Prospectus Supplement No. 4
(to prospectus dated March 19, 2021)

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-252569

Landsea Homes Corporation

41,301,645 Shares of Common Stock
5,500,000 Warrants to Purchase Common Stock

This prospectus supplement no. 4 is being filed to update and supplement information contained in the prospectus dated March 19, 2021 (the "Prospectus") related to: (1) the issuance by us of up to 7,052,500 shares of our common stock, par value $0.0001 per share ("Common Stock") that may be issued upon exercise of warrants to purchase Common Stock at an exercise price of $11.50 per share of Common Stock, including the public warrants and the Private Placement Warrants (as defined in the Prospectus); and (2) the offer and sale, from time to time, by the Selling Holders (as defined in the Prospectus) identified in the Prospectus, or their permitted transferees, of (i) up to 41,301,645 shares of Common Stock and (ii) up to 5,500,000 Private Placement Warrants, with the information contained in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2021 (the "Report"). Accordingly, we have attached the Report to this prospectus supplement. Any document, exhibit or information contained in the Report that has been deemed furnished and not filed in accordance with Securities and Exchange Commission rules shall not be included in this prospectus supplement.

This prospectus supplement updates and supplements the information in the Prospectus and is not complete without, and may not be delivered or utilized except in combination with, the Prospectus, including any amendments or supplements thereto. This prospectus supplement should be read in conjunction with the Prospectus and any prior amendments or supplements thereto and if there is any inconsistency between the information therein and this prospectus supplement, you should rely on the information in this prospectus supplement.

Our Common Stock and warrants are traded on the Nasdaq Global Market under the symbols "LSEA" and "LSEAW," respectively. On May 14, 2021, the closing price of our Common Stock was $9.12 per share and the closing price of our warrants was $0.213 per warrant.

Investing in our securities involves risks. See "*Risk Factors*" beginning on page 16 of the Prospectus and in any applicable prospectus supplement.

Neither the Securities and Exchange Commission nor any other regulatory body have approved or disapproved these securities, or passed upon the accuracy or adequacy of this prospectus supplement. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is May 17, 2021.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2021
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number 001-38545
Landsea Homes Corporation
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**82-2196021**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
660 Newport Center Drive, Suite 300 Newport Beach, CA	**92660**
(Address of Principal Executive Offices,	(Zip Code)

(949) 345-8080
(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	LSEA	The Nasdaq Capital Market
Warrants exercisable for Common Stock	LSEAW	The Nasdaq Capital Market

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer,"

“accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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

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

As of May 7, 2021, 46,281,091 Class A common stock, par value $0.0001 per share, were issued and outstanding.

Landsea Homes Corporation
Form 10-Q Index
For the Three Months Ended March 31, 2021

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Landsea Homes Corporation
Consolidated Balance Sheets - (Unaudited)

(in thousands, except share and per share amounts)

	March 31, 2021		December 31, 2020	
Assets				
Cash and cash equivalents	$	190,736	$	105,778
Cash held in escrow		4,138		11,618
Restricted cash		—		4,270
Real estate inventories (including related party interest of $15,819 and $18,721, respectively)		724,437		687,819
Due from affiliates		3,097		2,663
Investment in and advances to unconsolidated joint ventures (including related party interest of $972 and $1,320, respectively)		17,172		21,342
Goodwill		20,705		20,705
Other assets		27,254		41,569
Total assets	$	987,539	$	895,764
Liabilities				
Accounts payable	$	40,826	$	36,243
Accrued expenses and other liabilities		51,994		62,869
Due to affiliates		2,357		2,357
Warrant liability		16,225		—
Notes and other debts payable, net		319,479		264,809
Total liabilities		430,881		366,278
Commitments and contingencies				
Equity				
Stockholders' equity:				
Preferred stock, $0.0001 par value, 50,000,000 shares authorized, none issued and outstanding as of March 31, 2021 and December 31, 2020, respectively		—		—
Common stock, $0.0001 par value, 500,000,000 shares authorized, 46,231,025 and 32,557,303 issued and outstanding as of March 31, 2021 and December 31, 2020, respectively		5		3
Additional paid-in capital		530,427		496,171
Retained earnings		24,937		32,011
Total stockholders' equity		555,369		528,185
Noncontrolling interests		1,289		1,301
Total equity		556,658		529,486
Total liabilities and equity	$	987,539	$	895,764

See accompanying notes to the consolidated financial statements.

Landsea Homes Corporation
Consolidated Statements of Operations - (Unaudited)
(in thousands, except share and per share amounts)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Revenue		
Home sales	$ 154,765	$ 136,295
Lot sales	5,654	—
Total revenue	160,419	136,295
Cost of sales		
Home sales (including related party interest of $2,902 and $2,846, respectively)	136,841	119,568
Lot sales	4,780	—
Total cost of sales	141,621	119,568
Gross margin		
Home sales	17,924	16,727
Lot sales	874	—
Total gross margin	18,798	16,727
Sales and marketing expenses	9,931	9,636
General and administrative expenses	14,986	10,016
Total operating expenses	24,917	19,652
(Loss) from operations	(6,119)	(2,925)
Other (expense) income, net	(61)	809
Equity in net (loss) income of unconsolidated joint ventures (including related party interest of $348 and $278, respectively)	(21)	(1,743)
(Loss) on remeasurement of warrant liability	(4,950)	—
Pretax (loss)	(11,151)	(3,859)
(Benefit) for income taxes	(4,065)	(1,235)
Net (loss)	(7,086)	(2,624)
Net (loss) attributed to noncontrolling interests	(12)	(88)
Net (loss) attributable to Landsea Homes Corporation	$ (7,074)	$ (2,536)
(Loss) per share:		
Basic and diluted	$ (0.16)	$ (0.08)
Weighted average common shares outstanding:		
Basic and diluted	44,245,847	32,557,303

See accompanying notes to the consolidated financial statements.

Landsea Homes Corporation

Consolidated Statements of Equity - (Unaudited)

(in thousands, except shares)

	Common Stock		Additional paid-in capital	Retained earnings	Noncontrolling interests	Total stockholders' equity
	Shares	Amount				
Balance at December 31, 2020	1,000	$ —	$ 496,174	$ 32,011	$ 1,301	$ 529,486
Retroactive application of recapitalization	32,556,303	3	(3)	—	—	—
Adjusted balance, beginning of period	32,557,303	$ 3	$ 496,171	$ 32,011	$ 1,301	$ 529,486
Recapitalization transaction, net of fees and deferred taxes	13,673,722	2	31,880	—	—	31,882
Stock-based compensation expense	—	—	2,376	—	—	2,376
Net loss	—	—	—	(7,074)	(12)	(7,086)
Balance at March 31, 2021	46,231,025	$ 5	$ 530,427	$ 24,937	$ 1,289	$ 556,658

	Common Stock		Additional paid-in capital	Retained earnings	Noncontrolling interests	Total stockholders' equity
	Shares	Amount				
Balance at December 31, 2019	1,000	$ —	$ 524,516	$ 40,962	$ 17,892	$ 583,370
Retroactive application of recapitalization	32,556,303	3	(3)	—	—	—
Adjusted balance, beginning of period	32,557,303	$ 3	$ 524,513	$ 40,962	$ 17,892	$ 583,370
Contributions from noncontrolling interests	—	—	—	—	150	150
Net loss	—	—	—	(2,536)	(88)	(2,624)
Net transfers from parent	—	—	(6,735)	—	—	(6,735)
Balance at March 31, 2020	32,557,303	$ 3	$ 517,778	$ 38,426	$ 17,954	$ 574,161

See accompanying notes to the consolidated financial statements.

Landsea Homes Corporation

Consolidated Statements of Cash Flows - (Unaudited)

(in thousands)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(dollars in thousands)	
Cash flows from operating activities:		
Net (loss)	$ (7,086)	$ (2,624)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Depreciation and amortization	914	816
Loss on remeasurement of warrant liability	4,950	—
Stock-based compensation expense	2,376	—
Abandoned project costs	88	—
Equity in net loss of unconsolidated joint ventures	21	1,743
Deferred taxes	116	(659)
Changes in operating assets and liabilities:		
Cash held in escrow	7,480	(2,291)
Real estate inventories	(35,755)	(245)
Due from affiliates	(434)	(272)
Other assets	(4,539)	1,509
Accounts payable	4,583	515
Accrued expenses and other liabilities	(11,060)	(7,846)
Due to affiliates	—	281
Net cash (used in) operating activities	(38,346)	(9,073)
Cash flows from investing activities:		
Purchases of property and equipment	(157)	(460)
Distributions of capital from unconsolidated joint ventures	4,149	—
Payments for business acquisition, net of cash acquired	—	(128,528)
Net cash provided by (used in) investing activities	3,992	(128,988)
Cash flows from financing activities:		
Borrowings from notes and other debts payable	154,017	195,686
Repayments of notes and other debts payable	(100,062)	(89,246)
Proceeds from merger, net of fees and other costs	64,434	—
Repayment of convertible note	(1,500)	—
Contributions from noncontrolling interests	—	150
Deferred offering costs paid	(1,612)	(1,194)
Debt issuance costs paid	(235)	(2,252)
Cash (distributed to) parent, net	—	(6,735)
Net cash provided by financing activities	115,042	96,409
Net increase (decrease) in cash, cash equivalents, and restricted cash	80,688	(41,652)
Cash, cash equivalents, and restricted cash at beginning of period	110,048	156,378
Cash, cash equivalents, and restricted cash at end of period	$ 190,736	$ 114,726

See accompanying notes to the consolidated financial statements.

1. Company

Landsea Homes Corporation (“LHC” or the “Company”), a majority owned subsidiary of Landsea Holdings Corporation (“Landsea Holdings”), together with its subsidiaries, is engaged in the acquisition, development and building of lots, homes, and condominiums in California, Arizona, New York, and New Jersey. The Company's operations are organized into the following three reportable segments: Arizona, California, and Metro New York.

On August 31, 2020, LHC and its parent, Landsea Holdings, entered into an Agreement and Plan of Merger (the “Merger Agreement”), with LF Capital Acquisition Corp. (“LF Capital”) and LFCA Merger Sub, Inc. (the “Merger Sub”), a direct, wholly-owned subsidiary of LF Capital. The Merger Agreement provided for, among other things, the merger of Merger Sub with and into Landsea Homes Incorporated ("LHI"), previously a wholly-owned subsidiary of Landsea Holdings, with LHI continuing as the surviving corporation (the "Merger").

On January 7, 2021 (the "Closing Date"), the Merger was consummated pursuant to the Merger Agreement (the "Closing"). The name of the surviving company, LF Capital Acquisition Corp., was changed at that time to Landsea Homes Corporation. Subject to the terms of the Merger Agreement, Landsea Holdings received $343.8 million of stock consideration, consisting of 32.6 million newly issued shares of LF Capital Acquisition Corp.’s publicly-traded Class A common stock. The shares were valued at $10.56 per share for purposes of determining the aggregate number of shares payable to Landsea Holdings (the “Stock Consideration”).

Upon Closing, Level Field Capital, LLC (the “Sponsor”) held 1.0 million shares which are subject to surrender and forfeiture for no consideration in the event the common stock does not reach certain thresholds during the twenty-four month period following the closing of the Merger (“Earnout Shares”). The Sponsor transferred 0.5 million Earnout Shares to Landsea Holdings. Additionally, the Sponsor forfeited 2.3 million private placement warrants and transferred 2.2 million private placement warrants to Landsea Holdings (such private placement warrants, each exercisable to purchase one share of Common Stock at an exercise price of $11.50 per share, are referred to as the “Private Placement Warrants”, together with the public warrants they are referred to as the "Warrants").

In connection with the Merger, the Company received $64.4 million from the Merger after payments of $28.7 million related to the public warrant amendment and of $7.5 million in transaction expenses incurred. The Company incurred direct and incremental costs of approximately $16.7 million related to the equity issuance, consisting primarily of investment banking, legal, accounting and other professional fees, which were recorded to additional paid-in capital as a reduction of proceeds. The Company recorded $2.7 million in general and administrative expenses in the three months ended March 31, 2021 related to the accelerated vesting of the phantom awards. The Company paid cash of $2.9 million for the phantom stock awards and issued 0.2 million shares with an issuance date value of $1.9 million at the time of the Merger.

The Merger was accounted for as a reverse recapitalization. Under this method of accounting, LF Capital is treated as the “acquired” company for financial reporting purposes. This determination was primarily based on the current stockholder of LHC, Landsea Holdings, having a relative majority of the voting power of the combined entity, the operations of LHI prior to the Merger comprising the only ongoing operations of the combined entity, and senior management of LHI comprising the senior management of the combined entity. Accordingly, for accounting purposes, the financial statements of the combined entity represent a continuation of the financial statements of LHI with the acquisition being treated as the equivalent of LHI issuing stock for the net assets of LF Capital, accompanied by a recapitalization. The net assets of LHI are stated at historical cost, with no goodwill or other intangible assets recorded. The shares and net (loss) income per share available to holders of the LHI’s common stock, prior to the Merger, have been retroactively restated as shares reflecting the exchange ratio established in the Merger Agreement.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation—The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of the Company and all subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Prior to the Merger, the Company was historically funded as part of Landsea Holdings' treasury program. Cash and cash equivalents were primarily centrally managed through bank accounts legally owned by Landsea Holdings. Accordingly, cash and cash equivalents held by Landsea Holdings at the corporate level were not attributed to the Company for any of the periods presented prior to the Merger. Only cash amounts legally owned by entities consolidated by the Company are reflected in the consolidated balance sheets. Transfers of cash, both to and from Landsea Holdings' treasury program, were reflected as a component of additional paid-in capital in the consolidated balance sheets and as a financing activity on the accompanying consolidated statements of cash flows. As the functional departments that made up the Company were not held by a single legal entity, balances between the Company and Landsea Holdings that were not historically cash settled were included in additional paid-in capital.

Landsea Holdings holds a series of notes payable to affiliated entities of its parent. The cash Landsea Holdings received from this debt was partially utilized to fund operations of the Company. Related party interest incurred by Landsea Holdings (the “Related Party Interest”) was historically pushed down to the Company and reflected on the consolidated balance sheets of the Company, primarily in real estate inventories, and on the consolidated statements of operations in cost of sales. Refer to *Note 5 - Capitalized Interest* for further detail. As the Company did not guarantee the notes payable nor have any obligations to repay the notes payable, and as the notes payable will not be assigned to the Company, the notes payable do not represent the liability of the Company and accordingly have not been reflected in the consolidated balance sheets. Additionally, in connection with the Merger, LHC is precluded from repaying Landsea Holdings' notes payable to the affiliated entities of its parent. Therefore, as of January 7, 2021, the Related Party Interest is no longer pushed down to LHC.

During the periods presented in the consolidated financial statements prior to the Merger, the Company was included in the consolidated U.S. federal, and certain state and local income tax returns filed by Landsea Holdings, where applicable. Income tax expense and other income tax related information contained in these consolidated financial statements are presented on a separate return basis as if the Company had filed its own tax returns. Additionally, certain tax attributes such as net operating losses or credit carryforwards are presented on a separate return basis, and accordingly, may differ in the future. In jurisdictions where the Company has been included in the tax returns filed by Landsea Holdings, any income tax payables or receivables resulting from the related income tax provisions have been reflected in the consolidated balance sheets and the effect of the push down is reflected within additional paid-in capital.

Management of the Company believes that the assumptions underlying the consolidated financial statements reasonably reflect the utilization of services provided or benefit received by the Company during the periods presented. Nevertheless, the consolidated financial statements may not be indicative of the Company’s future performance and therefore periods prior to the Merger do not necessarily reflect the results of operations, financial position, or cash flows of the Company if it had been an independent entity during those periods.

The accompanying unaudited consolidated financial statements have been prepared in accordance with GAAP for interim financial information and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") and should be read in conjunction with our consolidated financial statements and notes thereto included in our Current Report on Form 8-K/A for the year ended December 31, 2020 filed with the SEC on March 12, 2021. The accompanying unaudited consolidated financial statements include all adjustments (consisting of normal recurring entries) necessary for the fair statement of our results for the interim periods presented. Results for the interim periods are not necessarily indicative of the results to be expected for the full year due to seasonal variations and other factors.

Use of Estimates—The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ materially from these estimates.

Warrant liability— The Company's outstanding Private Placement Warrants are presented on the consolidated balance sheets as a liability recorded at fair value with subsequent changes in fair value recognized in the consolidated statement of operations at each reporting date as a gain (loss) on remeasurement of the warrant liability. Each Private Placement Warrant is exercisable at $11.50 into one share of common stock. The Warrants will expire five years after the completion of the Merger or earlier upon redemption or liquidation. Refer to *Note 16 - Stockholders' Equity* for additional information on the Warrants. The fair value of the Private Placement Warrants is determined by a Black-Scholes options pricing model which includes Level 3 inputs as discussed further in *Note 14 - Fair Value*.

On April 12, 2021, the Staff of the SEC released a statement (the "SEC Statement") emphasizing the potential accounting implications of certain terms that may be common in warrants issued by special purpose acquisition companies ("SPAC") that may require classification of the warrants as a liability of the entity measured at fair value, with changes in fair value each period reported in earnings.

The Warrants initially issued by LF Capital in connection with its initial public offering and assumed by the Company in connection with the consummation of the Merger were previously classified as equity in the annual historical financial statements of LF Capital included in our Annual Report on Form 10-K for the year ended December 31, 2020. As a result, the Company has concluded that there is a material misstatement related to the accounting for the Warrants in the historical financial statements of LF Capital for the periods presented in that Form 10-K. The Company will file an amended Form 10-K as soon as practicable and has filed a Current Report on Form 8-K that includes a statement of non-reliance within Item 4.02 of that Form 8-K.

Recent Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application for fiscal years beginning after December 15, 2020. The Company adopted the amendments in this update on January 1, 2021. The adoption did not have a material impact on the Company's consolidated financial statements.

In January 2020, the FASB issued ASU 2020-01, *Investments - Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323), and Derivative and Hedging (Topic 815)*. ASU 2020-01 clarifies the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contracts and purchased options accounted for under Topic 815. The standard is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years, with early adoption permitted. The Company adopted the amendments in this update on January 1, 2021. The adoption did not have a material impact on the Company's consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform, particularly the cessation of the London Interbank Offered Rate ("LIBOR"), on financial reporting. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

3. Business Combinations

On January 15, 2020, the Company acquired 100% of the membership interest of Garrett Walker Homes ("GWH") for cash consideration of approximately $133.4 million. GWH is a residential homebuilder located in Phoenix, Arizona focused on building entry-level, single-family detached homes in the Northwest Valley and Phoenix metropolitan. The total assets of GWH include approximately 20 projects and 1,750 lots in various stages of development.

In accordance with Accounting Standards Codification ("ASC") Topic 805, Business Combinations, the assets acquired and liabilities assumed from our acquisition of GWH were measured and recognized at fair value as of the date of the acquisition to reflect the purchase price paid.

Acquired inventories consist of land, land deposits, and work in process inventories. The Company determined the estimate of fair value for acquired land inventory using a forecasted cash flow approach for the development, marketing, and sale of each community acquired. Significant assumptions included in our estimate were future development costs, construction and overhead costs, mix of products, as well as average selling price ("ASP"), and absorption rates. The Company estimated the fair value of acquired work in process inventories based upon the stage of production of each unit and a profit margin that a market participant would require to complete the remaining production and requisite selling efforts. On the acquisition date, the stage of production for each lot ranged from recently started lots to fully completed homes. The intangible asset acquired relates to the GWH trade name, which is estimated to have a fair value of $1.6 million and is being amortized over three years. Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed. Goodwill of $15.4 million was recorded on the consolidated balance sheets as a result of this transaction and is expected to be deductible for tax purposes over 15 years. The acquired goodwill is included in the Arizona reporting segment in *Note 13, Segment Information.* The Company incurred transaction related costs of $0.4 million related to the GWH acquisition in the three months ended March 31, 2020.

The Company's results of operations include homebuilding revenues of $41.3 million, and income before tax inclusive of purchase price accounting and corporate G&A allocation, of $2.0 million, from GWH in the accompanying consolidated statement of operations for the three months ended March 31, 2020.

The following is a summary of the allocation of the purchase price based on the fair value of assets acquired and liabilities assumed*(dollars in thousands).*

Assets Acquired		
Cash	$	2,905
Real estate inventories		119,466
Goodwill		15,392
Trade name		1,600
Other assets		532
Total assets	$	139,895
Liabilities Assumed		
Accounts payable	$	5,425
Accrued expenses		1,037
Total liabilities		6,462
Net assets acquired	$	133,433

Unaudited Pro Forma Financial Information

Unaudited pro forma revenue and net (loss) income for the three months ended March 31, 2020 give effect to the results of the acquisition of GWH as though the acquisition date was as of January 1, 2019, the beginning of the year preceding the acquisition. Unaudited pro forma net (loss) income adjusts the operating results of GWH to reflect the additional costs that would have been recorded assuming the fair value adjustments had been applied as of the beginning of the year preceding the year of acquisition including the tax-effected amortization of the acquired trade name and transaction related costs.

	Three Months Ended March 31,
	2020
	(dollars in thousands)
Revenue	$ 138,746
Pretax loss	(4,050)
Benefit for income taxes	948
Net loss	$ (3,102)

4. Real Estate Inventories

Real estate inventories are summarized as follows:

	March 31, 2021	December 31, 2020
	(dollars in thousands)	
Deposits and pre-acquisition costs	$ 35,938	$ 34,102
Land held and land under development	233,583	221,055
Homes completed or under construction	422,350	395,926
Model homes	32,566	36,736
Total real estate inventory	$ 724,437	$ 687,819

Deposits and pre-acquisition costs include land deposits and other due diligence costs related to potential land acquisitions. Land held and land under development includes costs incurred during site development such as development, indirect costs, and permits. Homes completed or under construction and model homes include all costs associated with home construction, including land, development, indirect costs, permits, materials and labor.

In accordance with ASC 360, inventory is stated at cost, unless the carrying amount is determined not to be recoverable, in which case inventory is written down to its estimated fair value. The Company reviews each real estate asset at the community-level, on a quarterly basis or whenever indicators of impairment exist. We generally determine the estimated fair value of each community by using a discounted cash flow approach based on the estimated future cash flows at discount rates that reflect the risk of the community being evaluated. The discounted cash flow approach can be impacted significantly by our estimates of future home sales revenue, home construction costs, and the applicable discount rate, all of which are Level 3 inputs.

For the three months ended March 31, 2021 and 2020, the Company recognized no real estate inventory impairments.

5. Capitalized Interest

Interest is capitalized to real estate inventories and investment in unconsolidated joint ventures during development and other qualifying activities. Interest capitalized as a cost of real estate inventories is included in cost of sales as related inventories are delivered. Interest capitalized to investments in unconsolidated joint ventures is relieved to equity in net (loss) income of unconsolidated joint ventures as related joint venture homes close.

