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CALATLANTIC GROUP, INC.

FORM 10-Q
(Quarterly Report)

Filed 07/28/17 for the Period Ending 06/30/17

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

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

OR

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

For the transition period from N/A to

Commission file number 1-10959

CALATLANTIC GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	33-0475989 (I.R.S. Employer Identification No.)
1100 Wilson Boulevard, #2100, Arlington, Virginia (Address of principal executive offices)	22209 (Zip Code)

(240) 532-3806
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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 X No ___.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes X No ___.

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

Large accelerated filer ☒
Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)
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 X.

Registrant's shares of common stock outstanding at July 27, 2017: 110,204,545

CALATLANTIC GROUP, INC.
FORM 10-Q
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CALATLANTIC GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Dollars in thousands, except per share amounts) (Unaudited)			
Homebuilding:				
Home sale revenues	$ 1,620,614	$ 1,558,701	$ 2,958,313	$ 2,737,866
Land sale revenues	500	19,661	500	26,179
Total revenues	1,621,114	1,578,362	2,958,813	2,764,045
Cost of home sales	(1,297,249)	(1,217,793)	(2,360,104)	(2,149,921)
Cost of land sales	(7)	(19,212)	(7)	(25,579)
Total cost of sales	(1,297,256)	(1,237,005)	(2,360,111)	(2,175,500)
Gross margin	323,858	341,357	598,702	588,545
Selling, general and administrative expenses	(173,997)	(165,694)	(330,273)	(302,395)
Income (loss) from unconsolidated joint ventures	446	223	4,334	1,412
Other income (expense)	(2,675)	(4,415)	(2,844)	(7,823)
Homebuilding pretax income	147,632	171,471	269,919	279,739
Financial Services:				
Revenues	20,277	20,539	40,233	38,091
Expenses	(11,661)	(12,393)	(24,036)	(23,009)
Financial services pretax income	8,616	8,146	16,197	15,082
Income before taxes	156,248	179,617	286,116	294,821
Provision for income taxes	(57,254)	(66,857)	(104,502)	(109,400)
Net income	98,994	112,760	181,614	185,421
Less: Net income allocated to unvested restricted stock	(408)	(251)	(705)	(350)
Net income available to common stockholders	$ 98,586	$ 112,509	$ 180,909	$ 185,071
Income Per Common Share:				
Basic	$ 0.87	$ 0.95	$ 1.59	$ 1.55
Diluted	$ 0.75	$ 0.83	$ 1.38	$ 1.36
Weighted Average Common Shares Outstanding:				
Basic	113,689,435	118,419,937	114,086,136	119,617,438
Diluted	131,636,412	136,088,146	132,079,976	137,277,899
Cash Dividends Declared Per Common Share	$ 0.04	$ 0.04	$ 0.08	$ 0.08

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

CALATLANTIC GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Dollars in thousands) (Unaudited)			
Net income	$ 98,994	$ 112,760	$ 181,614	$ 185,421
Other comprehensive income, net of tax:				
Unrealized gain on marketable securities, available for sale	—	—	—	39
Total comprehensive income	$ 98,994	$ 112,760	$ 181,614	$ 185,460

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

CALATLANTIC GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2017	December 31, 2016
	(Dollars in thousands)	
	(Unaudited)	
ASSETS		
Homebuilding:		
Cash and equivalents	$ 167,833	$ 191,086
Restricted cash	32,367	28,321
Inventories:		
Owned	6,654,990	6,438,792
Not owned	86,618	66,267
Investments in unconsolidated joint ventures	125,768	127,127
Deferred income taxes, net of valuation allowance of $1,925 and $2,456 at June 30, 2017 and December 31, 2016, respectively	312,471	330,378
Goodwill	985,185	970,185
Other assets	233,785	204,489
Total Homebuilding Assets	8,599,017	8,356,645
Financial Services:		
Cash and equivalents	47,861	17,041
Restricted cash	21,375	21,710
Mortgage loans held for sale, net	155,180	262,058
Mortgage loans held for investment, net	25,613	24,924
Other assets	17,750	26,666
Total Financial Services Assets	267,779	352,399
Total Assets	$ 8,866,796	$ 8,709,044
LIABILITIES AND EQUITY		
Homebuilding:		
Accounts payable	$ 146,383	$ 211,780
Accrued liabilities	542,568	599,905
Revolving credit facility	—	—
Secured project debt and other notes payable	27,041	27,579
Senior notes payable	3,735,232	3,392,208
Total Homebuilding Liabilities	4,451,224	4,231,472
Financial Services:		
Accounts payable and other liabilities	19,374	22,559
Mortgage credit facility	149,828	247,427
Total Financial Services Liabilities	169,202	269,986
Total Liabilities	4,620,426	4,501,458
Equity:		
Stockholders' Equity:		
Preferred stock, $0.01 par value; 10,000,000 shares authorized; none issued and outstanding at June 30, 2017 and December 31, 2016	—	—
Common stock, $0.01 par value; 600,000,000 shares authorized; 110,204,353 and 114,429,297 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	1,102	1,144
Additional paid-in capital	3,060,402	3,204,835
Accumulated earnings	1,174,374	1,001,779
Accumulated other comprehensive income (loss), net of tax	(172)	(172)
Total Stockholders' Equity	4,235,706	4,207,586
Noncontrolling Interest	10,664	—
Total Equity	4,246,370	4,207,586
Total Liabilities and Equity	$ 8,866,796	$ 8,709,044

The accompanying notes are an integral part of these condensed consolidated balance sheets.

CALATLANTIC GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
	(Dollars in thousands) (Unaudited)	
Cash Flows From Operating Activities:		
Net income	$ 181,614	$ 185,421
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
(Income) loss from unconsolidated joint ventures	(4,334)	(1,412)
Depreciation and amortization	27,672	27,428
Amortization of stock-based compensation	9,216	7,512
Deferred income tax provision	14,866	4,315
Other operating activities	3,104	97
Changes in cash and equivalents due to:		
Mortgage loans held for sale	106,893	136,903
Inventories - owned	(178,314)	(271,304)
Inventories - not owned	(34,472)	(19,254)
Other assets	(13,043)	(1,758)
Accounts payable	(65,397)	24,080
Accrued liabilities	(47,213)	(28,414)
Net cash provided by (used in) operating activities	592	63,614
Cash Flows From Investing Activities:		
Investments in unconsolidated homebuilding joint ventures	(25,002)	(22,592)
Distributions of capital from unconsolidated homebuilding joint ventures	8,045	8,115
Net cash paid for acquisitions	(44,477)	—
Other investing activities	(9,793)	(4,166)
Net cash provided by (used in) investing activities	(71,227)	(18,643)
Cash Flows From Financing Activities:		
Change in restricted cash	(3,711)	6,063
Borrowings from revolving credit facility	264,450	693,700
Principal payments on revolving credit facility	(264,450)	(693,700)
Principal payments on secured project debt and other notes payable	(615)	(10,169)
Principal payment on senior notes payable	(230,000)	—
Proceeds from the issuance of senior notes payable	579,125	300,000
Payment of debt issuance costs	(4,595)	(2,195)
Net proceeds from (payments on) mortgage credit facility	(97,599)	(128,908)
Repurchases of common stock	(150,014)	(99,829)
Common stock dividend payments	(9,019)	(9,527)
Issuance of common stock under employee stock plans, net of tax withholdings	(5,303)	1,069
Other financing activities	(67)	(199)
Net cash provided by (used in) financing activities	78,202	56,305
Net increase (decrease) in cash and equivalents	7,567	101,276
Cash and equivalents at beginning of period	208,127	186,594
Cash and equivalents at end of period	$ 215,694	$ 287,870
Cash and equivalents at end of period	$ 215,694	$ 287,870
Homebuilding restricted cash at end of period	32,367	30,833
Financial services restricted cash at end of period	21,375	22,008
Cash and equivalents and restricted cash at end of period	$ 269,436	$ 340,711

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

CALATLANTIC GROUP, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017

1. Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for Form 10-Q and include the accounts of CalAtlantic Group, Inc., its wholly owned subsidiaries and a variable interest entity in which CalAtlantic Group, Inc. is deemed to be the primary beneficiary. Certain information normally included in the annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") has been omitted pursuant to applicable rules and regulations. In the opinion of management, the unaudited condensed consolidated financial statements included herein reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly our financial position as of June 30, 2017 and the results of operations and cash flows for the periods presented.

The unaudited condensed consolidated financial statements included herein should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2016. Unless the context otherwise requires, the terms "we," "us," "our" and "the Company" refer to CalAtlantic Group, Inc. and its subsidiaries. The results of operations for interim periods are not necessarily indicative of results to be expected for the full year.

2. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which supersedes existing accounting literature relating to how and when a company recognizes revenue. Under ASU 2014-09, a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* , which delayed the effective date of ASU 2014-09 by one year. As a result, for public companies, ASU 2014-09 will be effective for annual reporting periods and interim periods within those annual periods beginning after December 15, 2017, and is to be applied either with a full retrospective or modified retrospective approach, with early application permitted. We do not plan to early adopt the guidance. We expect to adopt the new standard under the modified retrospective approach. Although we are still in the process of evaluating our contracts, we do not believe the adoption of ASU 2014-09 will have a material impact on the amount or timing of our homebuilding revenues. We are continuing to evaluate the impact the adoption of ASU 2014-09 may have on other aspects of our business and on our condensed consolidated financial statements and disclosures.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"), which modifies how entities measure equity investments and present changes in the fair value of financial liabilities. Under the new guidance, entities will have to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income unless the investments qualify for the new practicality exception. A practicality exception will apply to those equity investments that do not have a readily determinable fair value and do not qualify for the practical expedient to estimate fair value under Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements* , and as such these investments may be measured at cost. ASU 2016-01 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2017. We are currently evaluating the impact adoption will have on our condensed consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"), which provides guidance for accounting for leases. ASU 2016-02 requires lessees to classify leases as either finance or operating leases and to record a right-of-use asset and a lease liability for all leases with a term greater than 12 months regardless of the lease classification. The lease classification will determine whether the lease expense is recognized based on an effective interest rate method or on a straight line basis over the term of the lease. ASU 2016-02 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2018. We are currently evaluating the impact adoption will have on our condensed consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-07, *Investments- Equity Method and Joint Ventures: Simplifying the Transition to the Equity Method of Accounting* ("ASU 2016-07"), which eliminates the requirement to apply the equity method of accounting retrospectively when a reporting entity obtains significant influence over a previously held investment. Our adoption of ASU 2016-07 on January 1, 2017 did not have an effect on our condensed consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation — Stock Compensation: Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"), which simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. In connection with our adoption of ASU 2016-09 on January 1, 2017, the Company elected to apply the provisions of ASU 2016-09 related to the income statement and statement of cash flows impact of income taxes on a prospective basis, and as such, prior periods have not been adjusted. The Company made a policy election to continue to estimate forfeitures at the grant date of an award. The remaining updates required in connection with our adoption of ASU 2016-09 did not have a material effect on our condensed consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"), which provides guidance on how certain cash receipts and cash payments are to be presented and classified in the statement of cash flows. ASU 2016-15 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2017, and early adoption is permitted. We do not believe that the adoption of ASU 2016-15 will have a material effect on our condensed consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* ("ASU 2016-18"), which provides guidance on the classification of restricted cash in the statement of cash flows. ASU 2016-18 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2017, and early adoption is permitted. We determined that upon adoption of this new standard, the Company will no longer present the changes within restricted cash in the consolidated statements of cash flows.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations: Clarifying the Definition of a Business* ("ASU 2017-01"), which clarifies the definition of a business for determining whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2017, and early adoption is permitted. Once adopted, the Company will be required to analyze any future acquisitions to determine whether the transaction qualifies as a purchase of a business or an asset. Transaction costs associated with asset acquisitions will be capitalized, while transaction costs associated with a business combination will continue to be expensed as incurred. In addition, asset acquisitions will not be subject to a measurement period, as are business combinations. The adoption of ASU 2017-01 may have a future impact on our condensed consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment* ("ASU 2017-04"), which removes the requirement to perform a hypothetical purchase price allocation to measure goodwill impairment. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2019, and early adoption is permitted. We elected to early adopt ASU 2017-04 for the reporting period beginning January 1, 2017. Our adoption of ASU 2017-04 did not have a material effect on our condensed consolidated financial statements.

3. Segment Reporting

We operate two principal businesses: homebuilding and financial services.

Our homebuilding operations acquire and develop land and construct and sell single-family attached and detached homes. In accordance with ASC Topic 280, *Segment Reporting* ("ASC 280"), we have determined that each of our four homebuilding regions and financial services operations (consisting of our mortgage financing and title operations) are our operating segments. Our four homebuilding reportable segments include: North, consisting of our divisions in Georgia, Delaware, Illinois, Indiana, Maryland, Minnesota, New Jersey, Pennsylvania, Virginia and Washington D.C.; Southeast, consisting of our divisions in Florida and the Carolinas; Southwest, consisting of our divisions in Texas, Colorado, Nevada and Utah; and West, consisting of our divisions in California, Arizona and Washington.

Our mortgage financing operation, CalAtlantic Mortgage, provides mortgage financing to many of our homebuyers in substantially all of the markets in which we operate, and sells substantially all of the loans it originates in the secondary mortgage market. Our title, escrow and insurance subsidiaries provide title, escrow and insurance services to homebuyers in many of our markets. Our mortgage financing, title, escrow and insurance services operations are included in our financial services reportable segment, which is separately reported in our condensed consolidated financial statements under "Financial Services."

Corporate is a non-operating segment that develops and implements strategic initiatives and supports our operating segments by centralizing key administrative functions such as accounting, finance and treasury, information technology, insurance and risk management, litigation, marketing and human resources. Corporate also provides the necessary administrative functions to support us as a publicly traded company. All of the expenses incurred by Corporate are allocated to each of our four homebuilding regions based on their respective percentage of revenues.

Segment financial information relating to the Company's homebuilding operations was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Dollars in thousands)			
Homebuilding revenues:				
North	$ 331,071	$ 241,274	$ 565,847	$ 427,829
Southeast	429,269	386,836	780,372	664,318
Southwest	406,636	433,603	742,851	776,637
West	454,138	516,649	869,743	895,261
Total homebuilding revenues	$ 1,621,114	$ 1,578,362	$ 2,958,813	$ 2,764,045
Homebuilding pretax income (1):				
North	$ 29,732	$ 17,980	$ 48,597	$ 27,550
Southeast	31,885	31,772	55,601	52,822
Southwest	38,932	46,907	69,109	73,833
West	47,083	74,812	96,612	125,534
Total homebuilding pretax income	$ 147,632	$ 171,471	$ 269,919	$ 279,739
Homebuilding income (loss) from unconsolidated joint ventures:				
North	$ 155	$ 67	$ 447	$ 374
Southeast	—	(19)	—	437
Southwest	154	257	263	824
West	137	(82)	3,624	(223)
Total homebuilding income (loss) from unconsolidated joint ventures	$ 446	$ 223	$ 4,334	$ 1,412

(1) Homebuilding pretax income includes depreciation and amortization expense of $2.2 million, $4.2 million, $3.0 million and $5.5 million, respectively, in the North, Southeast, Southwest and West for the quarter ended June 30, 2017 and $1.5 million, $4.2 million, $3.2 million and $6.5 million, respectively, in the North, Southeast, Southwest and West for the quarter ended June 30, 2016. Homebuilding pretax income includes depreciation and amortization expense of $3.6 million, $7.7 million, $5.5 million and $10.8 million, respectively, in the North, Southeast, Southwest and West for the six months ended June 30, 2017 and $2.7 million, $7.0 million, $5.9 million and $11.8 million, respectively, in the North, Southeast, Southwest and West for the six months ended June 30, 2016.

Segment financial information relating to the Company's homebuilding assets was as follows:

	June 30, 2017	December 31, 2016
	(Dollars in thousands)	
Homebuilding assets:		
North	$ 1,279,502	$ 1,181,544
Southeast	2,342,138	2,253,289
Southwest	1,839,474	1,842,869
West	2,537,127	2,500,163
Corporate	600,776	578,780
Total homebuilding assets	$ 8,599,017	$ 8,356,645
Homebuilding investments in unconsolidated joint ventures:		
North	$ 5,726	$ 5,691
Southeast	162	334
Southwest	5,393	6,085
West	114,487	115,017
Total homebuilding investments in unconsolidated joint ventures	$ 125,768	$ 127,127

4. Earnings Per Common Share

We compute earnings per share in accordance with ASC Topic 260, *Earnings per Share* ("ASC 260"), which requires earnings per share for each class of stock to be calculated using the two-class method. The two-class method is an allocation of earnings between the holders of common stock and a company's participating security holders. Under the two-class method, earnings for the reporting period are allocated between common shareholders and other security holders based on their respective participation rights in undistributed earnings. Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents are participating securities and, therefore, are included in computing earnings per share pursuant to the two-class method.

Basic earnings per common share is computed by dividing income or loss available to common stockholders by the weighted average number of shares of basic common stock outstanding. Our unvested restricted stock are classified as participating securities in accordance with ASC 260. Net income allocated to the holders of our unvested restricted stock is calculated based on the shareholders' proportionate share of weighted average shares of common stock outstanding on an if-converted basis.

For purposes of determining diluted earnings per common share, basic earnings per common share is further adjusted to include the effect of potential dilutive common shares outstanding, including stock options, stock appreciation rights, performance share awards and unvested restricted stock using the more dilutive of either the two-class method or the treasury stock method. Under the two-class method of calculating diluted earnings per share, net income is reallocated to common stock, unvested restricted stock and all dilutive securities based on the contractual participating rights of the security to share in the current earnings as if all of the earnings for the period had been distributed.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Dollars in thousands, except per share amounts)			
Numerator:				
Net income	$ 98,994	$ 112,760	$ 181,614	$ 185,421
Less: Net income allocated to unvested restricted stock	(408)	(251)	(705)	(350)
Net income available to common stockholders for basic earnings per common share	98,586	112,509	180,909	185,071
Effect of dilutive securities:				
Interest on 1.625% convertible senior notes due 2018	94	91	468	453
Interest on 0.25% convertible senior notes due 2019	85	82	423	410
Interest on 1.25% convertible senior notes due 2032	64	62	320	310
Net income available to common stock for diluted earnings per share	$ 98,829	$ 112,744	$ 182,120	$ 186,244
Denominator:				
Weighted average basic common shares outstanding	113,689,435	118,419,937	114,086,136	119,617,438
Effect of dilutive securities:				
Share-based awards	821,628	583,264	868,491	575,516
1.625% convertible senior notes due 2018	7,171,943	7,163,865	7,171,943	7,163,865
0.25% convertible senior notes due 2019	3,641,157	3,637,091	3,641,157	3,637,091
1.25% convertible senior notes due 2032	6,312,249	6,283,989	6,312,249	6,283,989
Weighted average diluted shares outstanding	131,636,412	136,088,146	132,079,976	137,277,899
Income per common share:				
Basic	$ 0.87	$ 0.95	$ 1.59	$ 1.55
Diluted	$ 0.75	$ 0.83	$ 1.38	$ 1.36

5. Stock-Based Compensation

We account for share-based awards in accordance with ASC Topic 718, *Compensation – Stock Compensation* ("ASC 718") which requires that the cost resulting from all share-based payment transactions be recognized in the financial statements. ASC 718 requires all entities to apply a fair value-based measurement method in accounting for share-based payment transactions with employees except for equity instruments held by employee share ownership plans.

