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

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
Date of Report (Date of earliest event reported): May 4, 2021

LANDSEA HOMES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	001-38545 (Commission File Number)	82-2196021 (IRS Employer Identification No.)
660 Newport Center Drive, Suite 300 Newport Beach, California (Address of principal executive offices)		92660 (Zip Code)

Registrant's telephone number, including area code: (949) 345-8080

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter)

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. ☐

EXPLANATORY NOTE

On May 4, 2021, Landsea Homes Corporation, a Delaware corporation (the "**Company**"), and its wholly owned subsidiary, Landsea Homes US Corporation, a Delaware corporation ("**Buyer**"), completed its acquisition (the "**Acquisition**") of all the outstanding membership interests of Vintage Estate Homes, LLC, a Florida limited liability company (d/b/a Mercedes Premier Homes) ("**Vintage Estate Homes**"), a Florida- and Texas-based home builder, pursuant to that certain Membership Interest Purchase Agreement (the "**Purchase Agreement**"), dated April 27, 2021, by and among the Company, Buyer, Vintage Estate Homes, and the certain other individual selling parties thereto, for an aggregate cash purchase price of $54.6 million, subject to certain adjustments as further described in the Purchase Agreement. On May 4, 2021, the Company filed with the Securities and Exchange Commission a Current Report on Form 8-K (the "**Original Form 8-K**") reporting, among other things, the completion of the Acquisition and indicating that the Company intended to provide the required Item 9.01(a) Financial Statements of Business Acquired and Item 9.01(b) Pro Forma Financial Information through an amendment to the Original Form 8-K no later than 71 days from the date on which the Original Form 8-K was required to be filed. This Current Report on Form 8-K/A amends the Original Form 8-K to provide such financial statements and information.

Item 9.01 of the Original Form 8-K is hereby amended and restated in its entirety as set forth below.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired:

The audited consolidated financial statements of Vintage Estate Homes as of December 31, 2020 and for year ended December 31, 2020 are filed herewith as Exhibit 99.1 and incorporated in this Item 9.01(a) by reference.

The unaudited consolidated financial statements of Vintage Estate Homes as of March 31, 2021 and for the three month periods ended March 31, 2021 and 2020 are filed herewith as Exhibit 99.2 and incorporated in this Item 9.01(a) by reference.

(b) Pro Forma Financial Information:

The unaudited pro forma condensed combined financial statements of the Company for the three month period ended March 31, 2021 and the year ended December 31, 2020, giving effect to the Acquisition, are filed herewith as Exhibit 99.3 and incorporated in this Item 9.01(b) by reference.

(d) Exhibits

Exhibit	No. Description
21.1	Consent of Prince CPA Group, LLP, independent auditors of Vintage Estate Homes.
99.1	Audited consolidated financial statements of Vintage Estate Homes as of December 31, 2020 and for the year ended December 31, 2020.
99.2	Unaudited consolidated financial statements of Vintage Estate Homes as of March 31, 2021 and for the three month periods ended March 31, 2021 and 2020.
99.3	Unaudited pro forma condensed combined financial statements of the Company for the three month period ended March 31, 2021 and the year ended December 31, 2020, giving effect to the Acquisition.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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 hereunto duly authorized.

	LANDSEA HOMES CORPORATION	
Date: July 14, 2021	By:	/s/ Trent Schreiner
	Name:	Trent Schreiner
	Title:	Chief Accounting Officer

Exhibit 21.1

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statement of Landsea Homes Corporation on Form S-8 (File Nos. 333-254307) and the inclusion in the Registration Statement of Landsea Homes Corporation on Form S-1 (File No. 333-252569) and/or any prospectus supplement filed thereunder, in each case of our report dated April 19, 2021, with respect to our audit of the consolidated financial statements of Mercedes Premier Homes, LLC d/b/a Vintage Estate Homes which comprise the consolidated balance sheet as of December 31, 2020 and the related consolidated statement of income, members' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements, which report is filed as an exhibit to the Current Report on Form 8-K/A of Landsea Homes Corporation dated July 14, 2021.

/s/ Prince CPA Group

Orlando, Florida
July 14, 2021

Exhibit 99.1

VINTAGE ESTATE HOMES

and its subsidiaries

Consolidated Financial Statements
For the Year Ended
December 31, 2020

Vintage Estate Homes and Subsidiaries
Table of Contents
December 31, 2020

Prince CPA Group

PrinceCPAGroup.com

Independent Auditor's Report

To the Members of
Mercedes Premier Homes, LLC d/b/a Vintage Estate Homes:

Report on the Audit of the Consolidated Financial Statements
We have audited the consolidated financial statements of Mercedes Premier Homes, LLC d/b/a Vintage Estate Homes and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2020, and the related consolidated statements of income, changes in members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whetherthere are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

Prince CPA Group

PrinceCPAGroup.com

Independent Auditor’s Report (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design auditprocedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in theaggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Prince CPA Group

April 19, 2021
Orlando, Florida

Vintage Estate Homes and Subsidiaries
Consolidated Balance Sheet
December 31, 2020

Assets		
Cash and cash equivalents	$	3,705,022
Accounts receivable		177,538
Contract assets		2,322,000
Inventories:		
Homes and lots subject to sales contracts		45,702,074
Homes and lots		11,053,077
Unsold finished lots		17,016,040
Land and development costs, lots under development		617,166
Lot deposits		850,273
Total inventories		75,238,630
Property and equipment		641,092
Related party receivables		295,048
Other assets		947,322
Total As sets	$	83,326,652
Liabilities and Members' Equity		
Liabilities		
Accounts payable and accrued construction costs	$	10,004,445
Accrued expenses and other liabilities		2,970,497
Customer deposits		8,038,221
Construction lines of credit		27,557,344
Notes payable		2,554,863
Liabilities before subordinated related party debt		51,125,370
Subordinated related party debt		5,939,660
Total Liabilities		57,065,030
Members' Equity		26,261,622
Total Liabilities and Members' Equity	$	83,326,652

See the Independent Auditor's Report and the accompanying notes which are an integral part of these financialstatements

Vintage Estate Homes and Subsidiaries
Consolidated Statement of Income
For the Year Ended December 31, 2020

Revenues:		
Sales	$	157,116,868
Other income		35,307
		157,152,175
Cost and Expenses:		
Cost of sales		132,957,943
Selling, general and administrative		15,577,262
		148,535,205
Net income	$	8,616,970

See the Independent Auditor's Report and the accompanying notes which are an integral part of these financialstatements

Vintage Estate Homes and Subsidiaries
Consolidated Statement of Members' Equity
For the Year Ended December 31, 2020

Balance at January 1, 2020	$	24,733,144
Add: Net Income		8,616,970
Less: Distributions to Members		(7,088,492)
Balance at December 31, 2020	**$**	**26,261,622**

See the Independent Auditor's Report and the accompanying notes which are an integral part of these financialstatements

Vintage Estate Homes and Subsidiaries
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2020

Net Income	**$**	**8,616,970**
Adjustments to reconcile net in come to net cash provided by/(used in) operating activities:		
Depreciation		336,548
Loss on disposal of property and equipment		3,736
Increase/(decrease) in cash due to:		
Accounts receivable		16,161
Contract assets		(1,202,542)
Inventories		(361,655)
Other assets		67,236
Accounts payable and accrued construction costs		506,157
Customer Deposits		4,421,992
Related party receivables and payables, net		(324,460)
Accrued expenses and other liabilities		445,146
Net Cash Provided By Operating Activities		**12,525,289**
Cash Flows From Investing Activities:		
Acquisition of property and equipment		(138,728)
Net Cash Used In Investing Activities		**(138,728)**
Cash Flows From Financing Activities:		
Proceeds on construction lines of credit		79,583,481
Re payments of construction lines of credit		(91,583,039)
Proceeds fro m notes payable		1,630,658
Repayments of notes payable		(452,231)
Proceeds fro m subordinated re la ted party debt		3,139,660
Distributions to members		(7,088,492)
Net Cash Used In Financing Activities		**(14,769,963)**
Net Change In Cash and Cash Equivalents		**(2,383,402)**
Cash and Cash Equivalents At Beginning of Period		**6,088,424**
Cash and Cash Equivalents At End of Period	**$**	**3,705,022**
Supplemental Disclosures		
Interest paid (net of amounts capitalized of $2,981,812) is zero		
Cash paid for state franchise taxes	**$**	**37,978**