For the periods reported, interest incurred, capitalized, and expensed was as follows:

	Three Months Ended March 31,	
	2021	2020
	(dollars in thousands)	
Related party interest pushed down	$ —	$ 2,629
Other interest incurred	5,106	4,302
Total interest incurred	5,106	6,931
Related party interest capitalized	—	2,629
Other interest capitalized	5,106	4,302
Total interest capitalized	5,106	6,931
Previously capitalized related party interest included in cost of sales	$ 2,902	$ 2,846
Previously capitalized other interest included in cost of sales	4,165	4,465
Related party interest relieved to equity in earnings (loss) from unconsolidated joint ventures	348	278
Other interest relieved to equity in earnings (loss) from unconsolidated joint ventures	5	4
Other interest expensed	11	11
Total interest expense included in pretax income (loss)	$ 7,431	$ 7,604

6. Investment in and Advances to Unconsolidated Joint Ventures

As of March 31, 2021 and December 31, 2020, the Company had two unconsolidated joint ventures with ownership interests of 51% and 25% in LS-NJ Port Imperial JV LLC and LS-Boston Point LLC, respectively, and concluded that these joint ventures were variable interest entities. The Company concluded that it was not the primary beneficiary of the variable interest entities and, accordingly, accounted for these entities under the equity method of accounting. The Company's maximum exposure to loss is limited to the investment in the unconsolidated joint venture amounts included on the consolidated balance sheets.

The condensed combined balance sheets for the Company's unconsolidated joint ventures accounted for under the equity method are as follows:

	March 31, 2021	December 31, 2020
	(dollars in thousands)	
Cash and cash equivalents	$ 6,603	$ 2,740
Restricted cash	—	4,870
Real estate inventories	30,145	41,214
Other assets	122	123
Total assets	$ 36,870	$ 48,947
Accounts payable	$ 207	$ 188
Accrued expenses and other liabilities	4,183	3,928
Due to affiliates	871	5,735
Total liabilities	5,261	9,851
Members' capital	31,609	39,096
Total liabilities and members' capital	$ 36,870	$ 48,947

The condensed combined statements of operations for the Company's unconsolidated joint ventures accounted for under the equity method are as follows:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(dollars in thousands)	
Revenues	$ 14,080	$ 10,561
Cost of sales and expenses	(13,431)	(13,106)
Net income (loss) of unconsolidated joint ventures	649	(2,545)
Equity in net (loss) of unconsolidated joint ventures (1)	$ (21)	$ (1,743)

(1) The equity in net (loss) income of unconsolidated joint ventures consists of the allocation of the Company's proportionate share of income or loss from the unconsolidated joint ventures of $0.3 million income and $1.4 million loss, as well as $0.4 million and $0.3 million of expense related to capitalized interest and other costs for the three months ended March 31, 2021 and 2020, respectively.

For the three months ended March 31, 2021 and 2020, no impairment charges were recorded related to either of the unconsolidated joint ventures.

7. Other Assets

Other assets consist of the following:

	March 31, 2021	December 31, 2020
	(dollars in thousands)	
Deferred tax asset, net	$ 2,621	$ 13,248
Property, equipment and capitalized selling and marketing costs, net	5,790	6,386
Right-of-use asset	5,678	5,973
Deferred offering costs	—	7,617
Prepaid income taxes	3,362	1,003
Intangible asset, net	885	1,046
Prepaid expenses	5,741	3,029
Other	3,177	3,267
Total other assets	$ 27,254	$ 41,569

8. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of the following:

	March 31, 2021	December 31, 2020
	(dollars in thousands)	
Land development and home construction accrual	$ 24,499	$ 25,910
Warranty accrual	12,020	11,730
Accrued compensation and benefits	3,630	10,966
Lease liabilities	6,089	6,396
Interest payable	1,612	1,134
Income tax payable	—	1,355
Sales tax payable	735	1,867
Other deposits and liabilities	3,409	3,511
Total accrued expenses and other liabilities	$ 51,994	$ 62,869

Changes in the Company's warranty accrual are detailed in the table below:

	March 31, 2021	December 31, 2020
	(dollars in thousands)	
Beginning warranty accrual	$ 11,730	$ 8,693
Warranty provision	917	3,843
Warranty payments	(627)	(806)
Ending warranty accrual	$ 12,020	$ 11,730

9. Notes and Other Debts Payable, net

Amounts outstanding under notes and other debts payable, net consist of the following:

	March 31, 2021	December 31, 2020
	(dollars in thousands)	
Construction loans	$ 91,504	$ 67,757
Line of credit facilities	179,019	140,142
EB-5 notes payable	50,150	59,216
Loan payable	5,136	5,144
Notes Payable	325,809	272,259
Deferred loan costs	(6,330)	(7,450)
Notes and other debts payable, net	$ 319,479	$ 264,809

The Company has various construction loan agreements secured by various real estate developments ("Construction Loans") with maturity dates extending from February 2022 through November 2023. The Construction Loans have variable interest rates based on Prime or LIBOR. As of March 31, 2021, interest rates on the Construction Loans ranged from 4.00% to 5.50%. In 2018, the Company assumed two loans from a third-party land seller in connection with the acquisition of real estate inventories. Both loans have a variable interest rate of LIBOR plus 6.50% with a floor of 8.25%. As of March 31, 2021, the interest rate on both loans was 8.25%.

In 2018, the Company entered into a secured line of credit ("LOC") with a bank. In 2020, the Company extended the loan resulting in a new maturity date of February 2024. As of March 31, 2021 the total commitment on the LOC was $195.0 million and it had an outstanding balance of $99.8 million. The LOC has a variable interest rate of Prime plus 1.25% with a floor of 5.25%. As of March 31, 2021, the interest rate was 5.25%.

In connection with the acquisition of GWH, the Company entered into an additional line of credit ("LOC2") with a bank as part of the transaction. On the date of acquisition, the Company drew $70.0 million from the LOC2. As of March 31, 2021 the total commitment on the LOC2 was $100.0 million and it had an outstanding balance of $79.2 million. The LOC2 has an interest rate of Prime plus 1.00% with a floor of 5.00% and matures in January 2024. As of March 31, 2021, the interest rate was 5.00%.

The Company has various EB-5 notes payable with maturity dates ranging from February 2022 through June 2023. As of March 31, 2021, the loans have fixed interest rates of 4.00% to 6.00%.

On April 15, 2020, Landsea Holdings entered into a Paycheck Protection Program ("PPP") Note evidencing an unsecured loan in the amount of $4.3 million made to the Company under the PPP. The PPP was established under the CARES Act and is administered by the U.S. Small Business Association. The PPP Note matures on April 15, 2022 and bears interest at a rate of 1.00% per annum. The proceeds from the PPP Note may only be used for payroll costs (including benefits), interest on mortgage obligations, rent, utilities and interest on certain other debt obligations. The proceeds from the PPP Note were used in the operation of the Company and therefore the debt was included in the consolidated balance sheets of the Company. We fully utilized the proceeds from this loan to satisfy certain payroll and benefit obligations and have applied for relief of the full amount of the loan under the PPP.

The Company’s loans have certain financial covenants, such as requirements for the Company to maintain a minimum liquidity balance, minimum tangible net worth, gross profit margin, leverage and interest coverage ratios. The Company's loans are secured by the assets of the Company and contain various representations, warranties, and covenants that are customary for these types of agreements. As of March 31, 2021, the Company was in compliance with all financial loan agreement covenants.

The aggregate maturities of the principal balances of the notes and other debts payable during the five years subsequent to March 31, 2021 are as follows *(dollars in thousands)*:

2021	$	62
2022		121,308
2023		24,777
2024		179,102
2025		560
Thereafter		—
	$	325,809

10. Commitments and Contingencies

Legal—The Company is subject to the usual obligations associated with entering into contracts for the development and sale of real estate inventories and other potential liabilities incidental to its business.

Certain of the Company’s subsidiaries are a party to various claims, legal actions and complaints arising in the ordinary course of business. In management’s opinion, the disposition of these matters will not have a material adverse effect on the Company’s consolidated financial condition, results of operations or cash flows.

Performance Obligations—In the ordinary course of business, and as part of the entitlement and development process, the Company’s subsidiaries are required to provide performance bonds to assure completion of certain public facilities. The Company had $92.1 million and $78.0 million of performance bonds outstanding as of March 31, 2021 and December 31, 2020, respectively.

Operating Leases—The Company has various operating leases, most of which relate to office facilities. Future minimum payments under the noncancelable operating leases in effect at March 31, 2021 were as follows *(dollars in thousands)*:

2021	$	1,201
2022		1,624
2023		1,397
2024		1,182
2025		855
Thereafter		762
Total lease payments		7,021
Less: Discount		(932)
Present value of lease liabilities	$	6,089

Operating lease expense for the three months ended March 31, 2021 and 2020 was $0.4 million and $0.5 million respectively, and is included in general and administrative expense on the consolidated statements of operations.

The Company primarily enters into operating leases for the right to use office space and computer and office equipment, which have remaining lease terms that range from one to seven years and often include one or more options to renew. The weighted average remaining lease term as of March 31, 2021 and December 31, 2020 was 4.1 and 4.4 years, respectively. Renewal terms are included in the lease term when it is reasonably certain the option will be exercised.

The Company established a right-of-use asset and a lease liability based on the present value of future minimum lease payments at the later of January 1, 2019, the commencement date of the lease, or, if subsequently modified, the date of modification for active leases. As the rate implicit in each lease is not readily determinable, the Company's incremental borrowing rate is used in determining the present value of future minimum payments as of the commencement date. The weighted average rate as of March 31, 2021 was 5.9%. Lease components and non-lease components are accounted for as a single lease component. As of March 31, 2021, the Company had $5.7 million and $6.1 million recognized as a right-of-use asset and lease liability, respectively, which are presented on the consolidated balance sheets within other assets and accrued expenses and other liabilities, respectively. As of December 31, 2020, the Company had $6.0 million and $6.4 million recognized as a right-of-use asset and lease liability, respectively.

11. Related Party Transactions

The Company has entered into agreements with its unconsolidated joint ventures to provide management services related to underlying projects for a management fee and reimbursement of agreed upon out of pocket operating expenses. As of March 31, 2021 and December 31, 2020, the Company had a net receivable due from affiliates balance of $0.7 million and a net receivable due from affiliates of $0.3 million, respectively. For the three months ended March 31, 2021 and 2020, the Company recorded $0.1 million and $0.3 million of management fees, respectively.

On June 30, 2020, the Company transferred its interest in a consolidated real estate joint venture that was previously included in the Metro New York segment to LHC. The interest was removed from the consolidated financial statements of the Company on a prospective basis. The real estate joint venture had net assets at the date of transfer of $28.9 million and a noncontrolling interest of $1.2 million as follows *(dollars in thousands)*:

Assets Transferred		
Cash	$	338
Real estate inventories		49,705
Other assets		174
Total assets	$	50,217
Liabilities Transferred		
Accounts payable	$	1,416
Construction loan		17,825
Accrued expenses and other liabilities		2,102
Total liabilities		21,343
Net assets transferred		28,874
Noncontrolling interest transferred	$	1,242

In connection with the Merger we transferred a deferred tax asset ("DTA") to Landsea Holdings, our majority shareholder, of $12.1 million. The DTA represented the deferred tax on interest expensed through Cost of Sales from a related party loan which remained with Landsea Holdings during the Merger.

12. Income Taxes

During the periods presented herein prior to the Merger,the Company reported income taxes on the consolidated income tax returns of Landsea Holdings since it was a wholly owned subsidiary of Landsea Holdings. The income tax provision and related balances in these consolidated financial statements have been calculated as if the Company filed a separate tax return and was operating as a separate business from Landsea Holdings. Therefore, cash tax payments and items of current and deferred taxes during that period may not be reflective of the Company’s actual tax balances.

The effective tax rate of the Company was 36.5% and 32.0% for the three months ended March 31, 2021 and 2020, respectively. The difference between the statutory tax rate and the effective tax rate for the three months ended March 31, 2021 is primarily related to state income taxes net of federal income tax benefits, estimated deduction limitations for executive compensation, warrant fair market value adjustments, and tax credits for energy efficient homes. The difference between the statutory tax rate and the effective tax rate for the three months ended March 31, 2020 is primarily related to state income taxes net of federal income tax benefits and tax credits for energy efficient homes.

13. Segment Reporting

The Company is engaged in the development, design, construction, marketing and sale of single-family homes and condos in multiple states across the country. The Company is managed by geographic location and each of the three geographic regions targets a wide range of buyer profiles including: first time, move-up, and luxury homebuyers.

The management of the three geographic regions report to the Company's chief operating decision makers ("CODMs"), the Chief Executive Officer and Chief Operating Officer of the Company. The CODMs review the results of operations, including total revenue and income before income tax expense to assess profitability and to allocate resources. Accordingly, the Company has presented its operations as the following three reportable segments:

- Arizona
- California
- Metro New York

The Company has also identified Corporate operations as a non-operating segment, as it serves to support the homebuilding operations through functional departments such as executive, finance, treasury, human resources, accounting and legal. The majority of the corporate personnel and resources are primarily dedicated to activities relating to the homebuilding operations and are allocated based on each segment's respective percentage of assets, revenue and dedicated personnel.

The following table summarizes total revenue and income before income tax expense by segment:

	Three Months Ended March 31,	
	2021	2020
	(dollars in thousands)	
Revenue		
Arizona	$ 65,326	$ 53,054
California	95,093	83,241
Metro New York (1)	—	—
Total revenue	$ 160,419	$ 136,295
(Loss) income before income tax expense:		
Arizona	$ 1,433	$ (972)
California	(159)	1,492
Metro New York (1)	(831)	(2,796)
Corporate	(11,594)	(1,583)
Total (loss) income before income tax expense	$ (11,151)	$ (3,859)

(1) The Metro New York reportable segment does not currently have any active selling communities. Included in (loss) income before income tax expense is a $0.0 million loss and $1.7 million loss from unconsolidated joint ventures for the three months ended March 31, 2021 and 2020, respectively.

The following table summarizes total assets by segment:

	March 31, 2021	December 31, 2020
	(dollars in thousands)	
Assets		
Arizona	$ 279,246	$ 268,141
California	430,379	409,705
Metro New York	125,178	120,168
Corporate	152,736	97,750
Total assets	$ 987,539	$ 895,764

As of March 31, 2021 and December 31, 2020, goodwill of $20.7 million and $20.7 million, respectively, was allocated to the Arizona segment and no other segment had goodwill.

14. Fair Value

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

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

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

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

The following table presents carrying values and estimated fair values of financial instruments:

		March 31, 2021		December 31, 2020	
	Hierarchy	Carrying Value	Fair Value	Carrying Value	Fair Value
		(dollars in thousands)			
Liabilities:					
Construction loans [1]	Level 2	$ 91,504	$ 91,504	$ 67,757	$ 67,757
Revolving credit facility [1]	Level 2	$ 179,019	$ 179,019	$ 140,142	$ 140,142
EB-5 notes payable [2]	Level 2	$ 50,150	$ 50,150	$ 59,216	$ 59,216
Loan payable [2]	Level 2	$ 5,136	$ 5,136	$ 5,144	$ 5,144
Warrant liability	Level 3	$ 16,225	$ 16,225	$ —	$ —

(1) Carrying amount approximates fair value due to the variable interest rate terms of these loans.
(2) Carrying amount approximates fair value due to recent issuances of debt having similar characteristics, including interest rate.

The carrying values of accounts and other receivables, restricted cash, deposits and accounts payable and accrued liabilities approximate the fair value for these financial instruments based upon an evaluation of the underlying characteristics, market data and because of the short period of time between origination of the instruments and their expected realization. The fair value of cash and cash equivalents is classified in Level 1 of the fair value hierarchy. Non-financial assets such as real estate inventories are measured at fair value on a nonrecurring basis using a discounted cash flow approach with Level 3 inputs within the fair value hierarchy. This measurement is performed when events and circumstances indicate the asset's carrying value is not recoverable.

The Private Placement Warrants are measured at fair value on a recurring basis using a Black-Scholes option pricing model. The significant unobservable input as of March 31, 2021 was the volatility rate implied from the public warrants, which are exchanged on an open market, of 42.2%.

The following table reconciles the beginning and ending balances for the Level 3 recurring fair value measurements during the periods presented:

	Three Months Ended March 31,	
	2021	2020
Warrant liability	*(dollars in thousands)*	
Beginning balance[(1)]	$ 11,275	$ —
Changes in fair value	4,950	—
Ending balance	$ 16,225	$ —

(1) The beginning balance for the three months ended March 31, 2021 represents the balance as of January 7, 2021, the Closing Date of the Merger.

15. Stock-Based Compensation

During 2018, Landsea Holdings created a long-term incentive compensation program designed to align the interests of Landsea Holdings, the Company, and its executives by enabling key employees to participate in the Company's future growth through the issuance of phantom equity awards. Landsea Holdings' phantom equity awards issued on or after January 1, 2018 were accounted for pursuant to ASC 710, Compensation, as the value was not based on the shares of comparable public entities or other equity, but was based on the book value of Landsea Holdings' equity. Landsea Holdings measured the value of phantom equity awards on a quarterly basis using the intrinsic value method and pushed down the expense to the Company as the employees participating in the long-term incentive compensation program primarily benefit the Company. In connection with the Merger all of the phantom equity awards vested and were either paid out in cash or were converted to stock of LHC and the program was terminated. The Company recorded $2.7 million in general and administrative expenses in the three months ended March 31, 2021 related to the accelerated vesting of the phantom awards. The Company paid cash of $2.9 million for the phantom stock awards and granted 0.2 million shares with a grant date value of $1.9 million at the time of the Merger.

The Company has developed the Landsea Homes Corporation 2020 Stock Incentive Plan ("the Plan") which provides for the grant of Options, Stock Appreciation Rights, Restricted Stock Units and Restricted Stock, any of which may be performance-based, as determined by the Company's Compensation Committee.

During the three months ended March 31, 2021, the Company granted restricted stock units ("RSUs") covering 0.1 million shares of common stock with a grant date fair value of $9.69 per share that vested immediately. In association with all grants issued, we recognized stock-based compensation expense of $2.4 million during the three months ended March 31, 2021. Stock-based compensation expense is included in general and administrative expenses on our consolidated statements of operations. The Company did not grant any RSUs or recognize any stock-based compensation expense during the three months ended March 31, 2020.

There are no unvested grants of RSUs as of March 31, 2021.

16. Stockholders' Equity

The Company's authorized capital stock consists of 500.0 million shares of common stock with a par value of $0.0001 per share, and 50.0 million shares of preferred stock with a par value of $0.0001 per share. As of March 31, 2021, there were 46.2 million shares of common stock issued and outstanding, and no shares of preferred stock outstanding.

On January 7, 2021, the Merger was consummated pursuant to the Merger Agreement. Prior to the Merger, LF Capital was authorized to issue, and had outstanding, two classes of common shares, Class A and Class B. Upon the consummation of the Merger, all issued and outstanding shares of Class B common stock converted to shares of Class A. Public stockholders were offered the opportunity to redeem, upon closing of the Merger, shares of Class A common stock for cash. All outstanding shares of Common Stock are validly issued, fully paid and nonassessable. Following the merger, the Company's equity was retroactively adjusted to reflect the 32.6 million shares issued to Landsea Holdings.

As of March 31, 2021 there were 21,025,000 outstanding Warrants, consisting of 15,525,000 public warrants and 5,500,000 Private Placement Warrants. At the time of the Merger, the Warrant Agreement was amended so that each public warrant is exercisable at $1.15 into one tenth share of common stock. As part of the amendment, each holder of the public warrants received $1.85 for a total of $28.7 million paid by the Company upon closing of the Merger. Each Private Placement Warrant is exercisable at $11.50 into one share of common stock. The Warrants will expire five years after the completion of the Merger or earlier upon redemption or liquidation.

The Private Placement Warrants are identical to the public warrants, except for the rate of exchange upon exercise. Additionally, the Private Placement Warrants will be non-redeemable so long as they are held by the initial purchasers or such purchasers' permitted transferees. If the Private Placement Warrants are held by someone other than the initial stockholders or their permitted transferees, the Private Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the public warrants, except that they will retain their rate of exchange as one-for-one.

The Company may call the public warrants for redemption (except with respect to the Private Placement Warrants):

- in whole and not in part;
- at a price of $0.01 per warrant;
- upon a minimum of 30 days' prior written notice of redemption; and
- if, and only if, the last reported closing price of the shares equals or exceeds $18.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which the Company sends the notice of redemption to the warrant holders.

If the Company calls the public warrants for redemption, management will have the option to require all holders that wish to exercise the public warrants to do so on a "cashless basis," as described in the Warrant Agreement.

The exercise price and number of common shares issuable upon exercise of the Warrants may be adjusted in certain circumstances including in the event of a share dividend, or recapitalization, reorganization, merger or consolidation. However, the Warrants will not be adjusted for issuance of common shares at a price below its exercise price. Additionally, in no event will the Company be required to net cash settle the Warrants shares. Accordingly, the Warrants may expire worthless.

17. Earnings Per Share

We use the treasury stock method to calculate earnings per share ("EPS") as our currently issued Warrants do not have participating rights.

The following table sets forth the computation of basic and diluted EPS for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31,	
	2021	2020
	(dollars in thousands, except share and per share amounts)	
Numerator		
Net (loss) attributable to Landsea Homes Corporation	$ (7,074)	$ (2,536)
Denominator		
Weighted average common shares outstanding - basic	45,167,513	32,557,303
Adjustment for weighted average participating shares outstanding	(922,222)	—
Adjustment for weighted average shares vested but awaiting issuance	556	—
Adjusted weighted average common shares outstanding under two class method - basic	44,245,847	32,557,303
Dilutive effect of warrants	—	—
Adjusted weighted average common shares outstanding under two class method - diluted	44,245,847	32,557,303
Earnings per share		
Basic and diluted	$ (0.16)	$ (0.08)

Warrants are excluded from the calculation of diluted EPS as they are antidilutive. We excluded 7.1 million common stock unit equivalents from our diluted EPS during the three months ended March 31, 2021 and 2020.

18. Supplemental Disclosures of Cash Flow Information

The following table presents certain supplemental cash flow information:

	Three Months Ended March 31,	
	2021	2020
	(dollars in thousands)	
Supplemental disclosures of cash flow information		
Interest paid, net of amounts capitalized	$ 11	$ 11
Income taxes paid	$ 2	$ 46
Supplemental disclosures of non-cash investing and financing activities		
Transfer of deferred tax asset to Landsea Holdings	$ 12,119	$ —
Conversion of deferred offering costs to additional paid-in-capital	$ 9,229	$ —
Amortization of deferred financing costs	$ 951	$ 1,016
Business acquisition holdback	$ —	$ 2,000
Cash, cash equivalents, and restricted cash reconciliation:		
Cash and cash equivalents	$ 190,736	$ 113,950
Restricted cash	—	776
Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	$ 190,736	$ 114,726

19. Subsequent Events

On May 4, 2021, the Company acquired 100% of Mercedes Premier Homes, LLC (also known as Vintage Estate Homes, LLC, “Vintage Estate Homes”), a Florida- and Texas-based homebuilder for an aggregate cash purchase price of $54.6 million, plus a paydown of existing debt of $3.8 million. In addition, we assumed $27.3 million of debt in connection with the acquisition. The determination of the purchase accounting is in process as of the date the consolidated financial statements were available to be issued.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with and is qualified in its entirety by the consolidated financial statements and notes thereto included elsewhere in this document. This item contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those indicated in such forward-looking statements. Factors that may cause such a difference include, but are not limited to, those discussed in the section entitled "Risk Factors." This section discusses 2021 and 2020 items and year-to-year comparisons between 2021 and 2020.