Total compensation expense recognized related to stock-based compensation was $4.9 million and $3.7 million for the three months ended June 30, 2017 and 2016, respectively. For the six months ended June 30, 2017 and 2016, we recognized stock-based compensation expense of $9.2 million and $7.5 million, respectively. As of June 30, 2017, total unrecognized stock-based compensation expense was $36.6 million, with a weighted average period over which the remaining unrecognized compensation expense is expected to be recorded of approximately 2.1 years.

6. Cash and Equivalents and Restricted Cash

Cash and equivalents include cash on hand, demand deposits and all highly liquid short-term investments, including interest-bearing securities purchased with a maturity of three months or less from the date of purchase. At June 30, 2017, cash and equivalents included $80.6 million of cash from home closings held in escrow for our benefit, typically for less than five days, which are considered deposits in-transit.

At June 30, 2017, homebuilding restricted cash represented $32.4 million of cash held in cash collateral accounts primarily related to certain letters of credit that have been issued. Financial services restricted cash as of June 30, 2017 consisted of $17.7 million held in cash collateral accounts primarily related to certain letters of credit that have been issued, $3.0 million related to our financial services subsidiary mortgage credit facility and $0.7 million related to funds held in trust for third parties.

7. Marketable Securities, Available-for-sale

The Company's investment portfolio includes mainly municipal debt securities and metropolitan district bond securities, which are included in homebuilding other assets in the accompanying condensed consolidated balance sheets. As defined in ASC Topic 320, *Investments—Debt and Equity Securities* ("ASC 320"), the Company considers its investment portfolio to be available-for-sale. Accordingly, these investments are recorded at their fair values. The cost of securities sold is based on an average-cost basis. Unrealized gains and losses on these investments are included in accumulated other comprehensive income (loss), net of tax, within stockholders' equity. At June 30, 2017, accumulated other comprehensive income (loss) included unrealized losses of $172,000 on available-for-sale marketable securities. Realized earnings associated with the Company's available-for-sale marketable securities, which included interest and dividends totaled $173,000 for the six months ended June 30, 2017, and were included in homebuilding other income (expense) in the accompanying condensed consolidated statements of operations.

The Company periodically reviews its available-for-sale securities for other-than-temporary declines in fair values that are below their cost bases, as well as whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. At June 30, 2017, the Company believes that the cost bases for its available-for-sale securities were recoverable in all material respects.

The following table displays the fair values of marketable securities, available-for-sale, by type of security:

	June 30, 2017			December 31, 2016		
	Amortized Cost	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)					
Type of security:						
Municipal bond and metropolitan district securities	$ 24,994	$ (465)	$ 24,529	$ 18,563	$ (465)	$ 18,098

The following table displays the fair values of marketable securities, available-for-sale, by contractual maturity:

	June 30, 2017
	(Dollars in thousands)
Contractual maturity:	
Maturing in one year or less	$ —
Maturing after three years	24,529
Total marketable securities, available-for-sale	$ 24,529

8. Inventories

a. Inventories Owned

Inventories owned consisted of the following at:

	June 30, 2017				
	North	Southeast	Southwest	West	Total
	(Dollars in thousands)				
Land and land under development (1)	$ 356,324	$ 1,079,342	$ 434,607	$ 1,286,105	$ 3,156,378
Homes completed and under construction	514,386	789,607	890,181	847,383	3,041,557
Model homes	59,446	130,048	113,436	154,125	457,055
Total inventories owned	$ 930,156	$ 1,998,997	$ 1,438,224	$ 2,287,613	$ 6,654,990

	December 31, 2016				
	North	Southeast	Southwest	West	Total
	(Dollars in thousands)				
Land and land under development (1)	$ 445,245	$ 1,177,646	$ 594,585	$ 1,410,264	$ 3,627,740
Homes completed and under construction	327,421	585,938	710,509	680,241	2,304,109
Model homes	79,306	132,968	116,575	178,094	506,943
Total inventories owned	$ 851,972	$ 1,896,552	$ 1,421,669	$ 2,268,599	$ 6,438,792

(1) During the six months ended June 30, 2017, we purchased $427.7 million of land (6,651 homesites), of which 33% (based on homesites) were located in the North, 30% in the Southeast, 17% in the Southwest, and 20% in the West. During the year ended December 31, 2016, we purchased $960.8 million of land (13,566 homesites), of which 25% (based on homesites) were located in the North, 25% in the Southeast, 24% in the Southwest, and 26% in the West.

In accordance with ASC Topic 360, *Property, Plant, and Equipment* ("ASC 360"), we record impairment losses on inventories when events and circumstances indicate that they may be impaired, and the future undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. We perform a detailed budget and cash flow review of all of our real estate communities (including actively selling communities, future communities and communities on hold/inactive) on a semi-annual basis throughout each fiscal year to, among other things, determine whether the community's estimated remaining undiscounted future cash flows are more or less than the carrying value of the inventory balance. Inventories that are determined to be impaired are written down to their estimated fair value. We calculate the fair value of a community under a land residual value analysis and in certain cases in conjunction with a discounted cash flow analysis. As of June 30, 2017 and 2016, the total active and future communities that we owned were 870 and 876, respectively. During the three months ended June 30, 2017 and 2016, we reviewed all communities for indicators of impairment and based on our review we did not record any inventory impairments during these periods.

During the three months ended June 30, 2017, we acquired the homebuilding operations (representing approximately 19 current and future communities) from a Seattle-based developer and homebuilder for total consideration of $44.5 million, which we accounted for as a business combination in accordance with ASC Topic 805, Business Combinations. As a result of this transaction, we recorded approximately $25.7 million of inventories owned, $3.9 million of inventories not owned, $15.0 million of goodwill and $0.1 million of other accrued liabilities and other debt. As of June 30, 2017, these amounts are subject to change as we have not yet finalized the purchase price allocation of the real estate assets acquired in this transaction.

b. Inventories Not Owned

Inventories not owned as of June 30, 2017 and December 31, 2016 consisted of land purchase and lot option deposits outstanding at the end of each period, and purchase price allocated to lot option contracts assumed in connection with business acquisitions. Under ASC Topic 810, *Consolidation* ("ASC 810"), a non-refundable deposit paid to an entity is deemed to be a variable interest that will absorb some or all of the entity's expected losses if they occur. Our land purchase and lot option deposits generally represent our maximum exposure to the land seller if we elect not to purchase the optioned property. In some instances,

we may also expend funds for due diligence, development and construction activities with respect to optioned land prior to takedown. Such costs are classified as inventories owned, which we would have to write-off should we not exercise the option. Therefore, whenever we enter into a land option or purchase contract with an entity and make a non-refundable deposit, a variable interest entity ("VIE") may have been created. In accordance with ASC 810, we perform ongoing reassessments of whether we are the primary beneficiary of a VIE.

9. Capitalization of Interest

We follow the practice of capitalizing interest to inventories owned during the period of development and to investments in unconsolidated homebuilding and land development joint ventures in accordance with ASC Topic 835, *Interest* ("ASC 835"). Homebuilding interest capitalized as a cost of inventories owned is included in cost of sales as related units or lots are sold. Interest capitalized to investments in unconsolidated homebuilding and land development joint ventures is included as a reduction of income from unconsolidated joint ventures when the related homes or lots are sold to third parties. Interest capitalized to investments in unconsolidated land development joint ventures is transferred to inventories owned if the underlying lots are purchased by us. To the extent our debt exceeds our qualified assets as defined in ASC 835, we expense a portion of the interest incurred by us. Qualified assets represent communities that are actively selling or under development as well as investments in homebuilding and land development unconsolidated joint ventures. During the six months ended June 30, 2017 and 2016, our qualified assets exceeded our debt, and as a result, all of our homebuilding interest incurred during the six months ended June 30, 2017 and 2016 was capitalized in accordance with ASC 835.

The following is a summary of homebuilding interest capitalized to inventories owned and investments in unconsolidated joint ventures, amortized to cost of sales and income (loss) from unconsolidated joint ventures and expensed as interest expense, for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Dollars in thousands)			
Total interest incurred (1)	$ 52,168	$ 55,610	$ 103,873	$ 118,335
Less: Interest capitalized to inventories owned (1)	(51,338)	(54,564)	(102,213)	(116,409)
Less: Interest capitalized to investments in unconsolidated joint ventures	(830)	(1,046)	(1,660)	(1,926)
Interest expense	$ —	$ —	$ —	$ —
Interest previously capitalized to inventories owned, included in cost of home sales	$ 52,347	$ 40,528	$ 91,775	$ 70,731
Interest previously capitalized to inventories owned, included in cost of land sales	$ —	$ 1,302	$ —	$ 1,481
Interest previously capitalized to investments in unconsolidated joint ventures, included in income (loss) from unconsolidated joint ventures	$ 8	$ —	$ 8	$ —
Interest capitalized in ending inventories owned (2)	$ 376,638	$ 350,210	$ 376,638	$ 350,210
Interest capitalized as a percentage of inventories owned	5.7%	5.5%	5.7%	5.5%
Interest capitalized in ending investments in unconsolidated joint ventures (2)	$ 4,515	$ 4,313	$ 4,515	$ 4,313
Interest capitalized as a percentage of investments in unconsolidated joint ventures	3.6%	2.9%	3.6%	2.9%

(1) Total interest incurred and interest capitalized to inventories owned during the six months ended June 30, 2016 includes a $9 million increase related to the valuation of the 1.625% convertible senior notes that was completed during the 2016 first quarter.
(2) During the three and six months ended June 30, 2017, in connection with lot purchases from our joint ventures, $0 and $0.5 million, respectively, of capitalized interest was transferred from investments in unconsolidated joint ventures to inventories owned.

10. Investments in Unconsolidated Land Development and Homebuilding Joint Ventures

Income (loss) from unconsolidated joint ventures reflected in the accompanying condensed consolidated statements of operations represents our share of the income (loss) of our unconsolidated land development and homebuilding joint ventures, which is allocated based on the provisions of the underlying joint venture operating agreements less any additional impairments, if any, recorded against our investments in joint ventures which we do not deem recoverable. In addition, we defer recognition of our share of income that relates to lots purchased by us from land development joint ventures until we

ultimately sell the homes to be constructed to third parties, at which time we account for these earnings as a reduction of the cost basis of the lots purchased from these joint ventures.

During each of the six months ended June 30, 2017 and 2016, all of our investments in unconsolidated joint ventures were reviewed for impairment. Based on the impairment review, no joint venture communities were determined to be impaired for the six months ended June 30, 2017 or 2016.

Our investments in unconsolidated joint ventures may represent a variable interest in a VIE depending on, among other things, the economic interests of the members of the entity and the contractual terms of the arrangement. We analyze all of our unconsolidated joint ventures under the provisions of ASC 810 to determine whether these entities are deemed to be VIEs, and if so, whether we are the primary beneficiary. As of June 30, 2017, with the exception of one homebuilding joint venture that we consolidated during the 2017 first quarter in accordance with ASC 810, all of our homebuilding and land development joint ventures with unrelated parties were determined under the provisions of ASC 810 to be unconsolidated joint ventures either because they were not deemed to be VIEs and we did not have a controlling interest, or, if they were a VIE, we were not deemed to be the primary beneficiary. During the 2017 first quarter, we entered into a homebuilding joint venture with an unrelated party. Based on our assessment of the joint venture's operating agreement in accordance with ASC 810, we determined that this joint venture is a consolidated VIE where CalAtlantic Group, Inc. is the primary beneficiary that has both (i) the power to direct the activities of the entity that most significantly impact the entity's economic performance and (ii) the obligation to absorb the expected losses of the entity and right to receive benefits from the entity that could be potentially significant to the joint venture. As a result of consolidating this VIE, we have $10.7 million of noncontrolling interest reflected in the accompanying condensed consolidated balance sheets as of June 30, 2017.

11. Warranty Costs

Estimated future direct warranty costs are accrued and charged to cost of sales in the period when the related homebuilding revenues are recognized. Amounts accrued are based upon historical experience. Indirect warranty overhead salaries and related costs are charged to cost of sales in the period incurred. We assess the adequacy of our warranty accrual on a quarterly basis and adjust the amounts recorded if necessary. Our warranty accrual is included in accrued liabilities in the accompanying condensed consolidated balance sheets.

Changes in our warranty accrual are detailed in the table set forth below:

	Six Months Ended June 30,	
	2017	2016
	(Dollars in thousands)	
Warranty accrual, beginning of the period	$ 43,932	$ 40,691
Warranty costs accrued during the period	10,699	10,823
Warranty costs paid during the period	(11,986)	(9,941)
Warranty accrual, end of the period	$ 42,645	$ 41,573

12. Revolving Credit Facility and Letter of Credit Facilities

As of June 30, 2017, we were party to a $750 million unsecured revolving credit facility, $350 million of which is available for letters of credit, which matures in October 2019. The facility has an accordion feature under which the Company may increase the total commitment up to a maximum aggregate amount of $1.2 billion, subject to certain conditions, including the availability of additional bank commitments. Interest rates, as defined in the credit agreement, approximate (i) LIBOR (approximately 1.23% at June 30, 2017) plus 1.75%, or (ii) Prime (4.25% at June 30, 2017) plus 0.75%.

In addition to customary representations and warranties, the facility contains financial and other covenants, including a minimum tangible net worth requirement of $1.65 billion (which amount is subject

to increase over time based on subsequent earnings and proceeds from equity offerings), a net homebuilding leverage covenant that prohibits the leverage ratio (as defined therein) from exceeding 2.00 to 1.00 and a land covenant that limits land not under development to an amount not to exceed tangible net worth. The Company is also required to maintain either (a) a minimum liquidity level (unrestricted cash in excess of interest incurred for the previous four quarters) or (b) a minimum interest coverage ratio (EBITDA to interest expense, as defined therein) of at least 1.25 to 1.00. We were in compliance with all of the revolving facility covenants as of June 30, 2017. The revolving facility also limits, among other things, the Company's investments in joint ventures and the amount of the Company's common stock that the Company can repurchase. On June 30, 2017, we had no borrowings outstanding under the facility and had outstanding letters of credit issued under the facility totaling $94.7 million, leaving $655.3 million available under the facility to be drawn.

As of June 30, 2017, in addition to our $350 million letter of credit sublimit under our revolving facility, we were party to four committed letter of credit facilities totaling $48.0 million, of which $25.9 million was outstanding. These facilities require cash collateralization and have maturity dates ranging from October 2017 to August 2020. As of June 30, 2017, these facilities were secured by cash collateral deposits of $26.4 million. Upon maturity, we may renew or enter into new letter of credit facilities with the same or other financial institutions.

13. Secured Project Debt and Other Notes Payable

Our secured project debt and other notes payable consist of seller non-recourse financing and community development district and similar assessment district bond financings used to finance land acquisition, development and infrastructure costs for which we are responsible. At June 30, 2017, we had approximately $27.0 million outstanding in secured project debt and other notes payable.

14. Senior Notes Payable

Senior notes payable consisted of the following at:

	June 30, 2017	December 31, 2016
	(Dollars in thousands)	
8.4% Senior Notes due May 2017	$ —	$ 235,175
8.375% Senior Notes due May 2018	574,695	574,501
1.625% Convertible Senior Notes due May 2018	221,916	220,236
0.25% Convertible Senior notes due June 2019	256,616	253,777
6.625% Senior Notes due May 2020	316,923	319,909
8.375% Senior Notes due January 2021	395,804	395,246
6.25% Senior Notes due December 2021	297,861	297,623
5.375% Senior Notes due October 2022	249,297	249,230
5.875% Senior Notes due November 2024	426,633	296,982
5.25% Senior Notes due June 2026	395,204	297,483
5.00% Senior Notes due June 2027	347,419	—
1.25% Convertible Senior Notes due August 2032	252,864	252,046
	$ 3,735,232	$ 3,392,208

The carrying amount of our senior notes listed above are net of debt issuance costs and any discounts and premiums that are amortized to interest costs over the respective terms of the notes.

The Company's 1.625% Convertible Senior Notes due 2018 are senior unsecured obligations of the Company and are guaranteed by the guarantors of our other senior notes on a senior unsecured basis. The 1.625% Convertible Notes bear interest at a rate of 1.625% per year and will mature on May 15, 2018, unless earlier converted or repurchased. The holders may convert their 1.625% Convertible Notes at any time into shares of the Company's common stock at a conversion rate of 31.8753 shares of common stock per $1,000 of their principal amount (which is equal to a conversion price of approximately $31.37 per share), subject to adjustment. The Company may not redeem the 1.625% Convertible Notes prior to the stated maturity date.

The Company's 0.25% Convertible Senior Notes due 2019 are senior unsecured obligations of the Company and are guaranteed by the guarantors of our other senior notes on a senior unsecured basis. The 0.25% Convertible Notes bear interest at a rate of 0.25% per year and will mature on June 1, 2019, unless earlier converted, redeemed or repurchased. The holders may convert their 0.25% Convertible Notes at any time into shares of the Company's common stock at a conversion rate of 13.6118 shares of common stock per $1,000 of their principal amount (which is equal to a conversion price of approximately $73.47 per share), subject to adjustment. The Company may not redeem the 0.25% Convertible Notes prior to June 6, 2017. On or after that date, the Company may redeem for cash any or all of the 0.25% Convertible Notes, at its option, if the closing sale price of its common stock for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending within 5 trading days immediately preceding the date on which it provides notice of redemption, including the last trading day of such 30 day trading period, exceeds 130 percent of the applicable conversion price on each applicable trading day. The redemption price will equal 100 percent of the principal amount of the 0.25% Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

The Company's 1.25% Convertible Senior Notes due 2032 are senior unsecured obligations of the Company and are guaranteed by the guarantors of our other senior notes on a senior unsecured basis. The 1.25% Convertible Notes bear interest at a rate of 1.25% per year and will mature on August 1, 2032, unless earlier converted, redeemed or repurchased. The holders may convert their 1.25% Convertible Notes at any time into shares of the Company's common stock at a conversion rate of 24.9496 shares of common stock per $1,000 of their principal amount (which is equal to a conversion price of approximately $40.08 per share), subject to adjustment. The Company may not redeem the 1.25% Convertible Notes prior to August 5, 2017. On or after August 5, 2017 and prior to the maturity date, the Company may redeem for cash all or part of the 1.25% Convertible Notes at a redemption price equal to 100% of the principal amount of the 1.25% Convertible Notes being redeemed. On each of August 1, 2017, August 1, 2022 and August 1, 2027, holders of the 1.25% Convertible Notes may require the Company to purchase all or any portion of their 1.25% Convertible Notes for cash at a price equal to 100% of the principal amount of the 1.25% Convertible Notes to be repurchased.