See the Independent Auditor's Report and the accompanying notes which are an integral part of these financialstatements

1. The Company

Mercedes Premier Homes, LLC, doing business as Vintage Estate Homes ("VEH" or "the Company"), a Florida Limited Liability Company, incorporated on December 15, 2011, principally engages in the marketing, sale and construction of single-family detached and attached homes, generally ranging in salesprices from $250,000 to $800,000 for each home. In addition, the Company engages, or has previously engaged, in developing raw land into residential lots through wholly-owned subsidiaries: Thousand Oaks Development, LLC, Heritage Point Community Developers, LLC, Country Club Lakes Developers, LLC, and Georgiana Community Developers, LLC.

VEH primarily builds in five (5) distinct housing markets in two (2) states, Florida and Texas:

- Florida – Jacksonville, Melbourne, Orlando
- Texas – Austin, New Braunfels

The Company has strategically reduced its operation in Jacksonville and Austin during the year.

The consolidated financial statements of VEH include the accounts of the following wholly-ownedsubsidiaries ("subsidiaries"):

- Vintage Estate Homes, LLC – Florida Homebuilding operations – "Jacksonville", "Melbourne", "Orlando" and "Corporate"
- Vintage Estate Homes of Texas, LLC – "Austin" and "New Braunfels" – Homebuilding operations
- Mercedes Premier Realty, LLC – "Realty" – Real estate brokerages services
- Thousand Oaks Development, LLC – "Thousand Oaks" - Self-development entity that providedresidential lots in Austin. The entity has closed on all of its lots.
- Country Club Lakes Developers, LLC – "Country Club Lakes" - Self-development entity to provideresidential lots in Melbourne
- Georgiana Community Developers, LLC – "Georgiana" – Self-development entity to provide residential lots in Melbourne
- Heritage Point Community Developers, LLC – "Heritage Point" - Self-development entity thatprovided residential lots in Melbourne. The entity has closed on all of its lots.

- Mercedes Premier Homes Jacksonville, LLC – discontinued entity
- Mercedes Premier Homes Melbourne, LLC – discontinued entity

2. Date of Management's Review

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through April 19, 2021 the date that the financial statements were issued.

3. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of VEH and its subsidiaries andhave been prepared in accordance with Accounting Standards Codification (ASC) Section 810, Consolidations. All intracompany transactions and balances have been eliminated in consolidation.

Summary of Significant Accounting Policies

A summary of the significant accounting policies followed by VEH and its subsidiaries in the preparationof the accompanying financial statements is presented below.

3. Summary of Significant Accounting Policies *(continued)*

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Cash and Cash Equivalents

Cash includes cash on hand and deposits with banks. The Company considers all highly liquid securities with a maturity of three months or less to be cash equivalents.

Inventories

Inventories consist principally of homes and lots subject to sales contracts, homes and lots (which includes speculative homes and model homes), unsold developed lots, land and development cost for in process land development, and lot deposits. Developed lots are generally "ready to build", fully developed lots, which are available for vertical construction.

Inventories include the direct costs of land and lot acquisition, home construction, capitalized interest, real estate taxes, and other related direct and indirect overhead costs incurred during development and home construction. Inventory costs include amounts paid through the closing date of the home plus an accrual for estimated costs incurred, but not yet paid, based on an analysis of budgeted (as compared to paid) construction costs. Cost of home sales closed to a buyer are charged to cost of sales on a specific identification basis when the home construction obligation is complete and title passes from the Company to the end third-party homebuyer ("Closing").

Periodically, management reviews inventory at cost to identify where potential valuation reserves may be needed in order to carry inventory at lower of cost or market. At December 31, 2020, management determined a valuation reserve for potential impairments is not necessary.

Property and Equipment

Property and equipment are recorded at cost for individual items with a cost above $500. Repairs and improvements that extend the useful lives of assets are capitalized. Depreciation is expensed using the straight-line method over the estimated useful lives of the related assets ranging from three (3) to five (5) years. When assets are sold or otherwise disposed of, related costs and accumulated depreciation are removed from the balance sheet and any gain or loss is included in the statement of income.

Customer Deposits

The Company and its subsidiaries' standard real estate contracts require the homebuyer to provide an earnest money deposit. Cash received from homebuyers prior to closing is recorded as customer deposit liabilities. For homes built on Company owned lots, the Customer Deposits are applied to the purchase price at closing. For homes built on customer lots, the deposits are applied to revenue recognized over the construction period.

See Independent Auditor's Report

3. Summary of Significant Accounting Policies *(continued)*

Revenue Recognition

On January 1, 2019, the Company adopted ASC 606, which provides guidance for revenue recognition.Under ASC 606, a company recognizes revenue when it transfers promised goods or services and satisfies performance obligations to a customer at an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods and services. The Company applied the modified retrospective method to contracts that were not completed as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under ASC 606, while prior periods are not adjustedand continue to be reported under the previous accounting standards.

The Company applies the following steps in determining the timing and amount of revenue to recognize:

1) identify the contract(s) with a customer
2) identify the performance obligation in the contract
3) determine the transaction price
4) allocate the transaction price to the performance obligation, if applicable
5) recognize revenue when (or as) a performance obligation is satisfied

Company Owned Lots
Home sale transactions are made pursuant to contracts under which the Company typically has a single performance obligation to deliver a completed home to the homebuyer when closing conditions are met. For homes built on lots owned by the Company, revenues from home sales are recognized when the performance obligation within the sales contract have been satisfied, which is generally when title to and possession of the home and the risks and rewards of ownership are transferred to the homebuyer on the closing date. Under the home sale contracts, the Company typically receives an initial cash deposit from the homebuyer at the time the sales contract is executed and receive the remaining consideration through a third-party escrow agent, at Closing.

For sales incentives on Company owned lots that involve a discount on the selling price of the home, theCompany records the discount as a reduction of revenue at the time of house closing. If the sales incentive requires us to provide a free product or service to the customer, the cost of the free product or service isrecorded as cost of revenues at the time of house closing. This includes the cost related to optional upgrades and seller-paid financing costs, closing costs, homeowners' association fees, or merchandise.

Customer Owned Lots
For homes built on customer owned lots, revenues from home sales are recognized over the construction period as the customer receives the benefits of the contract as construction is being completed. Progress toward completion of the Company's contracts is measured based the costs incurred under the contacts compared to estimated total costs to be incurred. This method is used because management considers the costs incurred to be the best available measure of the progress on the contracts. These contracts require estimates to determine the appropriate cost and revenue recognition. Because of the inherent uncertainties in estimating total costs to be incurred, it is at least reasonably possible that the estimates used will change within the near term. Current estimates may be revised as additional information becomes available.

For sales incentives on customer owned lots that involve a discount on the selling price of the home, theCompany records the discount as a reduction of revenue that is recognized over the construction period. If the sales incentive requires us to provide a free product or service to the customer, the cost of the free product or service is recorded as cost of revenues and recognized over the construction period. This includes the cost related to optional upgrades and seller-paid financing costs, closing costs, homeowners' association fees, or merchandise.

