreement be declared or be determined by any court of competent jurisdiction to be wholly or partially illegal, invalid, or unenforceable, the legality, validity, and enforceability of the remaining parts, terms, or provisions shall not be affected thereby, and said illegal, unenforceable, or invalid part, term, or provision shall be deemed not to be a part of this Separation Agreement.

21. **Entire Agreement.** This Separation Agreement, and the references to certain provisions of the Employment Agreement incorporated by reference herein sets forth the entire agreement between the parties hereto and fully supersedes any and all prior or contemporaneous agreements or understandings, written or oral, between the parties pertaining to the subject matter hereof.

[Signature Page Follows]

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IN WITNESS WHEREOF, the undersigned hereunto set their hands to this Separation Agreement effective as of \_\_\_\_\_.

EXECUTIVE:

\_\_\_\_\_  
**DAVID MESSENGER**

Address:

City, State & Zip:

Telephone:

Facsimile:

email:

COMPANY:

**CENTURY COMMUNITIES, INC.**  
a Delaware corporation

By:

Name:

Title:

Address: 8390 E. Crescent Parkway  
Suite 650

City, State & Zip: Greenwood Village, CO 80111

Telephone: \_\_\_\_\_

Facsimile: \_\_\_\_\_

email: \_\_\_\_\_

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## LIST OF SUBSIDIARY GUARANTORS

Century Communities, Inc. (the “Issuer”), has \$500 million principal amount outstanding of 6.75% Senior Notes due May 2027 and \$400 million principal amount outstanding of 5.875% Senior Notes due July 2025 (referred to collectively as the “Senior Notes”). As of June 30, 2020 the following 100% owned subsidiaries are guarantors of the outstanding Senior Notes:

| <b>Name of Entity</b>               | <b>State of Formation, Organization, or Incorporation</b> |
|-------------------------------------|-----------------------------------------------------------|
| Augusta Pointe, LLC.....            | Colorado                                                  |
| Avalon at Inverness, LLC.....       | Colorado                                                  |
| AVR A, LLC.....                     | Colorado                                                  |
| AVR B, LLC.....                     | Colorado                                                  |
| AVR C, LLC.....                     | Colorado                                                  |
| Beacon Pointe, LLC.....             | Colorado                                                  |
| Benchmark Communities, LLC.....     | Delaware                                                  |
| Blackstone Homes, LLC.....          | Colorado                                                  |
| Bluffmont Estates, LLC.....         | Colorado                                                  |
| BMC East Garrison, LLC.....         | Delaware                                                  |
| BMC EG Bluffs, LLC.....             | Delaware                                                  |
| BMC EG Bungalow, LLC.....           | Delaware                                                  |
| BMC EG Garden, LLC.....             | Delaware                                                  |
| BMC EG Grove, LLC.....              | Delaware                                                  |
| BMC EG Towns, LLC.....              | Delaware                                                  |
| BMC EG Village, LLC.....            | Delaware                                                  |
| BMC Realty Advisors, Inc.....       | California                                                |
| BMCH California, LLC.....           | Delaware                                                  |
| BMCH North Carolina, LLC.....       | Delaware                                                  |
| BMCH Tennessee, LLC.....            | Delaware                                                  |
| BMCH Washington, LLC.....           | Delaware                                                  |
| Bradburn Village Homes, LLC.....    | Colorado                                                  |
| Casa Acquisition Corp. ....         | Delaware                                                  |
| CC Communities, LLC.....            | Colorado                                                  |
| CC Southeast Constructors, LLC..... | North Carolina                                            |
| CCC Holdings, LLC.....              | Colorado                                                  |
| CCG Constructors LLC.....           | Georgia                                                   |
| CCG Realty Group LLC.....           | Georgia                                                   |
| CCH Homes, LLC.....                 | Colorado                                                  |