Our senior notes payable are all senior obligations and rank equally with our other existing senior indebtedness and, with the exception of our Convertible Notes, are redeemable at our option, in whole or in part, pursuant to a "make whole" formula. These notes contain various restrictive covenants, including, but not limited to, a limitation on secured indebtedness and a restriction on sale leaseback transactions. As of June 30, 2017, we were in compliance with the covenants required by our senior notes.

Many of our 100% owned direct and indirect subsidiaries (collectively, the "Guarantor Subsidiaries") guarantee our outstanding senior notes. The guarantees are full and unconditional, and joint and several. Under our most restrictive indenture, a Guarantor Subsidiary will be released and relieved of any obligations under the applicable note guarantee in the event that i) such Guarantor Subsidiary ceases to be a restricted subsidiary in the homebuilding segment or ii) in the event of a sale or other disposition of such Guarantor Subsidiary, in compliance with the indenture, and such Guarantor Subsidiary ceases to guaranty any other debt of the Company. Please see Note 20 for supplemental financial statement information about our guarantor subsidiaries group and non-guarantor subsidiaries group.

In April 2017, the Company issued $225 million in aggregate principal amount of senior notes, consisting of $125 million aggregate principal amount of additional notes to the Company's existing 5.875% Senior Notes due 2024 and $100 million aggregate principal amount of additional notes to the Company's existing 5.25% Senior Notes due 2026, each of which are senior unsecured obligations of the Company and are guaranteed by the guarantors of our other senior notes on a senior unsecured basis. A portion of the net proceeds of this issuance were used to repay the remaining $230 million principal balance of our 8.4% Senior Notes upon maturity in May 2017.

During June 2017, the Company issued $350 million in aggregate principal amount of 5.00% Senior Notes due 2027, which are senior unsecured obligations of the Company and are guaranteed by the guarantors of our other senior notes on a senior unsecured basis.

15. Mortgage Credit Facility

At June 30, 2017, we had $149.8 million outstanding under our mortgage financing subsidiary's mortgage credit facility. This mortgage credit facility consisted of a $300 million uncommitted repurchase facility with one lender, maturing in June 2018. This facility requires our mortgage financing subsidiary to maintain cash collateral accounts, which totaled $3.0 million as of June 30, 2017, and also contains financial covenants which require CalAtlantic Mortgage to, among other things, maintain a minimum level of tangible net worth, not to exceed a debt to tangible net worth ratio, maintain a minimum liquidity amount based on a measure of total assets (inclusive of the cash collateral requirement), and satisfy pretax income (loss) requirements. As of June 30, 2017, CalAtlantic Mortgage was in compliance with the financial and other covenants contained in this facility.

16. Disclosures about Fair Value

ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"), establishes a framework for measuring fair value, expands disclosures regarding fair value measurements and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Further, ASC 820 requires us to maximize the use of observable market inputs, minimize the use of unobservable market inputs and disclose in the form of an outlined hierarchy the details of such fair value measurements. ASC 820 specifies a hierarchy of valuation techniques based on whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. The three levels of the hierarchy are as follows:

- Level 1 – quoted prices for *identical* assets or liabilities in active markets;
- Level 2 – quoted prices for *similar* assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are *unobservable* .

Financial instruments measured at fair value on a recurring basis:

Description	Fair Value Hierarchy	Fair Value at June 30, 2017	Fair Value at December 31, 2016
		(Dollars in thousands)	
Marketable securities, available-for-sale			
Municipal debt securities	Level 2	$ 9,387	$ 9,387
Metropolitan district bond securities	Level 3	$ 15,142	$ 8,711
Mortgage loans held for sale	Level 2	$ 158,804	$ 265,542

Marketable Securities, Available-for-sale

Marketable securities that are available-for-sale are comprised mainly of municipal debt securities and metropolitan district bond securities. The Company's municipal debt securities are valued based on quoted market prices of similar instruments, which uses Level 2 inputs, and the metropolitan district bond securities are based on a discounted future cash flow model, which uses Level 3 inputs. The primary unobservable inputs used in our discounted cash flow model are (1) the forecasted number of homes to be closed, as homes drive increases to the taxpaying base for the metropolitan district, (2) the forecasted assessed value of those closed homes and (3) the discount rate.

Mortgage loans held for sale

Mortgage loans held for sale consist of FHA, VA, USDA and agency first mortgages on single-family residences which are eligible for sale to FNMA/FHLMC, GNMA or other investors, as applicable. Fair values of these loans are based on quoted prices from third party investors when preselling loans.

Financial instruments for which we have not elected the fair value option in accordance with ASC 825:

Description	Fair Value Hierarchy	June 30, 2017		December 31, 2016	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(Dollars in thousands)			
Financial services assets:					
Mortgage loans held for investment, net	Level 2	$ 25,613	$ 25,613	$ 24,924	$ 24,924
Homebuilding liabilities:					
Senior and convertible senior notes payable, net	Level 2	$ 3,735,232	$ 4,014,703	$ 3,392,208	$ 3,617,838

Mortgage Loans Held for Investment – Fair value of these loans is based on the estimated market value of the underlying collateral based on market data and other factors for similar type properties as further adjusted to reflect the estimated net realizable value of carrying the loans through disposition.

Senior Notes Payable – The senior notes are traded over the counter and their fair values were estimated based upon the values of their last trade at the end of the period.

The fair value of our cash and equivalents, restricted cash, accounts payable and accrued liabilities, secured project debt and other notes payable, revolving credit facility, and mortgage credit facility approximate their carrying amounts due to the short-term nature and/or variable interest rate attribute of these assets and liabilities.

17. Commitments and Contingencies

a. Land Purchase and Option Agreements

We are subject to obligations associated with entering into contracts for the purchase of land and improved homesites. These purchase contracts typically require us to provide a cash deposit or deliver a letter of credit in favor of the seller, and our purchase of properties under these contracts is generally contingent upon satisfaction of certain requirements by the sellers, including obtaining applicable property and development entitlements. We also utilize option contracts with land sellers 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 near-term use of funds from our corporate financing sources. Option contracts generally require a non-refundable deposit for the right to acquire lots over a specified period of time at predetermined prices. We generally have the right at our discretion to terminate our obligations under both purchase contracts and option contracts by forfeiting our cash deposit or by repaying amounts drawn under a letter of credit provided by us with no further financial responsibility to the land seller, although in certain instances, the land seller has the right to compel us to purchase a specified number of lots at predetermined prices.

In some instances, we may also expend funds for due diligence, development and construction activities with respect to our land purchase and option contracts prior to purchase, which we would have to write off should we not purchase the land. At June 30, 2017, we had non-refundable cash deposits outstanding of approximately $76.9 million and capitalized pre-acquisition and other development and construction costs of approximately $31.9 million relating to land purchase and option contracts having a total remaining purchase price of approximately $1,058.3 million.

Our utilization of 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,

general housing market conditions, and geographic preferences. Options may be more difficult to procure from land sellers in strong housing markets and are more prevalent in certain geographic regions.

b. Land Development and Homebuilding Joint Ventures

Our joint ventures have historically obtained secured acquisition, development and construction financing designed to reduce the use of funds from corporate financing sources. As of June 30, 2017, we held ownership interests in 27 homebuilding and land development joint ventures, of which 13 were active and 14 were inactive or winding down. As of such date, only two joint ventures had project specific debt outstanding, which totaled $30.2 million. This joint venture bank debt is non-recourse to us and is scheduled to mature in September 2017. At June 30, 2017, we had no joint venture surety bonds outstanding.

c. Surety Bonds

We obtain surety bonds in the normal course of business to ensure completion of the infrastructure of our communities. At June 30, 2017, we had approximately $947.5 million in surety bonds outstanding, with respect to which we had an estimated $500.3 million remaining in cost to complete.

d. Mortgage Loans and Commitments

We commit to making mortgage loans to our homebuyers through our mortgage financing subsidiary, CalAtlantic Mortgage. CalAtlantic Mortgage sells substantially all of the loans it originates in the secondary mortgage market and finances these loans under its mortgage credit facility for a short period of time (typically for 30 to 45 days), as investors complete their administrative review of applicable loan documents. Mortgage loans in process for which interest rates were committed to borrowers totaled approximately $338.6 million at June 30, 2017 and carried a weighted average interest rate of approximately 3.6%. Interest rate risks related to these obligations are mitigated by CalAtlantic Mortgage through the preselling of loans to investors or through its interest rate hedging program. As of June 30, 2017, CalAtlantic Mortgage had approximately $154.8 million in closed mortgage loans held for sale and $23.4 million of mortgage loans in process that we were committed to sell to investors subject to our funding of the loans and the investors' completion of their administrative review of the applicable loan documents. In addition, as of June 30, 2017, CalAtlantic Mortgage had approximately $315.2 million of mortgage loans in process that were or are expected to be originated on a non-presold basis, substantially all of which were hedged by forward sale commitments of mortgage-backed securities prior to entering into loan sale transactions with third party investors.

Substantially all of the loans originated by CalAtlantic Mortgage are sold with servicing rights released on a non-recourse basis. These sales are generally subject to CalAtlantic Mortgage's obligation to repay its gain on sale if the loan is prepaid by the borrower within a certain time period following such sale, or to repurchase the loan if, among other things, the purchaser's underwriting guidelines are not met, or there is fraud in connection with the loan. During the six months ended June 30, 2017 and 2016, CalAtlantic Mortgage recorded loan loss expense related to indemnification and repurchase allowances of $0.1 million and $0.1 million, respectively. As of June 30, 2017 and December 31, 2016, CalAtlantic Mortgage had indemnity and repurchase allowances related to loans sold of approximately $3.7 million. In addition, during the six months ended June 30, 2017 and 2016, CalAtlantic Mortgage made make-whole payments of $0 and $0.1 million, respectively.

e. Insurance and Litigation Accruals

Insurance and litigation accruals are established with respect to estimated future claims cost. We maintain general liability insurance designed to protect us against a portion of our risk of loss from construction-related claims. We also generally require our subcontractors and design professionals to indemnify us for liabilities arising from their work, subject to various limitations. However, such indemnity is significantly limited with respect to certain subcontractors that are added to our general liability insurance policy. We record allowances to cover the estimated costs of our self-insurance liability based on an analysis performed by an independent third party actuary that uses our historical claim and expense data, as well as industry data to estimate these overall costs. Our total insurance and litigation accruals as of June 30, 2017 and December 31, 2016 were $232.8 million and $233.5 million, respectively, which are included in accrued liabilities in the accompanying condensed consolidated balance sheets. Because of the high degree of judgment required in determining these estimated accrual amounts, actual future claim costs could differ materially from our currently estimated amounts.

18. Income Taxes

We account for income taxes in accordance with ASC Topic 740, *Income Taxes* ("ASC 740"). ASC 740 requires an asset and liability approach for measuring deferred taxes based on temporary differences between the financial statement and tax bases of assets and liabilities existing at each balance sheet date using enacted tax rates for years in which taxes are expected to be paid or recovered. Changes to enacted tax rates could materially impact the recorded amount of our deferred tax asset.

Each quarter we assess our deferred tax asset to determine whether all or any portion of the asset is more likely than not unrealizable under ASC 740. We are required to establish a valuation allowance for any portion of the asset we conclude is more likely than not to be unrealizable. Our assessment considers, among other things, the nature, frequency and severity of our prior and cumulative losses, forecasts of our future taxable income, the duration of statutory carryforward periods, our utilization experience with operating loss and tax credit carryforwards, and tax planning alternatives.

Our 2017 second quarter provision for income taxes of $57.3 million primarily related to our $156.2 million of pretax income. As of June 30, 2017, we had a $314.4 million deferred tax asset which was partially offset by a valuation allowance of $1.9 million related to state net operating loss carryforwards that are limited by shorter carryforward periods. As of such date, $96.1 million of our deferred tax asset related to net operating loss carryforwards is subject to the Internal Revenue Code Section 382 gross annual deduction limitation of $15.6 million for both federal and state purposes. Additionally, $15.3 million of our state deferred tax asset related to net operating losses is subject to 382 limitations resulting from our October 1, 2015 merger with Ryland, and $4.8 million related to state net operating loss carryforwards that are not limited by Section 382. The remaining deferred tax asset balance of $198.2 million represented deductible timing differences, primarily related to inventory impairments and financial accruals, which have no expiration date. As of June 30, 2017 and December 31, 2016, our liability for unrecognized tax benefits was $13.3 million and $12.1 million, respectively, which is included in accrued liabilities in the accompanying condensed consolidated balance sheets. In addition, as of June 30, 2017, we remained subject to examination by various tax jurisdictions for the tax years ended December 31, 2012 through 2016.

19. Supplemental Disclosures to Condensed Consolidated Statements of Cash Flows

The following are supplemental disclosures to the condensed consolidated statements of cash flows:

	Six Months Ended June 30,	
	2017	**2016**
	(Dollars in thousands)	
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Income taxes	$ 116,638	$ 84,335

20. Supplemental Guarantor Information

Certain of our 100% owned direct and indirect subsidiaries guarantee our outstanding senior notes payable (please see Note 14 "Senior Notes Payable"). Presented below are the condensed consolidated financial statements for our guarantor subsidiaries and non-guarantor subsidiaries.

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

	Three Months Ended June 30, 2017				
	CalAtlantic Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated CalAtlantic Group, Inc.
	(Dollars in thousands)				
Homebuilding:					
Revenues	$ 731,311	$ 662,781	$ 227,022	$ —	$ 1,621,114
Cost of sales	(592,162)	(531,235)	(173,859)	—	(1,297,256)
Gross margin	139,149	131,546	53,163	—	323,858
Selling, general and administrative expenses	(70,729)	(83,694)	(19,574)	—	(173,997)
Income (loss) from unconsolidated joint ventures	351	165	(70)	—	446
Equity income of subsidiaries	58,400	—	—	(58,400)	—
Interest income (expense), net	720	(525)	(195)	—	—
Other income (expense)	(3,911)	(228)	1,464	—	(2,675)
Homebuilding pretax income	123,980	47,264	34,788	(58,400)	147,632
Financial Services:					
Financial services pretax income	—	—	8,616	—	8,616
Income before taxes	123,980	47,264	43,404	(58,400)	156,248
Provision for income taxes	(24,986)	(21,900)	(10,368)	—	(57,254)
Net income	$ 98,994	$ 25,364	$ 33,036	$ (58,400)	$ 98,994

	Three Months Ended June 30, 2016				
	CalAtlantic Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated CalAtlantic Group, Inc.
	(Dollars in thousands)				
Homebuilding:					
Revenues	$ 648,800	$ 676,049	$ 253,513	$ —	$ 1,578,362
Cost of sales	(516,882)	(535,832)	(184,291)	—	(1,237,005)
Gross margin	131,918	140,217	69,222	—	341,357
Selling, general and administrative expenses	(71,235)	(76,915)	(17,544)	—	(165,694)
Income (loss) from unconsolidated joint ventures	57	256	(90)	—	223
Equity income of subsidiaries	79,867	—	—	(79,867)	—
Interest income (expense), net	1,273	(934)	(339)	—	—
Other income (expense)	(3,668)	(668)	(79)	—	(4,415)
Homebuilding pretax income	138,212	61,956	51,170	(79,867)	171,471
Financial Services:					
Financial services pretax income	—	—	8,146	—	8,146
Income before taxes	138,212	61,956	59,316	(79,867)	179,617
Provision for income taxes	(25,452)	(26,074)	(15,331)	—	(66,857)
Net income	$ 112,760	$ 35,882	$ 43,985	$ (79,867)	$ 112,760

20. Supplemental Guarantor Information (continued)

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

	Six Months Ended June 30, 2017				
	CalAtlantic Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated CalAtlantic Group, Inc.
	(Dollars in thousands)				
Homebuilding:					
Revenues	$ 1,308,579	$ 1,203,305	$ 446,929	$ —	$ 2,958,813
Cost of sales	(1,063,459)	(962,787)	(333,865)	—	(2,360,111)
Gross margin	245,120	240,518	113,064	—	598,702
Selling, general and administrative expenses	(135,437)	(157,085)	(37,751)	—	(330,273)
Income (loss) from unconsolidated joint ventures	1,025	298	3,011	—	4,334
Equity income of subsidiaries	115,997	—	—	(115,997)	—
Interest income (expense), net	1,594	(1,205)	(389)	—	—
Other income (expense)	(5,898)	(256)	3,310	—	(2,844)
Homebuilding pretax income	222,401	82,270	81,245	(115,997)	269,919
Financial Services:					
Financial services pretax income	—	—	16,197	—	16,197
Income before taxes	222,401	82,270	97,442	(115,997)	286,116
Provision for income taxes	(40,787)	(38,623)	(25,092)	—	(104,502)
Net income	$ 181,614	$ 43,647	$ 72,350	$ (115,997)	$ 181,614

	Six Months Ended June 30, 2016				
	CalAtlantic Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated CalAtlantic Group, Inc.
	(Dollars in thousands)				
Homebuilding:					
Revenues	$ 1,110,538	$ 1,210,503	$ 443,004	$ —	$ 2,764,045
Cost of sales	(889,723)	(965,834)	(319,943)	—	(2,175,500)
Gross margin	220,815	244,669	123,061	—	588,545
Selling, general and administrative expenses	(126,286)	(144,761)	(31,348)	—	(302,395)
Income (loss) from unconsolidated joint ventures	746	400	266	—	1,412
Equity income of subsidiaries	134,034	—	—	(134,034)	—
Interest income (expense), net	2,610	(1,899)	(711)	—	—
Other income (expense)	(7,283)	(479)	(61)	—	(7,823)
Homebuilding pretax income	224,636	97,930	91,207	(134,034)	279,739
Financial Services:					
Financial services pretax income	—	—	15,082	—	15,082
Income before taxes	224,636	97,930	106,289	(134,034)	294,821
Provision for income taxes	(39,215)	(43,548)	(26,637)	—	(109,400)
Net income	$ 185,421	$ 54,382	$ 79,652	$ (134,034)	$ 185,421