See Independent Auditor's Report

3. Summary of Significant Accounting Policies *(continued)*

Income Taxes

The Company and its subsidiaries follow the liability method of accounting for income taxes in accordancewith ASC 740, *Accounting for Income Taxes.* As a limited liability company, the Company and its subsidiaries have elected to be taxed as a partnership. For tax purposes under this election, the Company and its subsidiaries pass their net income to its members; therefore, these financial statements do not include a provision for income taxes. Net income or loss for financial statement purposes may differ from taxable income reported.

Accrued Construction Costs

For each home sale, the Company and its subsidiaries accrue for estimated construction costs where the work has been completed as of the closing date but the costs have not been invoiced and are not included in accounts payable.

4. Fair Value Measurements

The fair values of cash, accounts receivable, related party receivables, other assets, accounts payable, accrued expenses and other liabilities, customer deposits, construction lines of credit, notes payable, and subordinated related party debt approximate their carrying amounts due to their short period of time to maturity or settlement.

5. Accounting Guidance Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled Leases. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leaseswith terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact of the guidance on its financial statements

6. Revenue

The Company's contracts are fixed priced contracts with two methods of recognizing revenue. For homessold on lots owned by the Company, revenue is recognized at a single point in time, when title and possession of the home are transferred to the homebuyer at a closing. For homes sold on customer ownedlots, revenue is recognized over a period of time as the customer controls the home as it constructed. The revenue recognized for the year ended December 31, 2020 under these two methods is as follows:

Sales, company owned lots	$	135,005,017
Sales, customer owned lots		22,111,851
	$	157,116,868

Of total accounts receivable, $177,538 represents contract receivables on completed contracts.

See Independent Auditor's Report

6. **Revenue *(continued)***

Contract Assets and Liabilities

The Company builds certain homes for buyers through home construction contracts in which thehomebuyer owns their respective developed lot (as compared to most home contracts which the Company supplies the developed lot to the homebuyer as part of the home contract). Contract assets and contract liabilities arise from timing differences in the customer cash payments to the Company and home construction progress. Contract assets represent the estimated revenues on home construction contracts in excess of amounts billed to customers. Contract liabilities represent amounts billed to customers in excess of revenues earned and customer deposits. The schedule below summarizes the costs and estimated earnings on contracts in progress:

Costs incurred on contracts in progress	$	6,164,533
Estimated earnings		1,314,957
		7,479,490
Less: Billings to date		(5,161,981)
Total	$	2,317,509

Included in the accompanying balance sheet under the following captions:

Contract assets	$	2,322,000
Accrued expenses and other liabilities		(4,491)
Total	$	2,317,509

7. Capitalized Inventory Costs

The Company and its subsidiaries capitalize interest during development and construction. Capitalizedinterest is charged to cost of sales as homes are delivered to the purchaser at Closing. Information regarding capitalized interest is as follows for the year ended December 31, 2020:

Capitalized interest in inventory, beginning of year	$	1,337,655
Interest incurred and capitalize d		2,904,442
Interest charged to cost of sales		(3,269,095)
Capitalized interest in inventory, end of year	**$**	**973,002**

The Company and its subsidiaries capitalize certain overhead costs that relate to the construction of homesto homes and lots subject to sales contracts inventories. Overhead costs are charged to costs of sales as homes are delivered to the purchaser at Closing. Information regarding capitalized overhead is as followsfor the year ended December 31, 2020:

Capitalized overhead in inventory, beginning of year	$	1,404,598
Overhead incurred and capitalized		3,470,867
Overhead charged to cost of sales		(3,657,524)
Capitalized overhead in inventory, end of year	**$**	**1,217,941**

See Independent Auditor's Report

8. Property and Equipment

Major classifications of property and equipment are as follows at December 31, 2020:

Model home furniture and decorations	$	1,729,581
Leasehold improvements		392,959
Computer equipment		325,342
Equipment		47,770
Computer software		29,793
Furniture and fixtures		26,302
		2,551,747
Less: Accumulated depreciation and amortization		(1,910,655)
Property and equipment, net	$	641,092

9. Other Assets

Other assets consist of the following at December 31, 2020:

Prepaid loan costs	$	377,670
Prepaid commissions		316,897
Construction deposits		151,129
Prepaid insurance		90,276
Other assets		11,350
	$	947,322

10. Other Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of the following at December 31, 2020:

Accrued compensation	$	1,723,247
Other accrued expenses		857,736
Warranty accrual		331,022
Accrued state franchise tax		54,001
Contract liabilities		4,491
	$	2,970,497

Warranty Accrual

The Company and its subsidiaries warrant that its homes will comply with certain performance standardsfor a one (1) year period commencing at Closing. An additional extended warranty product is provided by a third-party warranty company. This third-party insurer warrants certain structural elements up to ten (10) years from Closing. VEH estimates the future costs for such warranties as a liability at the time of Closing. Factors that affect the Company and its subsidiaries' warranty liability include the number of homes sold, historical and anticipated rates of warranty claims and cost per claim. The Company and its subsidiaries periodically assess the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

See Independent Auditor's Report

10. Other Accrued Expenses and Other Liabilities ***(continued)***

Information related to the Company and its subsidiaries' warranty accrual, which is included within Accrued Expenses and Other Liabilities, is as follows at December 31:

Warranty accrual, beginning of year	$	220,971
Warranty accrual provided		390,375
Warranty payments and adjustments		(280,324)
Warranty accrual, end of year	$	331,022

11. Construction Lines of Credit

The principal balances of Construction Lines of Credit consist of the following at December 31, 2020:

Construction Lines of Credit		
Construction line of credit In August 2020, the Company and its subsidiaries increased their revolving credit construction loan with a national bank to $50 million for which the maximum net funding cannot exceed $35 million. This loan funds the construction of residential homes and is secured by a first mortgage subject to a security agreement. Bank funding is based on certain advance ratio percentages. Interest is payable monthly and bears a rate of prime plus 0.75%, with a floor of 4%. The interest rate at December 31, 2020 is 4%. The line of credit matures in October 2022 with the individual loans on each home maturing within one year to eighteen months.	$	15,486,746
Construction line of credit In July 2020, the Company and its subsidiaries renewed their revolving line of credit construction loan with a national bank with a loan amount to $15 million. This loan funds the construction of single-family residential homes and is secured by a first mortgage subject to a security agreement. Bank funding is based on certain advance ratio percentages. Interest is payable monthly and bears a rate of 90-day LIBOR plus 3.9%, with a floor of 5%. The interest rate at December 31, 2020 is 5%. The loan matures in June 2021.		6,266,759
Construction line of credit Revolving line of credit construction loan with a national bank for $15 million. This loan funds the construction of residential homes and is secured by a first mortgage subject to a security agreement. Bank funding is based on certain advance ratio percentages. Interest is payable monthly and bears a rate of prime plus 0.5%, with a floor of 4%. The interest rate at December 31, 2020 is 4%. This loan matures in August 2021. The members of the Company personally guarantee this line of credit.		3,761,194
Construction line of credit $2.5 million a revolving line of credit construction loan with a national bank. This loan funds the construction of residential homes and is secured by a first mortgage subject to a security agreement. Bank funding is based on certain advance ratio percentages. Interest is payable monthly and bears a rate of prime plus 0.5%, with a floor of 4%. The interest rate at December 31, 2020 is 4%. This loan matures in August 2021. The members of the Company personally guarantee this line of credit.		2,042,645
	$	27,557,344

Future principal maturities on Lines of Credit are due in the year ending December 31, 2021.

See Independent Auditor's Report

11. Construction Lines of Credit (Continued)

The revolving construction lines of credit allow the Company and its subsidiaries to borrow funds based upon value or costs incurred for land and housing inventories held by the Company and its subsidiaries. Certain of these credit facilities contain restrictive covenants which, among other requirements, dictatethe maintenance of certain debt-to-equity and liquidity performance levels.