Consolidated Financial Data

The following table summarizes our results of operations for the three months ended March 31, 2021 and 2020.

	Three Months Ended March 31,	
	2021	2020
	(dollars in thousands, except per share amounts)	
Revenue		
Home sales	$ 154,765	$ 136,295
Lot sales	5,654	—
Total revenue	160,419	136,295
Cost of sales		
Home sales (including related party interest of $2,902 and $2,846, respectively)	136,841	119,568
Inventory impairments	—	—
Lot sales	4,780	—
Total cost of sales	141,621	119,568
Gross margin		
Home sales	17,924	16,727
Lot sales	874	—
Total gross margin	18,798	16,727
Sales and marketing expenses	9,931	9,636
General and administrative expenses	14,986	10,016
Total operating expenses	24,917	19,652
(Loss) from operations	(6,119)	(2,925)
Other (expense) income, net	(61)	809
Equity in net (loss) income of unconsolidated joint ventures (including related party interest of $348 and $278, respectively)	(21)	(1,743)
(Loss) on remeasurement of warrant liability	(4,950)	—
Pretax (loss)	(11,151)	(3,859)
(Benefit) for income taxes	(4,065)	(1,235)
Net (loss)	(7,086)	(2,624)
Net (loss) attributed to noncontrolling interests	(12)	(88)
Net (loss) attributable to Landsea Homes Corporation	$ (7,074)	$ (2,536)
(Loss) per share:		
Basic and diluted	$ (0.16)	$ (0.08)
Weighted average common shares outstanding:		
Basic and diluted	44,245,847	32,557,303

Business Overview

Driven by a pioneering commitment to sustainability, Landsea Homes Corporation ("LHC") designs and builds homes and communities in Arizona, California and the Metro New York area that reflect modern living–inspired spaces and features, built in vibrant, prime locations where they connect seamlessly with their surroundings and enhance the local lifestyle for living, working and playing. The defining principle, "Live in Your Element®," creates the foundation for our customers to live where they want to live, how they want to live – in a home created especially for them.

The Company's operations are engaged in the development, design, construction, marketing and sale of single-family attached and detached homes in the states of Arizona, California, New York and New Jersey. The Company's operations are organized into three reportable segments: Arizona, California, and Metro New York. The Company builds and sells an extensive range of home types across a variety of price points.

In response to the novel strain of coronavirus ("COVID-19") pandemic and government restrictions, we shifted our sales process to offer additional virtual online tours and appointments and, where permitted, appointment-only in-person meetings that comply with social distancing and other health and safety requirements and protocols. There is still uncertainty regarding the extent, duration, and lasting effects of the COVID-19 pandemic, as the situation has continued to evolve, even as vaccinations begin to become wide-spread. We have seen a general lack of housing inventory allow us to increase prices and derive additional revenue from our home deliveries, however we frequently see those increased revenues offset by higher costs associated with labor and supply shortages for certain key materials.

The industry continued to see a shift in focus to entry-level homes with more attainable price points as housing prices rise across the nation. The Company continues to capitalize on opportunities to shift inventory and product to more affordable price point offerings through our recent growth in Arizona both organically and through acquisitions. During January 2020, we completed our second recent homebuilder acquisition in the Phoenix, Arizona market by purchasing 100% of the membership interests of Garrett Walker Homes ("GWH").

Strategy

Our strategy is focused on maximizing stockholder returns through profitability and efficiency, while balancing appropriate amounts of leverage. In general, we are focused on the following long-term strategic objectives:

- Expand community count in current markets and enhance operating returns
- Maintain an appropriate supply of lots
- Continue to focus on entry-level product offerings
- Continue geographic expansion and diversification into new markets
- Leverage existing SG&A base to enhance stockholder returns and profitability
- Become a top-ten homebuilder in the United States

Non-GAAP Financial Measures

Non-GAAP financial measures are defined as numerical measures of a company’s performance that exclude or include amounts so as to be different than the most comparable measures calculated and presented in accordance with accounting principles generally accepted in the United States (“GAAP”). The presentation of non-GAAP financial measures should not be considered in isolation or as a substitute for the Company’s related financial results prepared in accordance with GAAP.

We present non-GAAP financial measures of adjusted home sales gross margin, net debt to net capital, EBITDA and adjusted EBITDA, and adjusted net income in their respective sections below to enhance an investor’s evaluation of the ongoing operating results and to facilitate meaningful comparison of the results between periods. Management uses these non-GAAP measures to evaluate the ongoing operations and for internal planning and forecasting.

Summary Results of Operations

For the three months ended March 31, 2021, home sales revenue increased 14% and home deliveries increased 11% to 301 units from 270 units as compared to the same prior year period. The increase in home deliveries and home sales revenue year-over-year is derived primarily from our California segment which saw significant demand and price appreciation during Q1 2021. During the month of March 2020, our California operations were negatively impacted by the COVID-19 mandatory stay at home orders, which caused meaningful delays in our operations and in some communities prohibited us from delivering homes to our customers. The most restrictive of these government orders were lifted towards the end of 2020 and we began to see a meaningful recovery in both orders and deliveries within our California segment.

We remain focused on growth and view our leverage ratios as a key factor in allowing us to expand. Even as the Company has grown organically and through acquisitions in recent years we remain in a position to act on our strategy and to be opportunistic about acquisitions and other growth opportunities. Our debt-to-capital ratio increased to 36.5% as of March 31, 2021 compared to 33.3% as of December 31, 2020. We believe the strength of our balance sheet and operating platform have positioned us well to continue to execute our growth strategy.

We anticipate the homebuilding markets in each of our operating segments to be tied to both the local economy and the macro-economic environment. Accordingly, net orders, home deliveries, and ASP's in future years could be negatively affected by economic conditions, such as decreases in employment and median household incomes, as well as decreases in household formations and increasing supply of inventories. Additionally, the results could be impacted by a decrease in home affordability as a result of price appreciation or increases in mortgage interest rates or tightening of mortgage lending standards.

Results of Operations and Assets by Segment

	Three Months Ended March 31,	
	2021	2020
Pretax (loss) income	*(dollars in thousands)*	
Arizona	$ 1,433	$ (972)
California	(159)	1,492
Metro New York	(831)	(2,796)
Corporate	(11,594)	(1,583)
Total	$ (11,151)	$ (3,859)

	March 31, 2021	December 31, 2020
Assets	*(dollars in thousands)*	
Arizona	$ 279,246	$ 268,141
California	430,379	409,705
Metro New York	125,178	120,168
Corporate	152,736	97,750
Total assets	$ 987,539	$ 895,764

Our Arizona segment recorded pretax income for the three months ended March 31, 2021 compared to a pretax loss in the comparable period during 2020 primarily due to an increase in gross margins stemming from high demand which has allowed us to increase pricing.

Our California segment incurred a pretax loss for the three months ended March 31, 2021 due to decreased margin in the current mix of communities. Total assets of California increased due to new land acquisitions as we replace communities that closed out during 2020.

The Metro New York segment experienced a decrease in pretax loss for the three months ended March 31, 2021 as compared to the same prior period, due to lower loss from unconsolidated joint venture at the LS-NJ Port Imperial JV LLC ("Avora") unconsolidated joint venture. This was primarily due to strengthening market conditions in the current period while the prior period was impacted by COVID-19 related delays and pricing pressure.

We have also identified the Company's Corporate operations as a non-operating segment, as it serves to support the operations through functional departments such as executive, finance, treasury, human resources, accounting, and legal. The majority of the corporate personnel and resources are primarily dedicated to activities relating to the business operations and are allocated accordingly.

Home Deliveries and Home Sales Revenue

Changes in home sales revenue are the result of changes in the number of homes delivered and the ASP of those delivered homes. Commentary on significant changes for each of the segments in these metrics is provided below.

	Three Months Ended March 31,								
	2021			2020			% Change		
	Homes	Dollar Value	ASP	Homes	Dollar Value	ASP	Homes	Dollar Value	ASP
	(dollars in thousands)								
Arizona	182	$ 59,672	$ 328	195	$ 53,054	$ 272	(7 %)	12 %	21 %
California	119	95,093	799	75	83,241	1,110	59 %	14 %	(28)%
Metro New York	—	—	N/A	—	—	N/A	N/A	N/A	N/A
Total	301	$ 154,765	$ 514	270	$ 136,295	$ 505	11 %	14 %	2 %

Our Arizona segment delivered 182 homes for the three months ended March 31, 2021, with an ASP of$0.3 million and generated $59.7 million in home sales revenue, an increase of 12% over the three months ended March 31, 2020. The 7% decrease in homes delivered was offset by the increase in the ASP of homes delivered in 2021 as we began delivering homes in communities with our Performance brand which generally have higher price points.

The year-over-year increase in deliveries and home sales revenue within our California segment was the result of the number of active communities increasing from 9.7 for the three months ended March 31, 2020 compared to 12.0 for the three months ended March 31, 2021. The increase in revenue from homes delivered was partially offset by a decrease in ASP of homes delivered due to a different mix of communities delivering with lower price points.

The Metro New York segment has not yet delivered any homes, other than those through unconsolidated joint ventures. Therefore, there are no home sale revenues or deliveries for the three months ended March 31, 2021 and 2020.

Home Sales Gross Margins

Home sales gross margin measures the price achieved on delivered homes compared to the costs needed to build the home. In the following table, we calculate gross margins adjusting for interest in cost of sales, inventory impairments (if applicable), and purchase price accounting for acquired work in process inventory (if applicable). We believe the below information is meaningful as it isolates the impact that indebtedness and acquisitions have on the gross margins and allows for comparability to previous periods and competitors. See *Note 3*

- *Business Combinations* within the accompanying notes to the consolidated financial statements for additional discussion regarding acquired work in process inventory.

	Three Months Ended March 31,			
	2021	%	2020	%
	(dollars in thousands)			
Home sales revenue	$ 154,765	100.0 %	$ 136,295	100.0 %
Cost of home sales	136,841	88.4 %	119,568	87.7 %
Home sales gross margin	17,924	11.6 %	16,727	12.3 %
Add: Interest in cost of home sales	7,013	4.5 %	7,311	5.4 %
Add: Inventory impairments	—	— %	—	— %
Adjusted home sales gross margin excluding interest and inventory impairments (1)	24,937	16.1 %	24,038	17.6 %
Add: Purchase price accounting for acquired inventory	2,801	1.8 %	2,785	2.0 %
Adjusted home sales gross margin excluding interest, inventory impairments, and purchase price accounting for acquired inventory (1)	$ 27,738	17.9 %	$ 26,823	19.7 %

(1) This non-GAAP financial measure should not be used as a substitute for the Company's operating results in accordance with GAAP. An analysis of any non-GAAP financial measure should be used in conjunction with results presented in accordance with GAAP. We believe this non-GAAP measure is meaningful because it provides insight into the impact that financing arrangements and acquisitions have on our homebuilding gross margin and allows for comparability of our gross margins to competitors that present similar information.

For the three months ended March 31, 2021, home sales gross margin percentage decreased slightly by 0.7%. for the three months ended March 31, 2021. Adjusted home sales gross margin excluding interest, inventory impairments, and purchase price accounting for acquired inventory decreased 1.8% primarily due to lower gross margins within our California segment.

Lot Sales

Lot sales revenue and gross margin can vary significantly between reporting periods based on (1) the number of lots sold, and (2) the percentage of completion related to the development activities required as part of the lot sales contracts. For the three months ended March 31, 2021 we recognized $5.7 million of lot sales revenue from the sale of 158 lots in our Arizona segment. For the three months ended March 31, 2020 we did not have any lot sales or revenue from lot sales.

Selling, General, and Administrative Expenses

	Three Months Ended March 31,		As a Percentage of Home Sales	
	2021	2020	2021	2020
	(dollars in thousands)			
Sales and marketing expenses	$ 9,931	$ 9,636	6.4 %	7.1 %
General and administrative expenses ("G&A")	14,986	10,016	9.7 %	7.3 %
Total sales, marketing, and G&A expenses ("SG&A")	$ 24,917	$ 19,652	16.1 %	14.4 %

For the three months ended March 31, 2021, the SG&A rate as a percentage of home sales revenue was16.1% consistent with the prior period. The increase in the total SG&A expenses was primarily due to $3.5 million of transaction related expenses related to potential acquisitions and the Merger and an increase in SG&A expenses related to being a publicly traded company in the three months ended March 31, 2021.

Net New Home Orders, Dollar Value of Orders, and Monthly Absorption Rates

Changes in the dollar value of net new orders are impacted by changes in the number of net new orders and the average selling price of those homes. Monthly Absorption Rate is calculated as total net new orders per period, divided by the average active communities during the period, divided by the number of months per period.

	Three Months Ended March 31,											
	2021				2020				% Change			
	Homes	Dollar Value	ASP	Monthly Absorption Rate	Homes	Dollar Value	ASP	Monthly Absorption Rate	Homes	Dollar Value	ASP	Monthly Absorption Rate
	(dollars in thousands)											
Arizona	283	$ 105,718	$ 374	6.3	390	$ 110,718	$ 284	6.5	(27 %)	(5 %)	32 %	(3 %)
California	143	152,386	1,066	4.0	123	136,264	1,108	4.2	16 %	12 %	(4)%	(5 %)
Metro New York	—	—	N/A	—	—	—	N/A	—	N/A	N/A	N/A	N/A
Total	426	$ 258,104	$ 606	5.3	513	$ 246,982	$ 481	5.8	(17 %)	5 %	26 %	(9 %)

For the three months ended March 31, 2021, the decrease in net new orders and dollar value in Arizona is primarily due to a decrease in the number of active communities. The decrease in the dollar value of net new home orders was partially offset by a 32% increase in ASP as we begin to sell homes in communities with our Performance brand, and as we have seen price increases due to shortages of home inventory in the market.

For the three months ended March 31, 2021, the increase in net new orders in California was primarily due to an increase in the number of active communities. The ASP is down 4% as a result of a mix of communities with lower price points, but the decrease was supported and partially offset by upward pricing pressure due to home inventory shortages across the segment.

The Metro New York segment has not yet sold or delivered any homes, other than those through unconsolidated joint ventures. The consolidated projects within this segment remain in various stages of construction and as of March 31, 2021 had not yet opened for sale.

Average Selling Communities

Average Selling Communities is the sum of communities actively selling each month, divided by the total months in the calculation period.

	Three Months Ended March 31,		
	2021	% Change	2020
Arizona	15.0	(25 %)	20.0
California	12.0	24 %	9.7
Metro New York	—	N/A	—
Total	27.0	(9 %)	29.7

Backlog

Backlog reflects the number of homes, net of cancellations, for which we have entered into a sales contract with a customer but have not yet delivered the home.

	March 31, 2021			March 31, 2020			% Change		
	Homes	Dollar Value	ASP	Homes	Dollar Value	ASP	Homes	Dollar Value	ASP
					(dollars in thousands)				
Arizona	609	$ 218,978	$ 360	524	$ 144,866	$ 276	16 %	51 %	30 %
California	266	273,704	1,029	105	117,278	1,117	153 %	133 %	(8)%
Metro New York	—	—	N/A	—	—	N/A	N/A	N/A	N/A
Total	875	$ 492,682	$ 563	629	$ 262,144	$ 417	39 %	88 %	35 %

The increase in the number of backlog homes and value as of March 31, 2021 as compared to March 31, 2020 is primarily attributable to a greater number of home sales in the California segment from newer entry-level communities that sold at a much faster pace.

Lots Owned or Controlled

The table below summarizes the lots owned or controlled by reportable segment as of the dates presented. Lots controlled includes lots where we have placed a deposit and have a signed purchase contract or rolling option contract.

	March 31, 2021			December 31, 2020			
	Lots Owned	Lots Controlled	Total	Lots Owned	Lots Controlled	Total	% Change
Arizona	3,042	1,675	4,717	3,094	1,770	4,864	(3 %)
California	1,136	643	1,779	1,104	662	1,766	1 %
Metro New York	50	—	50	50	—	50	— %
Total	4,228	2,318	6,546	4,248	2,432	6,680	(2 %)

The total lots owned and controlled at March 31, 2021 remained neutral and decreased only 2% from December 31, 2020, primarily due to the rapid pace of home deliveries in Arizona as we continue to carefully manage the number of lots owned and controlled.

Equity in Net Income (Loss) of Unconsolidated Joint Ventures

As of March 31, 2021 and December 31, 2020, we held membership interests in two unconsolidated joint ventures related to homebuilding activities, both of which are part of the Metro New York segment. As of March 31, 2021, one of the joint ventures, Avora, had active homebuilding activities with orders and deliveries, while the other LS-Boston Point LLC ("Boston Point") was effectively closed out with only customary post-closing, warranty-related activities remaining.

Our share of joint venture loss for the three months ended March 31, 2021 was approximately break even compared to a loss of $1.7 million for the three months ended March 31, 2020. The Company's joint venture loss in 2020 was due to slowing deliveries during COVID-19, increased competition from neighboring communities, and weaker pricing than expected.

The following sets forth supplemental operational and financial information about the unconsolidated joint ventures. Such information is not included directly in the financial statements, but is reflected in the results as a component of equity in net (loss) income of unconsolidated joint ventures. This data is included for informational purposes only.

	Three Months Ended March 31,	
	2021	2020
Unconsolidated Joint Ventures Operational Data	*(dollars in thousands)*	
Net new home orders	14	11
New homes delivered	10	10
Selling communities at end of period	1	1
Backlog (dollar value)	$ 10,319	$ 6,455
Backlog (homes)	8	7
Units owned and controlled	29	62

Provision (Benefit) for Income Taxes

The provision (benefit) for income taxes for the three months ended March 31, 2021 was a benefit of $4.1 million, as compared to a benefit of $1.2 million for the three months ended March 31, 2020. The effective tax rate for the three months ended March 31, 2021 was 36.5%, as compared to 32.0% for the three months ended March 31, 2020. The difference between the statutory tax rate and the effective tax rate for the three months ended March 31, 2021 is primarily related to state income taxes net of federal income tax benefits, estimated deduction limitations for executive compensation, warrant fair market value adjustments, and tax credits for energy efficient homes. The difference between the statutory tax rate and the effective tax rate for the three months ended March 31, 2020 is primarily related to state income taxes net of federal income tax benefits and tax credits for energy efficient homes.

Critical Accounting Policies

Critical accounting estimates are those that we believe are both significant and that require us to make difficult, subjective or complex judgments, often because we need to estimate the effect of inherently uncertain matters. We base our estimates and judgments on historical experiences and various other factors that we believe to be appropriate under the circumstances. Actual results may differ from these estimates, and the estimates included in the consolidated financial statements might be impacted if we used different assumptions or conditions. There have been no material changes to our critical accounting policies and estimates as compared to those described in our Form 8-K, which contains our annual report for the fiscal year ended December 31, 2020, except as noted below.

Warrant liability—The Company has Private Placement Warrants outstanding presented on the consolidated balance sheets as a liability recorded at fair value with subsequent changes in fair value recognized in the consolidated statement of operations at each reporting date. Each Private Placement Warrant is exercisable at $11.50 into one share of common stock. The Warrants will expire five years after the completion of the Merger or earlier upon redemption or liquidation. Refer to *Note 16 - Stockholders' Equity* for additional information on the Warrants. The Private Placement Warrants are recorded at fair value each reporting period with the change in fair value between periods recorded as a gain (loss) on remeasurement of the warrant liability in the accompanying consolidated statements of operations. The fair value is determined by a Black-Scholes options pricing model which includes Level 3 inputs which are discussed in *Note 14 - Fair Value*.

Liquidity and Capital Resources

Overview

As of March 31, 2021, we had $190.7 million of cash, cash equivalents, and restricted cash, a $80.7 million increase from December 31, 2020, primarily due to $64.4 million of net cash received in the Merger and net debt borrowings of $54.0 million, partially offset by an increase in real estate inventories of $35.8 million.

Our principal sources of capital are cash generated from home and land sales activities, borrowings from credit facilities, and distributions from unconsolidated joint ventures. Principal uses of capital are land purchases, land development, home construction, repayments on credit facilities, contributions and advances to unconsolidated joint ventures, the acquisitions of other homebuilders, and the payment of routine liabilities.

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

We expect to generate cash from the sale of our inventory including unsold and presold homes under construction. After making required loan repayments under our various credit facilities, we intend to re-deploy the cash generated from the sale of inventory to acquire and develop strategic, well-positioned lots that represent opportunities to generate future income and cash flows for long-term success. As we continue to expand our business, we expect that our cash outlays for land purchases and land development to increase our lot inventory may, at times, exceed our cash generated by operations.

We intend to utilize debt as part of our ongoing financial strategy, coupled with redeployment of cash flows from operations to finance our business. As of March 31, 2021, we had outstanding borrowings of $325.8 million in aggregate principal, excluding deferred loan costs. We will consider a number of factors when evaluating our level of indebtedness and when making decisions regarding the incurrence of new indebtedness, including the purchase price of assets to be acquired with debt financing, the market value of our assets and the ability of particular assets, and our business as a whole, to generate cash flow to cover the expected debt service. In addition, our credit facilities contain certain financial covenants, among others, that limit the amount of leverage we can maintain, and minimum tangible net worth and liquidity requirements.

We believe that we will be able to fund our current and foreseeable liquidity needs with our cash on hand, cash generated from operations, and cash expected to be available from our credit facilities or through accessing debt or equity capital as needed.

Credit Facilities

The Company has a secured line of credit ("LOC") with total commitments of $195.0 million and a maturity date of February 2024. The LOC has a variable interest rate of Prime plus 1.25% with a floor of 5.25%. As of March 31, 2021, the interest rate was 5.25%. As of March 31, 2021, the total available amount under the credit facility based on the collateral within the LOC was $141.2 million, of which there was $99.8 million outstanding, compared to $65.5 million outstanding as of December 31, 2020.

In connection with the acquisition of GWH, the Company entered into an additional $75.0 million line of credit ("LOC2") with a bank, that was later expanded to $100.0 million. On the date of acquisition, the Company drew $70.0 million from the LOC2. The LOC2 has an interest rate of Prime plus 1.00% with a floor of 5.00% and matures in January 2024. As of March 31, 2021, the total available amount under the LOC2 based on the borrowing base was $100.0 million, of which there was $79.2 million outstanding, compared to $74.6 million outstanding as of December 31, 2020.