20. Supplemental Guarantor Information (continued)

CONDENSED CONSOLIDATING BALANCE SHEET

	June 30, 2017				
	CalAtlantic Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated CalAtlantic Group, Inc.
	(Dollars in thousands)				
ASSETS					
Homebuilding:					
Cash and equivalents	$ 41,081	$ 31,168	$ 95,584	$ —	$ 167,833
Restricted cash	—	—	32,367	—	32,367
Intercompany receivables	2,118,245	—	320,924	(2,439,169)	—
Inventories:					
Owned	2,970,751	2,278,861	1,405,378	—	6,654,990
Not owned	42,190	32,927	11,501	—	86,618
Investments in unconsolidated joint ventures	4,889	4,228	116,651	—	125,768
Investments in subsidiaries	2,069,205	—	—	(2,069,205)	—
Deferred income taxes, net	319,114	—	—	(6,643)	312,471
Goodwill	970,185	—	15,000	—	985,185
Other assets	171,854	41,231	20,700	—	233,785
Total Homebuilding Assets	8,707,514	2,388,415	2,018,105	(4,515,017)	8,599,017
Financial Services:					
Cash and equivalents	—	—	47,861	—	47,861
Restricted cash	—	—	21,375	—	21,375
Mortgage loans held for sale, net	—	—	155,180	—	155,180
Mortgage loans held for investment, net	—	—	25,613	—	25,613
Other assets	—	—	19,551	(1,801)	17,750
Total Financial Services Assets	—	—	269,580	(1,801)	267,779
Total Assets	$ 8,707,514	$ 2,388,415	$ 2,287,685	$ (4,516,818)	$ 8,866,796
LIABILITIES AND EQUITY					
Homebuilding:					
Accounts payable	$ 67,733	$ 58,565	$ 20,085	$ —	$ 146,383
Accrued liabilities and intercompany payables	323,820	1,276,865	1,068,572	(2,126,689)	542,568
Secured project debt and other notes payable	345,023	—	2,942	(320,924)	27,041
Senior notes payable	3,735,232	—	—	—	3,735,232
Total Homebuilding Liabilities	4,471,808	1,335,430	1,091,599	(2,447,613)	4,451,224
Financial Services:					
Accounts payable and other liabilities	—	—	19,374	—	19,374
Mortgage credit facility	—	—	149,828	—	149,828
Total Financial Services Liabilities	—	—	169,202	—	169,202
Total Liabilities	4,471,808	1,335,430	1,260,801	(2,447,613)	4,620,426
Equity:					
Total Stockholders' Equity	4,235,706	1,052,985	1,016,220	(2,069,205)	4,235,706
Noncontrolling interest	—	—	10,664	—	10,664
Total Equity	4,235,706	1,052,985	1,026,884	(2,069,205)	4,246,370
Total Liabilities and Equity	$ 8,707,514	$ 2,388,415	$ 2,287,685	$ (4,516,818)	$ 8,866,796

20. Supplemental Guarantor Information (continued)

CONDENSED CONSOLIDATING BALANCE SHEET

	December 31, 2016				
	CalAtlantic Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated CalAtlantic Group, Inc.
	(Dollars in thousands)				
ASSETS					
Homebuilding:					
Cash and equivalents	$ 105,261	$ 38,211	$ 47,614	$ —	$ 191,086
Restricted cash	—	—	28,321	—	28,321
Intercompany receivables	2,045,773	—	334,926	(2,380,699)	—
Inventories:					
Owned	2,825,234	2,277,840	1,335,718	—	6,438,792
Not owned	30,953	32,596	2,718	—	66,267
Investments in unconsolidated joint ventures	4,469	4,923	117,735	—	127,127
Investments in subsidiaries	1,954,418	—	—	(1,954,418)	—
Deferred income taxes, net	337,021	—	—	(6,643)	330,378
Goodwill	970,185	—	—	—	970,185
Other assets	165,214	36,725	2,550	—	204,489
Total Homebuilding Assets	8,438,528	2,390,295	1,869,582	(4,341,760)	8,356,645
Financial Services:					
Cash and equivalents	—	—	17,041	—	17,041
Restricted cash	—	—	21,710	—	21,710
Mortgage loans held for sale, net	—	—	262,058	—	262,058
Mortgage loans held for investment, net	—	—	24,924	—	24,924
Other assets	—	—	28,467	(1,801)	26,666
Total Financial Services Assets	—	—	354,200	(1,801)	352,399
Total Assets	$ 8,438,528	$ 2,390,295	$ 2,223,782	$ (4,343,561)	$ 8,709,044
LIABILITIES AND EQUITY					
Homebuilding:					
Accounts payable	$ 92,611	$ 78,729	$ 40,440	$ —	$ 211,780
Accrued liabilities and intercompany payables	387,098	1,302,228	964,796	(2,054,217)	599,905
Secured project debt and other notes payable	359,025	—	3,480	(334,926)	27,579
Senior notes payable	3,392,208	—	—	—	3,392,208
Total Homebuilding Liabilities	4,230,942	1,380,957	1,008,716	(2,389,143)	4,231,472
Financial Services:					
Accounts payable and other liabilities	—	—	22,559	—	22,559
Mortgage credit facility	—	—	247,427	—	247,427
Total Financial Services Liabilities	—	—	269,986	—	269,986
Total Liabilities	4,230,942	1,380,957	1,278,702	(2,389,143)	4,501,458
Equity:					
Total Equity	4,207,586	1,009,338	945,080	(1,954,418)	4,207,586
Total Liabilities and Equity	$ 8,438,528	$ 2,390,295	$ 2,223,782	$ (4,343,561)	$ 8,709,044

20. Supplemental Guarantor Information (continued)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2017				
	CalAtlantic Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated CalAtlantic Group, Inc.
	(Dollars in thousands)				
Cash Flows From Operating Activities:					
Net cash provided by (used in) operating activities	$ (161,020)	$ 10,352	$ 151,260	$ —	$ 592
Cash Flows From Investing Activities:					
Investments in unconsolidated homebuilding joint ventures	(137)	(59)	(24,806)	—	(25,002)
Distributions of capital from unconsolidated homebuilding joint ventures	500	1,117	6,428	—	8,045
Net cash paid for acquisitions	—	—	(44,477)	—	(44,477)
Loan to parent and subsidiaries	—	—	12,596	(12,596)	—
Other investing activities	(1,283)	(979)	(7,531)	—	(9,793)
Net cash provided by (used in) investing activities	(920)	79	(57,790)	(12,596)	(71,227)
Cash Flows From Financing Activities:					
Change in restricted cash	—	—	(3,711)	—	(3,711)
Borrowings from revolving credit facility	264,450	—	—	—	264,450
Principal payments on revolving credit facility	(264,450)	—	—	—	(264,450)
Principal payments on secured project debt and other notes payable	—	—	(615)	—	(615)
Principal payment on senior notes payable	(230,000)	—	—	—	(230,000)
Proceeds from the issuance of senior notes payable	579,125	—	—	—	579,125
Payment of debt issuance costs	(4,595)	—	—	—	(4,595)
Loan from subsidiary	(12,596)	—	—	12,596	—
Net proceeds from (payments on) mortgage credit facility	—	—	(97,599)	—	(97,599)
(Contributions to) distributions from Corporate and subsidiaries	1,210	—	(1,210)	—	—
Repurchases of common stock	(150,014)	—	—	—	(150,014)
Common stock dividend payments	(9,019)	—	—	—	(9,019)
Issuance of common stock under employee stock plans, net of tax withholdings	(5,303)	—	—	—	(5,303)
Other financing activities	—	—	(67)	—	(67)
Intercompany advances, net	(71,048)	(17,474)	88,522	—	—
Net cash provided by (used in) financing activities	97,760	(17,474)	(14,680)	12,596	78,202
Net increase (decrease) in cash and equivalents	(64,180)	(7,043)	78,790	—	7,567
Cash and equivalents at beginning of period	105,261	38,211	64,655	—	208,127
Cash and equivalents at end of period	$ 41,081	$ 31,168	$ 143,445	$ —	$ 215,694

	Six Months Ended June 30, 2016				
	CalAtlantic Group, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated CalAtlantic Group, Inc.
	(Dollars in thousands)				
Cash Flows From Operating Activities:					
Net cash provided by (used in) operating activities	$ (148,603)	$ 77,589	$ 134,628	$ —	$ 63,614
Cash Flows From Investing Activities:					
Investments in unconsolidated homebuilding joint ventures	(178)	(78)	(22,336)	—	(22,592)
Distributions of capital from unconsolidated homebuilding joint ventures	1,107	110	6,898	—	8,115
Loan to parent and subsidiaries	—	—	41,000	(41,000)	—
Other investing activities	279	(976)	(3,469)	—	(4,166)
Net cash provided by (used in) investing activities	1,208	(944)	22,093	(41,000)	(18,643)
Cash Flows From Financing Activities:					
Change in restricted cash	—	—	6,063	—	6,063
Borrowings from revolving credit facility	693,700	—	—	—	693,700

Principal payments on revolving credit facility	(693,700)	—	—	—	(693,700)
Principal payments on secured project debt and other notes payable	(9,974)	—	(195)	—	(10,169)
Proceeds from the issuance of senior notes payable	300,000	—	—	—	300,000
Payment of debt issue costs	(2,195)	—	—	—	(2,195)
Loan from subsidiary	(41,000)	—	—	41,000	—
Net proceeds from (payments on) mortgage credit facility	—	—	(128,908)	—	(128,908)
(Contributions to) distributions from Corporate and subsidiaries	8,300	—	(8,300)	—	—
Repurchases of common stock	(99,829)	—	—	—	(99,829)
Common stock dividend payments	(9,527)	—	—	—	(9,527)
Issuance of common stock under employee stock plans, net of tax withholdings	1,069	—	—	—	1,069
Other financing activities	—	(199)	—	—	(199)
Intercompany advances, net	122,427	(130,705)	8,278	—	—
Net cash provided by (used in) financing activities	269,271	(130,904)	(123,062)	41,000	56,305
Net increase (decrease) in cash and equivalents	121,876	(54,259)	33,659	—	101,276
Cash and equivalents at beginning of period	6,387	112,852	67,355	—	186,594
Cash and equivalents at end of period	$ 128,263	$ 58,593	$ 101,014	$ —	$ 287,870

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

Results of Operations

Selected Financial Information
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Dollars in thousands, except per share amounts)			
Homebuilding:				
Home sale revenues	$ 1,620,614	$ 1,558,701	$ 2,958,313	$ 2,737,866
Land sale revenues	500	19,661	500	26,179
Total revenues	1,621,114	1,578,362	2,958,813	2,764,045
Cost of home sales	(1,297,249)	(1,217,793)	(2,360,104)	(2,149,921)
Cost of land sales	(7)	(19,212)	(7)	(25,579)
Total cost of sales	(1,297,256)	(1,237,005)	(2,360,111)	(2,175,500)
Gross margin	323,858	341,357	598,702	588,545
Gross margin percentage	20.0%	21.6%	20.2%	21.3%
Selling, general and administrative expenses	(173,997)	(165,694)	(330,273)	(302,395)
Income (loss) from unconsolidated joint ventures	446	223	4,334	1,412
Other income (expense)	(2,675)	(4,415)	(2,844)	(7,823)
Homebuilding pretax income	147,632	171,471	269,919	279,739
Financial Services:				
Revenues	20,277	20,539	40,233	38,091
Expenses	(11,661)	(12,393)	(24,036)	(23,009)
Financial services pretax income	8,616	8,146	16,197	15,082
Income before taxes	156,248	179,617	286,116	294,821
Provision for income taxes	(57,254)	(66,857)	(104,502)	(109,400)
Net income	98,994	112,760	181,614	185,421
Less: Net income allocated to unvested restricted stock	(408)	(251)	(705)	(350)
Net income available to common stockholders	$ 98,586	$ 112,509	$ 180,909	$ 185,071
Income Per Common Share:				
Basic	$ 0.87	$ 0.95	$ 1.59	$ 1.55
Diluted	$ 0.75	$ 0.83	$ 1.38	$ 1.36
Weighted Average Common Shares Outstanding:				
Basic	113,689,435	118,419,937	114,086,136	119,617,438
Diluted	131,636,412	136,088,146	132,079,976	137,277,899
Cash dividends declared per common share	$ 0.04	$ 0.04	$ 0.08	$ 0.08
Net cash provided by (used in) operating activities	$ (91,166)	$ 91,236	$ 592	$ 63,614
Net cash provided by (used in) investing activities	$ (56,868)	$ (15,693)	$ (71,227)	$ (18,643)
Net cash provided by (used in) financing activities	$ 181,735	$ 19,108	$ 78,202	$ 56,305
Adjusted Homebuilding EBITDA (1)	$ 220,500	$ 243,048	$ 399,364	$ 414,278

(1) Adjusted Homebuilding EBITDA means net income (plus cash distributions of income from unconsolidated joint ventures) before (a) income taxes, (b) homebuilding interest expense, (c) expensing of previously capitalized interest included in cost of sales, (d) impairment charges, (e) gain (loss) on early extinguishment of debt, (f) homebuilding depreciation and amortization, including amortization of capitalized model costs, (g) amortization of stock-based compensation, (h) income (loss) from unconsolidated joint ventures, (i) income (loss) from financial services subsidiaries, (j) purchase accounting adjustments and (k) merger and other one-time transaction related costs. Other companies may calculate Adjusted Homebuilding EBITDA (or similarly titled measures) differently. We believe Adjusted Homebuilding EBITDA information is useful to management and investors as it provides perspective on the underlying performance of the business . However, it should be noted that Adjusted Homebuilding EBITDA is not a U.S. generally accepted accounting principles ("GAAP") financial measure. Due to the significance of the GAAP components excluded, Adjusted Homebuilding EBITDA should not be considered in isolation or as an alternative to cash flows from operations or any other liquidity performance measure prescribed by GAAP.

(1) continued

The table set forth below reconciles net income, calculated and presented in accordance with GAAP, to Adjusted Homebuilding EBITDA:

	Three Months Ended June 30,		Six Months Ended June 30,		LTM Ended June 30,	
	2017	2016	2017	2016	2017	2016
	(Dollars in thousands)					
Net income	$ 98,994	$ 112,760	$ 181,614	$ 185,421	$ 480,923	$ 310,127
Provision for income taxes	57,254	66,857	104,502	109,400	263,488	189,165
Homebuilding interest amortized to cost of sales	52,347	41,830	91,775	72,212	191,264	152,392
Homebuilding depreciation and amortization	14,915	15,381	27,591	27,393	61,750	53,460
EBITDA (1)	223,510	236,828	405,482	394,426	997,425	705,144
Add:						
Amortization of stock-based compensation (1)	4,922	3,726	9,216	7,512	19,498	18,052
Cash distributions of income from unconsolidated joint ventures	193	—	3,274	450	3,495	2,688
Merger-related purchase accounting adjustments included in cost of home sales	—	5,858	—	18,535	—	82,705
Merger and other one-time costs	937	5,005	1,923	9,849	8,559	65,914
Less:						
Income (loss) from unconsolidated joint ventures	446	223	4,334	1,412	6,979	3,880
Income from financial services subsidiaries	8,616	8,146	16,197	15,082	40,729	27,995
Adjusted Homebuilding EBITDA	$ 220,500	$ 243,048	$ 399,364	$ 414,278	$ 981,269	$ 842,628

(1) Beginning with the 2016 third quarter, the Company removed amortization of stock-based compensation as a component of the EBITDA subtotal and began including this amount as an adjusting item to calculate Adjusted Homebuilding EBITDA. Prior periods presented have been restated to conform to this new presentation.

Discussion and Analysis of CalAtlantic's Results for the Three and Six Months Ended June 30, 2017 with comparisons to the Three and Six Months Ended June 30, 2016

Overview

Operating and Financial Results. The Company's 2017 second quarter results reflect a continuation of the housing market recovery and our focus on the execution of our strategy. We delivered 3,653 homes during the quarter, generating home sale revenues of $1.6 billion, up 4% from the prior year period, on an average selling price of $444 thousand, compared to $447 thousand for the second quarter of 2016. We reported net income of $99.0 million, or $0.75 per diluted share, as compared to $112.8 million, or $0.83 per diluted share, for the 2016 second quarter. Homebuilding pretax income for the 2017 second quarter was $147.6 million, compared to $171.5 million in the 2016 second quarter. Our gross margin from home sales was 20.0% for the second quarter of 2017, compared to 21.9% for the prior year period, and our operating margin from home sales for the 2017 second quarter was 9.2%, compared to 11.2% for the 2016 second quarter. For the six months ended June 30, 2017, we reported net income of $181.6 million, or $1.38 per diluted share, as compared to $185.4 million, or $1.36 per diluted share, in the prior period. Homebuilding pretax income for the six months ended June 30, 2017 was $269.9 million, compared to $279.7 million in the prior year period.

Growth and Land Plan. We made significant progress with our growth initiative during the quarter. On May 4, 2017 and June 13, 2017, respectively, we announced we entered the robust Salt Lake City and Seattle markets, the 18th and 17th largest homebuilding markets in the country. We spent a total of approximately $406.1 million on land and land development and acquired approximately 3,576 homesites during the quarter, including 19 current and future communities (one actively selling) in the new Seattle market, giving us ownership or control of approximately 1,900 homesites (400 owned and 1,500 under contract for future purchase) in Seattle. We remain focused on acquiring and developing strategically located and appropriately priced land and on designing and building highly desirable, amenity-rich communities and homes that appeal to the home buying segments we target.

Capital Markets Activity. We issued an aggregate of $575 million in senior notes during the quarter, including $125 million of 5.875% senior notes due 2024, $100 million of 5.25% senior notes due 2026, and $350 million of 5% senior notes due 2027. We retired the remaining $230 million principal balance of our

8.4% senior notes due May 2017, and we have started the process pursuant to which we will redeem the remaining $253 million of our 1.25% convertible senior notes due August 2032, on August 7, 2017, unless such notes are earlier repurchased or converted.

We also spent $150.0 million to repurchase approximately 4.4 million shares of our common stock during the quarter at an average price of $33.90 per share, including approximately 3.0 million shares repurchased directly from our largest stockholder, MP CA Homes LLC ("MatlinPatterson"). Concurrent with this direct share repurchase, MatlinPatterson completed the sale of an additional 11.5 million shares of our common stock held by them in a secondary public offering , reducing their ownership in the Company from approximately 37% of our voting power to 26% of our voting power.