12. Notes Payable

The principal balances of Notes Payable consist of the following at December 31, 2020:

Development Loan $3,430,000 residential development loan agreement with a national bank. The loan funds the purchase of raw land and the development of the land into residential lots. Interest is payable monthly and bears a rate of 90-day Libor plus 3.9% with a floor of 5%. The loan is guaranteed by a deed of trust on Georgiana Community Developers division. The interest rate at December 31, 2020 is 5%. This loan is payable in installments beginning in December 2020 and ending in October 2022.	$	2,544,863
	$	2,544,863

Future principal maturities on Notes Payable at December 31, 2020 are as follows:

Year ended December 31,		Amount
2021	$	1,904,250
2022		650,613
	$	2,554,863

13. Deferred Compensation

The Company adopted the Vintage Estate Homes Restricted Units Plan (the "RU Plan") in April 2015. The RU Plan was implemented to allow chief executives the opportunity to benefit from the growth in one of the subsidiary companies. The RU Plan grants award recipients a Restricted Unit ("RU") to receivecompensation from the Company based on the increases in the fair market value of the subsidiary named in the Restricted Unit Award Agreement. The RU vests over 5 years while the award recipient has been in continuous employment. The RU also includes a provision that under a change of control it will fully vest.

As of December 31, 2020, the Company has one outstanding award with a grant date of December 31, 2013 for a seven-year RU Award Agreement. The grant award was exercised as of December 31, 2020. The Company has accrued approximately $205,000 in expense related to this grant for the year ended December 31, 2020. As the award has not been paid, approximately $831,000 is included in accrued expense and other liabilities in the accompanying balance sheet as of December 31, 2020. The Company does not have any other liabilities as of December 31, 2020 related to the RU Plan.

See Independent Auditor's Report

14. Related Party Transactions

Subordinated Related Party Debt consists of the following at December 31, 2020, which is subordinated to the Construction lines of credit in Note 11 above:

Promissory Note During 2016, the Company signed a Promissory Note to a certain related party. Such Note bears an interest rate of 10% with a balloon principal payment due and payable in November 2023.	$ 1,200,000
Promissory Note During 2015, the Company signed a Promissory Note to a certain related party. Such Note bears an interest rate of 10% with a balloon principal payment due and payable in February 2024.	1,000,000
Promissory Note During 2014, the Company signed a Promissory Note to a certain related party. Such Note bears an interest rate of 10% with a balloon principal payment due and payable in December 2023.	600,000
Promissory Note During 2020, the Company signed a Promissory Note to a certain related party. Such Note bears an interest rate of 10% with a balloon principal payment due and payable in October 2025.	1,046,830
Promissory Note During 2020, the Company signed a Promissory Note to a certain related party. Such Note bears an interest rate of 10% with a balloon principal payment due and payable in October 2025.	1,046,830
Promissory Note During 2020, the Company signed a Promissory Note to a certain related party. Such Note bears an interest rate of 10% with a balloon principal payment due and payable in October 2025.	1,046,000
Total Subordinated Related Party Debt	$ 5,939,660

Aggregate future principal maturities on Subordinated Related Party Debt at December 31, 2020 are as follows:

Year ended December 31,	Amount
2021	$ —
2022	—
2023	1,800,000
2024	1,000,000
2025	3,139,660
	$ 5,939,660

The Company and its subsidiaries recognized $351,750 in interest expense on Related Party Debt in 2020.

Certain related parties have entered into model home sale leaseback transactions at cost. The related parties lease model homes back to the Company and its subsidiaries after the model home is sold to the related party by the Company and its subsidiaries. When the model home is ultimately sold to an unrelated third-party homebuyer, the related party, the Company and its subsidiaries share in any profits and losses. The total lease expense recognized during 2020 on model home leases with these affiliates is approximately $162,000. The total model home sales to related parties is approximately $271,000 for 2020. The Company's and its subsidiaries' share of the profit for the final sales of models to outside parties is a loss of approximately $25,000 for 2020.

See Independent Auditor's Report

14. Related Party Transactions *(continued)*

During the year ended December 31, 2020, the Company has personal home sales to related parties and employees of approximately $757,000 in which no gross margin is recognized by the Company.

As of December 31, 2020, the Company and its subsidiaries has eleven (11) houses in inventory that are being built for related parties and employees. The total cost included in inventory for these homes was approximately $4,065,000 with related earnest money deposits of approximately $1,914,000.

The Company and its subsidiaries expensed approximately $732,000 in compensation for services provided by its member managers during 2020.

During the year ended December 31, 2020, the Company expensed $2,012,000 in professional fees for services performed by a related party.

The Company began renting office space from a related party during the year ended December 31, 2018. The Company expensed $193,000 for rent to this related party in 2020.

The Company expensed $81,277 to a managed service provider for technology services that four of the members own a partial interest.

The Company and its subsidiaries have funded amounts to several entities affiliated through common ownership structure by Company member managers. At December 31, 2020, the Company has a receivable balance from several of these entities totaling approximately $300,000. The related entities are expected to repay these amounts to the Company and its subsidiaries through future sales. The Company and its subsidiaries owe its member managers approximately $5,000 from the member managers over-funding construction costs on model homes.

15. Operating Leases

The Company and its subsidiaries lease various office space under lease agreements with varying termination dates through September 2028. Total expenses related to these leases amounted to approximately $310,000 for the year ended December 31, 2020.

The Company and its subsidiaries leaseback several model homes from unrelated and related investors. These leases have varying termination dates through October 2020. Total lease payments related to these leases totaled to approximately $531,000 for the year ended December 31, 2020.

The future minimum lease payments under these leases as of December 31, 2020 are as follows:

Year ended December 31,		Amount
2021	$	302,848
2022		231,208
2023		225,137
2024		212,219
2025		217,328
Thereafter		624,731
	$	1,813,471

See Independent Auditor's Report

16. Advertising Expense

The Company and its subsidiaries attract initial interest in its homes through a comprehensive advertising program using media such as newspapers, direct mail, telemarketing, promotions, internet, and to a lesser extent, radio. Advertising costs, which are expensed as incurred, aggregated approximately $497,000 during the year ended December 31, 2020 and are included in selling, general and administrative costs in the accompanying financial statements.

17. Employee Benefits

During 2016, the Company and its subsidiaries implemented the Vintage Estate Homes 401(k) and Profit Sharing Plan (the "Plan"). The Plan allows eligible employees to contribute up to 100% of their compensation on a before-tax-basis annually, subject to maximum contribution limits established by federal law. The Company and its subsidiaries match 100% of the employee contributions up to 4% of their compensation. Employees are vested in the Company's and its subsidiaries' matching contributions over 6 years. During the year ended December 31, 2020, the employee contributions totaled approximately $207,000, and the Company and its subsidiaries contributions totaled approximately $103,000.

18. Concentration of Credit Risk

The Federal Deposit Insurance Corporation ("FDIC") insures all deposits up to a $250,000 limit. TheCompany and its subsidiaries are uninsured by the FDIC for excess deposits in several bank accounts with various financial institutions which has in excess of the $250,000 insurable deposit limit. The amount ofcredit exposure in excess of the federally insured limits at December 31, 2020 is $7,481,000. The Company has not experienced any losses on such accounts and do not believe they are exposed to any significant credit risk with respect to cash and cash equivalents.

19. Income Taxes

The Company has adopted ASC 740-10-25, Accounting for Uncertainty in Income Taxes. The Company will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. The Company continually evaluates expiring statutesof limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Company's evaluation on December 31, 2020, revealed no uncertain tax positions that would have a material impact on the financial statements. State franchise tax returns are subject to an audit for a period of four (4) years. Management does not believe that any reasonably possible changes will occur within the next twelve (12) months that will have a material impact on the financial statements.

Franchise Taxes:

Texas franchise taxes are computed under the provisions of the Texas Comptroller of Public Accounts. For the year ended December 31, 2020, the Texas subsidiaries expensed approximately $40,000 for state income taxes and accrued state income taxes of $54,000 as of December 31, 2020. The Texas subsidiariesdo not have deferred income tax liabilities or assets.