|                                               |                |
|-----------------------------------------------|----------------|
| CCNC Realty Group, LLC.....                   | North Carolina |
| CCSC Realty Group, LLC.....                   | South Carolina |
| Centennial Holding Company LLC.....           | Colorado       |
| Century at Anthology, LLC.....                | Colorado       |
| Century at Ash Meadows, LLC.....              | Colorado       |
| Century at Autumn Valley Ranch, LLC.....      | Colorado       |
| Century at Beacon Pointe, LLC.....            | Colorado       |
| Century at Bellevue Place, LLC.....           | Colorado       |
| Century at Caley, LLC.....                    | Colorado       |
| Century at Candelas, LLC.....                 | Colorado       |
| Century at Carousel Farms, LLC.....           | Colorado       |
| Century at Castle Pines Town Center, LLC..... | Colorado       |
| Century at Claremont Ranch, LLC.....          | Colorado       |
| Century at Colliers Hill, LLC.....            | Colorado       |
| Century at Compark Village North, LLC.....    | Colorado       |
| Century at Compark Village South, LLC.....    | Colorado       |
| Century at Coyote Creek, LLC.....             | Colorado       |
| Century at Forest Meadows, LLC.....           | Colorado       |
| Century at Harvest Meadows, LLC.....          | Colorado       |
| Century at Landmark, LLC.....                 | Colorado       |
| Century at Littleton Village, LLC.....        | Colorado       |
| Century at Littleton Village II, LLC.....     | Colorado       |
| Century at LOR, LLC.....                      | Colorado       |
| Century at Lowry, LLC.....                    | Colorado       |
| Century at Marvella, LLC.....                 | Colorado       |
| Century at Mayfield, LLC.....                 | Colorado       |
| Century at Meadowbrook, LLC.....              | Colorado       |
| Century at Midtown, LLC.....                  | Colorado       |
| Century at Millennium, LLC.....               | Colorado       |
| Century at Murphy Creek, LLC.....             | Colorado       |
| Century at Oak Street, LLC.....               | Colorado       |
| Century at Observatory Heights, LLC.....      | Colorado       |
| Century at Outlook, LLC.....                  | Colorado       |
| Century at Pearson Grove, LLC.....            | Colorado       |
| Century at Salisbury Heights, LLC.....        | Colorado       |

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|-------------------------------------------------|----------|
| Century at Shalom Park, LLC.....                | Colorado |
| Century at Southshore, LLC.....                 | Colorado |
| Century at Spring Valley Ranch, LLC.....        | Colorado |
| Century at Tanglewood, LLC.....                 | Colorado |
| Century at Terrain, LLC.....                    | Colorado |
| Century at The Grove, LLC.....                  | Colorado |
| Century at the Heights, LLC.....                | Colorado |
| Century at The Meadows, LLC.....                | Colorado |
| Century at Vista Ridge, LLC.....                | Colorado |
| Century at Wildgrass, LLC.....                  | Colorado |
| Century at Wolf Ranch, LLC.....                 | Colorado |
| Century at Wyndham Hill, LLC.....               | Colorado |
| Century City, LLC.....                          | Colorado |
| Century Communities of California, LLC.....     | Delaware |
| Century Communities of Georgia, LLC.....        | Colorado |
| Century Communities of Nevada, LLC.....         | Delaware |
| Century Communities of Nevada Realty, LLC ..... | Nevada   |
| Century Communities of North Carolina, LLC..... | Delaware |
| Century Communities of South Carolina, LLC..... | Delaware |
| Century Communities of Tennessee, LLC.....      | Delaware |
| Century Communities of Utah, LLC.....           | Utah     |
| Century Communities of Washington, LLC.....     | Delaware |
| Century Communities Realty of Utah, LLC.....    | Utah     |
| Century Communities Southeast, LLC.....         | Colorado |
| Century Land Holdings, LLC.....                 | Colorado |
| Century Land Holdings II, LLC.....              | Colorado |
| Century Land Holdings of Texas, LLC.....        | Colorado |
| Century Land Holdings of Utah, LLC.....         | Utah     |
| Century Rhodes Ranch GC, LLC.....               | Delaware |
| Century Townhomes at Candelas, LLC.....         | Colorado |
| Century Tuscany GC, LLC.....                    | Delaware |
| Cherry Hill Park, LLC .....                     | Colorado |
| Cottages at Willow Park, LLC.....               | Colorado |
| Crown Hill, LLC.....                            | Colorado |
| Enclave at Pine Grove, LLC.....                 | Colorado |