Following all of these transactions, including the redemption of all of our $253 million convertible notes due 2032, which, barring a rise in our stock price above the $40.08 convert price, will occur on August 7, 2017, we will have retired approximately 8% of our fully diluted share count since the beginning of 2017, comprised of the 4.4 million outstanding shares retired through share repurchases and the 6.3 million shares underlying the 2032 convertible notes that are included in our fully diluted share count. As we look forward, we plan to continue to appropriately apply our capital allocation strategy, opportunistically repurchasing our stock when we believe the price is right, pursuing growth through new markets when we find attractive opportunities, and continuing to feed the pipeline in our existing markets as we find land that meets our underwriting criteria.

Homebuilding

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	% Change	2017	2016	% Change
	(Dollars in thousands)					
Homebuilding revenues:						
North	$ 331,071	$ 241,274	37%	$ 565,847	$ 427,829	32%
Southeast	429,269	386,836	11%	780,372	664,318	17%
Southwest	406,636	433,603	(6%)	742,851	776,637	(4%)
West	454,138	516,649	(12%)	869,743	895,261	(3%)
Total homebuilding revenues	$ 1,621,114	$ 1,578,362	3%	$ 2,958,813	$ 2,764,045	7%
Homebuilding pretax income:						
North	$ 29,732	$ 17,980	65%	$ 48,597	$ 27,550	76%
Southeast	31,885	31,772	0%	55,601	52,822	5%
Southwest	38,932	46,907	(17%)	69,109	73,833	(6%)
West	47,083	74,812	(37%)	96,612	125,534	(23%)
Total homebuilding pretax income	$ 147,632	$ 171,471	(14%)	$ 269,919	$ 279,739	(4%)
Homebuilding pretax income as a percentage of homebuilding revenues:						
North	9.0%	7.5%	1.5%	8.6%	6.4%	2.2%
Southeast	7.4%	8.2%	(0.8%)	7.1%	8.0%	(0.9%)
Southwest	9.6%	10.8%	(1.2%)	9.3%	9.5%	(0.2%)
West	10.4%	14.5%	(4.1%)	11.1%	14.0%	(2.9%)
Total homebuilding pretax income percentage	9.1%	10.9%	(1.8%)	9.1%	10.1%	(1.0%)

Homebuilding pretax income for the 2017 second quarter was $147.6 million compared to $171.5 million in the year earlier period. This decrease was primarily attributable to the 190 basis point decrease in gross margin percentage from home sales, which was partially offset by a 4% increase in home sale revenues. Homebuilding pretax income as a percentage of homebuilding revenues for the 2017 second quarter was 9.1%, down 180 basis points compared to 10.9% for the prior year period, ranging from up 150 basis points in the North to down 410 basis points in the West. The North region pretax income as a percentage of homebuilding revenues for the 2016 second quarter was adversely impacted by the fair value accounting applied to homes under construction in connection with the merger with Ryland, with $1.3 million recognized as an increase to cost of sales in the 2016 second quarter, compared to none during the 2017 second quarter. The West region pretax income as a percentage of homebuilding revenues was down 410 basis points primarily due to a mix shift from higher to lower margin communities. Homebuilding

pretax income as a percentage of homebuilding revenues for the 2017 second quarter was down slightly from the prior year for our Southeast and Southwest regions.

For the six months ended June 30, 2017, we reported homebuilding pretax income of $269.9 million compared to $279.7 million in the year earlier period. This decrease was primarily attributable to the 130 basis point decrease in gross margin percentage from home sales, partially offset by an 8% increase in home sale revenues.

Revenues

Home sale revenues for the 2017 second quarter were up 4% from the prior year period, primarily as a result of a 5% increase in new home deliveries, partially offset by a 1% decrease in the Company's average home price to $444 thousand. In the Southwest, homebuilding revenues decreased 6% in the 2017 second quarter compared to the prior year period, primarily as a result of a 10% decrease in deliveries, partially offset by a 4% increase in average home price. In the West, revenues decreased 12% in the 2017 second quarter compared to the prior year period, primarily as a result of a 4% decrease in deliveries and a 5% decrease in average home price.

Home sales revenues increased 8%, from $2,737.9 million for the six months ended June 30, 2016, to $2,958.3 million for the six months ended June 30, 2017, primarily as a result of a 7% increase in new home deliveries.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	% Change	2017	2016	% Change
New homes delivered:						
North	914	711	29%	1,597	1,272	26%
Southeast	1,075	983	9%	1,956	1,696	15%
Southwest	907	1,003	(10%)	1,693	1,857	(9%)
West	757	787	(4%)	1,419	1,386	2%
Total	3,653	3,484	5%	6,665	6,211	7%

The increase in new home deliveries for the 2017 second quarter as compared to the prior year period resulted primarily from stronger deliveries in our North and Southeast regions, which experienced double digit percentage increases in the majority of divisions within the regions. In the Southwest, double digit percentage decreases were experienced in Austin, Colorado, Las Vegas and San Antonio, which were partially offset by delivery increases in Dallas and Houston. In the West, double digit percentage decreases in Southern California deliveries were partially offset by double digit percentage increases in the Bay Area and Phoenix.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	% Change	2017	2016	% Change
	(Dollars in thousands)					
Average selling prices of homes delivered:						
North	$ 362	$ 339	7%	$ 354	$ 336	5%
Southeast	399	392	2%	399	391	2%
Southwest	448	432	4%	439	418	5%
West	600	634	(5%)	613	629	(3%)
Total	$ 444	$ 447	(1%)	$ 444	$ 441	1%

Our 2017 second quarter consolidated average selling price of $444 thousand decreased 1% compared to $447 thousand for the prior year period. The decrease in our consolidated average selling price was primarily driven by a 5% decrease in our West region, attributable to a shift in product mix.

Gross Margin

Our 2017 second quarter gross margin percentage from home sales was 20.0% compared to 21.9% in the 2016 second quarter. The year over year decrease was primarily attributable to a shift in product mix and an increase in direct construction costs per home. Our 2016 second quarter gross margin from home sales was adversely impacted by required fair value adjustments to homes in backlog and speculative homes under construction acquired in connection with our October 2015 merger with Ryland, with fair value accounting causing us to recognize approximately $5.9 million as an increase to cost of sales during the period. No such merger related adjustments were required for the 2017 second quarter.

SG&A Expenses

Our 2017 second quarter SG&A expenses (including Corporate G&A) were $174.0 million compared to $165.7 million for the prior year period, up 10 basis points as a percentage of home sale revenues to 10.7% compared to 10.6% for the 2016 second quarter. Isolating G&A from selling expenses, we continue to leverage our G&A expenses as higher year over year home sale revenues have resulted in G&A expenses as a percentage of home sale revenues improving to 5.3% for the 2017 second quarter compared to 5.4% for the prior year period. Our selling expenses as a percentage of home sale revenues increased slightly to 5.4% for the 2017 second quarter compared to 5.2% in the prior year period, primarily as a result of a 20 basis point increase in co-broker commissions.

Operating Data

	Three Months Ended June 30,				Six Months Ended June 30,			
	2017	2016	% Change	% Absorption Change (1)	2017	2016	% Change	% Absorption Change (1)
Net new orders (2):								
North	923	933	(1%)	(10%)	1,979	1,824	8%	(6%)
Southeast	1,252	1,112	13%	11%	2,535	2,313	10%	7%
Southwest	940	945	(1%)	8%	1,927	2,076	(7%)	3%
West	963	931	3%	17%	1,941	1,843	5%	21%
Total	4,078	3,921	4%	6%	8,382	8,056	4%	5%

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	% Change	2017	2016	% Change
Cancellation Rates:						
North	15%	13%	2%	14%	12%	2%
Southeast	13%	14%	(1%)	12%	12%	–
Southwest	15%	17%	(2%)	14%	14%	–
West	14%	18%	(4%)	14%	17%	(3%)
Total	14%	15%	(1%)	14%	14%	–

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	% Change	2017	2016	% Change
Average selling prices of net new orders:	(Dollars in thousands)					
North	$ 355	$ 331	7%	$ 349	$ 331	5%
Southeast	402	377	7%	394	374	5%
Southwest	445	431	3%	445	429	4%
West	649	659	(2%)	640	645	(1%)
Total	$ 460	$ 446	3%	$ 452	$ 440	3%

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	% Change	2017	2016	% Change
Average number of selling communities during the period:						
North	138	126	10%	139	121	15%
Southeast	181	179	1%	184	180	2%
Southwest	156	169	(8%)	155	172	(10%)
West	82	93	(12%)	82	94	(13%)
Total	557	567	(2%)	560	567	(1%)

(1) Represents the percentage change of net new orders per average number of selling communities during the period.
(2) Net new orders are new orders for the purchase of homes during the period, less cancellations during such period of existing contracts for the purchase of homes.

Net new orders for the 2017 second quarter increased 4%, to 4,078 homes, from the prior year period on a 2% decrease in average active selling communities. Our monthly sales absorption rate was 2.4 per community for the 2017 second quarter, up 6% compared to the 2016 second quarter and down 4% compared to the 2017 first quarter. Although our monthly sales absorption rate of 2.4 per community for the 2017 second quarter was up slightly compared to the 2016 second quarter, the change in our absorption rates varied widely across our regions, from up 17% in the West, to down 10% in the North. In the West, most divisions experienced strong double digit increases in absorption rate, partially offset by a slight decrease in San Diego compared to the prior year period. The 10% decrease in absorption rate for our North region was driven primarily by decreases in Atlanta, Chicago, Indianapolis and the Mid-Atlantic, partially offset by a 31% increase in Twin Cities compared to the prior year period. Our cancellation rate for the 2017 second quarter was 14%, down compared to 15% for the 2016 second quarter and up slightly from 13% for the 2017 first quarter. Our 2017 second quarter cancellation rate was down significantly from the average historical cancellation rate of approximately 18% we have experienced over the last 10 years. At June 30, 2017, we had 559 active selling communities.

	At June 30,					
	2017		2016		% Change	
Backlog ($ in thousands):	Homes	Dollar Value	Homes	Dollar Value	Homes	Dollar Value
North	1,680	$ 603,968	1,555	$ 524,001	8%	15%
Southeast	2,372	1,018,178	2,238	923,385	6%	10%
Southwest	1,848	896,335	2,121	970,020	(13%)	(8%)
West	1,634	1,042,990	1,542	1,011,307	6%	3%
Total	7,534	$ 3,561,471	7,456	$ 3,428,713	1%	4%

The dollar value of our backlog as of June 30, 2017 increased 4% from the year earlier period to $3.6 billion, or 7,534 homes. The increase in backlog value compared to the prior year period was driven by the 3% increase in the average home price in our backlog, to $473 thousand as of June 30, 2017, and a 1% increase in units in backlog.

	At June 30,		
	2017	2016	% Change
Homesites owned and controlled:			
North	14,759	15,636	(6%)
Southeast	23,402	23,033	2%
Southwest	13,982	15,006	(7%)
West	15,479	14,066	10%
Total (including joint ventures)	67,622	67,741	(0%)
Homesites owned	51,120	50,947	0%
Homesites optioned or subject to contract	15,042	15,412	(2%)
Joint venture homesites (1)	1,460	1,382	6%
Total (including joint ventures)	67,622	67,741	(0%)
Homesites owned:			
Raw lots	9,860	8,325	18%
Homesites under development	13,694	12,344	11%
Finished homesites	12,761	14,296	(11%)
Under construction or completed homes	10,473	10,015	5%
Held for future development/for sale	4,332	5,967	(27%)
Total	51,120	50,947	0%

(1) Joint venture homesites represent our expected share of land development joint venture homesites and all of the homesites of our homebuilding joint ventures.

Total homesites owned and controlled as of June 30, 2017 remained flat from the year earlier period and increased 3% from the 65,424 homesites owned and controlled as of December 31, 2016. We purchased $262.4 million of land (3,576 homesites) during the 2017 second quarter, of which 33% (based on homesites) were located in the North, 24% in the Southeast, 11% in the Southwest, and 32% in the West. As of June 30, 2017, we owned or controlled 67,622 homesites, of which 46,788 were owned and actively selling or under development, 16,502 were controlled or under option (including joint venture homesites), and the remaining 4,332 homesites were held for future development or for sale. Land acquisition remains a key strategic initiative and we continue a disciplined approach in pursuing opportunities across our regions that meet our underwriting standards.

	At June 30,		
	2017	2016	% Change
Homes under construction:			
Homes under construction (excluding specs)	4,939	4,769	4%
Speculative homes under construction	2,836	2,569	10%
Total homes under construction	7,775	7,338	6%
Completed homes:			
Completed and unsold homes (excluding models)	986	957	3%
Completed and under contract (excluding models)	818	824	(1%)
Model homes	894	896	(0%)
Total completed homes	2,698	2,677	1%

Homes under construction (excluding speculative homes) as of June 30, 2017 increased 4% compared to June 30, 2016, consistent with our homes in backlog, which were up 1% compared to June 30, 2016. Speculative homes under construction as of June 30, 2017 increased 10% from the prior year period, resulting primarily from our strategy to maintain a supply of speculative homes in each community.

Other Homebuilding Items

Weyerhaeuser Company has notified the building community of an issue with a specific type of fire rated I-joist product manufactured after December 1, 2016. Weyerhaeuser has estimated that approximately 2,200 homes nationwide contain the joist. The Company believes that the joist is present in approximately 400 Company homes located in our Colorado, Twin Cities and Philadelphia markets. Of the identified 400 impacted homes, 87 have been delivered to homeowners, 6 are model homes, and the remainder are in various stages of construction. We are currently working with Weyerhaeuser in evaluating potential

remediation solutions to determine the best course of corrective action for our customers and do not yet know the ultimate impact this issue will have on our business. Of the 307 homes under construction, 148 were scheduled to close in the 2017 third quarter and 144 in the 2017 fourth quarter. Although we expect to experience a combination of delayed closing and/or cancelations with respect to these units that will likely have a negative impact on net orders, closings and revenue in these quarters, we do not believe we will incur any material costs, expenses or charges as a result of this issue.

Financial Services

In the 2017 second quarter our financial services segment reported pretax income of $8.6 million compared to $8.1 million in the year earlier period. The increase was driven primarily by a $0.5 million increase in title services income.

The following table details information regarding loan originations and related credit statistics for our mortgage financing operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Dollars in thousands)			
Total Originations:				
Loans	1,764	1,796	3,120	3,247
Principal	$566,093	$569,280	$989,915	$1,021,047
Capture Rate	54%	58%	52%	59%
Loans Sold to Third Parties:				
Loans	1,767	1,774	3,445	3,621
Principal	$566,174	$566,043	$1,093,391	$1,150,344
Mortgage Loan Origination Product Mix:				
FHA loans	15%	14%	15%	15%
Other government loans (VA & USDA)	9%	10%	9%	11%
Total government loans	24%	24%	24%	26%
Conforming loans	71%	71%	71%	69%
Jumbo loans	5%	5%	5%	5%
	100%	100%	100%	100%
Loan Type:				
Fixed	95%	96%	95%	96%
ARM	5%	4%	5%	4%
Credit Quality:				
Avg. FICO score	740	741	739	739
Other Data:				
Avg. combined LTV ratio	82%	83%	82%	83%
Full documentation loans	100%	100%	100%	100%

Income Taxes

Our 2017 second quarter provision for income taxes of $57.3 million primarily relates to our $156.2 million of pretax income. As of June 30, 2017, we had a $314.4 million deferred tax asset which was partially offset by a valuation allowance of $1.9 million related to state net operating loss carryforwards that are limited by shorter carryforward periods. As of such date, $96.1 million of our deferred tax asset related to net operating loss carryforwards is subject to the Section 382 gross annual deduction limitation of $15.6 million for both federal and state purposes. Additionally, $15.3 million of our state deferred tax asset related to net operating losses is subject to 382 limitations resulting from our October 1, 2015 merger with Ryland, and $4.8 million related to state net operating loss carryforwards that are not limited by Section 382. The remaining deferred tax asset balance of $198.2 million represented deductible timing differences, primarily related to inventory impairments and financial accruals, which have no expiration date.

Liquidity and Capital Resources

Our principal uses of cash over the last several years have been for:

- land acquisition
- homebuilder acquisitions
- investments in joint ventures
- construction and development
- operating expenses
- principal and interest payments on debt
- cash collateralization
- stock repurchases
- the payment of dividends

Cash requirements over the last several years have been met by:

- internally generated funds
- bank revolving credit and term loans
- land option contracts and seller notes
- sales of our equity
- note offerings
- joint venture financings
- assessment district bond financings
- letters of credit and surety bonds
- mortgage credit facilities

For the six months ended June 30, 2017, cash provided by operating activities was $0.6 million as compared to $63.6 million of cash provided by operating activities in the year earlier period. The change in operating activities cash flow during 2017 as compared to the prior year period was driven primarily by a 6% increase in homes under construction as of June 30, 2017, partially offset by a $40.4 million decrease in cash land purchase and development costs and a 7% increase in homebuilding revenues. As of June 30, 2017, our homebuilding cash balance was $200.2 million, including $32.4 million of restricted cash.

Revolving Credit Facility. As of June 30, 2017, we were party to a $750 million unsecured revolving credit facility, $350 million of which is available for letters of credit, which matures in October 2019. The facility has an accordion feature under which the Company may increase the total commitment up to a maximum aggregate amount of $1.2 billion, subject to certain conditions, including the availability of additional bank commitments. Interest rates, as defined in the credit agreement, approximate (i) LIBOR (approximately 1.23% at June 30, 2017) plus 1.75%, or (ii) Prime (4.25% at June 30, 2017) plus 0.75%.

In addition to customary representations and warranties, the facility contains financial and other covenants, including a minimum tangible net worth requirement of $1.65 billion (which amount is subject to increase over time based on subsequent earnings and proceeds from equity offerings), a net homebuilding leverage covenant that prohibits the leverage ratio (as defined therein) from exceeding 2.00 to 1.00 and a land covenant that limits land not under development to an amount not to exceed tangible net worth. The Company is also required to maintain either (a) a minimum liquidity level (unrestricted cash in excess of interest incurred for the previous four quarters) or (b) a minimum interest coverage ratio (EBITDA to interest expense, as defined therein) of at least 1.25 to 1.00. The revolving facility also limits, among other things, the Company's investments in joint ventures and the amount of the Company's common stock that the Company can repurchase. On June 30, 2017, no borrowings were outstanding under the facility and the Company had outstanding letters of credit issued under the facility totaling $94.7 million, leaving $655.3 million available under the facility to be drawn.