Federal Income Taxes:

The Company and its subsidiaries are taxed as a partnership and, therefore, no provision for Federal IncomeTaxes is necessary in the accounts, since such taxes are the liabilities of the individual members, not the Company and its subsidiaries.

See Independent Auditor's Report

20. Contingencies

The Company is named as a defendant in four lawsuits as of December 31, 2020. The Company hasaccrued $150,000 related to a complaint for a sale of an incomplete house where a judgement was reached in arbitration. The Company has filed an appeal to the judgement; however, the court has not addressed the appeal.

The Company has accrued approximately $90,000 for a construction defect claim in which an award wasgranted in arbitration, but the Company has not paid the outstanding claim amount. The Company is in the process of determining whether an appeal would be result in a favorable outcome.

For the other two cases, the outcome of the lawsuits is not determinable at this time and a range of possible loss estimate cannot be reliably determined. It is the opinion of management in consultation with outside counsel that the resolution of these matters will not have a material adverse effect on the financial statements of the Company.

21. Subsequent Events

On February 7, 2021, an arbitration award of $364,827 was vacated related to construction defect claim.The plaintiff has filed an appeal with the court. It is the opinion of management in consultation with outside counsel that the resolution of these matters will not have a material adverse effect on the financial statements of the Company.

On March 5, 2021, the members of the Company and its subsidiaries entered into an amended non-bindingterm sheet for the sale of their membership interests in the Company and its subsidiaries. As of the report date, such transaction has not been consummated, but the Company's members do consider this a bona fide offer and due diligence work is in process.

See Independent Auditor's Report

Exhibit 99.2

VINTAGE ESTATE HOMES

and its subsidiaries
Consolidated Balance Sheets
March 31, 2021 and December 31, 2020
Consolidated Statements of Income, Cash Flows, and Members' Equity
For the Three Months Ended
March 31, 2021 and 2020
And Notes to the Financial Statements
Unaudited

Vintage Estate Homes and Subsidiaries
Table of Contents
For the Three Months Ended March 31, 2021

Vintage Estate Homes and Subsidiaries
Consolidated Balance Sheets (Unaudited)

	March 31, 2021	December 31, 2020
Assets		
Cash and cash equivalents	$ 4,997,856	$ 3,705,022
Accounts receivable	49,070	177,539
Contract assets	1,247,567	2,322,000
Inventories:		
Homes and lots subject to sales contracts	56,826,981	45,703,074
Homes and lots	4,596,095	11,053,077
Unsold finished lots	15,344,044	17,016,040
Land and development costs, lots under development	2,391,136	617,166
Lot deposits	1,722,423	850,273
Total inventories	80,880,679	75,239,630
Property and equipment	665,379	641,092
Right-of-use asset	1,134,001	—
Related party receivables	137,381	295,648
Other assets	1,579,210	945,721
Total Assets	**$ 90,691,143**	**$ 83,326,652**
Liabilities and Members' Equity		
Liabilities		
Accounts payable and accrued construction costs	$ 8,238,885	$ 10,004,445
Accrued expenses and other liabilities	3,404,203	2,966,006
Contract liabilities	249,779	4,491
Lease liability	1,188,187	—
Related party payables	9,071	—
Customer deposits	10,512,884	8,038,221
Construction lines of credit	29,436,716	27,557,344
Notes payable	2,453,099	2,554,863
Liabilities before subordinated related party debt	55,492,824	51,125,370

Subordinated related party debt	5,940,490	5,939,660
Total Liabilities	**61,433,314**	**57,065,030**
Members' Equity	**29,257,829**	**26,261,622**
Total Liabilities and Members' Equity	**$ 90,691,143**	**$ 83,326,652**

See the accompanying notes which are an integral part of these financial statements

Vintage Estate Homes and Subsidiaries
Consolidated Statements of Income (Unaudited)

	Three months ended March 31,	
	2021	2020
Revenues:		
Sales	$ 39,340,831	$ 30,819,226
Other income	59,445	13,074
	39,400,276	**30,832,300**
Cost and Expenses:		
Cost of sales	32,704,319	26,149,909
Selling, general and administrative	3,567,750	2,724,670
	36,272,069	**28,874,579**
Net income	**$ 3,128,207**	**$ 1,957,721**

See the accompanying notes which are an integral part of these financial statements

Vintage Estate Homes and Subsidiaries
Consolidated Statements of Members' Equity (Unaudited)

	Three months ended March 31,	
	2021	2020
Balance at January 1	$ 26,261,622	$ 24,733,144
Add: Net Income	3,128,207	1,957,721
Less: Distributions to Members	(132,000)	(1,225,162)
Balance at March 31	**$ 29,257,829**	**$ 25,465,703**

See the accompanying notes which are an integral part of these financial statements

Vintage Estate Homes and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)

	Three months ended March 31,	
	2021	2020
Cash Flows From Operating Activities:		
Net Income	**$ 3,128,207**	**$ 1,957,721**
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation	72,902	89,360
Leasehold amortization	54,186	—
Loss on disposal of property and equipment	—	3,736
Increase/(decrease) in cash due to:		
Accounts receivable	128,468	(175,155)
Contract assets	1,074,433	88,164
Inventories	(5,642,049)	(6,849,225)
Other assets	(631,888)	110,013
Accounts payable and accrued construction costs	(1,765,560)	1,493,972
Contract liabilities	245,288	(48,308)
Customer Deposits	2,474,663	1,979,974
Related party receivables and payables, net	166,738	84,078
Accrued expenses and other liabilities	438,197	(245,217)
Net Cash Used In Operating Activities	**(256,415)**	**(1,510,887)**
Cash Flows From Investing Activities:		
Acquisition of property and equipment	(97,189)	(23,899)

Net Cash Used In Investing Activities		**(97,189)**		**(23,899)**
Cash Flows From Financing Activities:				
Proceeds on construction lines of credit		25,808,769		19,950,470
Repayments of construction lines of credit		(23,929,397)		(18,131,195)
Proceeds from notes payable		171,961		599,978
Repayments of notes payable		(273,725)		(452,231)
Proceeds from subordinated related party debt		830		80,000
Distributions to members		(132,000)		(1,225,162)
Net Cash Provided By Financing Activities		**1,646,438**		**821,860**
Net Change In Cash and Cash Equivalents		**1,292,834**		**(712,926)**
Cash and Cash Equivalents At Beginning of Period		**3,705,022**		**6,088,424**
Cash and Cash Equivalents At End of Period	**$**	**4,997,856**	**$**	**5,375,498**

See the accompanying notes which are an integral part of these financial statements

1. The Company

Mercedes Premier Homes, LLC, doing business as Vintage Estate Homes ("VEH" or "the Company"), a Florida Limited Liability Company, incorporated on December 15, 2011, principally engages in the marketing, sale and construction of single-family detached and attached homes, generally ranging in sales prices from $250,000 to $800,000 for each home. In addition, the Company engages, or has previously engaged, in developing raw land into residential lots through wholly-owned subsidiaries: Thousand Oaks Development, LLC, Heritage Point Community Developers, LLC, Country Club Lakes Developers, LLC, and Georgiana Community Developers, LLC.

VEH primarily builds in five (5) distinct housing markets in two (2) states, Florida and Texas:

- Florida – Jacksonville, Melbourne, Orlando
- Texas – Austin, New Braunfels

The Company has strategically reduced its operation in Jacksonville and Austin during 2021 and 2020.

2. Date of Management's Review

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through July 14, 2021 the date that the financial statements were issued.

3. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of VEH and its subsidiaries and have been prepared in accordance with Accounting Standards Codification (ASC) Section 810, Consolidations. All intracompany transactions and balances have been eliminated in consolidation.

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 for the year ended December 31, 2020. 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.