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|-------------------------------------------|----------|
| Estates at Chatfield Farms, LLC.....      | Colorado |
| Hearth at Oak Meadows, LLC.....           | Colorado |
| Hometown, LLC.....                        | Colorado |
| Hometown South, LLC.....                  | Colorado |
| Horizon Building Services, LLC.....       | Colorado |
| Ladera, LLC.....                          | Colorado |
| Lakeview Fort Collins, LLC.....           | Colorado |
| Lincoln Park at Ridgeway, LLC.....        | Colorado |
| Meridian Ranch, LLC.....                  | Colorado |
| Montecito at Ridgeway, LLC.....           | Colorado |
| Neighborhood Associations Group, LLC..... | Delaware |
| Park 5th Avenue Development Co., LLC..... | Colorado |
| Peninsula Villas, LLC.....                | Colorado |
| Red Rocks Pointe, LLC.....                | Colorado |
| Reserve at Highpointe Estates, LLC.....   | Colorado |
| Reserve at The Meadows, LLC.....          | Colorado |
| Saddleback Heights, LLC.....              | Colorado |
| SAH Holdings, LLC.....                    | Colorado |
| Stetson Ridge Homes, LLC.....             | Colorado |
| The Overlook at Tallyn's Reach.....       | Colorado |
| The Retreat at Ridgeway, LLC.....         | Colorado |
| The Veranda, LLC.....                     | Colorado |
| The Wheatlands, LLC.....                  | Colorado |
| UCP, LLC.....                             | Delaware |
| UCP Barclay III, LLC.....                 | Delaware |
| UCP East Garrison, LLC.....               | Delaware |
| UCP Kerman, LLC.....                      | Delaware |
| UCP Meadowood III, LLC.....               | Delaware |
| UCP Sagewood, LLC.....                    | Delaware |
| UCP Soledad, LLC.....                     | Delaware |
| UCP Tapestry, LLC.....                    | Delaware |
| Venue at Arista, LLC.....                 | Colorado |
| Verona Estates, LLC.....                  | Colorado |
| Villas at Highland Park, LLC.....         | Colorado |
| Villas at Murphy Creek, LLC.....          | Colorado |

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|--------------------------------------|----------|
| Waterside at Highland Park, LLC..... | Colorado |
| Westown Condominiums, LLC.....       | Colorado |
| Westown Townhomes, LLC.....          | Colorado |
| Wildgrass, LLC.....                  | Colorado |
| WJH LLC.....                         | Delaware |

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**CERTIFICATION OF CO-PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Dale Francescon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Century Communities, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls 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;
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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.

Dated: July 28, 2020

/s/ Dale Francescon  
Dale Francescon  
Chairman of the Board and Co-Chief Executive Officer  
(Co-Principal Executive Officer)

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**CERTIFICATION OF CO-PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert J. Francescon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Century Communities, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls 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;
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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.

Dated: July 28, 2020

/s/ Robert J. Francescon

Robert J. Francescon  
Co-Chief Executive Officer and President  
(Co-Principal Executive Officer)

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**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**  
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David Messenger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Century Communities, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls 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;
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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: July 28, 2020

/s/ David Messenger

David Messenger  
Chief Financial Officer  
(Principal Financial Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Century Communities, Inc. (the "Company") for the quarterly period ended June 30, 2020, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Dale Francescon, Chairman of the Board and Co-Chief Executive Officer (Co-Principal Executive Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 28, 2020

/s/ Dale Francescon  
Dale Francescon  
Chairman of the Board and Co-Chief Executive Officer  
(Co-Principal Executive Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Century Communities, Inc. (the "Company") for the quarterly period ended June 30, 2020, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Robert J. Francescon, Co-Chief Executive Officer and President (Co-Principal Executive Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 28, 2020

/s/ Robert J. Francescon  
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Robert J. Francescon  
Co-Chief Executive Officer and President  
(Co-Principal Executive Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Century Communities, Inc. (the “Company”) for the quarterly period ended June 30, 2020, as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Report”), I, David Messenger, Chief Financial Officer (Principal Financial Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 28, 2020

/s/ David Messenger  
David Messenger  
Chief Financial Officer  
(Principal Financial Officer)

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