Our covenant compliance for the revolving facility is set forth in the table below:

Covenant and Other Requirement	Actual at June 30, 2017		Covenant Requirements at June 30, 2017
	(Dollars in millions)		
Consolidated Tangible Net Worth (1)	$3,250.5	≥	$2,024.1
Leverage Ratio:			
Net Homebuilding Debt to Adjusted Consolidated Tangible Net Worth Ratio (2)	1.15	≤	2.00
Liquidity or Interest Coverage Ratio (3):			
Liquidity	$72.2	≥	$216.7
EBITDA (as defined in the Revolving Facility) to Consolidated Interest Incurred (4)	3.16	≥	1.25
Investments in Homebuilding Joint Ventures or Consolidated Homebuilding Non-Guarantor Entities (5)	$906.5	≤	$1,217.7

(1) The minimum covenant requirement amount is subject to increase over time based on subsequent earnings (without deductions for losses) and proceeds from equity offerings.
(2) Net Homebuilding Debt represents Consolidated Homebuilding Debt reduced for certain cash balances in excess of $5 million.
(3) Under the liquidity and interest coverage covenant, we are required to either (i) maintain an unrestricted cash balance in excess of our consolidated interest incurred for the previous four fiscal quarters or (ii) satisfy a minimum interest coverage ratio. At June 30, 2017, we met the condition described in clause (ii).
(4) Consolidated Interest Incurred excludes noncash interest expense.
(5) Net investments in unconsolidated homebuilding joint ventures or consolidated homebuilding non-guarantor entities must not exceed 35% of consolidated tangible net worth plus $80 million.

Letter of Credit Facilities. As of June 30, 2017, in addition to our $350 million letter of credit sublimit under our revolving credit facility, we were party to four committed letter of credit facilities totaling $48.0 million, of which $25.9 million was outstanding. These facilities require cash collateralization and have maturity dates ranging from October 2017 to August 2020. As of June 30, 2017, these facilities were secured by cash collateral deposits of $26.4 million. Upon maturity, we may renew or enter into new letter of credit facilities with the same or other financial institutions.

Senior and Convertible Senior Notes. As of June 30, 2017, the principal amount outstanding on our senior and convertible senior notes payable consisted of the following:

	June 30, 2017
	(Dollars in thousands)
8.375% Senior Notes due May 2018	$ 575,000
1.625% Convertible Senior Notes due May 2018	224,999
0.25% Convertible Senior Notes due June 2019	267,500
6.625% Senior Notes due May 2020	300,000
8.375% Senior Notes due January 2021	400,000
6.25% Senior Notes due December 2021	300,000
5.375% Senior Notes due October 2022	250,000
5.875% Senior Notes due November 2024	425,000
5.25% Senior Notes due June 2026	400,000
5.00% Senior Notes due June 2027	350,000
1.25% Convertible Senior Notes due August 2032	253,000
	$ 3,745,499

As required by the applicable note indentures, certain Company subsidiaries guarantee the Company's obligations under the notes. The guarantees are unsecured obligations of each subsidiary, ranking equal in right of payment with all such subsidiary's existing and future unsecured and unsubordinated indebtedness. Interest on each series of notes is payable semi-annually. Each of the senior notes rank equally with all of the Company's other unsecured and unsubordinated indebtedness.

The Company's notes contain various restrictive covenants, including, but not limited to, a limitation on secured indebtedness and a restriction on sale leaseback transactions. As of June 30, 2017, we were in compliance with the covenants required by our senior notes.

The Company's 1.625% Convertible Senior Notes due 2018 are senior unsecured obligations of the

Company and are guaranteed by the guarantors of our other senior notes on a senior unsecured basis. The 1.625% Convertible Notes will mature on May 15, 2018, unless earlier converted or repurchased. The holders may convert their 1.625% Convertible Notes at any time into shares of the Company's common stock at a conversion rate of 31.8753 shares of common stock per $1,000 of their principal amount (which is equal to a conversion price of approximately $31.37 per share), subject to adjustment. The Company may not redeem the 1.625% Convertible Notes prior to the stated maturity date.

The Company's 0.25% Convertible Senior Notes due 2019 are senior unsecured obligations of the Company and are guaranteed by the guarantors of our other senior notes on a senior unsecured basis. The 0.25% Convertible Notes will mature on June 1, 2019, unless earlier converted, redeemed or repurchased. The holders may convert their 0.25% Convertible Notes at any time into shares of the Company's common stock at a conversion rate of 13.6118 shares of common stock per $1,000 of their principal amount (which is equal to a conversion price of approximately $73.47 per share), subject to adjustment. The Company may not redeem the 0.25% Convertible Notes prior to June 6, 2017. On or after that date, the Company may redeem for cash any or all of the 0.25% Convertible Notes, at its option, if the closing sale price of its common stock for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending within 5 trading days immediately preceding the date on which it provides notice of redemption, including the last trading day of such 30 day trading period, exceeds 130 percent of the applicable conversion price on each applicable trading day. The redemption price will equal 100 percent of the principal amount of the 0.25% Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

The Company's 1.25% Convertible Senior Notes due 2032 are senior unsecured obligations of the Company and are guaranteed by the guarantors of our other senior notes on a senior unsecured basis. The 1.25% Convertible Notes will mature on August 1, 2032, unless earlier converted, redeemed or repurchased. The holders may convert their 1.25% Convertible Notes at any time into shares of the Company's common stock at a conversion rate of 24.9496 shares of common stock per $1,000 of their principal amount (which is equal to a conversion price of approximately $40.08 per share), subject to adjustment. The Company may not redeem the 1.25% Convertible Notes prior to August 5, 2017. On or after August 5, 2017 and prior to the maturity date, the Company may redeem for cash all or part of the 1.25% Convertible Notes at a redemption price equal to 100% of the principal amount of the 1.25% Convertible Notes being redeemed. On each of August 1, 2017, August 1, 2022 and August 1, 2027, holders of the 1.25% Convertible Notes may require the Company to purchase all or any portion of their 1.25% Convertible Notes for cash at a price equal to 100% of the principal amount of the 1.25% Convertible Notes to be repurchased. We plan to redeem the remaining $253 million of our 1.25% convertible senior notes due August 2032, on August 7, 2017, unless such notes are earlier repurchased or converted.

In April 2017, the Company issued $225 million in aggregate principal amount of senior notes, consisting of $125 million aggregate principal amount of additional notes to the Company's existing 5.875% Senior Notes due 2024 and $100 million aggregate principal amount of additional notes to the Company's existing 5.25% Senior Notes due 2026, each of which are senior unsecured obligations of the Company and are guaranteed by the guarantors of our other senior notes on a senior unsecured basis. A portion of the net proceeds of this issuance were used to repay the remaining $230 million principal balance of our 8.4% Senior Notes upon maturity in May 2017.

During June 2017, the Company issued $350 million in aggregate principal amount of 5.00% Senior Notes due 2027, which are senior unsecured obligations of the Company and are guaranteed by the guarantors of our other senior notes on a senior unsecured basis.

Potential Future Transactions. In the future, we may, from time to time, undertake negotiated or open market purchases of, or tender offers for, our notes prior to maturity when they can be purchased at prices that we believe are attractive. We may also, from time to time, engage in exchange transactions (including debt for equity and debt for debt transactions) for all or part of our notes. Such transactions, if any, will depend on market conditions, our liquidity requirements, contractual restrictions and other factors.

Joint Venture Loans. As described more particularly under the heading "Off-Balance Sheet Arrangements", our land development and homebuilding joint ventures have historically obtained secured acquisition, development and/or construction financing. This financing is designed to reduce the use of funds from our corporate financing sources. As of June 30, 2017, only two joint ventures had project specific debt outstanding, which totaled $30.2 million. This joint venture bank debt was non-recourse to us. At June 30, 2017, we had no joint venture surety bonds outstanding subject to indemnity arrangements by us.

Secured Project Debt and Other Notes Payable. At June 30, 2017, we had $27.0 million outstanding in secured project debt and other notes payable. Our secured project debt and other notes payable consist of seller non-recourse financing and community development district and similar assessment district bond financings used to finance land acquisition, development and infrastructure costs for which we are responsible.

Mortgage Credit Facility. At June 30, 2017, we had $149.8 million outstanding under our mortgage financing subsidiary's mortgage credit facility. This mortgage credit facility consisted of a $300 million uncommitted repurchase facility with one lender, maturing in June 2018. This facility requires our mortgage financing subsidiary to maintain cash collateral accounts, which totaled $3.0 million as of June 30, 2017, and also contains financial covenants which require CalAtlantic Mortgage to, among other things, maintain a minimum level of tangible net worth, not to exceed a debt to tangible net worth ratio, maintain a minimum liquidity amount based on a measure of total assets (inclusive of the cash collateral requirement), and satisfy pretax income (loss) requirements. As of June 30, 2017, CalAtlantic Mortgage was in compliance with the financial and other covenants contained in this facility.

Surety Bonds. Surety bonds serve as a source of liquidity for the Company because they are used in lieu of cash deposits and letters of credit that would otherwise be required by governmental entities and other third parties to ensure our completion of the infrastructure of our communities and other performance obligations. At June 30, 2017, we had approximately $947.5 million in surety bonds outstanding (exclusive of surety bonds related to our joint ventures), with respect to which we had an estimated $500.3 million remaining in cost to complete.

Availability of Additional Liquidity. Over the last several years we have focused on acquiring and developing strategically located and appropriately priced land and on designing and building highly desirable, amenity-rich communities and homes that appeal to the home buying segments we target. In the near term, so long as we are able to continue to find appropriately priced land opportunities, we plan to continue with this strategy. To that end, we may utilize cash generated from our operating activities, our $750 million revolving credit facility (including through the exercise of the accordion feature which would allow the facility be increased up to $1.2 billion, subject to the availability of additional capital commitments and certain other conditions) and the debt and equity capital markets to finance these activities.

It is important to note, however, that the availability of additional capital, whether from private capital sources (including banks) or the public capital markets, fluctuates as market conditions change. There may be times when the private capital markets and the public debt or equity markets lack sufficient liquidity or when our securities cannot be sold at attractive prices, in which case we would not be able to access capital from these sources. A weakening of our financial condition, including in particular, a material increase in our leverage or a decrease in our profitability or cash flows, could adversely affect our ability to obtain necessary funds, result in a credit rating downgrade or change in outlook, or otherwise increase our cost of borrowing.

Dividends. For the three months ended June 30, 2017 and 2016, we paid a dividend of $0.04 per share on June 30, 2017 and 2016, respectively. On July 28, 2017 our Board of Directors declared a dividend of $0.04 per share to be paid on September 30, 2017 to holders of record on September 15, 2017.

Stock Repurchases. On July 27, 2016, our Board of Directors authorized a new $500 million stock repurchase plan. During the six months ended June 30, 2017, we repurchased 4.4 million shares of our common stock, and as of June 30, 2017, we had remaining authorization to repurchase $217.4 million of our common stock.

Leverage. Our homebuilding debt to total book capitalization as of June 30, 2017 was 47.0%. In addition, our homebuilding debt to adjusted homebuilding EBITDA for the trailing twelve month periods ended June 30, 2017 and 2016 was 3.8x and 4.4x, respectively, and our adjusted net homebuilding debt to adjusted homebuilding EBITDA was 3.6x and 4.1x, respectively (please see page 27 for the reconciliation of net income, calculated and presented in accordance with GAAP, to adjusted homebuilding EBITDA). We believe that these adjusted ratios are useful to investors as additional measures of our ability to service debt.

Off-Balance Sheet Arrangements

Land Purchase and Option Agreements

We are subject to customary obligations associated with entering into contracts for the purchase of land and improved homesites. These purchase contracts typically require us to provide a cash deposit or deliver a letter of credit in favor of the seller, and our purchase of properties under these contracts is generally contingent upon satisfaction of certain requirements by the sellers, including obtaining applicable property and development entitlements. We also utilize option contracts with land sellers 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 near-term use of funds from our corporate financing sources. Option contracts generally require us to provide a non-refundable deposit for the right to acquire lots over a specified period of time at predetermined prices. We generally have the right at our discretion to terminate our obligations under both purchase contracts and option contracts by forfeiting our cash deposit or by repaying amounts drawn under a letter of credit provided by us with no further financial responsibility to the land seller, although in certain instances, the land seller has the right to compel us to purchase a specified number of lots at predetermined prices.

In some instances, we may also expend funds for due diligence, development and construction activities with respect to our land purchase and option contracts prior to purchase, which we would have to write off should we not purchase the land. At June 30, 2017, we had non-refundable cash deposits outstanding of approximately $76.9 million and capitalized pre-acquisition and other development and construction costs of approximately $31.9 million relating to land purchase and option contracts having a total remaining purchase price of approximately $1,058.3 million.

Our utilization of 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, general housing market conditions, and geographic preferences. Options may be more difficult to procure from land sellers in strong housing markets and are more prevalent in certain geographic regions.

Land Development and Homebuilding Joint Ventures

Historically, we have entered into land development and homebuilding joint ventures from time to time as a means of:

- accessing larger or highly desirable lot positions
- establishing strategic alliances
- leveraging our capital base
- expanding our market opportunities
- managing the financial and market risk associated with land holdings

These joint ventures have historically obtained secured acquisition, development and/or construction financing designed to reduce the use of funds from our corporate financing sources. As of June 30, 2017,

we held ownership interests in 27 homebuilding and land development joint ventures, of which 13 were active and 14 were inactive or winding down. As of such date, only two joint ventures had project specific debt outstanding, which totaled $30.2 million. This joint venture debt is non-recourse to us and is scheduled to mature in September 2017. At June 30, 2017, we had no joint venture surety bonds outstanding subject to indemnity arrangements by us.

Critical Accounting Policies

The preparation of our condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of our assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and judgments, including those that impact our most critical accounting policies. We base our estimates and judgments on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. We believe that the accounting policies related to the following accounts or activities are those that are most critical to the portrayal of our financial condition and results of operations and require the more significant judgments and estimates:

- Segment reporting;
- Inventories and impairments;
- Stock-based compensation;
- Homebuilding revenue and cost of sales;
- Variable interest entities;
- Unconsolidated homebuilding and land development joint ventures;
- Warranty accruals;
- Insurance and litigation accruals;
- Income taxes; and
- Goodwill.

There have been no significant changes to our critical accounting policies from those described in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2016.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks related to fluctuations in interest rates on our rate-locked loan commitments, mortgage loans held for sale and outstanding variable rate debt. Other than forward sales commitments in connection with preselling loans to third party investors and forward sale commitments of mortgage-backed securities entered into by our financial services subsidiary for the purpose of hedging interest rate risk as described below, we did not utilize swaps, forward or option contracts on interest rates or commodities, or other types of derivative financial instruments as of or during the six months ended June 30, 2017. We have not entered into and currently do not hold derivatives for trading or speculative purposes.

As part of our ongoing operations, we provide mortgage loans to our homebuyers through our mortgage financing subsidiary, CalAtlantic Mortgage. For a portion of its loan originations, CalAtlantic Mortgage manages the interest rate risk associated with making loan commitments to our customers and holding loans for sale by preselling loans. Preselling loans consists of obtaining commitments (subject to certain conditions) from third party investors to purchase the mortgage loans while concurrently extending interest rate locks to loan applicants. Before completing the sale to these investors, CalAtlantic Mortgage finances these loans under its mortgage credit facility for a short period of time (typically for 30 to 45 days), while the investors complete their administrative review of the applicable loan documents. While preselling these loans reduces risk, we remain subject to risk relating to investor non-performance, particularly during periods of significant market turmoil. As of June 30, 2017, CalAtlantic Mortgage had approximately

$154.8 million in closed mortgage loans held for sale and $23.4 million of mortgage loans in process that we were committed to sell to investors subject to our funding of the loans and the investors' completion of their administrative review of the applicable loan documents.

CalAtlantic Mortgage also originates a portion of its mortgage loans on a non-presold basis. When originating mortgage loans on a non-presold basis, CalAtlantic Mortgage locks interest rates with its customers and funds loans prior to obtaining purchase commitments from third party investors, thereby creating interest rate risk. To hedge this interest rate risk, CalAtlantic Mortgage enters into forward sale commitments of mortgage-backed securities. Loans originated in this manner are typically held by CalAtlantic Mortgage and financed under its mortgage credit facility for a short period of time (typically for 30 to 45 days) before the loans are sold to third party investors. CalAtlantic Mortgage utilizes third party hedging software to assist with the execution of its hedging strategy for loans originated on a non-presold basis. While this hedging strategy is designed to assist CalAtlantic Mortgage in mitigating risk associated with originating loans on a non-presold basis, these instruments involve elements of market risk related to fluctuations in interest rates that could result in losses on loans originated in this manner. As of June 30, 2017, CalAtlantic Mortgage had approximately $315.2 million of mortgage loans in process that were or are expected to be originated on a non-presold basis, all of which were hedged by forward sale commitments of mortgage-backed securities prior to entering into loan sale transactions with third party investors.

ITEM 4. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of the end of the period covered by this quarterly report on Form 10-Q, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as such term is defined in Exchange Act Rules 13a-15(e) and 15d-15(e), including controls and procedures to timely alert management to material information relating to CalAtlantic Group, Inc. and its subsidiaries required to be included in our periodic SEC filings. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures were effective as of the end of the period covered by this report.

Change in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In addition, other statements we may make from time to time, such as press releases, oral statements made by Company officials and other reports we file with the Securities and Exchange Commission, may also contain such forward-looking statements. These statements, which represent our expectations or beliefs regarding future events, may include, but are not limited to, statements regarding:

- our strategy;
- housing market and economic conditions and trends in the geographic markets in which we operate;
- our land acquisition strategy and our sources of funds relating thereto;
- litigation outcomes and related costs;
- the outcome and impact relating to our remediation of an issue relating to certain fire rated I-joist products that we purchased from a third party manufacturer;

- plans to repurchase our common stock, purchase notes prior to maturity and engage in debt exchange transactions;
- the impact of recent accounting standards;
- amounts remaining to complete relating to existing surety bonds; and
- our interest rate hedging and derivatives strategy.