Summary of Significant Accounting Policies

A summary of the significant accounting policies followed by VEH and its subsidiaries in the preparation of the accompanying financial statements is presented below.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Cash and Cash Equivalents

Cash includes cash on hand and deposits with banks. The Company considers all highly liquid securities with a maturity of three months or less to be cash equivalents.

3. Summary of Significant Accounting Policies (continued)

Inventories

Inventories consist principally of homes and lots subject to sales contracts, homes and lots (which includes speculative homes and model homes), unsold developed lots, land and development cost for in process land development, and lot deposits. Developed lots are generally "ready to build", fully developed lots, which are available for vertical construction.

Inventories include the direct costs of land and lot acquisition, home construction, capitalized interest, real estate taxes, and other related direct and indirect overhead costs incurred during development and home construction. Inventory costs include amounts paid through the closing date of the home plus an accrual for estimated costs incurred, but not yet paid, based on an analysis of budgeted (as compared to paid) construction costs. Cost of home sales closed to a buyer are charged to cost of sales on a specific identification basis when the home construction obligation is complete and title passes from the Company to the end third-party homebuyer ("Closing").

Periodically, management reviews inventory at cost to identify where potential valuation reserves may be needed in order to carry inventory at lower of cost or market. At March 31, 2021 and December 31, 2020, management determined a valuation reserve for potential impairments is not necessary.

Property and Equipment

Property and equipment are recorded at cost for individual items with a cost above $500. Repairs and improvements that extend the useful lives of assets are capitalized. Depreciation is expensed using the straight-line method over the estimated useful lives of the related assets ranging from three (3) to five (5) years. When assets are sold or otherwise disposed of, related costs and accumulated depreciation are removed from the balance sheet and any gain or loss is included in the statement of income.

Customer Deposits

The Company and its subsidiaries' standard real estate contracts require the homebuyer to provide an earnest money deposit. Cash received from homebuyers prior to closing is recorded as customer deposit liabilities. For homes built on Company owned lots, the Customer Deposits are applied to the purchase price at closing. For homes built on customer lots, the deposits are applied to revenue recognized over the construction period.

Revenue Recognition

On January 1, 2019, the Company adopted ASC 606, which provides guidance for revenue recognition. Under ASC 606, a company recognizes revenue when it transfers promised goods or services and satisfies performance obligations to a customer at an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods and services. The Company applied the modified retrospective method to contracts that were not completed as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under ASC 606, while prior periods are not adjusted and continue to be reported under the previous accounting standards.

The Company applies the following steps in determining the timing and amount of revenue to recognize:

1) identify the contract(s) with a customer
2) identify the performance obligation in the contract
3) determine the transaction price
4) allocate the transaction price to the performance obligation, if applicable
5) recognize revenue when (or as) a performance obligation is satisfied

3. Summary of Significant Accounting Policies (continued)

<u>Company Owned Lots</u>

Home sale transactions are made pursuant to contracts under which the Company typically has a single performance obligation to deliver a completed home to the homebuyer when closing conditions are met. For homes built on lots owned by the Company, revenues from home sales are recognized when the performance obligation within the sales contract has been satisfied, which is generally when title to and possession of the home and the risks and rewards of ownership are transferred to the homebuyer on the closing date. Under the home sale contracts, the Company typically receives an initial cash deposit from the homebuyer at the time the sales contract is executed and receive the remaining consideration through a third-party escrow agent, at Closing.

For sales incentives on Company owned lots that involve a discount on the selling price of the home, the Company records the discount as a reduction of revenue at the time of house closing. If the sales incentive requires us to provide a free product or service to the customer, the cost of the free product or service is recorded as cost of revenues at the time of house closing. This includes the cost related to optional upgrades and seller-paid financing costs, closing costs, homeowners' association fees, or merchandise.

<u>Customer Owned Lots</u>

For homes built on customer owned lots, revenues from home sales are recognized over the construction period as the customer receives the benefits of the contract as construction is being completed. Progress toward completion of the Company's contracts is measured based the costs incurred under the contacts compared to estimated total costs to be incurred. This method is used because management considers the costs incurred to be the best available measure of the progress on the contracts. These contracts require estimates to determine the appropriate cost and revenue recognition. Because of the inherent uncertainties in estimating total costs to be incurred, it is at least reasonably possible that the estimates used will change within the near term. Current estimates may be revised as additional information becomes available.

For sales incentives on customer owned lots that involve a discount on the selling price of the home, the Company records the discount as a reduction of revenue that is recognized over the construction period. If the sales incentive requires us to provide a free product or service to the customer, the cost of the free product or service is recorded as cost of revenues and recognized over the construction period. This includes the cost related to optional upgrades and seller-paid financing costs, closing costs, homeowners' association fees, or merchandise.

Income Taxes

The Company and its subsidiaries follow the liability method of accounting for income taxes in accordance with ASC 740*Accounting for Income Taxes*. As a limited liability company, the Company and its subsidiaries have elected to be taxed as a partnership. For tax purposes under this election, the Company and its subsidiaries pass their net income to its members; therefore, these financial statements do not include a provision for income taxes. Net income or loss for financial statement purposes may differ from taxable income reported.

Accrued Construction Costs

For each home sale, the Company and its subsidiaries accrue for estimated construction costs where the work has been completed as of the closing date but the costs have not been invoiced and are not included in accounts payable.

4. Fair Value Measurements

The fair values of cash, accounts receivable, related party receivables, other assets, accounts payable, accrued expenses and other liabilities, customer deposits, construction lines of credit, notes payable, and subordinated related party debt approximate their carrying amounts due to their short period of time to maturity or settlement.

5. Newly Adopted Accounting Guidance

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled Leases. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company adopted ASC 842 beginning on January 1, 2021 and recorded a right-of-use asset and lease liability of $1,206,648 on the consolidated balance sheet as of January 1, 2021. The Company's lease agreements impacted by ASC 842 primarily relate to the Company's office locations and office equipment where the Company is the lessee. The Company determined all applicable agreements would be considered operating leases. The Company elected the package of practical expedients permitted under the transition guidance, which allows the Company to not reassess: (i) whether any existing or expired contracts are or contain leases; (ii) lease classification of any expired or existing leases; or (iii) initial direct costs for any existing leases. The Company also elected the practical expedient permitted under the transition guidance, which allows the Company to not separate non-lease components from lease components, and made an accounting policy election to not record leases on the balance sheet with an initial term of 12 months or less. See footnote 15 for disclosure of the impact of adoption of Topic 842.

6. Revenue

The Company's contracts are fixed priced contracts with two methods of recognizing revenue. For homes sold on lots owned by the Company, revenue is recognized at a single point in time, when title and possession of the home are transferred to the homebuyer at a closing. For homes sold on customer owned lots, revenue is recognized over a period of time as the customer controls the home as it constructed. The revenue recognized for the three months ended March 31, 2021 and 2020 under these two methods is as follows:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Sales, company owned lots	$ 34,696,815	$ 25,117,637
Sales, customer owned lots	4,644,016	5,701,589
	$ 39,340,831	$ 30,819,226

As of March 31, 2021 and December 31, 2020, respectively, $49,070 and $177,538 of total accounts receivable represents contract receivables on completed contracts.