We had a total of $91.5 million in project specific construction, secured loan agreements ("Project Debt") outstanding as of March 31, 2021 with various banks, and maturity dates extending from February 2022 to November 2023. The maturity dates of the Project Debt generally coincide with the estimated completion dates of the underlying communities and collateral. The Project Debt has variable interest rates based on Prime or LIBOR and as of March 31, 2021, ranged from 4.00% to 5.50%. In 2018, the Company assumed two loans from a third-party land seller in connection with the acquisition of real estate inventories. Both loans have a variable interest rate of LIBOR plus 6.50% with a floor of 8.25%. As of March 31, 2021, the interest rate on both loans was 8.25%.

We have various EB-5 notes payable totaling $50.2 million as of March 31, 2021 with maturity dates ranging from February 2022 to June 2023 that are also generally tied to the estimated completion dates of the associated communities to which they benefit. The loans have fixed interest rates of 4.00% to 6.00%.

We also received a Paycheck Protection Program ("PPP") loan during the second quarter of 2020 in the amount of $4.3 million. The PPP loan matures on April 15, 2022 and bears interest at a rate of 1.00% per annum. We fully utilized the proceeds from this loan to satisfy certain payroll and benefit obligations and have applied for relief of the full amount of the loan under the PPP.

Letters of Credit and Performance Bonds

In the normal course of business, we post letters of credit and performance bonds related to the land development performance obligations with local municipalities. As of March 31, 2021 and December 31, 2020, we had $92.1 million and $78.0 million, respectively, in performance bonds issued and outstanding. Although significant development and construction activities have been completed related to the improvements at these sites, the letters of credit and performance bonds are generally not released until all development and construction activities are completed.

Financial Covenants

Our loans have certain financial covenants, including requirements for us to maintain a minimum liquidity balance, minimum tangible net worth, gross profit margin, leverage and interest coverage ratios. See the table below for the covenant calculations.

	March 31, 2021		December 31, 2020	
Financial Covenants	**Actual**	**Covenant Requirement**	**Actual**	**Covenant Requirement**
	(dollars in thousands)		*(dollars in thousands)*	
Minimum Liquidity Covenant	$ 190,736	$ 40,000	$ 105,778	$ 40,000
Interest Coverage Ratio - EBITDA to Interest Incurred (1)	1.9	1.5	2.4	1.0
Tangible Net Worth	$ 535,953	$ 189,832	$ 588,702	$ 189,832
Maximum Leverage Ratio (2)	43.6 %	<75%	34.3 %	<75%
Annual Gross Margin (3)	N/A	N/A	12.9 %	11.0 %
Annual Net Margin (3)	N/A	N/A	4.8 %	3.5 %

(1) Calculation is based on EBITDA.
(2) Calculation is consolidated debt minus subordinated debt divided by total capitalization. The subordinated debt consists of EB-5 financing.
(3) Calculation is N/A as of March 31, 2021 as these covenant requirements are only on an annual basis.

The loan agreements also contain certain restrictive covenants, including limitations on incurrence of other indebtedness, liens, dividends and other distributions, asset dispositions, investments, and limitations on fundamental changes. The agreements contain customary events of default, subject to cure periods in certain circumstances, that would result in the termination of the commitments and permit the lender to accelerate payment on outstanding borrowings. These events of default include nonpayment of principal, interest and fees or other amounts; violation of covenants; inaccuracy of representations and warranties; cross default to certain other indebtedness; unpaid judgments; change in control; and certain bankruptcy and other insolvency events. As of March 31, 2021, we were in compliance with all required covenants.

Cash Flows—Three Months Ending March 31, 2021 Compared to the Three Months Ending March 31, 2020

For the three months ended March 31, 2021 and 2020, the comparison of cash flows is as follows:

- Net cash used in operating activities was $38.3 million during the three months ended March 31, 2021 compared to $9.1 million during the same period in 2020. The change in net cash used was primarily due to an increase in spending on real estate inventories of $35.8 million, the result of additional land acquisitions and higher construction costs during the period related to a higher number of active communities. This increased spending on real estate inventories was partially offset by a decrease in cash held in escrow and an increase in accounts payable at the end of the period.

- Net cash provided by (used in) investing activities was net cash provided of $4.0 million during the three months ended March 31, 2021, compared to $129.0 million cash used during the same period in 2020. Net cash provided by investing activities for the three months ended March 31, 2021 is primarily related to cash distributions from our Avora unconsolidated joint venture. The cash used in investing activities in the three months ended March 31, 2020 was primarily due to the business acquisition of GWH of $128.5 million.

- Net cash provided by financing activities was $115.0 million during the three months ended March 31, 2021, compared to $96.4 million during the same period in 2020. The increase was largely due to net proceeds of $64.4 million from the Merger which consisted of cash proceeds of $100.7 million less cash paid to the public warrant holders to amend the public warrants of $28.7 million and $7.5 million paid for offering related costs. Cash from the Merger was also used to payoff a convertible note of $1.5 million assumed in the Merger. Additionally, there were net borrowings from notes and other debts payable of $54.0 million for the three months ended March 31, 2021. Net cash provided by financing activities for the three months ended March 31, 2020 was primarily due to net borrowings from notes and other debts payable of $106.4 million stemming from the acquisition of GWH. The increase in net cash provided by financing activities was partially offset by cash distributed to Landsea Holdings of $6.7 million prior to the Merger.

Off-Balance Sheet Arrangements

Option Contracts

In the ordinary course of business, we enter into land purchase contracts in order to procure lots for the construction of homes. We are subject to customary obligations associated with entering into contracts for the purchase of land and improved lots. These purchase contracts typically require a cash deposit, and the purchase of properties under these contracts is generally contingent upon satisfaction of certain requirements, including obtaining applicable property and development entitlements. We also utilize option contracts with land sellers and others as a method of acquiring land in staged takedowns, to help manage the financial and market risk associated with land holdings, and to reduce the use of funds from financing sources. Option contracts generally require payment of a non-refundable deposit for the right to acquire lots over a specified period of time at pre-determined prices. Our obligations with respect to purchase contracts and option contracts are generally limited to the forfeiture of the related non-refundable cash deposits. As of March 31, 2021, we had outstanding purchase and option contracts totaling $267.6 million, and had $34.1 million of related cash deposits pertaining to these contracts.

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

Contractual Obligations

The contractual obligations as of March 31, 2021 were as follows:

	Payments due by Periods				
	Total	**Less than 1 year**	**1-3 years**	**4-5 years**	**More than 5 years**
	(dollars in thousands)				
Long-term debt maturities [1]	$ 325,809	$ 62	$ 146,085	$ 179,662	$ —
Operating leases [2]	7,021	1,201	3,021	2,037	762
Land option and purchase contracts [3]	267,641	100,840	151,637	15,164	—
Total contractual obligations	$ 600,471	$ 102,103	$ 300,743	$ 196,863	$ 762

(1) Principal payments in accordance with the LOC, LOC2, Project Debt and EB-5 notes payable, and other loans payable.
(2) Operating lease obligations do not include payments to property owners covering common area maintenance charges.
(3) Includes the remaining purchase price for all land option and purchase contracts, net of deposits, as of March 31, 2021.

We are subject to certain obligations associated with entering into contracts (including land purchase contracts) for the purchase, development, and sale of real estate in the routine conduct of business. Option contracts for the purchase of land enable us to defer acquiring portions of properties owned by third parties until the Company has determined whether to exercise its option, which may serve to reduce its financial risks associated with long-term land holdings. As of March 31, 2021, the Company had $34.1 million of deposits, of which $3.2 million are refundable. We expect to acquire the majority of such land within the next four years. The Company's performance, including the timing and amount of purchase, if any, on the remaining purchase and option contracts is subject to change.

Seasonality

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

Non-GAAP Financial Measures

We include non-GAAP financial measures of adjusted home sales gross margin, EBITDA and adjusted EBITDA, net debt to net capital, and adjusted net income. These non-GAAP financial measures are presented to provide investors additional insights to facilitate the analysis of our results of operations. These non-GAAP financial measures are not in accordance with, or an alternative for, GAAP and may be different from non-GAAP financial measures used by other companies. In addition, these non-GAAP financial measures are not based on any comprehensive or standard set of accounting rules or principles. Accordingly, the calculation of our non-GAAP financial measures may differ from the definitions of non-GAAP financial measures other companies may use with the same or similar names. This limits, to some extent, the usefulness of this information for comparison purposes. Non-GAAP financial measures have limitations in that they do not reflect all of the amounts associated with our financial results as determined in accordance with GAAP. This information should only be used to evaluate our financial results in conjunction with the corresponding GAAP information. Accordingly, we qualify our use of non-GAAP financial measures whenever non-GAAP financial measures are presented.

Net Debt to Net Capital

The following table presents the ratio of debt to capital as well as the ratio of net debt to net capital which is a non-GAAP financial measure. The ratio of debt to capital is computed as the quotient obtained by dividing total debt, net of issuance costs, by total capital (sum of total debt, net of issuance costs plus total equity).

The non-GAAP ratio of net debt to net capital is computed as the quotient obtained by dividing net debt (which is total debt, net of issuance costs less cash, cash equivalents and restricted cash to the extent necessary to reduce the debt balance to zero) by net capital (sum of net debt plus total equity). The most comparable GAAP financial measure is the ratio of debt to capital. We believe the ratio of net debt to net capital is a relevant financial measure for investors to understand the leverage employed in our operations and as an indicator of our ability to obtain financing. We believe that by deducting our cash from our debt, we provide a measure of our indebtedness that takes into account our cash liquidity. We believe this provides useful information as the ratio of debt to capital does not take into account our liquidity and we believe that the ratio of net debt to net capital provides supplemental information by which our financial position may be considered.

See table below reconciling this non-GAAP measure to the ratio of debt to capital.

	March 31, 2021	December 31, 2020
	(dollars in thousands)	
Total notes and other debts payable, net	$ 319,479	$ 264,809
Total equity	556,658	529,486
Total capital	$ 876,137	$ 794,295
Ratio of debt to capital	36.5 %	33.3 %
Total notes and other debts payable, net	$ 319,479	$ 264,809
Less: cash, cash equivalents and restricted cash	190,736	110,048
Net debt	128,743	154,761
Total equity	556,658	529,486
Net capital	$ 685,401	$ 684,247
Ratio of net debt to net capital	18.8 %	22.6 %

EBITDA and Adjusted EBITDA

The following table presents EBITDA and Adjusted EBITDA for the three months ended March 31, 2021 and 2020. Adjusted EBITDA is a non-GAAP financial measure used by management in evaluating operating performance. We define Adjusted EBITDA as net income before (i) income tax expense (benefit), (ii) interest expenses, (iii) depreciation and amortization, (iv) inventory impairments, (v) purchase accounting adjustments for acquired work in process inventory related to business combinations, (vi) (gain) loss on debt extinguishment, (vii) transaction costs related to the Merger and business combinations, (viii) the impact of income or loss allocations from our unconsolidated joint ventures, and (ix) gain (loss) on remeasurement of warrant liability. We believe Adjusted EBITDA provides an indicator of general economic performance that is not affected by fluctuations in interest, effective tax rates, levels of depreciation and amortization, and items considered to be non-recurring. The economic activity related to our unconsolidated joint ventures is not core to our operations and is the reason we have excluded those amounts. Accordingly, we believe this measure is useful for comparing our core operating performance from period to period. Our presentation of Adjusted EBITDA should not be considered as an indication that our future results will be unaffected by unusual or non-recurring items.

	Three Months Ended March 31,	
	2021	2020
	(dollars in thousands)	
Net (loss)	$ (7,086)	$ (2,624)
(Benefit) for income taxes	(4,065)	(1,235)
Interest in cost of sales	7,067	7,311
Interest relieved to equity in net loss (income) of unconsolidated joint ventures	353	282
Interest expense	11	11
Depreciation and amortization expense	914	816
EBITDA	(2,806)	4,561
Inventory impairments	—	—
Purchase price accounting in cost of home sales	2,801	2,785
Transaction costs	3,479	404
Equity in net (income) loss of unconsolidated joint ventures, net of interest	(332)	1,461
Loss on remeasurement of warrant liability	4,950	—
Less: Imputed interest in cost of sales (1)	—	(388)
Adjusted EBITDA	$ 8,092	$ 8,823

(1) Imputed interest related to a land banking transaction that was treated as a product financing arrangement.

Adjusted Net Income

Adjusted Net Income to LHC is a non-GAAP financial measure that we believe is useful to management, investors and other users of our financial information in evaluating our operating results and understanding our operating results without the effect of certain expenses that were historically pushed down by our parent company and other non-recurring items. We believe excluding these items provides a more comparable assessment of our financial results from period to period. Adjusted Net Income to LHC is calculated by excluding the effects of related party interest that was pushed down by our parent company, purchase accounting adjustments for acquired work in process inventory related to business combinations, the impact from our unconsolidated joint ventures, merger related transaction costs, and gain (loss) on remeasurement of warrant liability, and tax-effected using a normalized effective tax rate. The economic activity related to our unconsolidated joint ventures is not core to our operations and is the reason we have excluded those amounts. We also adjust for the expense of related party interest pushed down from our parent company as we have no obligation to repay the debt and related interest.

	Three Months Ended March 31,	
	2021	2020
	(dollars in thousands)	
Net (loss) attributable to Landsea Homes Corporation	$ (7,074)	$ (2,536)
Inventory impairments	—	—
Previously capitalized related party interest included in cost of sales	2,902	2,846
Equity in net loss of unconsolidated joint ventures	21	1,743
Purchase price accounting for acquired inventory	2,801	2,785
Merger related transaction costs	2,656	—
Loss on remeasurement of warrant liability	4,950	—
Total adjustments	13,330	7,374
Tax-effected adjustments (1)	8,471	5,014
Adjusted net income attributable to Landsea Homes Corporation	$ 1,397	$ 2,478

(1) Our adjusted income tax expense is reflective of our effective income tax rate.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rates

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. The Company's primary exposure to market risk is interest rate risk associated with variable rate debt and credit facilities. Borrowings under variable rate debt and credit facilities bear interest at a floating rate equal to the adjusted Prime Rate or LIBOR plus an applicable margin between 0.75% to 6.50% per annum.

Inflation

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed by us in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal accounting officer or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Accounting Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter ended March 31, 2021. Based on this evaluation, our Chief Executive Officer and Chief Accounting Officer have concluded that, as of such date, our disclosure controls and procedures were not effective solely due to the material weakness in our internal control over financial reporting described below.

Our evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q included consideration of the items expressed in the SEC's Staff Statement of April 12, 2021 (the "SEC Statement") in which the SEC Staff emphasized the potential accounting implications of certain terms that may be common in warrants issued by Special Purpose Acquisition Companies ("SPACs"). Based on consideration of the highlights included in the SEC Statement, our Chief Executive Officer and Chief Accounting Officer concluded that as of March 31, 2021, we did not design and maintain effective controls over the accounting for warrants issued in connection with the initial public offering of LF Capital and assumed by us in the Merger. We also considered the impact of the SEC Statement to the Company's accounting for the warrants in the historical financial statements of LF Capital reflected in our Annual Report on Form 10-K for the year ended December 31, 2020 and concluded the material weakness existed as of December 31, 2020. If not fully remediated, this material weakness could result in material misstatements of account balances or disclosures that would result in a material misstatement of our annual or interim consolidated financial statements that would not be prevented or detected.

In light of the material weakness described above, we analyzed and evaluated the financial statements previously filed in our Annual Report on Form 10-K for the year ended December 31, 2020 and concluded that there is a material misstatement related to the accounting for the Warrants in the historical financial statements of LF Capital for the periods presented in that Form 10-K. The Company will file an amended Form 10-K as soon as practicable and has filed a Current Report on Form 8-K that includes a statement of non-reliance within Item 4.02 of that Form 8-K.

Management performed additional analyses and other post-closing procedures to determine whether its consolidated financial statements for the quarter ended March 31, 2021 are prepared in accordance with generally accepted accounting principles. Accordingly, management concluded that the consolidated financial statements included in this report fairly present, in all material respects, the Company’s financial position, results of operations, and cash flows for the periods presented.

Remediation Efforts

Management began implementing controls over the warrants upon identification of the misstatement and has designed and implemented additional controls over the warrants accounting, including review by our internal financial reporting specialists and consultation with third party experts on the accounting for warrants. The material weakness will not be considered fully remediated until all associated controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the fiscal quarter ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to various legal and regulatory actions that arise from time to time and may be subject to similar or other claims in the future. In addition, we are currently involved in various other legal actions and proceedings. We are currently unable to estimate the likelihood of an unfavorable result or the amount of any eventual settlement or verdict that would not otherwise be covered by insurance, and therefore are unable to estimate whether any liability arising as a result of such litigation will have a material adverse effect on our results of operations, financial position or liquidity.

Item 1A. Risk Factors

Summary of Risk Factors

An investment in our securities involves risks and uncertainties. The following summarizes the material factors that make an investment in us speculative or risk, all of which are more fully described in the Risk Factors section below. You should read and carefully consider this summary in conjunction with the Risk Factors section as well as the other information included in this Annual Report, including “Cautionary Note Regarding Forward-Looking Statements,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and the related notes thereto included elsewhere in this Annual Report, before investing in our securities. We operate in a changing environment that involves numerous known and unknown risks and uncertainties that could materially adversely affect our operations. Any of the following risks could materially and adversely affect our business, financial condition, results of operations or prospects. However, the selected risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition, results of operations or prospects. In such a case, the trading price of our securities could decline and you may lose all or part of your investment in us.

- Actual or threatened public health crises, epidemics, or outbreaks, including the outbreak of COVID-19, may have a material adverse effect on our business, financial condition, and results of operations.
- Our industry is cyclical and adverse changes in general and local economic conditions could reduce the demand for homes and, as a result, could have a material adverse effect on us.
- If we are not able to develop communities successfully and in a timely manner, our revenues, financial condition and results of operations may be adversely impacted.
- We may suffer uninsured losses or suffer material losses in excess of insurance limits.
- Our geographic concentration could materially and adversely affect us if the homebuilding industry in our current markets should experience a decline.
- Inflation and interest rate changes could adversely affect our business and financial results.
- We may not be successful in integrating acquisitions, expanding into new markets or implementing our growth strategies.
- Landsea Green can determine the outcome of major corporate transactions that require the approval of our stockholders and may take actions that conflict with the interests of other of our stockholders.
- We are a “controlled company” within the meaning of Nasdaq rules and, as a result, may qualify for, and may choose to rely on, exemptions from certain corporate governance requirements.
- Our internal controls over financial reporting may not be effective and our independent registered public accounting firm may not be able to certify as to their effectiveness, which could have a significant and adverse effect on our business and reputation.
- If the Business Combination’s benefits do not meet the expectations of investors, stockholders or financial analysts, the market price of our securities may decline.
- A significant portion of our total outstanding shares are restricted from immediate resale but may be sold into the market in the near future. Resales of the shares of Common Stock included in the Merger Consideration could depress the market price of our Common Stock.

- Because homes are relatively illiquid, our ability to promptly sell one or more properties for reasonable prices in response to changing economic, financial and investment conditions may be limited and we may be forced to hold non-income producing properties for extended periods of time.
- New and existing laws and regulations or other governmental actions may increase our expenses, limit the number of homes that we can build or delay completion of our projects.
- We rely on third-party suppliers and long supply chains, and if we fail to identify and develop relationships with a sufficient number of qualified suppliers, or if there is a significant interruption in our supply chains, our ability to timely and efficiently access raw materials that meet our standards for quality could be adversely affected.
- Our business and results of operations are dependent on the availability, skill and performance of subcontractors.
- The long-term sustainability and growth in our number of homes delivered depends in part upon our ability to acquire developed lots ready for residential homebuilding on reasonable terms.

Risk Factors

Operational Risks Related to Our Business

Actual or threatened public health crises, epidemics, or outbreaks, including the outbreak of COVID-19, have had and may again have a material adverse effect on our business, financial condition, and results of operations.

Our business operations and supply chains may be negatively impacted by regional or global public health crises, epidemics, or outbreaks. For example, in December 2019, a novel strain of coronavirus, now known as COVID-19, emerged in Wuhan, Hubei Province, China. On March 11, 2020, the International Health Regulations Emergency Committee of the World Health Organization declared the outbreak a global pandemic. The outbreak has spread rapidly throughout the world and has caused severe disruption to the global economy. The COVID-19 outbreak has led governments across the globe to impose a series of measures intended to contain its spread, including border closures, travel bans, quarantine measures, social distancing, and restrictions on business operations and large gatherings. Such measures have adversely impacted our business, financial condition, and results of operations. In addition, a significant public health crisis, epidemic or outbreak of contagious disease in the human population may adversely affect the economies and financial markets of many countries, including those in which we operate, resulting in an economic downturn that could affect the supply or demand for our products and services.

The outbreak of COVID-19 has caused companies like us and our business partners to implement temporary adjustments to work schedules and travel plans, allowing employees to work from home and collaborate remotely. As a result, we have experienced lower efficiency and productivity, internally and externally, which may adversely affect our service quality. Moreover, our business depends on our employees and the continued services of these individuals. If an employee contracts or is suspected of having contracted COVID-19, such an employee is required under our policies to be quarantined. That employee could expose and transmit to other employees, potentially resulting in severe disruption to our business.

Furthermore, our results of operations have been severely affected by the COVID-19 outbreak, resulting in significant slowing and/or ceasing of construction, sales, warranty, and administrative support in our markets. In addition, depending on the specific jurisdiction, we are required to implement certain safety protocols and procedures that have materially impacted our ability to develop communities, maintain sales velocity, build homes, timely deliver homes, and service customers. The COVID-19 outbreak has had, and future outbreaks can have, a material impact on cycle times, cancellation rates, availability of trades, costs, supplies, and new home demand.

More broadly, the COVID-19 outbreak threatens global economies and may cause significant market volatility and declines in general economic activities. This may severely dampen investor confidence in global markets, resulting in decreases in overall trading activities and restraint in their investment decisions.

The extent to which COVID-19 will impact our operations depends on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration and severity of the outbreak, actions taken by government authorities or other entities to contain the coronavirus or treat its impact, including vaccines, and volatility in the capital and real estate markets, among others. Given the general slowdown in economic conditions globally, we cannot assure you that we will be able to develop new products and services in a timely manner or that we can maintain the growth rate we have previously experienced or projected. Because of these uncertainties, we cannot reasonably estimate the financial impact related to the COVID-19 outbreak and the response to it at this time. In addition, COVID-19 may foster or worsen the occurrence of any of the other risk factors discussed in this Annual Report.

If we are not able to develop communities successfully and in a timely manner, our revenues, financial condition and results of operations may be adversely impacted.