Forward-looking statements are based on our current expectations or beliefs regarding future events or circumstances, and you should not place undue reliance on these statements. Such statements involve known and unknown risks, uncertainties, assumptions and other factors—many of which are out of our control and difficult to forecast—that may cause actual results to differ materially from those that may be described or implied. Such factors include, but are not limited to, the following:

- adverse economic developments that negatively impact the demand for homes;
- the market value and availability of land;
- the willingness of customers to purchase homes at times when mortgage-financing costs are high or when credit is difficult to obtain;
- competition with other homebuilders as well as competition from the sellers of existing homes and rental properties;
- the cost and availability of labor and materials;
- our ability to obtain suitable bonding for development of our communities;
- high cancellation rates;
- the risk of our longer term acquisition strategy;
- adverse weather conditions, natural disasters and climate change;
- product liability and warranty claims;
- the inherent danger of our building sites;
- our reliance on subcontractors and their ability to construct our homes;
- risks relating to our mortgage financing activities, including our obligation to repurchase loans we previously sold in the secondary market;
- our dependence on key employees;
- risks relating to acquisitions, including integration risks;
- our failure to maintain the security of our electronic and other confidential information;
- the adverse effects of negative media publicity;
- government regulation, including environmental, building, energy efficiency, climate change, worker health, safety, mortgage lending, title insurance, zoning and land use regulation;
- increased regulation of the mortgage industry;
- changes to tax laws that make homeownership more expensive;
- the impact of "slow growth", "no growth" and similar initiatives;
- our ability to obtain additional capital when needed and at an acceptable cost;
- the amount of, and our ability to repay, renew or extend, our outstanding debt and its impact on our operations and our ability to obtain financing;
- our ability to generate cash, including to service our debt;
- risks relating to our unconsolidated joint ventures, including our ability and the ability of our partners to contribute funds to our joint ventures when needed or contractually agreed to, entitlement and development risks for the land owned by our joint ventures, the availability of financing to the joint ventures, our completion obligations to the joint ventures, the illiquidity of our joint venture investments, partner disputes, and risks relating to our determinations concerning the consolidation or non-consolidation of our joint venture investments;
- the influence of our principal stockholder;
- the provisions of our charter, bylaws, stockholders' rights agreements and debt covenants that could prevent a third party from acquiring us or limit the price investors might be willing to pay for shares of our common stock; and
- other risks discussed in this report and our other filings with the Securities and Exchange Commission, including in our Annual Report on Form 10-K for the year ended December 31, 2016.

Except as required by law, we assume no, and hereby disclaim any, obligation to update any of the foregoing or any other forward-looking statements. We nonetheless reserve the right to make such updates from time to time by press release, periodic report or other method of public disclosure without the need for specific reference to this report. No such update shall be deemed to indicate that other statements not addressed by such update remain correct or create an obligation to provide any other updates.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Various claims and actions that we consider normal to our business have been asserted and are pending against us. We do not believe that any of such claims and actions are material to our financial statements.

ITEM 1A. RISK FACTORS

There has been no material change in our risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016. For a detailed description of risk factors, refer to Item 1A, "Risk Factors", of our Annual Report on Form 10-K for the year ended December 31, 2016.

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

During the three months ended June 30, 2017, we repurchased the following shares under our repurchase program:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (1)
April 1, 2017 to April 30, 2017	—	—	—	
May 1, 2017 to May 31, 2017	536,066	$35.44	536,066	$348,393,263
June 1, 2017 to June 30, 2017	3,888,277	$33.69	3,888,277	$217,403,932
Total	4,424,343	$33.90	4,424,343	

(1) On July 28, 2016, our Board of Directors announced a new $500 million common stock repurchase plan. The stock repurchase plan has no stated expiration date and replaces in its entirety the $200 million authorized by our Board of Directors on February 11, 2016.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

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

On July 25, 2017, the Board of Directors authorized the Company to enter into Change in Control and Severance Protection Agreements with named executive officers Jeff McCall and Wendy Marlett and certain other company officers and a Severance Protection Agreement with Peter Skelly. The Agreements have a two year term with a rolling one year extension. A form of the Change in Control and Severance Protection Agreement is attached hereto as Exhibit 10.1. With respect to Mr. McCall and Mrs. Marlett,

these agreements replace in their entirety their prior Change in Control and Severance Protection Agreements which were set to expire on October 1, 2017. Mr. Skelly's prior change in control agreement continues to remain in full force and effect and his new Severance Protection Agreement contains only the non-change in control severance provisions contained in Exhibit 10.1. Pursuant to the severance protection provisions of Mr. Skelly, Mr. McCall and Ms. Marlett's agreements, if the executive's employment with the Company is terminated without cause (cause generally consisting of various bad acts described more particularly in the agreement) other than in connection with a change in control, the executive is entitled to receive a lump sum payment equal to a multiple (1.5x) of the sum of his or her current base salary plus an amount equal to the annual cash incentive bonus paid to the executive for the year prior to the year of termination, a pro-rata bonus for the year of termination, Company paid COBRA for 1.5 years, and an outplacement benefit. The amount of the pro-rata bonus is determined by multiplying the actual bonus that would otherwise be due to executive for the year of termination by the quotient obtained by dividing the number of days in the year up to and including the date of termination by 365. No special treatment of equity awards is provided.

If Mr. McCall or Ms. Marlett's employment with the Company is terminated by the Company without cause or by the executive for good reason (generally consisting of adverse changes in responsibilities, compensation, benefits or location of work place) in connection with a change in control (i.e., "Double-Trigger" required for payouts), the executive is entitled to receive a lump sum payment equal to a multiple (2x) of the sum of his or her current base salary plus his or her target bonus for the year of termination, Company paid COBRA for two years, an outplacement benefit, and an additional pro-rata bonus. The amount of the pro-rata bonus is determined by multiplying the target bonus for the year of termination by the quotient obtained by dividing the number of days in the year up to and including the date of termination by 365. In addition, all unvested equity awards will vest as of the date of termination. Mr. Skelly is not subject to these change in control provisions and his previously disclosed change in control agreement remains in full force and effect.

The foregoing description is qualified in its entirety by reference to the form of Severance and Change in Control Protection Agreement attached hereto as Exhibit 10.1.

ITEM 6. EXHIBITS

4.1	Twenty-Eighth Supplemental Indenture, dated as of June 9, 2017, by and among the Company, the Guarantors and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed on June 9, 2017.
+10.1	Form of Severance and Change in Control Protection Agreement.
31.1	Certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from CalAtlantic Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, formatted in eXtensible Business Reporting Language (XBRL): (i) Unaudited Condensed Consolidated Statements of Operations, (ii) Unaudited Condensed Consolidated Statements of Comprehensive Income, (iii) Unaudited Condensed Consolidated Balance Sheets, (iv) Unaudited Condensed Consolidated Statements of Cash Flows, and (v) Notes to Unaudited Condensed Consolidated Financial Statements.

(+) Management contract, compensation plan or arrangement.

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.

CALATLANTIC GROUP, INC.
(Registrant)

Dated: July 28, 2017	By: /s/ LARRY T. NICHOLSON Larry T. Nicholson President and Chief Executive Officer (Principal Executive Officer)
Dated: July 28, 2017	By: /s/ JEFF J. MCCALL Jeff J. McCall Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit 10.1

SEVERANCE AND CHANGE IN CONTROL PROTECTION AGREEMENT

THIS SEVERANCE AND CHANGE IN CONTROL PROTECTION AGREEMENT (this "Agreement") is made and entered into as of the 25th day of July, 2017 by and between CalAtlantic Group, Inc., a Delaware corporation (the "Company") and [EXECUTIVE] (the "Executive").

WHEREAS, the Executive has made and is expected to make a major contribution to the profitability, growth and financial strength of the Company;

WHEREAS, the Company considers the continued availability of the Executive's services, managerial skills and business experience to be in the best interest of the Company and its stockholders and desires to assure the continued services of the Executive on behalf of the Company;

WHEREAS, the Executive is willing to remain in the employ of the Employer upon the understanding that the Employer will provide him or her with income security and health benefits in accordance with the terms and conditions contained in this Agreement; and

WHEREAS, the Executive and the Company desire to replace and supersede any existing severance and/or change in control agreement between the Executive and the Company (or any predecessor) with this Agreement.

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

1. Definitions . Whenever the following terms are used in this Agreement, they shall have the meaning specified below unless the context clearly indicates to the contrary:

1.01 " Annual Compensation Amount " shall mean the sum of (i) the Executive's annual base salary for the year in which the Date of Termination occurs (ignoring for this purpose any reduction that would constitute grounds for a Good Reason resignation), and (ii) the Bonus Amount.

1.02 " Board " shall mean the Board of Directors of the Company.

1.03 " Bonus Amount " shall mean (i) if Section 3.01 applies, the Executive's actual annual cash bonus earned by the Executive for the calendar year immediately preceding the calendar year in which the Date of Termination occurs or (ii) if Section 3.02 applies, the Executive's target annual cash bonus for the calendar year in which the Date of Termination occurs.

1.04 " Cause " shall mean the occurrence or existence of any of the following with respect to the Executive:

(a) the Executive's conviction by, or entry of a plea of guilty or nolo contendere in, a court of competent and final jurisdiction for any crime involving moral turpitude or any felony punishable by imprisonment in the jurisdiction involved;

(b) whether prior to or subsequent to the date hereof, the Executive's willfully engaging in dishonest or fraudulent actions or omissions which results directly or indirectly in any demonstrable material financial or economic harm to the Company or its affiliates;

(c) the Executive's willful breach or willful and habitual neglect of his or her material duties, and such breach or neglect remains uncured for a period of thirty (30) days after written notice from the Company;

(d) the repeated non-prescription use of any controlled substance which in the Board's reasonable determination renders the Executive unfit to serve in his or her capacity as an officer or employee of the Company or its affiliates; or

(e) the Executive's intentional or reckless destruction of substantial property or assets of the Company or its affiliates.

The Executive shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the Executive a Notice of Termination and a certified copy of a resolution of the Board adopted by the affirmative vote of not less than a majority of the entire membership of the Board (other than the Executive if he or she is a member of the Board at such time) at a meeting called and held for that purpose and at which the Executive was given an opportunity to be heard, finding that the Executive was guilty of conduct constituting Cause based on reasonable evidence, specifying the particulars thereof in detail. For purposes hereof, no act or failure to act on the Executive's part shall be considered "willful" unless done or omitted to be done by him or her not in good faith and without reasonable belief that his or her action or omission was in the best interest of the Company.

1.05 " Change in Control " shall mean the occurrence of any of the following:

(a) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) or group of persons acting in concert (other than the Company or any subsidiary thereof or any employee benefit plan of the Company or any subsidiary thereof, or any underwriter in connection with a firm commitment public offering of the Company's capital stock) becomes the "beneficial owner" (as such term is defined in Rule 13d-3 of the Exchange Act except that a person shall also be deemed the beneficial owner of all securities which such person has a right to acquire, whether or not such right is presently exercisable), directly or indirectly, of securities of the Company representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding securities ordinarily having the right to vote in the election of directors ("voting stock");

(b) during any period subsequent to the date of this Agreement, a majority of the members of the Board shall not for any

reason be the individuals who at the beginning of such period constitute the Board or those persons who are nominated as new directors by a majority of the current directors or their successors who have been so nominated;

(c) there shall be consummated any merger, consolidation (including a series of mergers or consolidations), or any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company (meaning assets representing fifty percent (50%) or more of the net tangible assets of the Company and its subsidiaries, taken as a whole, or generating fifty percent (50%) or more of the operating cash flow of the Company and its subsidiaries, taken as a whole, in each case measured over the Company's last four full fiscal quarters), or any other similar business combination or transaction, but excluding any business combination or transaction which would result in the holders of the Company's voting stock outstanding immediately prior thereto continuing to hold (either by ownership of such voting stock or by such voting stock being converted into voting stock of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting stock of the Company (or such surviving entity) outstanding immediately after giving effect to such business combination or transaction;

(d) the adoption of any plan or proposal for the liquidation or dissolution of the Company; or

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(e) the occurrence of any other event that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A of the Exchange Act as in effect on the date hereof.

For the avoidance of doubt, the acquisition of additional interests in the Company or assets of the Company by MP CA Homes LLC or any affiliate thereof shall not be deemed to result in a Change in Control.

1.06 " Code " shall mean the Internal Revenue Code of 1986, as amended.

1.07 " Company " shall mean CalAtlantic Group, Inc., a Delaware corporation, and, as permitted by Section 9.04 , its successors and assigns.

1.08 " Date of Termination " shall mean the earliest to occur of the following events: (a) if the Executive's employment is terminated by his death, the date of the Executive's death, (b) if the Executive's employment is terminated due to a Disability, thirty (30) days after the Notice of Termination is given (provided that the Executive shall not have returned to the performance of his or her duties on a full-time basis during such period), (c) if the Executive's employment is terminated pursuant to a termination for Cause, the date specified in the Notice of Termination, and (d) if the Executive's employment is terminated for any other reason, fifteen (15) days after delivery of the Notice of Termination unless otherwise agreed by the Executive and the Company.

1.09 " Disability " shall mean if, as a result of the Executive's injury, illness or other physical or mental impairment, the Executive shall have been unable to perform his or her material duties with the Employer on a full-time basis for four (4) months of any consecutive six (6) month period due to a condition that is reasonably expected to last at least twelve (12) months. Any determination of Disability shall be made by the Company in good faith.

1.10 " Effective Date " shall mean the date hereof.

1.11 " Employer " shall mean the Company or its subsidiary employing Executive, *provided however* , that nothing contained herein shall prohibit the Company or another of its subsidiaries from fulfilling any obligation of the employing entity to the Executive hereunder and for purposes of this Agreement any such action will be deemed the act of the Employer, and *provided further* that for purposes of calculating tenure with Employer, time employed by the Company or any of its subsidiaries shall be considered tenure with the Employer.

1.12 " Exchange Act " shall mean the Securities Exchange Act of 1934, as amended.

1.13 " Good Reason " shall mean the occurrence of any of the following without the Executive's express written consent following a Change in Control:

(a) (i) the assignment to the Executive of any duties materially and adversely inconsistent with the Executive's positions, duties, responsibilities and status;

(ii) a material adverse alteration in the nature of the Executive's reporting responsibilities, titles, or offices with Employer, or

(iii) any removal of the Executive from, or any failure to reelect the Executive to, any positions held by the Executive immediately prior to the Change in Control, except in connection with a termination of the employment of the Executive for Cause, Disability, or as a result of the Executive's death or by the Executive other than for Good Reason;

(b) a reduction by the Employer in the Executive's base salary;

(c) a (i) reduction in the Executive's target annual cash bonus opportunity or equity incentive opportunity (provided, however, that if either the target annual cash bonus opportunity or equity incentive opportunity is reduced but the aggregate of such opportunities is not reduced, this subparagraph (c)(i) shall not apply), or (ii) material reduction in the aggregate value of the employee benefits made available to the Executive;

(d) any material breach by the Company of any provision of this Agreement or any other material agreement between the Company and the Executive; or

(e) the requirement by the Employer that the Executive's principal place of employment be relocated more than thirty-five (35) miles from his or her place of employment prior to the Change in Control, or that the Executive must travel on the Employer's business to an extent materially greater than the Executive's customary business travel obligations prior to the Change in Control.

Notwithstanding the foregoing, (i) across-the-board reductions in total compensation of all full-time Company employees by no more than 15% that apply to the Executive on the same basis as to all other such employees shall not result in Good Reason under paragraph (b) or (c) hereof, and (ii) the Executive will not be deemed to have "Good Reason" to terminate the Executive's employment hereunder unless (x) the Executive provides the Board with a written notice detailing the specific circumstances alleged to constitute Good Reason within thirty (30) days after the first occurrence of such circumstances, (y) the Company is given a period of thirty (30) days following receipt of such written notice to cure the applicable Good Reason condition, if susceptible to cure, and (z) the Executive actually terminates employment within ninety (90) days following the expiration of the Company's thirty (30)-day cure period. If the Executive does not so terminate, any claim of such circumstances of "Good Reason" shall be deemed irrevocably waived by the Executive.

In addition, it shall not constitute Good Reason solely because the Company places the Executive on "garden leave" for a period of up to thirty (30) days (i) during the period described in (y) of the immediately-preceding paragraph during which time the Company determines whether the grounds for such Good Reason resignation exist or (ii) while the Company determines whether it has "Cause" to terminate the Executive's employment; provided that, during such period, the Company shall continue to provide the Executive the base salary, employee benefits and other compensation that would otherwise be payable to the Executive during such period as an active employee.

1.14 " Notice of Termination " shall mean a written notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

1.15 " Pro Rata Bonus " shall mean the product of (a) the greater of (i) the Executive's target annual cash bonus for the calendar year preceding the calendar year in which the Change in Control occurred or (ii) the Executive's target annual cash bonus for the calendar year in which the Date of Termination occurs, and (b) a fraction, (x) the numerator of which is the number of days up to and including the Date of Termination in the calendar year in which the Date of Termination occurs, and (y) the denominator of which is 365.

1.16 " Termination of Employment " shall mean the time when the employee-employer relationship between the Executive and the Employer is terminated for any reason, voluntarily or involuntarily, with or without Cause, including, without limitation, a termination by reason of resignation, discharge (with or without Cause), Disability, death or retirement, but excluding terminations where there is a simultaneous re-employment by the Company or a subsidiary of the Company; provided that such event constitutes a "separation from service" within the meaning of Section 409A of the Code.

2. Term . This Agreement shall terminate, except to the extent that any obligation of the Company hereunder remains unpaid as of such time, upon the second anniversary of the Effective Date. Notwithstanding the foregoing, on each anniversary of the Effective Date, the term of this Agreement automatically shall be extended for one additional year, unless not less than thirty (30) days prior to such anniversary the Company notifies the Executive in writing that it does not wish to extend the term of this Agreement; provided, however, that no such notice of non-extension may be given during the two-year period following the consummation of a Change in Control.

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3. Termination of Employment of Executive .

3.01 Termination by Company without Cause Outside Change in Control Context . If the Employer terminates the Executive's employment without Cause (other than due to death or Disability) before a Change in Control or more than two (2) years after a Change in Control (provided, that if the Termination of Employment occurs prior to a Change in Control but after a definitive agreement that, if consummated, would effect a Change in Control is entered into and at the request of the acquiror, Section 3.02 shall apply), the Company shall provide the Executive the following benefits, subject to Section 3.05 :

(a) The Company shall pay the Executive a lump sum cash payment on the 30 th day following the Date of Termination an amount equal to one and one-half times the Executive's Annual Compensation Amount.

(b) The Company shall pay the Executive an amount equal to the product of (i) the annual cash bonus the Executive would have been paid for the calendar year in which the Date of Termination occurs had the Executive remained employed through the date of payment (and based on actual Company performance over the entire calendar year), and (ii) a fraction, the numerator of which is the number of days in such calendar year from January 1 through the Date of Termination, and the denominator of which is 365, with such amount to paid at the same time annual bonuses for such calendar year are paid to executives generally, and in all events no later than March 15 of the calendar year following the calendar year in which the Date of Termination occurs.

(c) If the Executive elects COBRA continuation coverage, the Company shall pay the entire premiums for such coverage for the Executive and the Executive's qualified dependents until the earlier of (i) when such coverage is no longer legally required under COBRA or (ii) 18 months following the Date of Termination (provided, however, that if the Company's payment of the cost of such coverage would result in an excise tax on the Company pursuant to the Patient Protection and Affordable Care Act or other penalty to the Company, the Company shall instead pay the amount of such premiums to the Executive in cash on a monthly basis).