Contract Assets and Liabilities

The Company builds certain homes for buyers through home construction contracts in which the homebuyer owns their respective developed lot (as compared to most home contracts which the Company supplies the developed lot to the homebuyer as part of the home contract). Contract assets and contract liabilities arise from timing differences in the customer cash payments to the Company and home construction progress. Contract assets represent the estimated revenues on home construction contracts in excess of amounts billed to customers. Contract liabilities represent amounts billed to customers in excess of revenues earned and customer deposits. The schedule below summarizes the costs and estimated earnings on contracts in progress:

	March 31, 2021	December 31, 2020
Costs incurred on contracts in progress	$ 6,296,815	$ 6,164,533
Estimated earnings	1,315,624	1,314,957
	7,612,439	7,479,490
Less: Billings to date	(6,614,651)	(5,161,981)
Total	$ 997,788	$ 2,317,509

6. Revenue (continued)

Included in the accompanying balance sheet under the following captions:

	March 31, 2021	December 31, 2020
Contract assets	$ 1,247,567	$ 2,322,000
Contract liabilities	(249,779)	(4,491)
Total	$ 997,788	$ 2,317,509

7. Capitalized Inventory Costs

The Company and its subsidiaries capitalize interest during development and construction. Capitalized interest is charged to cost of sales as homes are delivered to the purchaser at Closing. Information regarding capitalized interest is as follows for the three months ended March 31, 2021 and 2020:

	Three months ended March 31,	
	2021	2020
Capitalized interest in inventory, beginning of period	$ 973,002	$ 1,337,655
Interest incurred and capitalized	765,614	806,438
Interest charged to cost of sales	(666,615)	(623,436)
Capitalized interest in inventory, end of period	$ 1,072,001	$ 1,520,657

The Company and its subsidiaries capitalize certain overhead costs that relate to the construction of homes to homes and lots subject to sales contracts inventories. Overhead costs are charged to costs of sales as homes are delivered to the purchaser at Closing. Information regarding capitalized overhead is as follows for the three months ended March 31, 2021 and 2020:

	Three months ended March 31,	
	2021	2020
Capitalized overhead in inventory, beginning of year	$ 1,217,941	$ 1,404,598
Overhead incurred and capitalized	764,932	758,145
Overhead charged to cost of sales	(640,017)	(794,978)
Capitalized overhead in inventory, end of year	$ 1,342,856	$ 1,367,765

8. Property and Equipment

Major classifications of property and equipment are as follows at March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
Model home furniture and decorations	$ 1,431,721	$ 1,729,581
Leasehold improvements	459,415	392,959
Computer equipment	345,270	325,342
Equipment	47,770	47,770
Computer software	29,793	29,793
Furniture and fixtures	26,302	26,302
	2,340,271	2,551,747
Less: Accumulated depreciation and amortization	(1,674,892)	(1,910,655)
Property and equipment, net	$ 665,379	$ 641,092

The Company recognized depreciation expense of $72,902 and $89,360 for the three months ended March 31, 2021 and 2020, respectively.

9. Other Assets

Other assets consist of the following at March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
Prepaid loan costs	$ 286,558	$ 377,670
Prepaid commissions	546,385	316,897
Construction deposits	348,425	150,129
Prepaid insurance	342,630	90,276
Other assets	55,212	10,749
	$ 1,579,210	$ 945,721

10. Other Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of the following at March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
Accrued compensation	$ 1,672,638	$ 1,723,247
Other accrued expenses	1,344,718	857,736
Warranty accrual	332,846	331,022
Accrued state franchise tax	54,001	54,001
	$ 3,404,203	$ 2,966,006

Warranty Accrual

The Company and its subsidiaries warrant that its homes will comply with certain performance standards for a one (1) year period commencing at Closing. An additional extended warranty product is provided by a third-party warranty company. This third-party insurer warrants certain structural elements up to ten (10) years from Closing. VEH estimates the future costs for such warranties as a liability at the time of Closing. Factors that affect the Company and its subsidiaries' warranty liability include the number of homes sold, historical and anticipated rates of warranty claims and cost per claim. The Company and its subsidiaries periodically assess the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Information related to the Company and its subsidiaries' warranty accrual, which is included within Accrued Expenses and Other Liabilities, is as follows at March 31, 2021 and December 31, 2020:

		March 31, 2021		December 31, 2020
Warranty accrual, beginning of period	$	331,022	$	220,971
Warranty accrual provided		95,915		390,375
Warranty payments and adjustments		(94,091)		(280,324)
Warranty accrual, end of period	$	332,846	$	331,022

11. Construction Lines of Credit

The principal balances of Construction Lines of Credit consist of the following at March 31, 2021 and December 31, 2020:

Construction Lines of Credit		**March 31, 2021**		**December 31, 2020**
Construction line of credit In August 2020, the Company and its subsidiaries increased their revolving credit construction loan with a national bank to $50 million for which the maximum net funding cannot exceed $35 million. This loan funds the construction of residential homes and is secured by a first mortgage subject to a security agreement. Bank funding is based on certain advance ratio percentages. Interest is payable monthly and bears a rate of prime plus 0.75%, with a floor of 4%. The interest rate at December 31, 2020 is 4%. The line of credit matures in October 2022 with the individual loans on each home maturing within one year to eighteen months.	$	18,482,337	$	15,486,746
Construction line of credit In July 2020, the Company and its subsidiaries renewed their revolving line of credit construction loan with a national bank with a loan amount to $15 million. This loan funds the construction of single-family residential homes and is secured by a first mortgage subject to a security agreement. Bank funding is based on certain advance ratio percentages. Interest is payable monthly and bears a rate of 90-day LIBOR plus 3.9%, with a floor of 5%. The interest rate at December 31, 2020 is 5%. The loan matures in June 2021.		6,336,138		6,266,759
Construction line of credit Revolving line of credit construction loan with a national bank for $15 million. This loan funds the construction of residential homes and is secured by a first mortgage subject to a security agreement. Bank funding is based on certain advance ratio percentages. Interest is payable monthly and bears a rate of prime plus 0.5%, with a floor of 4%. The interest rate at December 31, 2020 is 4%. This loan matures in August 2021. The members of the Company personally guarantee this line of credit.		3,758,727		3,761,194
Construction line of credit $2.5 million a revolving line of credit construction loan with a national bank. This loan funds the construction of residential homes and is secured by a first mortgage subject to a security agreement. Bank funding is based on certain advance ratio percentages. Interest is payable monthly and bears a rate of prime plus 0.5%, with a floor of 4%. The interest rate at December 31, 2020 is 4%. This loan matures in August 2021. The members of the Company personally guarantee this line of credit.		859,514		2,042,645
	$	**29,436,716**	**$**	**27,557,344**

Future principal maturities on Lines of Credit are due in the twelve months ending March 31, 2022.

The revolving construction lines of credit allow the Company and its subsidiaries to borrow funds based upon value or costs incurred for land and housing inventories held by the Company and its subsidiaries. Certain of these credit facilities contain restrictive covenants, which, among other requirements, dictate the maintenance of certain debt-to-equity and liquidity performance levels.

12. Notes Payable

The principal balances of Notes Payable consist of the following at March 31, 2021 and December 31, 2020:

Development Loan		**March 31, 2021**		**December 31, 2020**
$3,430,000 residential development loan agreement with a national bank. The loan funds the purchase of raw land and the development of the land into residential lots. Interest is payable monthly and bears a rate of 90-day Libor plus 3.9% with a floor of 5%. The loan is guaranteed by a deed of trust on Georgiana Community Developers division. The interest rate at December 31, 2020 is 5%. This loan is payable in installments beginning in December 2020 and ending in October 2022.	$	2,453,099	$	2,554,863
	$	**2,453,099**	**$**	**2,554,863**

Future principal maturities on Notes Payable at March 31, 2021 are as follows:

Twelve months ended March 31,		Amount
2022	$	1,816,695
2023		636,404

	$	2,453,099

13. Deferred Compensation

The Company adopted the Vintage Estate Homes Restricted Units Plan (the "RU Plan") in April 2015. The RU Plan was implemented to allow chief executives the opportunity to benefit from the growth in one of the subsidiary companies. The RU Plan grants award recipients a Restricted Unit ("RU") to receive compensation from the Company based on the increases in the fair market value of the subsidiary named in the Restricted Unit Award Agreement. The RU vests over 5 years while the award recipient has been in continuous employment. The RU also includes a provision that under a change of control it will fully vest.