Before a community generates any revenue, time and material expenditures are required to acquire land, obtain or renew permits and development approvals and construct significant portions of project infrastructure, amenities, model homes and sales facilities. There may be a significant lag from the time we acquire land or options for land for development or developed home sites and the time we can bring the communities to market and sell homes. Our ability to process a significant number of transactions (which include, among other things, evaluating the site purchase, designing the layout of the development, sourcing materials and subcontractors and managing contractual commitments) efficiently and accurately is important to our success. Errors by employees, failure to comply with or changes in regulatory requirements and conduct of business rules, failings or inadequacies in internal control processes, equipment failures, natural disasters or the failure of external systems, including those of suppliers or counterparties, could result in delays and operational issues that could adversely affect our business, financial condition and operating results and relationships with customers. We can also experience significant delays in obtaining permits, development approvals, entitlements, and local, state or federal government approvals (including due to an extended failure by lawmakers to agree on a budget or appropriation legislation to fund relevant operations or programs), utility company constraints or delays, delays in a land seller's lot deliveries or delays resulting from rights or claims asserted by third parties, which may be outside of our control. Additionally, we may also have to renew existing permits and there can be no assurances that these permits will be renewed. Delays in the development of communities also expose us to the risk of changes in market conditions for homes. A decline in our ability to develop and market communities successfully and to generate positive cash flow from these operations in a timely manner could have a material adverse effect on our business and results of operations and on our ability to service our debt and to meet our working capital requirements.

We are subject to warranty and liability claims arising in the ordinary course of business that can be significant.

As a homebuilder, we are subject to construction defect, product liability, home warranty, and other claims, arising in the ordinary course of business or otherwise. There can be no assurance that our general liability insurance and other insurance rights or the indemnification arrangements with subcontractors and design professionals and other indemnities will be collectible or adequate to cover any or all construction defect and warranty claims for which we may be liable. Some claims may not be covered by insurance or may exceed applicable coverage limits. We may not be able to renew our insurance coverage or renew it at reasonable rates and may incur significant costs or expenses (including repair costs and litigation expenses) surrounding possible construction defects, product liability claims, soil subsidence or building related claims. Some claims may arise out of uninsurable events or circumstances not covered by insurance or that are not subject to effective indemnification agreements with our trade partners. In addition, we typically act as the general contractor for the homes we build for third party landowners on fee. In connection with these fee building agreements, we indemnify the landowner for liabilities arising from our work. There can be no assurance that our general liability insurance (procured by us or the landowner) or indemnification arrangements with subcontractors will be collectible and some claims may arise out of uninsurable events or circumstances not covered by insurance. Furthermore, most insurance policies have some level of a self-insured retention that we are required to satisfy per occurrence in order to access the underlying insurance, which levels can be significant. Any such claims or self-insured retentions can be costly and could result in significant liability.

With respect to certain general liability exposures, including construction defects and related claims and product liability claims, interpretation of underlying current and future trends, assessment of claims and the related liability and reserve estimation process require us to exercise significant judgment due to the complex nature of these exposures, with each exposure often exhibiting unique circumstances. Furthermore, once claims are asserted against us for construction defects, it is difficult to determine the extent to which the assertion of these claims will expand. Plaintiffs may seek to consolidate multiple parties in one lawsuit or seek class action status in some of these legal proceedings with potential class sizes that vary from case to case. Consolidated and class action lawsuits can be costly to defend and, if we were to lose any consolidated or certified class action suit, it could result in substantial liability.

We also expend significant resources to repair items in homes we have sold to fulfill the warranties we have issued to homebuyers. Additionally, construction defect claims can be costly to defend and resolve in the legal system. Warranty and construction defect matters can also result in negative publicity in the media and on the internet, which can damage our reputation and adversely affect our ability to sell homes.

In addition, we conduct much of our business in California, one of the most highly regulated and litigious jurisdictions in the United States, which imposes a ten-year, strict liability tail on many construction liability claims. As a result, our potential losses and expenses due to litigation, new laws and regulations may be greater than those of competitors who have smaller California operations as a percentage of the total enterprise.

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

In addition to difficulties with respect to claim assessment and liability and reserve estimation, some types of claims may not be covered by our insurance or may exceed our applicable coverage limits. We may also be responsible for applicable self-insured retentions with respect to our insurance policies. Furthermore, contractual indemnities with contractors and subcontractors can be difficult to enforce and we include our subcontractors on our general liability insurance which may significantly limit our ability to seek indemnity for insured claims. Furthermore, any product liability or warranty claims made against us, whether or not they are viable, may lead to negative publicity, which could impact our reputation and future home sales. In addition, manufactured product defects may result in delays, additional costs and remediation efforts which could have a negative impact on our new home deliveries and financial and operating results.

Our insurance for construction defect claims, subject to applicable self-insurance retentions, may not be available or adequate to cover all liability for damages, the cost of repairs, or the expense of litigation surrounding current claims, and future claims may arise out of events or circumstances not covered by our insurance and not subject to effective indemnification agreements with subcontractors.

Because of the uncertainties inherent in litigation, we cannot provide assurance that our insurance coverage, indemnity arrangements and reserves will be adequate to cover liability for any damages, the cost of repairs and litigation, or any other related expenses surrounding the current claims to which we are subject or any future claims that may arise. Such damages and expenses, to the extent that they are not covered by our insurance or redress against contractors and subcontractors, could materially and adversely affect our consolidated financial statements and results.

The long-term sustainability and growth in our number of homes delivered depends in part upon our ability to acquire developed lots ready for residential homebuilding on reasonable terms.

Our future growth depends upon our ability to successfully identify and acquire attractive lots ready for development of homes at reasonable prices and with terms that meet our underwriting criteria. Our ability to acquire lots for new homes may be adversely affected by changes in the general availability of lots, the willingness of land sellers to sell lots at reasonable prices, competition for available lots, availability of financing to acquire lots, zoning and other market conditions. We currently depend primarily on the California and greater Phoenix area markets and the availability of lots in those markets at reasonable prices is limited. If the supply of lots appropriate for development of homes is limited because of these factors, or for any other reason, our ability to grow could be significantly limited, and the number of homes that we build and sell could decline. Additionally, our ability to begin new projects could be impacted if we elect not to purchase lots under option contracts. To the extent that we are unable to purchase lots timely or enter into new contracts for the purchase of lots at reasonable prices, our home sales revenue and results of operations could be negatively impacted or we may be required to decrease our operations in a given market.

If the market value of our developed lot inventory decreases, our results of operations could be adversely affected by impairments and write-downs.

The market value of our land and housing inventories depends on market conditions. We acquire land for expansion into new markets and for replacement of land inventory and expansion within our current markets. There is an inherent risk that the value of the land we own or control may decline after purchase. The risks inherent in purchasing and developing land parcels increase as consumer demand for housing decreases. As a result, we may buy and develop land parcels on which homes cannot be profitably built and sold. The valuation of property is inherently subjective and based on the individual characteristics of each property. When market conditions drive land values down, land we have purchased or option agreements we have previously entered into may become less desirable because we may not be able to build and sell homes profitably, at which time we may elect to sell the land or, in the case of options contracts, to forego pre-acquisition costs and forfeit deposits and terminate the agreements. Factors such as changes in regulatory requirements and applicable laws (including in relation to building regulations, taxation and planning), political conditions, the condition of financial markets, both local and national economic conditions, the financial condition of customers, potentially adverse tax consequences, and interest and inflation rate fluctuations subject the market value of land owned, controlled or optioned by us to uncertainty. Moreover, all valuations are made on the basis of assumptions that may not prove to reflect economic or demographic reality. If housing demand decreases below what we anticipated when we acquired the inventory, our results of operations and financial conditions may be adversely affected and we may not be able to recover our costs when we build and sell houses.

Risks associated with our developed lot inventories could adversely affect our business or financial results.

Land parcels, building lots and housing inventories are illiquid assets, and we may not be able to dispose of them efficiently or at all if we or the housing market and general economy are in financial distress. In addition, inventory carrying costs can be significant and can result in losses in a poorly performing project or market. We regularly review the value of our land holdings and continues to review our holdings on a periodic basis. Material impairments in the value of our inventory may be required, and we may in the future sell land or homes at significantly lower margins or at a loss, if we are able to sell them at all, which could adversely affect our results of operations and financial condition.

Increases in our cancellation rate may adversely impact our revenue and homebuilding margins.

In connection with the sale of a home, we collect a deposit from the homebuyer that is a small percentage of the total purchase price. During the year ended December 31, 2020, Landsea Homes experienced a cancellation rate of 12.7%. Cancellations negatively impact the number of closed homes, net new home orders, home sales revenue and our results of operations, as well as the number of homes in backlog. Home order cancellations can result from a number of factors, including but not limited to declines or slow appreciation in the market value of homes, increases in the supply of homes available to be purchased, increased competition, higher mortgage interest rates, buyer’s remorse, homebuyers’ inability to sell their existing homes, homebuyers’ inability to obtain suitable financing, including providing sufficient down payments, and adverse changes in economic conditions. Many of these factors are beyond our control. Increased levels of home order cancellations would have a negative impact on our home sales revenue and financial and operating results.

Third-party lenders may not complete mortgage loan originations for our homebuyers in a timely manner or at all, which can lead to cancellations and a lesser backlog of orders, or significant delays in our closing homes sales and recognizing revenues from those homes.

Our buyers may obtain mortgage financing for their home purchases from any lender or other provider of their choice, including an unaffiliated lender. If, due to credit or consumer lending market conditions, regulatory requirements, or other factors or business decisions, these lenders refuse or are unable to provide mortgage loans to our buyers, the number of homes that we deliver and our consolidated financial statements may be materially and adversely affected.

We can provide no assurance as to a lenders' ability or willingness to complete, in a timely fashion or at all, the mortgage loan originations they start for our homebuyers. Such inability or unwillingness may result in mortgage loan funding issues that slow deliveries of our homes or cause cancellations, which in each case may have a material adverse effect on our consolidated financial statements. In addition, recent changes to mortgage loan disclosure requirements to consumers may potentially delay lenders' completion of the mortgage loan funding process for borrowers. Specifically, the Consumer Financial Protection Bureau has adopted a rule governing the content and timing of mortgage loan disclosures to borrowers, commonly known as TILA-RESPA Integrated Disclosures ("TRID"). Lender compliance with TRID could result in delays in loan closings and the delivery of homes that materially and adversely affect our financial results and operations.

Difficulties with appraisal valuations in relation to the proposed sales price of our homes could force us to reduce the price of our homes for sale.

Each of our home sales may require an appraisal of the home value before closing. These appraisals are professional judgments of the market value of the property and are based on a variety of market factors. If our internal valuations of the market and pricing do not line up with the appraisal valuations and appraisals are not at or near the agreed upon sales price, we may be forced to reduce the sales price of the home to complete the sale. These appraisal issues could have a material adverse effect on our business and results of operations.

Our business and results of operations are dependent on the availability, skill and performance of subcontractors.

Our business and results of operations are dependent on the availability and skill of subcontractors, as substantially all construction work is done by subcontractors with us acting as the general contractor. Accordingly, the timing and quality of construction depend on the availability and skill of unaffiliated, third party subcontractors. As the homebuilding market returns to full capacity, we have previously experienced and may again experience skilled labor shortages. Throughout the homebuilding cycle, we have experienced shortages of skilled labor in a number of our markets which has led to increased labor costs and increased the cycle times of completion of home construction and our ability to convert home sales into closings. The cost of labor may also be adversely affected by shortages of qualified tradespeople, changes in laws and regulations relating to union activity and changes in immigration laws and trends in labor migration. We cannot be assured that there will be a sufficient supply of, or satisfactory performance by, these unaffiliated third-party consultants and subcontractors, which could have a material adverse effect on our business.

The residential construction industry also experiences labor shortages and disruptions from time to time, including: work stoppages, labor disputes, shortages in qualified tradespeople, lack of availability of adequate utility infrastructure and services, our need to rely on local subcontractors who may not be adequately capitalized or insured, and delays in availability of building materials. Additionally, we could experience labor shortages as a result of subcontractors going out of business or leaving the residential construction market due to low levels of housing production and volumes. Any of these circumstances could give rise to delays in the start or completion of our communities, increase the cost of developing one or more of our communities and increase the construction cost of our homes. To the extent that market conditions prevent the recovery of increased costs, including, among other things, subcontracted labor, finished lots, building materials, and other resources, through higher sales prices, our gross margins from home sales and results of operations could be adversely affected.

In addition, some of the subcontractors we engage are represented by labor unions or are subject to collective bargaining arrangements that require the payment of prevailing wages that are typically higher than normally expected on a residential construction site. A strike or other work stoppage involving any of our subcontractors could also make it difficult for us to retain subcontractors for their construction work. In addition, union activity could result in higher costs for us to retain our subcontractors. Access to qualified labor at reasonable rates may also be affected by other circumstances beyond our control, including: shortages of qualified tradespeople, such as carpenters, roofers, electricians and plumbers; high inflation; changes in laws relating to employment and union organizing activity; changes in trends in labor force migration; and increases in contractor, subcontractor and professional services costs. The inability to contract with skilled contractors and subcontractors at reasonable rates on a timely basis could materially and adversely affect our financial condition and operating results.

Further, the enactment and implementation of federal, state or local statutes, ordinances, rules or regulations requiring the payment of prevailing wages on private residential developments would materially increase our costs of development and construction, which could materially and adversely affect our results of operations and financial conditions.

We rely on third-party suppliers and long supply chains, and if we fail to identify and develop relationships with a sufficient number of qualified suppliers, or if there is a significant interruption in our supply chains, our ability to timely and efficiently access raw materials that meet our standards for quality could be adversely affected.

Our ability to identify and develop relationships with qualified suppliers who can satisfy our standards for quality and our need to access products and supplies in a timely and efficient manner is a significant challenge. We may be required to replace a supplier if their products do not meet our quality or safety standards. In addition, our suppliers could discontinue selling products at any time for reasons that may or may not be in our control or the suppliers' control. Our operating results and inventory levels could suffer if we are unable to promptly replace a supplier who is unwilling or unable to satisfy our requirements with a supplier providing similar products. Our suppliers' ability to deliver products may also be affected by financing constraints caused by credit market conditions, which could negatively impact our revenue and cost of products sold, at least until alternate sources of supply are arranged.

Fluctuating materials prices may adversely impact our results of operations.

The residential construction industry experiences labor and raw material shortages from time to time, including shortages in qualified tradespeople, and supplies of insulation, drywall, cement, steel and lumber. These labor and raw material shortages can be more severe during periods of strong demand for housing or during periods where the regions in which we operate experience natural disasters that have a significant impact on existing residential and commercial structures. The cost of labor and raw materials may also increase during periods of shortage or high inflation. During the downturn in 2007 to 2011, a large number of qualified trade partners went out of business or otherwise exited the market into new fields. A reduction in available trade partners exacerbates labor shortages as demand for new housing increases. Shortages and price increases could cause delays in and increase our costs of home construction, which we may not be able to recover by raising home prices due to market demand and because the price for each home is typically set prior to its delivery pursuant to the agreement of sale with the homebuyer. In addition, the federal government has, at various times, imposed tariffs on a variety of imports from foreign countries and may impose additional tariffs in the future. Significant tariffs or other restrictions placed on raw materials that we use in our homebuilding operation, such as lumber or steel, could cause the cost of home construction to increase, which we may not be able to recover by raising home prices or which could slow our absorption due to being constrained by market demand. As a result, shortages or increased costs of labor and raw materials could have a material adverse effect on our business, prospects, financial condition and results of operations.

We could be adversely affected by efforts to impose joint employer liability for labor law violations committed by subcontractors.

Several other homebuilders have received inquiries from regulatory agencies concerning whether homebuilders using contractors are deemed to be employers of the employees of such contractors under certain circumstances. Contractors are independent of the homebuilders that contract with them under normal management practices and the terms of trade contracts and subcontracts within the homebuilding industry; however, if regulatory agencies reclassify the employees of contractors as employees of homebuilders, homebuilders using contractors could be responsible for wage and hour labor laws, workers' compensation and other employment-related liabilities of their contractors. Even if we are not deemed to be a joint employer with our contractors, we may be subject to legislation that requires us to share liability with our contractors for the payment of wages and the failure to secure valid workers' compensation coverage. In addition, under California law, direct construction contractors are required to assume and be liable for unpaid wages, fringe or other benefit payments or contributions, including interest, incurred by a subcontractor at any tier for contracts entered into on or after January 1, 2018, which may result in increased costs.

We may not be successful in integrating acquisitions, expanding into new markets or implementing our growth strategies.

In June 2019, Landsea Homes closed the acquisition of Arizona-based homebuilders Pinnacle West, in the greater Phoenix area market, and in January 2020, Landsea Homes closed the acquisition of Garrett Walker, increasing our footprint in the greater Phoenix area market. We may in the future consider growth or expansion of our operations in our current markets or in new markets, whether through strategic acquisitions of homebuilding companies or otherwise. The magnitude, timing and nature of any future expansion will depend on a number of factors, including our ability to identify suitable additional markets or acquisition candidates, the negotiation of acceptable terms, our financial capabilities and general economic and business conditions. Our expansion into new or existing markets, whether through acquisition or otherwise, could have a material adverse effect on our business, prospects, liquidity, financial condition or results of operations. Acquisitions also involve numerous risks, including difficulties in the assimilation of the acquired company's operations, the incurrence of unanticipated liabilities or expenses, the risk of impairing inventory and other assets related to the acquisition, the potential loss of key employees of the acquired company, the diversion of management's attention and resources from other business concerns, risks associated with entering markets in which we have limited or no direct experience and the potential loss of key employees of the acquired company.

We may be unable to obtain additional financing to fund our operations and growth.

We may require additional financing to fund our operations or growth. Our failure to secure additional financing could have a material adverse effect on our continued development or growth.

Adverse weather and geological conditions may increase costs, cause project delays and reduce consumer demand for housing, all of which could materially and adversely affect us.

As a homebuilder and land developer, we are subject to the risks associated with numerous weather-related and geologic events, many of which are beyond our control. These weather-related and geologic events include but are not limited to droughts, floods, wildfires, landslides, soil subsidence and earthquakes. The occurrence of any of these events could damage our land parcels and projects, cause delays in the completion of our projects, reduce consumer demand for housing and cause shortages and price increases in labor or raw materials, any of which could harm our sales and profitability. Our California markets are in areas which have historically experienced significant earthquake activity, seasonal wildfires and related power outages, droughts and water shortages. In addition to directly damaging our land or projects, earthquakes, floods, landslides, wildfires or other geologic events could damage roads and highways providing access to those projects, thereby adversely affecting our ability to market homes in those areas and possibly increasing the costs of completion.

Failure by our directors, officers or employees to comply with applicable policies, regulations and rules could materially and adversely affect us.

We have adopted an employee handbook, which includes policies, regulations and rules, for our directors, officers and employees. Our adoption of these policies, regulations and rules is not a representation or warranty that all persons subject to such standards are or will be in complete compliance. The failure of a director, officer or employee to comply with the applicable policies, regulations and rules may result in termination of the relationship or adverse publicity, which could materially and adversely affect us.

Our officers and directors may allocate their time to other businesses thereby causing conflicts of interest in their determination as to how much time to devote to our affairs.

Our officers and directors are not required to commit their full time to our affairs, which could create a conflict of interest when allocating their time between our operations and their other commitments. Some of our officers and directors are engaged in other business endeavors and are not obligated to devote any specific number of hours to our affairs. If our officers' and directors' other business affairs require them to devote more substantial amounts of time to such affairs it could limit their ability to devote time to our affairs and could have a negative impact on our ability to consummate our business, prospects, liquidity, financial condition and results of operations. We cannot assure you that these conflicts will be resolved in our favor.

Poor relations with the residents of our communities could negatively impact sales, which could cause our revenue or results of operations to decline.

Residents of communities we develop may look to us to resolve issues or disputes that may arise in connection with the operation or development of their communities. Efforts we make to resolve these issues or disputes could be deemed unsatisfactory by the affected residents, and subsequent actions by these residents could adversely affect our sales or reputation. In addition, we could be required to make material expenditures related to the settlement of such issues or disputes or to modify our community development plans, which could adversely affect our results of operations.

We may write-off intangible assets, such as goodwill.

We have recorded intangible assets, including goodwill, in connection with the acquisitions of Pinnacle West and Garrett Walker Homes. On an ongoing basis, we evaluate whether facts and circumstances indicate any impairment of the value of intangible assets. As circumstances change, we can make no assurances that we will realize the value of these intangible assets. If we determine that a significant impairment has occurred, we will be required to write-off the impaired portion of intangible assets, which could have a material adverse effect on our results of operations in the period in which the write-off occurs.

We may be required to take write-downs or write-offs, restructuring and impairment or other charges that could have a significant negative effect on our financial condition, results of operations and our stock price, which could cause you to lose some or all of your investment.

Moreover, factors outside of our business and outside of our control may later arise. As a result of these factors, we may be forced to write down or write off assets, restructure operations, or incur impairment or other charges that could result in losses. Further, unexpected risks may arise and previously known risks may materialize in a manner not consistent with our risk analysis. Even though these charges may be non-cash items and not have an immediate impact on our liquidity, the fact that we report charges of this nature could contribute to negative market perceptions about us or our securities. Accordingly, our securities could suffer a reduction in value. Our securityholders are unlikely to have a remedy for such reduction in value, unless stockholders are able to successfully claim that the reduction in stock value was due to the breach by our officers or directors of a duty of care or other fiduciary duty owed to them, or if they are able to bring a private claim that the proxy statement relating to the Business Combination contained an actionable material misstatement or material omission.

Our business or financial results may be adversely affected if the value of the land we purchase declines. We have, and may continue, to incur impairments on the carrying values of the real estate inventories we own.

There are inherent risks in controlling, owning and developing land, as housing inventories are illiquid assets. We own land or homesites that were acquired at costs we may not be able to recover fully, or on which we cannot build and sell homes profitably, including but not limited to periods of reduced housing demand. This is particularly true when entitled land becomes scarce, as it has recently, especially in the markets in which we build, and the cost of purchasing such land is relatively high. Changes in regulatory requirements and applicable laws, such as those related to building regulations, taxation and planning, as well as political conditions, financial market conditions, local and national economic conditions, customers' financial condition, potentially adverse tax consequences, and interest and inflation rate fluctuations, among other factors, subject our land's market value to uncertainty. As a result, we may have to sell homes or land for lower than anticipated profit margins, record inventory impairment charges, or sell land at a loss. We may be required to take significant write-offs of deposits and pre-acquisition costs if we elect not to move forward or exercise our options to purchase land. In addition, inventory carrying costs can be significant and can result in losses in a poorly performing project or market or result in impairment charges. Material impairment charges, abandonment charges or other write-downs of assets could adversely affect our financial condition and results of operations.

Legal, Regulatory and Compliance Risks Related to Our Business

An adverse outcome in litigation to which we are or become a party could materially and adversely affect us.

Presently and in the future, we are and may become subject to litigation, including claims relating to our operations, breach of contract, securities offerings or otherwise in the ordinary course of business or otherwise. Some of these claims may result in significant defense costs and potentially significant judgments against us, some of which are not, or cannot be, insured against. We cannot be certain of the ultimate outcomes of any claims that now exist or may arise in the future. Resolution of these types of matters against us may result in significant fines, judgments or settlements, which, if uninsured, or if the fines, judgments and settlements exceed insured levels, could adversely impact our earnings and cash flows, thereby materially and adversely affecting us. Litigation or the resolution of litigation may affect the availability or cost of our insurance coverage, which could materially and adversely impact us.