(d) The Company shall pay directly to an outplacement service provider selected by the Executive or reimburse the Executive for the cost of outplacement services, in each case, for up to a period of one year following the Date of Termination and in an amount not to exceed $50,000.

(e) Any equity awards shall be treated as specified in the applicable plan and award agreement.

3.02 Termination by Company without Cause or Resignation by Executive for Good Reason in Change in Control Context . If the Employer terminates the Executive's employment without Cause (other than due to death or Disability) or the Executive resigns for Good Reason, in either case within two (2) years following a Change in Control, or the Termination of Employment without Cause occurs prior to a Change in Control, but after a definitive agreement that, if consummated, would effect a Change in Control is entered into and at the request of the acquiror, the Company shall provide the Executive the following benefits, subject to Section 3.05 :

(a) The Company shall pay the Executive a lump sum cash payment on the 30 th day following the Date of Termination in an amount equal to the sum of (A) two times the Executive's Annual Compensation Amount, and (B) a Pro Rata Bonus.

(b) For a period of two year(s) following the Date of Termination, the Company shall provide the Executive and the Executive's qualified beneficiaries, at the Company's sole cost, the same medical, dental and vision benefits provided to its active executive officers (provided, however, that if the Company's provisions of such coverage would result in an excise tax on the Company pursuant to the Patient Protection and Affordable Care Act or other penalty to the Company, the Company shall instead pay an amount equal to the cost to the Company of providing such coverage to the Executive in cash on a monthly basis over such two-year period). Such coverage shall not be deemed to constitute "alternative coverage" for purposes of COBRA.

(c) All of Executive's equity awards outstanding immediately prior to the Date of Termination shall fully vest and, to the extent relevant, become exercisable. Each stock option and stock appreciation right held by the Executive shall remain exercisable for the shorter of one (1) year following the Date of Termination or the maximum term of such option or stock appreciation right.

(d) The Company shall pay directly to an outplacement service provider selected by the Executive or reimburse the Executive for the cost of outplacement services, in each case, for up to a period of one year following the Date of Termination and in an amount not to exceed $50,000.

3.03 Termination Due to Death or Disability . If the Executive's employment terminates due to death or Disability:

(a) The Executive (or, as applicable, the Executive's estate) shall be paid an amount equal to the product of (i) the annual cash bonus the Executive would have been paid for the calendar year in which the Date of Termination occurs had the Executive remained employed through the date of payment (and based on actual Company performance over the entire calendar year), and (ii) a fraction, the numerator of which is the number of days in such calendar year from January 1 through the Date of Termination, and the denominator of which is 365. Such amount shall be paid to the Executive (or, as applicable, the Executive's estate) at the same time annual bonuses for such calendar year are paid to executives generally, and in all events no later than March 15 of the calendar year following the calendar year in which the Date of Termination occurs.

(b) Any equity awards shall be treated as specified in the applicable plan and award agreement.

3.04 Accrued Benefits . Upon the Executive's Termination of Employment for any reason, in addition to any amounts that may be payable pursuant to Section 3.01 , 3.02 or 3.03 , the Executive shall receive from the Company payments for (i) any and all earned and unpaid portion of the Executive's then effective base salary (on or before the first regular payroll date following the Date of Termination); (ii) accrued but unused vacation/paid time-off; (iii) any and all unreimbursed business expenses (in accordance with the Company's reimbursement policy); and (iv) any other benefits the Executive is entitled to receive as of the Date of Termination under the employee benefit plans of the Company. Such payments shall be made no later than March 15 of the calendar year

following the calendar year in which the Date of Termination occurs (or such earlier date as required by applicable law and, with respect to (iv), at the time specified in the applicable employee benefit plan).

3.05 Release of Claims; Executive Covenants . The payment and provision of the payments and benefits under Sections 3.01 , 3.02 and 3.03 is conditioned upon and subject to the Executive's (or, as applicable, the Executive's estate's) execution of the Company's standard form of Release of Claims (the "Release of Claims") within twenty-one (21) days following the Date of Termination and the Executive (or, as applicable, the Executive's estate) not revoking such Release of Claims prior to the date such Release of Claims becomes irrevocable. The payments and benefits described in Section 3.04 are not subject to a Release of Claims. In addition to the Release of Claims, the payment and provision of the payments and benefits under Sections 3.01 and 3.02 (but not Sections 3.03 and 3.04) is conditioned upon and subject to the Executive's compliance with the following covenants:

(a) Non-Disparagement of Company . The Executive shall not disparage the Company, its officers, directors, employees, agents, subsidiaries, or affiliates, or publish, republish, comment upon, or otherwise disseminate any comments suggesting or otherwise accusing the Company or its agents or employees of any act of discrimination or misconduct. Nothing in this provision shall be construed to prevent the Executive from giving truthful testimony pursuant to a valid subpoena or other legal process or from participating in any charges or claims filed with governmental agencies as set forth in the Release of Claims.

(b) Confidentiality . The Executive acknowledges that in the course of the Executive's employment, certain confidential information has been disclosed to the Executive in confidence including, without limitation, factual and strategic information specifically related to the Company and its affiliates, customers and vendors (" Confidential Company Information "). Except when disclosure is authorized by the Company in writing or legally mandated, the Executive agrees to keep such Confidential Company Information confidential, not to make use of such information on the Executive's own behalf or for any other purpose. Notwithstanding the forgoing, in accordance with the Defend Trade Secrets Act of 2016, the Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made (x) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney; and (y) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. For the avoidance of doubt, nothing in this Agreement prohibits the Executive from voluntarily communicating, without notice to or approval by the Company, with any federal government agency about a potential violation of a federal law or regulation.

(c) Non-Solicitation. Without the prior written consent of the Company, for a period of two (2) years following the Date of Termination, the Executive shall not, directly or indirectly, entice or solicit or seek to induce or influence any individual who is an employee or consultant of the Company or any of its affiliates to leave their employment or engagement with the Company or any of its affiliates.

(d) Corporate Opportunities. Without the prior written consent of the Company, for a period of two (2) years following the termination of the Executive's employment, the Executive will not use Confidential Company Information to solicit, accept or participate in any business opportunities or transactions made known to the Executive in the Executvie's capacity as an employee of, or as a result of the Executvie's employment by, the Company.

(e) Equitable Relief. The Executive agrees that the Executive's violation, or threatened violation, of subsections (a)-(d) above would cause irreparable damage to the Company and its affiliates, and as such, that the Company shall be entitled to seek an injunction prohibiting the Executive from any such violation or threatened violation.

3.06 Notice of Termination . Any termination of the Executive's employment by the Employer or by the Executive (other than termination based on the Executive's death) shall be communicated by the terminating party in a Notice of Termination to the other party hereto.

3.07 Limitation on Certain Payments .

(a) In the event the Company reasonably determines, based upon the advice of the independent public accountants for the Company, that part or all of the consideration, compensation or benefits to be paid to the Executive under this Agreement constitute "parachute payments" under Section 280G(b)(2) of the Code, then, if the aggregate present value of such parachute payments, singularly or together with the aggregate present value of any consideration, compensation or benefits to be paid to the Executive under any other plan, arrangement or agreement which constitute "parachute payments" (collectively, the " Parachute Amount ") exceeds 2.99 times the Executive's "base amount", as defined in Section 280G(b)(3) of the Code (the " Executive Base Amount "), the amounts constituting "parachute payments" which would otherwise be payable to or for the benefit of the Executive shall be reduced to the extent necessary so that the Parachute Amount is equal to 2.99 times the Executive Base Amount (the " Reduced Amount "); provided that such amounts shall not be so reduced if the Executive determines, based upon the advice of an independent nationally recognized public accounting firm (which may, but need not be the independent public accountants of the Company), that (x) the aggregate present value of the consideration, compensation and benefits is at least one hundred ten percent (110%) of 2.99 times the Executive Base Amount, and (y) without such reduction the Executive would be entitled to receive and retain, on a net after-tax basis (including, without limitation, any excise taxes payable under Section 4999 of the Code), an amount which is greater than the amount, on a net after-tax basis, that the Executive would be entitled to retain upon the Executive's receipt of the Reduced Amount.

(b) If the determination made pursuant to Section 3.07(a) results in a reduction of the payments that would otherwise be paid to the Executive except for the application of Section 3.07(a) , the amounts payable or benefits to be provided to the Executive shall be reduced such that the reduction of compensation to be provided to the Executive is minimized. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code, and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis (but not below zero).

(c) As a result of the uncertainty in the application of Section 280G of the Code at the time of a determination hereunder, it is possible that payments will be made by the Company which should not have been made under Section 3.07(a) (" Overpayment ") or that additional payments which are not made by the Company pursuant to Section 3.07(a) should have been made (" Underpayment "). In the event that there is a final determination by the Internal Revenue Service, or a final determination by a court of competent jurisdiction, that an Overpayment has been made, any such Overpayment shall be repaid by the Executive to the Company together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code. In the event that there is a final determination by the Internal Revenue Service, a final determination by a court of competent jurisdiction or a change in the provisions of the Code or regulations pursuant to which an Underpayment arises under this Agreement, any such Underpayment shall be promptly (and in all events no later than December 31 of the calendar year following the calendar year in which the applicable tax is remitted) paid by the Company to or for the benefit of the Executive, together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code.

4. No Mitigation . The Executive shall not be required to mitigate the amount of any payments provided for by this Agreement by seeking employment or otherwise, nor shall the amount of any cash payments or benefit provided under this Agreement be reduced by any compensation or benefit earned by the Executive after his Date of Termination (except as provided with respect to COBRA coverage in Section 3.01(c) above). Notwithstanding the foregoing, if the Executive is entitled, by operation of any applicable law, to unemployment compensation benefits or benefits under the Worker Adjustment and Retraining Act of 1988 (known as the "WARN" Act) in connection with the termination of his or her employment in addition to those required to be paid to him or her under this Agreement, then to the extent permitted by applicable statutory law governing severance payments or notice of termination of employment, the Company shall be entitled to offset the amounts payable hereunder by the amounts of any such statutorily mandated payments.

5. Limitation on Rights .

5.01 No Employment Contract . This Agreement, including the recitals hereto, shall not be deemed to create a contract of employment between the Employer and the Executive and shall create no right in the Executive to continue in the Employer's employment for any specific period of time, or to create any other rights in the Executive or obligations on the part of the Company or its subsidiaries, except as expressly set forth herein. Except as expressly set forth herein, this Agreement shall not restrict the right of the Employer to terminate the Executive's employment at any time for any reason or no reason, or restrict the right of the Executive to terminate his or her employment.

5.02 No Other Exclusions . Except as provided in Section 9.02(b) , this Agreement shall not be construed to exclude the Executive from participation in any other compensation or benefit programs in which he or she is specifically eligible to participate either prior to or following the execution of this Agreement, or any such programs that generally are available to other executive personnel of the Company, nor shall it affect the kind and amount of other compensation to which the Executive is entitled; provided, however, that if amounts are payable pursuant to Section 3.01 or 3.02 hereof, such amounts are in lieu of any amounts payable under any severance plan or policy.

6. Legal Fees and Expenses. If any dispute arises between the parties with respect to the interpretation or performance of this Agreement, the prevailing party in any arbitration or proceeding shall be entitled to recover from the other party its reasonable attorneys' fees, arbitration or court costs and other expenses incurred in connection with any such proceeding. Amounts, if any, paid to the Executive under this Section 6 shall be in addition to all other amounts due to the Executive pursuant to this Agreement.

7. Non-Alienation of Benefits. Except in so far as this provision may be contrary to applicable law, no sale, transfer, alienation, assignment, pledge, collateralization or attachment of any benefits under this Agreement shall be valid or recognized by the Company.

8. Executive Acknowledgment. The Executive acknowledges that he or she has consulted with or has had the opportunity to consult with independent counsel of his or her choice concerning this Agreement, that he or she has read and understands this Agreement and is fully aware of its legal effect.

9. Miscellaneous.

9.01 Duties on Termination. Upon Termination of Employment of Executive for any reason, the Executive or his or her personal representative shall deliver promptly to the Company all equipment, notebooks, documents, memoranda, reports, files, books, keys, correspondence, lists or other written or graphic records, and the like, relating to the business of the Company or its subsidiaries, and all other property of the Company or its subsidiaries, which are then in the Executive's possession or his or her personal representative or under his or her control.

9.02 Entire Agreement.

(a) This Agreement constitutes the entire understanding and sole and entire agreement between the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements (including, without limitation, any Severance and/or Change in Control Agreement previously in effect), negotiations and discussions between the parties hereto and/or their respective counsel and representatives with respect to the subject matter covered hereby.

(b) The severance payments to be made to the Executive hereunder are paid in lieu of any other salary or bonus payments from the Company or its affiliates to which Executive might otherwise be entitled upon Termination of Employment (irrespective of any term to the contrary contained in any other written or oral agreement, or under any plan, arrangement, or policy of the Company or any of its affiliates).

9.03 Amendments. This Agreement may be changed, amended or modified only by a written instrument executed by both of the parties hereto.

9.04 Assignment and Binding Effect.

(a) Neither this Agreement nor the rights or obligations hereunder shall be assignable by the Executive or the Company except that this Agreement shall be assignable to, binding upon and inure to the benefit of any successor of the Company, and any successor shall be deemed substituted for the Company upon the terms and subject to the conditions hereof'.

(b) The Company will require any successor (whether by purchase of assets, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform all of the obligations of the Company under this Agreement (including the obligation to cause any subsequent successor to also assume the obligations of this Agreement) unless such assumption occurs by operation of law. Nothing in this Section 9.04 is intended, however, to require that a person or group referred to in Section 1.05(a) as being the beneficial owner of shares of stock of the Company assume the obligations under this Agreement as a result of such stock ownership.

9.05 No Waiver. No waiver of any term, provision or condition of this Agreement, whether by conduct or otherwise, in any one or more instances shall be deemed or be construed as a further or continuing waiver of any such term, provision or condition or as a waiver of any other term, provision or condition of this Agreement.

9.06 Rules of Construction.

(a) This Agreement has been negotiated and executed in, and shall be governed by and construed in accordance with the laws of, the State of California. Captions contained in this Agreement are for convenience of reference only and shall not be considered or referred to in resolving questions of interpretation with respect to this Agreement.

(b) If any provision of this Agreement is held by a court to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (i) such provision will be fully severable, (ii) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (iii) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom and (iv) in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

9.07 Notices. Any notice required or permitted by this Agreement shall be in writing, delivered by hand, or sent by registered or certified mail, return receipt requested, or by recognized courier service (regularly providing proof of delivery), addressed to the Board and the Company, at the Company's then principal office, or to the Executive at the address set forth under the Executive's signature below, as the case may be, or to such other address or addresses as any party hereto may from time to time specify in writing and deliver to the other party. Notices shall be deemed given when received.

9.08 Tax Withholding. All payments made pursuant to this Agreement are subject to all applicable tax withholdings.

9.09 Section 409A. The parties intend that any compensation, benefits and other amounts payable or provided to the Executive under this Agreement be paid or provided in compliance with Section 409A of the Internal Revenue Code and all regulations, guidance, and other interpretative authority issued thereunder (collectively, " Section 409A ") such that there will be no adverse tax consequences, interest, or penalties for the Executive under Section 409A as a result of the payments and benefits so paid or provided to him. The parties agree to modify this Agreement, or the timing (but not the amount) of the payment hereunder of severance or other compensation, or both, to the extent necessary to comply with and to the extent permissible under Section 409A. In addition, notwithstanding anything to the contrary contained in any other provision of this Agreement, the payments and benefits to be provided the Executive under this Agreement shall be subject to the provisions set forth below.

(a) In the case of any amounts that are payable to the Executive under this Agreement, or under any other "nonqualified deferred compensation plan" (within the meaning of Section 409A) maintained by the Company in the form of installment payments, (i) the Executive's right to receive such payments shall be treated as a right to receive a series of separate payments under Treas. Reg. §1.409A-2(b)(2)(iii), and (ii) to the extent any such plan does not already so provide, it is hereby amended as of the date hereof to so provide, with respect to amounts payable to the Executive thereunder.

(b) If the Executive is a "specified employee" within the meaning of Section 409A at the time of the Executive's "separation from service" within the meaning of Section 409A, then any payment otherwise required to be made to him or her under this Agreement on account of the Executive's separation from service, to the extent such payment (after taking in to account all exclusions applicable to such payment under Section 409A) is properly treated as deferred compensation subject to (and not exempt from) Section 409A, shall not be made until the first business day after (i) the expiration of six months from the date of the Executive's separation from service, or (ii) if earlier, the date of the Executive's death (the " Delayed

Payment Date "). On the Delayed Payment Date, there shall be paid to the Executive or, if the Executive has died, to the Executive's estate, in a single cash lump sum, an amount equal to aggregate amount of the payments delayed pursuant to the preceding sentence.

(c) To the extent that the reimbursement of any expenses or the provision of any in-kind benefits pursuant to this Agreement is subject to Section 409A, (i) the amount of such expenses eligible for reimbursement, or in-kind benefits to be provided hereunder during any one calendar year shall not affect the amount of such expenses eligible for reimbursement or in-kind benefits to be provided hereunder in any other calendar year; provided, however, that the foregoing shall not apply to any limit on the amount of any expenses incurred by the Executive that may be reimbursed or paid under the terms of the Company's medical plan, if such limit is imposed on all similarly situated participants in such plan; (ii) all such expenses eligible for reimbursement hereunder shall be paid to the Executive as soon as administratively practicable after any documentation required for reimbursement for such expenses has been submitted, but in any event by no later than December 31 of the calendar year following the calendar year in which such expenses were incurred; and (iii) the Executive's right to receive any such reimbursements or in-kind benefits shall not be subject to liquidation or exchange for any other benefit.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto as of the date first above written.

CALATLANTIC GROUP, INC	EXECUTIVE
By: ______________________	______________________
Name: Larry T. Nicholson	Name: [EXECUTIVE]
Title: President and Chief Executive Officer	

Exhibit 31.1

Certification:

I, Larry T. Nicholson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CalAtlantic Group, 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2017

/s / LARRY T. NICHOLSON

Larry T. Nicholson
President and Chief Executive Officer

Exhibit 31.2

Certification:

I, Jeff J. McCall, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CalAtlantic Group, 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2017
/s / JEFF J. MCCALL

Jeff J. McCall
Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned hereby certifies, in his capacity as an officer of CalAtlantic Group, Inc., a Delaware corporation (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

- 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, 2017

/s / LARRY T. NICHOLSON

Larry T. Nicholson
President and Chief Executive Officer

/s / JEFF J. MCCALL

Jeff J. McCall
Executive Vice President and Chief Financial Officer