New and existing laws and regulations or other governmental actions may increase our expenses, limit the number of homes that we can build or delay completion of our projects.

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

We are also subject to a significant number and variety of local, state and federal laws and regulations concerning protection of health, safety, labor standards and the environment. The particular environmental laws which apply to any given property vary according to multiple factors, including the property's location, its environmental conditions and geographic attributes or historical artifacts, the present and former uses of the property, the presence or absence of endangered plants, animals or sensitive habitats, as well as conditions at nearby properties. Environmental laws and conditions may result in delays, may cause us to incur substantial compliance and other costs and can prohibit or severely restrict development and homebuilding activity in environmentally sensitive regions or areas. For example, under certain environmental laws and regulations, third parties, such as environmental groups or neighborhood associations, may challenge the permits and other approvals required for our projects and operations. Any such claims may adversely affect our business, prospects, liquidity, financial condition and results of operations. Insurance coverage for such claims may be limited or non-existent.

In addition, in those cases where an endangered or threatened species is involved and agency rulemaking and litigation are ongoing, the outcome of such rulemaking and litigation can be unpredictable, and at any time can result in unplanned or unforeseeable restrictions on or even the prohibition of development in identified environmentally sensitive areas. From time to time, the Environmental Protection Agency and similar federal, state or local agencies review land developers' and homebuilders' compliance with environmental laws and may levy fines and penalties for failure to strictly comply with applicable environmental laws, including those applicable to control of storm water discharges during construction, or impose additional requirements for future compliance as a result of past failures. Any such actions taken with respect to us may increase our costs and result in project delays. We expect that increasingly stringent requirements will be imposed on land developers and homebuilders in the future. Environmental regulations can also have an adverse impact on the availability and price of certain raw materials such as lumber, and on other building materials.

California and New York are especially susceptible to restrictive government regulations and environmental laws. For example, California imposes notification obligations respecting environmental conditions, sometimes recorded on deeds, and also those required to be delivered to persons accessing property or to home buyers or renters, which may cause some persons, or their financing sources, to view the subject parcels as less valuable or as impaired.

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

New trade policies could make sourcing raw materials from foreign countries more difficult and more costly.

The federal government has recently imposed new or increased tariffs or duties on an array of imported materials and goods that are used in connection with the construction and delivery of homes, including steel, aluminum, lumber, solar panels and washing machines, and has threatened to impose further tariffs, duties or trade restrictions on imports. Foreign governments, including China and the European Union, have responded by imposing or increasing tariffs, duties or trade restrictions on U.S. goods, and are reportedly considering other measures. These trading conflicts and related escalating governmental actions that result in additional tariffs, duties or trade restrictions could cause disruptions or shortages in our supply chains, increase our construction costs or home-building costs generally or negatively impact the U.S., regional or local economies, and, individually or in the aggregate, materially and adversely affect our consolidated financial statements.

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

We are subject to a variety of local, state, federal and other statutes, ordinances, rules and regulations concerning the environment. The particular environmental laws which apply to any given homebuilding site vary according to the site's location, its environmental conditions and the present and former uses of the site, as well as adjoining properties. Environmental laws and conditions may result in delays, may cause us to incur substantial compliance and other costs, including significant fines and penalties for any violation, and may prohibit or severely restrict homebuilding activity in environmentally sensitive regions or areas, which could negatively affect our results of operations.

Under various environmental laws, current or former owners of real estate, as well as certain other categories of parties, may be required to investigate and clean up hazardous or toxic substances or petroleum product releases, and may be held liable to a governmental entity or to third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with the contamination. In addition, in those cases where an endangered species is involved, environmental rules and regulations may result in the elimination of development in identified environmentally sensitive areas.

Environmental regulations may have an adverse impact on the availability and price of certain raw materials, such as lumber, and generally increase the cost to construct our homes.

There is a variety of new legislation being enacted, or considered for enactment at the federal, state and local level relating to energy, emissions and climate change. This legislation relates to items such as carbon dioxide emissions control and building codes that impose energy efficiency standards. New building code requirements that impose stricter energy efficiency standards, including California's solar mandate, which went into effect January 1, 2020, could significantly increase our cost to construct homes and we may be unable to fully recover such costs due to market conditions, which could cause a reduction in our homebuilding gross margin and materially and adversely affect our results of operations. As climate change concerns continue to grow, legislation and regulations of this nature are expected to continue and become more costly to comply with. Similarly, energy-related initiatives affect a wide variety of companies throughout the United States and the world and because our operations are heavily dependent on significant amounts of raw materials, such as lumber, steel and concrete, they could have an indirect adverse impact on our operations and profitability to the extent the manufacturers and suppliers of our materials are burdened with expensive cap and trade and similar energy-related regulations.

Ownership, leasing and occupation of developed lots and the use of hazardous materials carries potential environmental risks and liabilities.

We are subject to a variety of local, state and federal statutes, rules and regulations concerning easements, land use and the protection of health and the environment, including those governing discharge of pollutants, including asbestos, to soil, water and air, the handling of hazardous materials and the cleanup of contaminated sites.

We may be liable for the costs of removal, investigation or remediation of man-made or natural hazardous or toxic substances located on, under or in a property currently or formerly owned, leased or occupied by us, whether or not we caused or knew of the pollution.

The particular impact and requirements of environmental laws that apply to any given community vary greatly according to the site, its environmental conditions and the present and former uses of the site. We expect that increasingly stringent requirements may be imposed on land developers and homebuilders in the future. Environmental laws may result in delays, cause us to implement time consuming and expensive compliance programs and prohibit or severely restrict development in certain environmentally sensitive regions or areas, such as wetlands. Concerns could arise due to post-acquisition changes in laws or agency policies, or the interpretation thereof.

Furthermore, we could incur substantial costs, including cleanup costs, fines, penalties and other sanctions and damages from third-party claims for property damage or personal injury, as a result of our failure to comply with, or liabilities under, applicable environmental laws and regulations. In addition, we are subject to third-party challenges, such as by environmental groups or neighborhood associations, under environmental laws and regulations to the permits and other approvals required for our projects and operations. These matters could adversely affect our business, prospects, liquidity, financial condition and results of operations.

As a homebuilding and land development business with a wide variety of historic ownership, development, homebuilding and construction activities, we could be liable for future claims for damages as a result of the past or present use of hazardous materials, including building materials or fixtures known or suspected to be hazardous or to contain hazardous materials or due to use of building materials or fixtures which are associated with mold. Any such claims may adversely affect our business, prospects, financial condition and results of operations. Insurance coverage for such claims may be limited or nonexistent.

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

Building sites are inherently dangerous, and operating in the homebuilding and land development industry poses certain inherent health and safety risks to those working at such sites. Due to health and safety regulatory requirements and the number of our projects, health and safety performance is critical to the success of all areas of our business. Any failure in health and safety performance may result in penalties for non-compliance with relevant regulatory requirements or litigation, and a failure that results in a major or significant health and safety incident is likely to be costly in terms of potential liabilities incurred as a result. Such a failure could generate significant negative publicity and have a corresponding impact on our reputation, our relationships with relevant regulatory agencies, governmental authorities and local communities, and our ability to win new business, which in turn could materially and adversely affect our operating results and financial condition.

Risks Related to Our Organization and Structure

Landsea Green can determine the outcome of major corporate transactions that require the approval of our stockholders and may take actions that conflict with the interests of other of our stockholders.

Landsea Green currently holds, indirectly, a majority of the voting rights in us. As long as Landsea Green holds such majority of voting rights, Landsea Green will have the ability to exercise control in our business, and may cause us to take actions that are not in, or conflict with, the interests of other stockholders such as incurring additional indebtedness, selling assets or other actions that negatively affect our net assets. Similarly, Landsea Green will be able to control our major policy decisions by controlling the selection of senior management, determining the timing and amount of approving annual budgets, deciding on increases or decreases in stock capital, determining issuances of new securities, approving disposals of assets or business, and amending our articles of association. These actions may be taken even if they are opposed by other stockholders.

Our stockholder structure may negatively affect our ability to obtain equity financing required for opportunistic investments or to offset periods of net losses or financial distress. We cannot assure you that we would be able to obtain additional equity financing in a timely fashion or at all. If we were unable to obtain such financing, we may be unable to take advantage of business opportunities or may be unable to avoid defaults under our obligations.

We are a "controlled company" within the meaning of Nasdaq rules and, as a result, may qualify for, and may choose to rely on, exemptions from certain corporate governance requirements.

The Seller beneficially owns a majority of the voting power of all outstanding shares of our common stock, making us a "controlled company." Pursuant to Nasdaq listing standards, a "controlled company" may elect not to comply with certain Nasdaq listing standards that would otherwise require it to have: (i) a board of directors comprised of a majority of independent directors; (ii) compensation of our executive officers determined by a majority of the independent directors or a compensation committee comprised solely of independent directors; (iii) a compensation committee charter which, among other things, provides the compensation committee with the authority and funding to retain compensation consultants and other advisors; and (iv) director nominees selected, or recommended for the board's selection, either by a majority of the independent directors or a nominating committee comprised solely of independent directors. We intend to rely on the exemptions described in clauses (i), (ii), (iii) and (iv) above.

Accordingly, our stockholders do not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq corporate governance requirements.

In addition, on June 20, 2012, the SEC passed final rules implementing provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 pertaining to compensation committee independence and the role and disclosure of compensation consultants and other advisers to the compensation committee. The SEC's rules direct each of the national securities exchanges (including Nasdaq) to develop listing standards requiring, among other things, that: (i) compensation committees be composed of fully independent directors, as determined pursuant to new independence requirements; (ii) compensation committees be explicitly charged with hiring and overseeing compensation consultants, legal counsel and other committee advisors; and (iii) compensation committees be required to consider, when engaging compensation consultants, legal counsel or other advisors, certain independence factors, including factors that examine the relationship between the consultant or advisor's employer and us. As a "controlled company," we are not subject to these compensation committee independence requirements.

Our only significant asset is our ownership interest in Landsea and such ownership may not be sufficient to pay dividends or make distributions or loans to enable us to pay any dividends on our Common Stock or satisfy our other financial obligations.

We have no direct operations and no significant assets other than our ownership of Landsea. We depend on Landsea for distributions, loans and other payments to generate the funds necessary to meet our financial obligations, including our expenses as a publicly traded company and to pay any dividends with respect to our Common Stock. The financial condition and operating requirements of Landsea may limit our ability to obtain cash from Landsea. The earnings from, or other available assets of, Landsea may not be sufficient to pay dividends or make distributions or loans to enable us to pay any dividends on our Common Stock or satisfy our other financial obligations.

The Committee on Foreign Investment in the United States ("CFIUS") may modify, delay or prevent our future acquisition or investment activities.

For so long as Landsea Green retains a material ownership interest in us, we will be deemed a "foreign person" under the regulations relating to CFIUS. As such, acquisitions of or investments in U.S. businesses or foreign businesses with U.S. subsidiaries that we may wish to pursue may be subject to CFIUS review, the scope of which was recently expanded by the Foreign Investment Risk Review Modernization Act of 2018 ("FIRRMA"), to include certain non-passive, non-controlling investments (including certain investments in entities that hold or process personal information about U.S. nationals), certain acquisitions of real estate even with no underlying U.S. business, transactions the structure of which is designed or intended to evade or circumvent CFIUS jurisdiction and any transaction resulting in a "change in the rights" of a foreign person in a U.S. business if that change could result in either control of the business or a covered non-controlling investment. FIRRMA also subjects certain categories of investments to mandatory filings. If a particular proposed acquisition or investment in a U.S. business falls within CFIUS's jurisdiction, we may determine that we are required to make a mandatory filing or that we will submit to CFIUS review on a voluntary basis, or to proceed with the transaction without submitting to CFIUS and risk CFIUS intervention, before or after closing the transaction. CFIUS may decide to block or delay an acquisition or investment by us, impose conditions with respect to such acquisition or investment or order us to divest all or a portion of a U.S. business that we acquired without first obtaining CFIUS approval, which may limit the attractiveness of or prevent us from pursuing certain acquisitions or investments that we believe would otherwise be beneficial to us and our stockholders. In addition, among other things, FIRRMA authorizes CFIUS to prescribe regulations defining "foreign person" differently in different contexts, which could result in less favorable treatment for investments and acquisitions by companies from countries of "special concern." If such future regulations impose additional burdens on acquisition and investment activities involving PRC and PRC-controlled entities, our ability to consummate transactions falling within CFIUS's jurisdiction that might otherwise be beneficial to us and our stockholders may be hindered.

We are the managing member in certain joint venture limited liability companies, and therefore may be liable for joint venture obligations.

Certain of our active joint ventures are organized as limited liability companies. We are the managing member in some of these. As a managing member or general partner, we may be liable for a joint venture's liabilities and obligations should the joint venture fail or be unable to pay these liabilities or obligations. These risks include, among others, that a partner in the joint venture may fail to fund its share of required capital contributions, that a partner may make poor business decisions or delay necessary actions, or that a partner may have economic or other business interests or goals that are inconsistent with ours.

Risks Related to Our Industry

Our industry is cyclical and adverse changes in general and local economic conditions could reduce the demand for homes and, as a result, could have a material adverse effect on us.

The residential homebuilding industry is cyclical and highly sensitive to changes in general and local economic, real estate or other business conditions that are outside of our control and could reduce the demand for homes, including changes in:

- overall consumer confidence and the confidence of potential homebuyers in particular;
- U.S. and global financial system, macroeconomic conditions, market volatility and credit market stability, such as the ongoing COVID-19 pandemic and government actions and restrictive measures implemented in response;
- employment levels and job and personal income growth;
- availability and pricing of financing for homebuyers;
- short and long-term interest rates;
- demographic trends;
- changes in energy prices;
- housing demand from population growth, household formation and other demographic changes, among other factors;
- private party and governmental residential consumer mortgage loan programs, and federal and state regulation of lending and appraisal practices;
- federal and state personal income tax rates and provisions, government actions, policies, programs and regulations directed at or affecting the housing market, tax benefits associated with purchasing and owning a home, and the standards, fees and size limits applicable to the purchase or insuring of mortgage loans by government-sponsored enterprises and government agencies;
- the supply of and prices for available new or existing homes, including lender-owned homes acquired through foreclosures and short sales and homes held for sale by investors and speculators, and other housing alternatives, such as apartments and other residential rental property;
- homebuyer interest in our current or new product designs and community locations, and general consumer interest in purchasing a home compared to choosing other housing alternatives; and
- real estate taxes.

Adverse changes in these or other general and local economic or business conditions may affect our business nationally or in particular regions or localities. During the most recent economic downturn, several of the markets we serve, and the U.S. housing market as a whole, experienced a prolonged decrease in demand for new homes, as well as an oversupply of new and existing homes available for sale. Demand for new homes is affected by weakness in the resale market because many new homebuyers need to sell their existing homes in order to buy a home from us. In addition, demand may be adversely affected by alternatives to new homes, such as rental properties and existing homes. In the event of another economic downturn or if general economic conditions should worsen, our home sales could decline and we could be required to write down or dispose of assets or restructure our operations or debt, any of which could have a material adverse effect on our financial results.

Adverse changes in economic or business conditions can also cause increased home order cancellation rates, diminished demand and prices for our homes, and diminished value of our real estate investments. These changes can also cause us to take longer to build homes and make it more costly to do so. We may not be able to recover any of the increased costs by raising prices because of weak market conditions and increasing pricing pressure. Additionally, the price of each home we sell is usually set several months before the home is delivered, as many homebuyers sign their home purchase contracts before or early in the construction process. The potential difficulties described above could impact homebuyers' ability to obtain suitable financing and cause some homebuyers to cancel or refuse to honor their home purchase contracts altogether.

The homebuilding industry is highly competitive and, if our competitors are more successful or offer better value to customers, it may materially and adversely affect our business and financial condition.

We operate in a very competitive environment that is characterized by competition from a number of other homebuilders and land developers in each geographical market in which we operate. There are relatively low barriers to entry into the homebuilding business. We compete with numerous large national and regional homebuilding companies and with smaller local homebuilders and land developers for, among other things, homebuyers, desirable land parcels, financing, raw materials and skilled management and labor resources. If we are unable to compete effectively in our markets, our business could decline disproportionately to the businesses of our competitors and our financial condition could be materially and adversely affected.

Increased competition could hurt our business by preventing us from acquiring attractive land parcels on which to build homes or making acquisitions more expensive, hindering our market share expansion and causing us to increase selling incentives and reduce prices. Additionally, an oversupply of homes available for sale or a discounting of home prices could materially and adversely affect pricing for homes in the markets in which we operate.

Over the past several years, we have embarked on a strategy to expand our product offerings to include more affordably-priced homes to reach a deeper pool of qualified buyers and grow our overall community count. We anticipate that we will continue to build more affordably-priced homes. We believe there is more competition among homebuilding companies in more affordable product offerings than in the luxury and move-up segments. We also compete with the resale, or "previously owned," home market, the size of which may change significantly as a result of changes in the rate of home foreclosures, which is affected by changes in economic conditions both nationally and locally.

We may be at a competitive disadvantage with regard to certain large national and regional homebuilding competitors whose operations are more geographically diversified, as these competitors may be better able to withstand any future regional downturn in the housing market. We compete directly with a number of large national and regional homebuilders that may have longer operating histories and greater financial and operational resources than we do, including a lower cost of capital. Many of these competitors also have longstanding relationships with subcontractors, local governments and suppliers in the markets in which we operates or in which we may operate in the future. This may give our competitors an advantage in securing materials and labor at lower prices, marketing their products and allowing their homes to be delivered to customers more quickly and at more favorable prices. This competition could reduce our market share and limit our ability to expand our business.

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

Our current business involves the design, construction and sale of innovative detached and attached homes in planned communities in major metropolitan areas in California, Arizona and Metro New York. Because our operations are concentrated in these areas, a prolonged economic downturn affecting one or more of these areas, or affecting any sector of employment on which the residents of such area are dependent, could have a material adverse effect on our business, prospects, liquidity, financial condition and results of operations, and a disproportionately greater impact on us than other homebuilders with more diversified operations. For example, much of the employment base in the San Francisco bay area is dependent upon the technology sector. During the downturn from 2007 to 2011, land values, the demand for new homes and home prices declined substantially in California. Additionally, in the past the state of California has experienced severe budget shortfalls and taken measures such as raising taxes and increasing fees to offset the deficit. Accordingly, our sales, results of operations, financial condition and business would be negatively impacted by a decline in the economy, the job sector or the homebuilding industry in the Western U.S. regions in which our operations are concentrated.

In addition, our ability to acquire land parcels for new homes may be adversely affected by changes in the general availability of land parcels, the willingness of land sellers to sell land parcels at reasonable prices, competition for available land parcels, availability of financing to acquire land parcels, zoning and other market conditions. The availability of land parcels in our California and Arizona markets at reasonable prices is limited. If the supply of land parcels appropriate for development of homes is limited because of these factors, or for any other reason, our ability to grow could be significantly limited, and the number of homes that we build and sell could decline.

Tightening of mortgage lending standards and mortgage financing requirements and rising interest rates could adversely affect the availability of mortgage loans for potential purchasers of our homes, and increases in property and other local taxes could prevent customers from purchasing homes, which could adversely affect our business or financial results.

Generally, housing demand is negatively impacted by the unavailability of mortgage financing, as a result of tightening of mortgage lending standards and mortgage financing requirements, in addition to factors that increase the cost of financing a home such as increases in interest rates, down payment requirements, insurance premiums or limitations on mortgage interest deductibility. A substantial percentage of our buyers finance their home purchases with mortgage financing. Additionally, deterioration in credit quality among subprime and other nonconforming loans has caused most lenders to eliminate subprime mortgages and most other loan products that do not conform to Federal National Mortgage Association (“Fannie Mae”), Federal Home Loan Mortgage Corporation (“Freddie Mac”), Federal Housing Administration (the “FHA”), or Veterans Administration (the “VA”) standards. In addition, as a result of the turbulence in the credit markets and mortgage finance industry during the last significant economic downturn, in July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law. This legislation provided for a number of new requirements relating to residential mortgages and mortgage lending practices that reduce the availability of loans to borrowers or increase the costs to borrowers to obtain such loans. Fewer loan products and tighter loan qualifications, in turn, make it more difficult for a borrower to finance the purchase of a new home or the purchase of an existing home from a potential “move-up” buyer who wishes to purchase one of our homes. The foregoing may also hinder our ability to realize our backlog because our home purchase contracts provide customers with a financing contingency. Financing contingencies allow customers to cancel their home purchase contracts in the event that they cannot arrange for adequate financing. As a result, rising interest rates, stricter underwriting standards, and a reduction of loan products, among other similar factors, can contribute to a decrease in our home sales. Any of these factors could have a material adverse effect on our business, prospects, liquidity, financial condition and results of operations.

The federal government has also taken on a significant role in supporting mortgage lending through its conservatorship of Fannie Mae and Freddie Mac, both of which purchase home mortgages and mortgage-backedsecurities originated by mortgage lenders, and its insurance of mortgages originated by lenders through the FHA and the VA. The availability and affordability of mortgage loans, including interest rates for such loans, could be adversely affected by a curtailment or cessation of the federal government’s mortgage-related programs or policies. Additionally, the FHA may continue to impose stricter loan qualification standards, raise minimum down payment requirements, impose higher mortgage insurance premiums and other costs, or limit the number of mortgages it insures. Due to federal budget deficits, the U.S. Treasury may not be able to continue supporting the mortgage-related activities of Fannie Mae, Freddie Mac, the FHA and the VA at present levels, or it may revise significantly the federal government’s participation in and support of the residential mortgage market. Because the availability of Fannie Mae, Freddie Mac, FHA and VA-backed mortgage financing is an important factor in marketing and selling many of our homes, especially as they move down in price point, any limitations, restrictions or changes in the availability of such government-backed financing could reduce our home sales, which could have a material adverse effect on our business, prospects, liquidity, financial condition and results of operations.

Current federal income tax laws cap individual state and local tax deductions at $10,000 for the aggregate of state and local real property and income taxes or state and local sales taxes, and cap mortgage interest deduction to $750,000 of debt ($1,000,000 after 2025) for mortgages taken out after December 15, 2017. Additionally, limits on deductibility of mortgage interest and property taxes may increase the after-tax cost of owning a home for some individuals. Any increases in personal income tax rates or additional tax deduction limits could adversely impact demand for new homes, including homes we build, which could adversely affect our results of operations. Furthermore, increases in real estate taxes and other local government fees, such as fees imposed on developers to fund schools, open space, and road improvements, or provide low- and moderate-income housing, could increase our costs and have an adverse effect on our operations. In addition, increases in local real estate taxes as well as the limitation on deductibility of such costs could adversely affect our potential home buyers, who may consider those costs in determining whether to make a new home purchase and decide, as a result, not to purchase one of our homes or not purchase a resale, which would negatively impact homebuyers that need to sell their home before they purchase one of ours.

Any limitation on, or reduction or elimination of, tax benefits associated with homeownership would have an adverse effect upon the demand for homes, which could be material to our business.

Current federal income tax laws include limits on federal tax deductions individual taxpayers may take on mortgage loan interest payments and on state and local taxes, including real estate taxes, that are lower than historical limits. These changes could reduce the perceived affordability of homeownership, and therefore the demand for homes, or have a moderating impact on home sales prices in areas with relatively high housing prices or high state and local income taxes and real estate taxes, including in certain of our served markets in California and New York. In addition, if the federal government further changes, or a state government changes, its income tax laws by eliminating or substantially reducing the income tax benefits associated with homeownership, the after-tax cost of owning a home could measurably increase. Any increases in personal income tax rates or tax deduction limits or restrictions enacted at the federal or state levels could adversely impact demand for or selling prices of new homes, including our homes, and the effect on our consolidated financial statements could be adverse and material.

We currently have investments in unconsolidated joint ventures with a third party in which we have less than a controlling interest. These investments are highly illiquid and have significant risks due to, in part, a lack of sole decision-making authority and reliance on the financial condition and liquidity of our joint venture partners.

We own interests in various joint ventures and, as of December 31, 2020, investments in and advances to unconsolidated joint ventures was $21 million. We have entered into joint ventures in order to manage our risk profile and to leverage our capital base. Such joint venture investments involve risks not otherwise present in wholly owned projects, including the following:

- *Control and Partner Dispute Risk.* We do not have exclusive control over the development, financing, management and other aspects of any such project or joint venture, which may prevent us from taking actions that are in our best interest but opposed by our partners. We cannot exercise sole decision-making authority regarding any such project or joint venture, which could create the potential risk of creating impasses on decisions, such as acquisitions or sales. Disputes between us and our partners may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and efforts on our business and could result in subjecting the projects owned by the joint venture to additional risk. Our existing joint venture agreements contain buy-sell provisions pursuant to which one partner may initiate procedures requiring the other partner to choose between buying the other partner’s interest or selling our interest to that partner; we may not have the capital to purchase our joint venture parties’ interest under these circumstances even if we believe it would be beneficial to do so.

- *Development Risk.* Typically, we serve as the administrative member, managing member, or general partner of our joint ventures and one of our subsidiaries acts as the general contractor while our joint venture partner serves as the capital provider. Due to our respective role in these joint ventures, we may become liable for obligations beyond our proportionate equity share. In addition, the projects we build through joint ventures are often larger and have a longer time horizon than the typical project developed by our wholly owned homebuilding operations. Time delays associated with obtaining entitlements, unforeseen development issues, unanticipated labor and material cost increases, higher carrying costs, and general market deterioration and other changes are more likely to impact larger, long-term projects, all of which may negatively impact the profitability and capital needs of these ventures and our proportionate share of income and capital.

- *Financing Risk.* There are generally a limited number of sources willing to provide acquisition, development and construction financing to land development and homebuilding joint ventures. During difficult market conditions, it may be difficult or impossible to obtain financing for our joint ventures on commercially reasonable terms, or to refinance existing joint venture borrowings as such borrowings mature. In addition, a partner may fail to fund its share of required capital contributions or may become bankrupt, which may cause us and any other remaining partners to need to fulfill the obligations of the venture in order to preserve their interests and retain any benefits from the joint venture. As a result, we could be contractually required, or elect, to contribute our corporate funds to the joint venture to finance acquisition and development or construction costs following termination or step-down of joint venture financing that the joint venture is unable to restructure, extend, or refinance with another third party lender. In addition, our ability to contribute our funds to or for the joint venture may be limited if we do not meet the credit facility conditions discussed above. In addition, we sometimes finance projects in our unconsolidated joint ventures with debt that is secured by the underlying real property. Secured indebtedness increases the risk of the joint venture's loss of ownership of the property (which would, in turn, impair the value of our ownership interests in the joint venture).

- *Contribution Risk.* Under credit enhancements that we typically provide with respect to joint venture borrowings, we and our partners could be required to make additional unanticipated investments in and advances to these joint ventures, either in the form of capital contributions or loan repayments, to reduce such outstanding borrowings. We may have to make additional contributions that exceed our proportional share of capital if our partners fail to contribute any or all of their share. While in most instances we would be able to exercise remedies available under the applicable joint venture agreements if a partner fails to contribute its proportional share of capital, a partner's financial condition may preclude any meaningful cash recovery on the obligation.

- *Completion Risk.* We often sign a completion agreement in connection with obtaining financing for our joint ventures. Under such agreements, we may be compelled to complete a project, usually with costs within the budget related to the project being funded by the lender with any budget shortfalls being borne by us even if we no longer have an economic interest in the joint venture or the joint venture no longer has an interest in the property.

- *Illiquid Investment Risk.* We lack a controlling interest in certain of our joint ventures and therefore are generally unable to compel such joint ventures to sell assets, return invested capital, require additional capital contributions or take any other action without the vote of at least one or more of our venture partners. This means that, absent partner agreement, we may not be able to liquidate our joint venture investments to generate cash.

- *Consolidation Risk.* The accounting rules for joint ventures are complex and the decision as to whether it is proper to consolidate a joint venture onto our balance sheet is fact intensive. If the facts concerning an unconsolidated joint venture were to change and a triggering event under applicable accounting rules were to occur, we might be required to consolidate previously unconsolidated joint ventures onto our balance sheet which could adversely impact our financial statements and our leverage and other financial conditions or covenants.

Any of the above might subject a project to liabilities in excess of those contemplated and adversely affect the value of our current and future joint venture investments.

Our quarterly operating results fluctuate due to the seasonal nature of our business.

Our quarterly operating results generally fluctuate by season. We typically achieve our highest new home sales orders in the spring and summer, although new homes sales order activity is also highly dependent on the number of active selling communities and the timing of new community openings. Because it typically takes us four to eight months to construct a new home, we deliver a greater number of homes in the second half of the calendar year as sales orders convert to home deliveries. As a result, our revenues from homebuilding operations are typically higher in the second half of the year, particularly in the fourth quarter, and we generally experience higher capital demands in the first half of the year when we incur construction costs. If, due to construction delays or other causes, we cannot close our expected number of homes in the second half of the year, our financial condition and full year results of operations may be adversely affected.

Risks Related to Debt and Liquidity

Because homes are relatively illiquid, our ability to promptly sell one or more properties for reasonable prices in response to changing economic, financial and investment conditions may be limited and we may be forced to hold non-income producing properties for extended periods of time.

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

We may not be able to access sufficient capital on favorable terms, or at all, which could result in an inability to acquire lots, increase home construction costs or delay home construction entirely.

The homebuilding industry is capital-intensive and requires significant up-front expenditures to acquire land and begin development. There is no assurance that cash generated from our operations, borrowings incurred under credit agreements or project-level financing arrangements, or proceeds raised in capital markets transactions will be sufficient to finance our capital projects or otherwise fund our liquidity needs. If our future cash flows from operations and other capital resources are insufficient to finance our capital projects or otherwise fund our liquidity needs, we may be forced to:

- reduce or delay business activities, land acquisitions and capital expenditures;
- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt on or before maturity.

These alternative measures may not be successful and we may not be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of our existing debt will limit our ability to pursue these alternatives. Further, we may seek additional capital in the form of project-level financing from time to time. The availability of borrowed funds, especially for land acquisition and construction financing, may be greatly reduced nationally, and the lending community may require increased amounts of equity to be invested in a project by borrowers in connection with both new loans and the extension of existing loans. Land acquisition, development and construction activities may be adversely affected by any shortage or increased cost of financing or the unwillingness of third parties to engage in joint ventures. Any difficulty in obtaining sufficient capital for planned development expenditures could cause project delays and any such delay could result in cost increases and may adversely affect our sales and future results of operations and cash flows.

We have outstanding indebtedness and may incur additional debt in the future.

We have outstanding indebtedness and our ability to incur additional indebtedness under our various credit facilities is subject to and potentially restricted by customary requirements and borrowing base formulas. As of December 31, 2020, Landsea Homes had approximately $272 million outstanding under its various credit facilities and loan agreements, with approximately $278 million of additional borrowing capacity, subject to customary borrowing base requirements. Our indebtedness could have detrimental consequences, including the following:

- our ability to obtain additional financing as needed for working capital, land acquisition costs, building costs, other capital expenditures, or general corporate purposes, or to refinance existing indebtedness before its scheduled maturity, may be limited;
- we will need to use a portion of cash flow from operations to pay interest and principal on our indebtedness, which will reduce the funds available for other purposes;
- if we are unable to comply with the terms of the agreements governing our indebtedness, the holders of that indebtedness could accelerate that indebtedness and exercise other rights and remedies against us;
- the terms of any refinancing may not be as favorable as the debt being refinanced, if at all.

We cannot be certain that cash flow from operations will be sufficient to allow us to pay principal and interest on our debt, support operations and meet other obligations. If we do not have the resources to meet our obligations, we may be required to refinance all or part of our outstanding debt, sell assets or borrow more money. We may not be able to do so on acceptable terms, in a timely manner, or at all. If we are unable to refinance our debt on acceptable terms, we may be forced to dispose of our assets on disadvantageous terms, potentially resulting in losses. Defaults under our debt agreements could have a material adverse effect on our business, prospects, liquidity, financial condition or results of operations.

A breach of the covenants under any of the agreements governing our indebtedness could result in an event of default.

A default under any of the agreements governing our indebtedness may allow our creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under the credit agreement governing our credit facility would permit the lenders thereunder to terminate all commitments to extend further credit under the applicable facility. Furthermore, if we were unable to repay the amounts due and payable under any secured indebtedness, those lenders could proceed against the collateral granted to them to secure that indebtedness. In the event our lenders or the holders of our notes accelerate the repayment of our borrowings, we cannot assure that we would have sufficient assets to repay such indebtedness. As a result of these restrictions, we may be:

- limited in how we conduct our business;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; or
- unable to compete effectively or to take advantage of new business opportunities.

These restrictions may affect our ability to grow or continue our existing operations.

The agreements governing our debt impose operating and financial restrictions, which may prevent us from capitalizing on business opportunities and taking some corporate actions.

The agreements governing our debt impose operating and financial restrictions. These restrictions limit our ability, among other things, to:

- incur or guarantee additional indebtedness or issue certain equity interests;
- pay dividends or distributions, repurchase equity or prepay subordinated debt;
- make certain investments;
- sell assets;
- incur liens;
- create certain restrictions on the ability of restricted subsidiaries to transfer assets;
- enter into transactions with affiliates;
- create unrestricted subsidiaries; and
- consolidate, merge or sell all or substantially all of our assets.

As a result of these restrictions, our ability to obtain additional financing as needed for working capital, land acquisition costs, building costs, other capital expenditures, or general corporate purposes, or to refinance existing indebtedness before its scheduled maturity, may be limited. In addition, our credit facility currently contains certain financial covenants with which we must test compliance periodically. Failure to have sufficient borrowing base availability in the future or to be in compliance with our financial covenants under our credit facility could have a material adverse effect on our operations and financial condition.

In addition, we may in the future enter into other agreements refinancing or otherwise governing indebtedness which impose yet additional restrictions and covenants, including covenants limiting our ability to incur additional debt, make certain investments, reduce liquidity below certain levels, make distributions to stockholders and otherwise affect our operating policies. These restrictions may adversely affect our ability to finance future operations or capital needs or to pursue available business opportunities. A breach of any of these covenants could result in a default in respect of the related indebtedness. If a default occurs, the relevant lenders could elect to declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable and proceed against any collateral securing that indebtedness.

Potential future downgrades of our credit ratings could adversely affect our access to capital and could otherwise have a material adverse effect on us.

Our corporate credit ratings and our current credit condition affect, among other things, our ability to access new capital, especially debt, and negative changes in these ratings may result in more stringent covenants and higher interest rates under the terms of any new debt. Our credit ratings could be downgraded or rating agencies could issue adverse commentaries in the future, which could have a material adverse effect on our business, results of operations, financial condition and liquidity. In particular, a weakening of our financial condition, including a significant increase in our leverage or 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.

Interest rate changes may adversely affect us.

We currently do not hedge against interest rate fluctuations. We may obtain in the future one or more forms of interest rate protection in the form of swap agreements, interest rate cap contracts or similar agreements to hedge against the possible negative effects of interest rate fluctuations. However, we cannot assure you that any hedging will adequately relieve the adverse effects of interest rate increases or that counterparties under these agreements will honor their obligations thereunder. In addition, we may be subject to risks of default by hedging counterparties. Adverse economic conditions could also cause the terms on which we borrow to be unfavorable. We could be required to liquidate one or more of our assets at times which may not permit us to receive an attractive return on our assets in order to meet our debt service obligations.

We may be unable to obtain suitable performance, payment and completion surety bonds and letters of credit, which could limit our future growth or impair our results of operations.

We provide bonds in the ordinary course of business to governmental authorities and others to ensure the completion of our projects or in support of obligations to build community improvements such as roads, sewers, water systems and other utilities, and to support similar development activities by certain of our joint ventures. As a result of the deterioration in market conditions during the recent downturn, surety providers became increasingly reluctant to issue new bonds and some providers were requesting credit enhancements (such as cash deposits or letters of credit) in order to maintain existing bonds or to issue new bonds, which trends may continue. We may also be required to provide performance bonds or letters of credit to secure our performance under various escrow agreements, financial guarantees and other arrangements. If we are unable to obtain performance bonds or letters of credit when required or the cost or operational restrictions or conditions imposed by issuers to obtain them increases significantly, we may not be able to develop or may be significantly delayed in developing a community or communities or may incur significant additional expenses, and, as a result, our business, prospects, liquidity, financial condition or results of operation could be materially and adversely affected.

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

We provide performance bonds and letters of credit in the ordinary course of business to governmental authorities and others to ensure the completion of our projects or in support of obligations to build community improvements such as roads, sewers, water systems and other utilities. We may also be required to provide performance bonds or letters of credit to secure our performance under various escrow agreements, financial guarantees and other arrangements. If we are unable to obtain performance bonds or letters of credit when required or the cost or operational restrictions or conditions imposed by issuers to obtain them increases significantly, we may be significantly delayed in developing our communities or may incur significant additional expenses and, as a result, our financial condition and results of operations could be materially and adversely affected.

Risks Related to the Ownership of Our Securities

A significant portion of our total outstanding shares are restricted from immediate resale but may be sold into the market in the near future. Resales of the shares of Common Stock included in the Merger Consideration could depress the market price of our Common Stock.

There may be a large number of our shares of Common Stock sold in the market. The shares held by our public stockholders are freely tradeable.

The LF Capital Restricted Stockholders, including the Sponsor, hold more than 5% of the Common Stock with respect to their converted Founder Shares. Pursuant to the registration rights agreement, dated June 19, 2018, by and between the Company and the LF Capital Restricted Stockholders, the LF Capital Restricted Stockholders are entitled to registration of the converted Founder Shares. In addition, holders of our Private Placement Warrants and their permitted transferees can demand that we register the Private Placement Warrants and the shares of Common Stock issuable upon exercise of the Private Placement Warrants. The holders of these securities are entitled to make up to three demands, excluding short form demands, that we register such securities. These holders also have certain “piggy-back” registration rights with respect to registration statements filed subsequent to the closing of the Business Combination.

Common Stock issued to the Seller pursuant to the Business Combination will be freely tradeable following the expiration of the lock-up on the earlier of (A) one year following the closing of the Business Combination and (B) subsequent to the closing of the Business Combination, (x) if the last sale price of the Common Stock equals or exceeds $12.00 per share as quoted on Nasdaq (adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days following the closing of the Business Combination or (y) the date following the closing of the Business Combination on which the Company completes a liquidation, merger, capital stock exchange, reorganization or other similar transaction that results in all of the Company’s stockholders having the right to exchange their shares of the Company for cash, securities or other property, as set forth in the Seller Lock-up Agreement.

Common Stock held by the Sponsor and certain other holders of converted Founder Shares as a result of the conversion of its Class B common stock will be freely tradeable following the expiration of a lock-up for the same duration as the Seller Lock-up Agreement, as set forth in the Sponsor Lock-up Agreement (with 500,000 of such shares being subject to the terms of forfeiture pursuant to that certain Founder’s Surrender Agreement). Our Common Stock held by the LF Capital Restricted Stockholders (other than the Sponsor and certain other holders of converted Founder Shares) as a result of the conversion of their Class B common stock is freely tradeable as a result of the registration of the resale thereof pursuant to the related registration statement.

Such sales of shares of our Common Stock or the perception of such sales may depress the market price of our Common Stock or public warrants.

A market for our securities may not continue, which would adversely affect the liquidity and price of our securities.

The price of our securities may fluctuate significantly due to the market's reaction to the Business Combination and general market and economic conditions. An active trading market for our securities may never develop or, if developed, it may not be sustained. In addition, the price of our securities may vary due to general economic conditions and forecasts, our general business condition and the release of our financial reports. Additionally, if our securities are not listed on, or become delisted from, Nasdaq for any reason, and are quoted on the OTC Bulletin Board or OTC Pink, an inter-dealer automated quotation system for equity securities that is not a national securities exchange, the liquidity and price of our securities may be more limited than if we were quoted or listed on Nasdaq or another national securities exchange. Nasdaq listing requirements require us to have 400 round lot holders with respect to the warrants. In the event we do not have an adequate number of round lot holders to maintain the listing of the warrants, the warrants will be delisted from Nasdaq. You may be unable to sell your securities unless a market can be established or sustained.

If the Business Combination's benefits do not meet the expectations of investors or financial analysts, the market price of our securities may decline.

If the benefits of the Business Combination do not meet the expectations of investors or securities analysts, the market price of our securities may decline.

Fluctuations in the price of our securities could contribute to the loss of all or part of your investment. Immediately prior to the Business Combination, there was no public market for Landsea Homes' stock and trading in the shares of our securities was not active. If an active market for our securities develops and continues, the trading price of our securities could be volatile and subject to wide fluctuations in response to various factors, some of which are beyond our control. Any of the factors listed below could have a material adverse effect on your investment in our securities and our securities may trade at prices significantly below the price you paid for them. In such circumstances, the trading price of our securities may not recover and may experience a further decline.

Factors affecting the trading price of our securities may include:

- actual or anticipated fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;
- changes in the market's expectations about our operating results;
- the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- speculation in the press or investment community;
- success of competitors;
- our operating results failing to meet the expectation of securities analysts or investors in a particular period;
- changes in financial estimates and recommendations by securities analysts concerning us or the market in general;
- operating and stock price performance of other companies that investors deem comparable to us;
- our ability to market new and enhanced products on a timely basis;
- changes in laws and regulations affecting our business;
- commencement of, or involvement in, litigation involving us;
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- the volume of securities available for public sale;
- any major change in our Board or management;
- sales of substantial amounts of securities by our directors, officers or significant stockholders or the perception that such sales could occur;
- the realization of any of the risk factors presented in this Annual Report;
- additions or departures of key personnel;
- failure to comply with the requirements of Nasdaq;

- failure to comply with SOX or other laws or regulations;
- actual, potential or perceived control, accounting or reporting problems;
- changes in accounting principles, policies and guidelines; and
- general economic and political conditions such as recessions, interest rates, fuel prices, international currency fluctuations and acts of war or terrorism.

Broad market and industry factors may materially harm the market price of our securities irrespective of our operating performance. The stock market in general and Nasdaq have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks, and of our securities, may not be predictable. A loss of investor confidence in the market for the stocks of other companies which investors perceive to be similar to us could depress our stock price regardless of our business, prospects, financial conditions or results of operations. A decline in the market price of our securities also could adversely affect our ability to issue additional securities and our ability to obtain additional financing in the future.

In the past, securities class action litigation has often been initiated against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources, and could also require us to make substantial payments to satisfy judgments or to settle litigation.

Our quarterly operating results may fluctuate significantly and could fall below the expectations of securities analysts and investors due to seasonality and other factors, some of which are beyond our control, resulting in a decline in our stock price.

Our quarterly operating results may fluctuate significantly because of several factors, including:

- labor availability and costs for hourly and management personnel;
- profitability of our products, especially in new markets and due to seasonal fluctuations;
- changes in interest rates;
- impairment of long-lived assets;
- macroeconomic conditions, both nationally and locally;
- negative publicity relating to products we serve;
- changes in consumer preferences and competitive conditions;
- expansion to new markets; and
- fluctuations in commodity prices.

Our internal controls over financial reporting may not be effective and our independent registered public accounting firm may not be able to certify as to their effectiveness, which could have a significant and adverse effect on our business and reputation.

As a public company, we are required to comply with the SEC's rules implementing Sections 302 and 404 of SOX, which require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of internal control over financial reporting. To comply with the requirements of being a public company, we may need to undertake various actions, such as implementing additional internal controls and procedures and hiring additional accounting or internal audit staff. The standards required for a public company under Section 404 of SOX are significantly more stringent than those required of Landsea Homes as a privately-held company. Further, as an emerging growth company, our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404 until the date we are no longer an emerging growth company. At such time, our independent registered public accounting firm may issue a report that is adverse in the event that it is not satisfied with the level at which our internal controls are documented, designed or operating.

Testing and maintaining these controls can divert our management's attention from other matters that are important to the operation of our business. If we identify material weaknesses in the internal control over our financial reporting or are unable to comply with the requirements of Section 404 or assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express a favorable opinion as to the effectiveness of our internal controls over financial reporting when we no longer qualify as an emerging growth company, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our securities could be negatively affected, and we could become subject to investigations by the SEC or other regulatory authorities, which could require additional financial and management resources.

The JOBS Act permits "emerging growth companies" like us to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies.

We qualify as an "emerging growth company" as defined in Section 2(a)(19) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012, which we refer to as the "JOBS Act." As such, we take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies for as long as we continue to be an emerging growth company, including (i) the exemption from the auditor attestation requirements with respect to internal control over financial reporting under Section 404 of SOX, (ii) the exemptions from say-on-pay, say-on-frequency and say-on-golden parachute voting requirements and (iii) reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. As a result, our stockholders may not have access to certain information they deem important. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year (a) following June 22, 2023, the fifth anniversary of our IPO, (b) in which we have total annual gross revenue of at least $1.07 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of our Common Stock and public warrants that is held by non-affiliates exceeds $700 million as of the last business day of our prior second fiscal quarter, and (ii) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and the price of our common stock may be more volatile. Landsea Homes had total revenues during calendar year 2020 of approximately $734.6 million. If we continue to expand our business through acquisitions or continue to grow revenues organically, we may cease to be an emerging growth company prior to June 22, 2023.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the exemption from complying with new or revised accounting standards provided in Section 7(a)(2)(B) of the Securities Act as long as we are an emerging growth company. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies, but any such election to opt out is irrevocable. We have elected to avail ourselves of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with another public company that is neither an emerging growth company nor an emerging growth company that has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

As a result of our reliance on these exemptions or reduced disclosures, investors may not have access to certain information they deem important or may find our securities less attractive. This may result in a less active trading market for our securities and the price of our securities, including our Common Stock or public warrants may be more volatile.

We are a "smaller reporting company" and, as a result of the reduced disclosure and governance requirements applicable to smaller reporting companies, our common stock may be less attractive to investors.

We are a "smaller reporting company" because we had public float of less than $250 million on the applicable measurement date. As a smaller reporting company, we are subject to reduced disclosure obligations in our periodic reports and proxy statements. We cannot predict whether investors will find our common stock less attractive as a result of our taking advantage of these exemptions. If some investors find our common stock less attractive as a result of our choices, there may be a less active trading market for our common stock and our stock price may be more volatile.

The exercise of our warrants will result in dilution to our stockholders.

We issued warrants to purchase 15,525,000 shares of Common Stock as part of our IPO and, on the IPO closing date, we issued Private Placement Warrants (i) to the Sponsor to purchase 7,760,000 shares of Common Stock (of which 2,260,000 Private Placement Warrants were forfeited in connection with the Business Combination and 2,200,000 were transferred to the Seller in connection with the Business Combination) and (ii) to BlackRock Credit Alpha Master Fund L.P., to purchase 550,440 shares of Common Stock, in each case at $11.50 per share. The public warrants are exercisable for one-tenth of one share at an exercise price of $1.15 per one-tenth share ($11.50 per whole share) pursuant to the Warrant Amendment. The shares of Common Stock issued upon exercise of our warrants will result in dilution to the then existing holders of Common Stock and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our Common Stock or public warrants.

The Private Placement Warrants are identical to the public warrants except that, so long as they are held by the Seller, Sponsor or permitted transferees, (i) they will not be redeemable by us, (ii) they (including the Common Stock issuable upon exercise of these warrants) may not, subject to certain limited exceptions, be transferred, assigned or sold by the Sponsor until 30 days after the completion of the Business Combination, (iii) they may be exercised by the holders on a cashless basis and (iv) are subject to registration rights.

The warrants may not ever be in the money, they may expire worthless and the terms of the warrants may be amended in a manner that may be adverse to holders of our warrants with the approval by the holders of at least 65% of the then outstanding public warrants. As a result, the exercise price of the warrants could be increased, the warrants could be converted into cash or stock (at a ratio different than initially provided), the exercise period could be shortened and the number of shares of our Common Stock purchasable upon exercise of a warrant could be decreased, all without a warrant holder's approval.

The public warrants may not ever be in the money, and they may expire worthless. Our warrants were issued in registered form under the warrant agreement between Continental Stock Transfer & Trust Company and us (the "Warrant Agreement"). The Warrant Agreement provides that the terms of the warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, but requires the approval by the holders of at least 65% of the then outstanding public warrants to make any change that adversely affects the interests of the registered holders of public warrants. Accordingly, we may amend the terms of the public warrants in a manner adverse to a holder if holders of at least 65% of the then outstanding public warrants approve of such amendment. Although our ability to amend the terms of the public warrants with the consent of at least 65% of the then outstanding public warrants is unlimited, examples of such amendments could be amendments to, among other things, increase the exercise price of the warrants, convert the warrants into cash or stock (at a ratio different than initially provided), shorten the exercise period or decrease the number of shares of our Common Stock purchasable upon exercise of a warrant.

We may redeem unexpired warrants prior to their exercise at a time that is disadvantageous to a warrant holder, thereby making the warrants worthless.

We have the ability to redeem outstanding warrants at any time and prior to their expiration, at a price of $0.01 per warrant, provided that the last reported sales price of our Common Stock equals or exceeds $18.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 trading-day period ending on the third trading day prior to the date we send the notice of redemption to the warrant holders. If and when the warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws. Redemption of the outstanding warrants could force warrant holders to: (1) exercise their warrants and pay the exercise price therefor at a time when it may be disadvantageous to do so (2) sell their warrants at the then-current market price when they might otherwise wish to hold their warrants; or (3) accept the nominal redemption price which, at the time the outstanding warrants are called for redemption, is likely to be substantially less than the market value of the warrants. None of the Private Placement Warrants will be redeemable by us so long as they are held by the Seller, Sponsor or permitted transferees.

Nasdaq may delist our securities from trading on its exchange, which could limit investors' ability to make transactions in our securities and subject us to additional trading restrictions.

Our Common Stock and public warrants are listed on Nasdaq. There is no guarantee that these securities will remain listed on Nasdaq. There can be no assurance that these securities will continue to be listed on Nasdaq in the future. In order to continue listing our securities on Nasdaq, we must maintain certain financial, distribution and share price levels. In general, we must maintain a minimum number of holders of our securities.

If Nasdaq delists any of our securities from trading on its exchange and we are not able to list our securities on another national securities exchange, we expect our securities could be quoted on an over-the-counter market. If this were to occur, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- reduced liquidity for our securities;
- a determination that the Common Stock is a "penny stock" which will require brokers trading in our Common Stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities;
- a limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

The National Securities Markets Improvement Act of 1996, which is a federal statute, prevents or preempts the states from regulating the sale of certain securities, which are referred to as "covered securities." Because the Common Stock and public warrants are listed on Nasdaq, they will be covered securities. However, if we are no longer listed on Nasdaq, our securities would not be covered securities, and we would be subject to regulation in each state in which we offer our securities.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business, or our market, or if they change their recommendations regarding our securities adversely, then the price and trading volume of our securities could decline.

The trading market for our securities will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market, or our competitors. Securities and industry analysts do not currently, and may never, publish research on us. If no securities or industry analysts commence coverage of us, the price and trading volume of our securities would likely be negatively impacted. If any of the analysts that may cover us change their recommendation regarding our securities adversely, or provide more favorable relative recommendations about our competitors, the price of our securities would likely decline. If any analyst that may cover us ceases covering us or fails to regularly publish reports on us, we could lose visibility in the financial markets, which could cause the price or trading volume of our securities to decline.

Anti-takeover provisions contained in our Second Amended and Restated Certificate of Incorporation and Second Amended and Restated Bylaws, as well as provisions of Delaware law, could impair a takeover attempt, which could limit the price investors might be willing to pay in the future for our common stock.

Our Second Amended and Restated Certificate of Incorporation contains provisions that may discourage unsolicited takeover proposals that stockholders may consider to be in their best interests. We are also subject to anti-takeover provisions under Delaware law, which could delay or prevent a change of control. Together, these provisions may make more difficult the removal of management and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our securities. These provisions include:

- a prohibition on stockholder action by written consent once the company is no longer controlled, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- a vote of 25% required for stockholders to call a special meeting;
- a "synthetic" anti-takeover provision in lieu of the statutory protections of Section 203 of the Delaware General Corporation Law;
- a vote of 80% required to approve a merger as long as the majority stockholder owns at least 20% of our stock;
- a vote of 70% required to approve certain amendments to the Second Amended and Restated Certificate of Incorporation and the Second Amended and Restated Bylaws;
- a provision allowing the directors to fill any vacancies on the Board, including vacancies that result from an increase in the number of directors, subject to the rights of the holders of any outstanding series of preferred stock to elect directors under specified circumstances; and
- the designation of Delaware as the exclusive forum for certain disputes.

Our Second Amended and Restated Certificate of Incorporation provides that the Court of Chancery of the State of Delaware is the sole and exclusive forum for certain stockholder litigation matters, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or stockholders.

Our Second Amended and Restated Certificate of Incorporation provides that, unless we select or consent in writing to the selection of an alternative forum, the sole and exclusive forum, to the fullest extent permitted by law, and subject to applicable jurisdictional requirements, shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have or declines to accept jurisdiction, another state court or a federal court located within the State of Delaware) for any complaint asserting claims, including any derivative action or proceeding brought on our behalf, based upon a violation of a duty by a current or former director, officer, employee or stockholder in such capacity, any action as to which the DGCL confers jurisdiction upon the Court of Chancery, or any other action asserting a claim that is governed by the internal affairs doctrine as interpreted by Delaware state courts. In addition, our Second Amended and Restated Certificate of Incorporation provides that the sole and exclusive forum for any complaint asserting a cause of action arising under the Securities Act, to the fullest extent permitted by law, shall be the federal district courts of the United States, but the forum selection provision will not apply to claims brought to enforce a duty or liability created by the Exchange Act. Any person or entity purchasing or otherwise acquiring or holding any interest in our stock shall be deemed to have notice of and consented to the forum provision in our Second Amended and Restated Certificate of Incorporation.

This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, other employees or stockholders, which may discourage lawsuits with respect to such claims. Alternatively, if a court were to find the choice of forum provision contained in our Second Amended and Restated Certificate of Incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition. For example, under the Securities Act, federal courts have concurrent jurisdiction over all suits brought to enforce any duty or liability created by the Securities Act, and investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Accordingly, there is uncertainty as to whether a court would enforce such a forum selection provision as written in connection with claims arising under the Securities Act.

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

We currently intend to retain our future earnings to finance the development and expansion of our business and, therefore, do not intend to pay cash dividends on our common stock for the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, restrictions contained in any financing instruments, applicable legal requirements and such other factors as our board of directors deems relevant. Accordingly, stockholders may need to sell their shares of our common stock to realize a return on investment and may not be able to sell shares at or above the price paid for them.

General Risk Factors

Our historical financial results are not necessarily indicative of our future results as a public company.

Our historical financial information is not necessarily indicative of our future results of operations, financial condition or cash flows. Our financial condition and future results of operations could be materially different from amounts reflected in our historical financial statements, so it may be difficult for investors to compare our future results as a public company to historical results or to evaluate our relative performance or trends in our business.

In particular, our historical consolidated financial information is not necessarily indicative of our future results of operations, financial condition or cash flows primarily because of the following factors:

- Prior to the Business Combination, the Seller or one of its affiliates provided support for various corporate functions for Landsea Homes, such as information technology, shared services, medical insurance, procurement, logistics, marketing, human resources, legal, finance and internal audit;
- Our historical consolidated financial results reflect the direct, indirect and allocated costs for such services historically provided by the Seller prior to the Business Combination, and these costs may significantly differ from the comparable expenses we would have incurred as an independent company;
- Prior to the Business Combination, Landsea Homes' working capital requirements and capital expenditures historically were satisfied as part of the Seller's corporate-wide cash management and centralized funding programs, and our cost of debt and other capital may significantly differ from that which is reflected in our historical combined financial statements for the periods prior to the Business Combination; and
- The historical combined financial information for the periods prior to the Business Combination may not fully reflect the costs associated with the Business Combination, including the costs related to being an independent public company.

Similarly, unaudited pro forma financial information previously provided was provided for illustrative purposes only and was prepared based on a number of assumptions including, but not limited to, LF Capital being treated as the "acquired" company for financial reporting purposes in the Business Combination and the total debt obligations and the cash and cash equivalents of Landsea Homes on an assumed date for the Business Combination closing.

Our ability to be successful will depend upon the efforts of our key personnel, including the key personnel of Landsea and the Seller whom we expect to stay with us. The loss of key personnel could negatively impact the operations and profitability of our business and our financial condition could suffer as a result.

Our success depends to a significant degree upon the continued contributions of certain key management personnel. It is possible that we will lose some key management personnel in the future, some of whom would be difficult to replace. The loss of key management personnel could negatively impact the operations and profitability of our business. Our ability to retain key management personnel or to attract suitable replacements should any member(s) of our management team leave is dependent on the culture our leadership team fosters and on the competitive nature of the employment market. The loss of services from key management personnel or a limitation in their availability could materially and adversely impact our business, prospects, liquidity, financial condition and results of operations. Further, such a loss could be negatively perceived in the capital markets. We have not obtained key management life insurance that would provide us with proceeds in the event of death or disability of any of our key management personnel.

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

Negative publicity could adversely affect our reputation as well as our business and financial results.

Unfavorable media coverage related to our industry, company, brands, marketing, personnel, operations, business performance, or prospects may affect our stock price and the performance of our business, regardless of such media's accuracy or inaccuracy. The speed at which negative publicity can be disseminated has increased dramatically with the capabilities of electronic communication, including social media outlets, websites, blogs or newsletters. Our success in maintaining, extending and expanding our brand image depends on our ability to adapt to this rapidly changing media environment. Adverse publicity or negative commentary from any media outlet could damage our reputation and reduce the demand for our homes, which could adversely affect our business.

An information systems interruption or breach in security of our systems could adversely affect us.

We rely on information technology and other computer resources to perform important operational and marketing activities as well as to maintain our business and employee records and financial data. Our computer systems are subject to damage or interruption from power outages, computer attacks by hackers, viruses, catastrophes, hardware and software failures and breach of data security protocols by our personnel or third-party service providers. Computer intrusion efforts are becoming increasingly sophisticated and the controls that we have installed might be breached. Further, many of these computer resources are provided to us or are maintained on our behalf by third-party service providers pursuant to agreements that specify certain security and service level standards, but which are ultimately outside of our control. If we were to experience a significant period of disruption in information technology systems that involve interactions with customers or suppliers, it could result in the loss of sales and customers and significant incremental costs, which could adversely affect our business. Additionally, security breaches of information technology systems could result in the misappropriation or unauthorized disclosure of proprietary, personal and confidential information, including information related to employees, counter-parties, and customers, which could result in significant financial or reputational damage and liability under data privacy laws and regulations, including the California Consumer Privacy Act.

We have experienced cyber security incidents in the past. There can be no assurance that future cyber security incidents will not have a material impact on our business or operations.

Inflation and interest rate changes could adversely affect our business and financial results.

Inflation could adversely affect us by increasing the costs of land, raw materials and labor needed to operate our business, which in turn requires us to increase home selling prices in an effort to maintain satisfactory housing gross margins. Inflation typically also accompanies higher interest rates, which could adversely impact potential customers' ability to obtain financing on favorable terms, thereby further decreasing demand. If we are unable to raise the prices of our homes to offset the increasing costs of our operations, our margins could decrease. Furthermore, if we need to lower the prices of our homes to meet demand, the value of our land inventory may decrease. Depressed land values may cause us to abandon and forfeit deposits on land option contracts and other similar contracts if we cannot satisfactorily renegotiate the purchase price of the subject land. We may record charges against our earnings for inventory impairments if the value of our owned inventory, including land we decide to sell, is reduced, or for land option contract abandonments if we choose not to exercise land option contracts or other similar contracts, and these charges may be substantial. Inflation may also raise our costs of capital and decrease our purchasing power, making it more difficult to maintain sufficient funds to operate our business.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our financial condition and results of operations.

We will be subject to income taxes in the United States, and our domestic tax liabilities will be subject to the allocation of expenses in differing jurisdictions. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;
- tax effects of stock-based compensation;
- costs related to intercompany restructurings;
- changes in tax laws, regulations or interpretations thereof; or
- lower than anticipated future earnings in jurisdictions where we have lower statutory tax rates and higher than anticipated future earnings in jurisdictions where we have higher statutory tax rates.

In addition, we may be subject to audits of our income, sales and other transaction taxes by U.S. federal and state authorities. Outcomes from these audits could have an adverse effect on our financial condition and results of operations.

Changes in laws, regulations or rules, or a failure to comply with any laws, regulations or rules, may adversely affect our business, investments and results of operations.

We are subject to laws, regulations and rules enacted by national, regional and local governments and Nasdaq. In particular, we are required to comply with certain SEC, Nasdaq and other legal or regulatory requirements. Compliance with, and monitoring of, applicable laws, regulations and rules may be difficult, time consuming and costly. Those laws, regulations or rules and their interpretation and application may also change from time to time and those changes could have a material adverse effect on our business, investments and results of operations. In addition, a failure to comply with applicable laws, regulations or rules, as interpreted and applied, could have a material adverse effect on our business and results of operations.

Changes in accounting rules, assumptions or judgments could materially and adversely affect us, including recent statements from the SEC regarding SPAC-related companies.

Accounting rules and interpretations for certain aspects of our financial reporting are highly complex and involve significant assumptions and judgment. These complexities could lead to a delay in the preparation and dissemination of our financial statements. Furthermore, changes in accounting rules and interpretations or in our accounting assumptions or judgments, such as asset impairments and contingencies are likely to significantly impact our financial statements. In some cases, we could be required to apply a new or revised standard retroactively, resulting in restating financial statements from prior period(s). Any of these circumstances could have a material adverse effect on our business, prospects, liquidity, financial condition and results of operations.

For example, on April 12, 2021, the Staff of the SEC issued the “Staff Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies (“SPACs”)” (the “SEC Statement”). The SEC Statement emphasized the potential accounting implications of certain terms that may be common in warrants issued by SPACs that could result in the warrants being classified as a liability measured at fair value, with non-cash fair value adjustments reported in earnings at each reporting period. As a result of the Statement, the Company concluded that there is a material misstatement related to the accounting for the warrants in the historical financial statements of LF Capital for the periods presented in our Annual Report on Form 10-K for the year ended December 31, 2020. The Company will file an amended Form 10-K as soon as practicable and has filed a Current Report on Form 8-K that includes a statement of non-reliance within Item 4.02 of that Form 8-K. A restatement of

LF Capital's historical financial statements may subject the Company to additional risks and uncertainties, including, among others, increased professional fees and expenses and time commitment that may be required to address matters related to a restatement, and scrutiny of the SEC and other regulatory bodies which could cause investors to lose confidence in the Company's reported financial information and could subject the Company to civil or criminal penalties or shareholder litigation. The Company could face monetary judgments, penalties or other sanctions that could have a material adverse effect on its business, financial condition and results of operations and could cause its stock price to decline.

We identified a material weakness in our internal control over financial reporting. If we are not able to remediate the material weakness and otherwise maintain an effective system of internal control over financial reporting, the reliability of our financial reporting, investor confidence in our Company and the value of our common stock and warrants could be adversely affected.

Our evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q included consideration of the items expressed in the SEC Statement in which the SEC Staff emphasized the potential accounting implications of certain terms that may be common in warrants issued by SPACs. Based on consideration of the highlights included in the SEC Statement, our Chief Executive Officer and Chief Accounting Officer concluded that as of March 31, 2021, we did not design and maintain effective controls over the accounting for the warrants issued in connection with the initial public offering of LF Capital and assumed by us in the Merger. We also considered the impact of the SEC Statement to the Company's accounting for the warrants in the historical financial statements of LF Capital reflected in our Annual Report on Form 10-K for the year ended December 31, 2020 and concluded the material weakness existed as of December 31, 2020. If not fully remediated, this material weakness could result in material misstatements of account balances or disclosures that would result in a material misstatement of our annual or interim consolidated financial statements that would not be prevented or detected.

We have designed and implemented changes to our internal control over financial reporting to remediate the control deficiency that gave rise to the material weakness and have concluded that our remediation plan is already designed to improve the process and controls in the determination of the appropriate accounting for the Warrants issued in connection with the initial public offering of LF Capital.

If our steps are insufficient to successfully remediate the material weakness and otherwise establish and maintain an effective system of internal control over financial reporting, the reliability of our financial reporting, investor confidence in our Company and the value of our common stock and warrants could be materially and adversely affected.

Acts of war or terrorism may seriously harm our business.

Acts of war or terrorism or any outbreak or escalation of hostilities throughout the world may have a substantial impact on the economy, consumer confidence, the housing market, our employees and our customers. Historically, perceived threats to national security and other actual or potential conflicts or wars and related geopolitical risks have also created significant economic and political uncertainties. If any such events were to occur, or there was a perception that they were about to occur, they could have a material adverse impact on our business, liquidity, financial condition and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit Description
3.1	Second Amended and Restated Certificate of Incorporation of Landsea Homes Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on January 13, 2021)
3.2	Second Amended and Restated Bylaws of Landsea Homes Corporation (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on January 13, 2021)
4.1	First Amendment to the Warrant Agreement, dated January 7, 2021, by and between the Company and Continental Stock Transfer & Trust Company (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed with the SEC on January 13, 2021)
10.1	Stockholder's Agreement, by and between Landsea Homes Corporation and Landsea Holdings Corporation, dated January 7, 2021 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 13, 2021)
10.2	Seller Lock-Up Agreement, by and between Landsea Holdings Corporation and Landsea Homes Corporation, dated January 7, 2021 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on January 13, 2021)
10.3	Sponsor Lock-Up Agreement, by and between Level Field Capital, LLC, Bandouin Prot, Scott Reed, Elias Farhat, Djemi Traboulsi, James Erwin, Gregory Wilson and Landsea Homes Corporation, dated January 7, 2021 (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on January 13, 2021)
10.4	Sponsor Lock-Up Agreement, by and among Level Field Capital, LLC, Karen Wendel and Landsea Homes Corporation, dated January 7, 2021 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on January 13, 2021)
10.5	Trademark License Agreement, by and among Landsea Homes Corporation and certain of its subsidiaries set forth on Exhibit A thereto and Landsea Group Co., Ltd., dated January 7, 2021 (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on January 13, 2021)
10.6^	Form of Landsea Homes Corporation Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K filed with the SEC on March 12, 2021)
10.7+	Fourth Amendment to Credit Agreement, dated as of February 26, 2021, by and among Landsea Homes- WAB 2 LLC, Western Alliance Bank, the lenders and the other loan parties (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K filed with the SEC on March 12, 2021)
10.8	Investor Representation Letter, dated January 7, 2021, by Landsea Holdings Corporation (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K filed with the SEC on March 12, 2021)
10.9	Landsea Homes Corporation Executive Cash Incentive Plan, effective as of January 1, 2021. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 21, 2021)
10.10*^	Form of Grant Notice for Restricted Stock Unit Award and Standard Terms and Conditions for Restricted Stock Units
10.11*^	Form of Grant Notice for Performance Share Unit Award and Standard Terms and Conditions for Performance Share Units

10.12*^	Form of Grant Notice for Restricted Stock Award
31.1*	Certification of John Ho, Chief Executive Officer of Landsea Homes Corporation, pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934
31.2*	Certification of John Ho, Interim Chief Financial Officer of Landsea Homes Corporation, pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934
32.1**	Certification of John Ho, Chief Executive Officer and Interim Chief Financial Officer of Landsea Homes Corporation, pursuant to 18 U.S.C. Section 1350
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, formatted in Inline XBRL: (i) Consolidated Balance Sheets as of March 31, 2021 and December 31, 2020; (ii) Consolidated Statements of Operations for the three months ended March 31, 2021 and 2020, (iii) Consolidated Statements of Equity for the three months ended March 31, 2021 and 2020; (iv) Consolidated Statements of Cash Flows for the three months ended March 31, 2021 and 2020 and (v) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
104	The Cover page from the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2021, formatted in Inline XBRL (included as Exhibit 101).

* Filed herewith.

** Furnished herewith.

^ Management contract or compensatory plan or arrangement.

\+ Certain schedules to or portions of this Exhibit have been omitted in accordance with Item 601(b)(10) of Regulation S-K. The Company hereby agrees to furnish supplementally a copy of all omitted schedules to the SEC upon request.

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.

		Landsea Homes Corporation
Date: May 14, 2021	By:	/s/ John Ho
		John Ho Chief Executive Officer *(Principal Executive Officer)*
Date: May 14, 2021	By:	/s/ Trent Schreiner
		Trent Schreiner Chief Accounting Officer *(Principal Accounting Officer)*