As of March 31, 2021 and 2020, the Company has one outstanding award with a grant date of December 31, 2013 for a seven-year RU Award Agreement. The grant award was exercised as of December 31, 2020. The Company has accrued approximately $39,312 in expense related to this grant for the three months ended March 31, 2020 and no expense for the three months ended March 31, 2021. As the award has not been paid, approximately $831,000 is included in accrued expense and other liabilities in the accompanying balance sheets as of March 31, 2021 and December 31, 2020. The Company does not have any other liabilities as of March 31, 2021 and December 31, 2020 related to the RU Plan.

14. Related Party Transactions

Certain related parties have entered into model home sale leaseback transactions at cost. The related parties lease model homes back to the Company and its subsidiaries after the model home is sold to the related party by the Company and its subsidiaries. When the model home is ultimately sold to an unrelated third-party homebuyer, the related party, the Company and its subsidiaries share in any profits and losses. The total lease expense recognized during the three months ended March 31, 2021 and 2020 on model home leases with these affiliates is approximately $15,500 and $55,200, respectively. The total model home sales to related parties is approximately $271,000 for the three months ended March 31, 2020. The Company's and its subsidiaries' share of the profit for the final sales of models to outside parties is a loss of approximately $25,000 for the three months ended March 31, 2020. The Company did not have any model home sales or final model home sales in 2021.

During the three months ended March 31, 2021 and 2020, the Company had personal home sales to related parties and employees of approximately $1,355,000 and $454,500, respectively, in which no gross margin is recognized by the Company.

14. Related Party Transactions *(continued)*

Subordinated Related Party Debt consists of the following at March 31, 2021 and December 31, 2020, which is subordinated to the Construction lines of credit in Note 10 above:

Subordinated Related Party Debt		**March 31, 2021**		**December 31, 2020**
Promissory Note During 2016, the Company signed a Promissory Note to a certain related party. Such Note bears an interest rate of 10% with a balloon principal payment due and payable in November 2023.	$	1,200,000	$	1,200,000
Promissory Note During 2015, the Company signed a Promissory Note to a certain related party. Such Note bears an interest rate of 10% with a balloon principal payment due and payable in February 2024.		1,000,000		2,046,830
Promissory Note During 2014, the Company signed a Promissory Note to a certain related party. Such Note bears an interest rate of 10% with a balloon principal payment due and payable in December 2023.		600,000		600,000
Promissory Note During 2020, the Company signed a Promissory Note to a certain related party. Such Note bears an interest rate of 10% with a balloon principal payment due and payable in October 2025.		1,046,830		1,046,830
Promissory Note During 2020, the Company signed a Promissory Note to a certain related party. Such Note bears an interest rate of 10% with a balloon principal payment due and payable in October 2025.		1,046,830		—
Promissory Note During 2020, the Company signed a Promissory Note to a certain related party. Such Note bears an interest rate of 10% with a balloon principal payment due and payable in October 2025.		1,046,830		1,046,000
	$	**5,940,490**	**$**	**5,939,660**

Aggregate future principal maturities on Subordinated Related Party Debt at March 31, 2021 are as follows:

Twelve months ended March 31,		Amount
2022	$	—
2023		1,800,000
2024		1,000,000
2025		3,140,490
	$	5,940,490

The Company and its subsidiaries recognized $148,512 and $69,988 in interest expense on Related Party Debt for the three months ended March 31, 2021 and 2020, respectively.

As of March 31, 2021, the Company and its subsidiaries has eleven (11) houses in inventory that are being built for related parties and employees. The total cost included in inventory for these homes was approximately $5,000,000 with related earnest money deposits of approximately $2,089,000. As of December 31, 2020, the Company and its subsidiaries had eleven (11) houses in inventory that were being built for related parties and employees. The total cost included in inventory for these homes was approximately $4,065,000 with related earnest money deposits of approximately $1,914,000.

14. Related Party Transactions *(continued)*

The Company and its subsidiaries expensed approximately $467,694 and $90,000 in compensation for services provided by its member managers during 2020 for the three months ended March 31, 2021 and 2020, respectively.

The Company began renting office space from a related party during the year ended December 31, 2018. The Company expensed approximately $49,800 and $48,800 for rent to this related party for the three months ended March 31, 2021 and 2020, respectively.

The Company expensed $15,300 and $13,200 for the three months ended March 31, 2021 and 2020, respectively, to a managed service provider for technology services that four of the members own a partial interest.

The Company and its subsidiaries have funded amounts to several entities affiliated through common ownership structure by Company member managers. At March 31, 2021 and December 31, 2020, the Company has a receivable balance from several of these entities totaling approximately $163,300 and $300,000, respectively. The related entities are expected to repay these amounts to the Company and its subsidiaries through future sales. The Company and its subsidiaries owe its member managers approximately $14,512 and $5,000, respectively, from the member managers over-funding construction costs on model homes.

15. Operating Leases

The Company and its subsidiaries lease various office space under lease agreements with varying termination dates through September 2028. Total expenses related to these leases amounted to approximately $119,000 and $68,000 for the three months ended March 31, 2021 and 2020, respectively.

The Company and its subsidiaries leaseback several model homes from unrelated and related investors. These leases have varying termination dates through March 2022. Total lease payments related to these leases totaled to approximately $33,000 and $85,000 for the three months ended March 31, 2021 and 2020, respectively.

The future minimum lease payments under these leases as of March 31, 2021 are as follows:

Twelve months ended March 31,		Amount
2022	$	176,922
2023		207,766
2024		213,685
2025		219,740
2026		215,913
Thereafter		435,910
Total lease payments	$	1,469,936
Less: Discount		(281,749)
Present value of lease liability	$	1,188,187

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 eight years and often include one or more options to renew. The weighted average remaining lease term as of March 31, 2021 was 7.0 years. 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, 2021, 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 discount 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 $1,134,001 and $1,188,187 recognized as a right-of-use asset and lease liability, respectively, which are presented on the consolidated balance sheet within right-of-use asset and lease liability, respectively.

16. Advertising Expense

The Company and its subsidiaries attract initial interest in its homes through a comprehensive advertising program using media such as newspapers, direct mail, telemarketing, promotions, internet, and to a lesser extent, radio. Advertising costs, which are expensed as incurred, aggregated approximately $86,000 and $115,000 during the three months ended March 31, 2021 and 2020, respectively, and are included in selling, general and administrative costs in the accompanying financial statements.

17. Employee Benefits

During 2016, the Company and its subsidiaries implemented the Vintage Estate Homes 401(k) and Profit Sharing Plan (the "Plan"). The Plan allows eligible employees to contribute up to 100% of their compensation on a before-tax-basis annually, subject to maximum contribution limits established by federal law. The Company and its subsidiaries match 100% of the employee contributions up to 4% of their compensation. Employees are vested in the Company's and its subsidiaries' matching contributions over 6 years. During the three months ended March 31, 2021 and 2020, the employee contributions totaled approximately $48,800 and $40,600, respectively, and the Company and its subsidiaries contributions totaled approximately $35,010 and $23,510, respectively.

18. Concentration of Credit Risk

The Federal Deposit Insurance Corporation ("FDIC") insures all deposits up to a $250,000 limit. The Company and its subsidiaries are uninsured by the FDIC for excess deposits in several bank accounts with various financial institutions which has in excess of the $250,000 insurable deposit limit. The amount of credit exposure in excess of the federally insured limits is $6,696,947 and $7,481,000 at March 31, 2021 and December 31, 2020, respectively. The Company has not experienced any losses on such accounts and do not believe they are exposed to any significant credit risk with respect to cash and cash equivalents.

19. Income Taxes

The Company has adopted ASC 740-10-25, Accounting for Uncertainty in Income Taxes. The Company will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Company's evaluation on March 31, 2021 and December 31, 2020, revealed no uncertain tax positions that would have a material impact on the financial statements. State franchise tax returns are subject to an audit for a period of four (4) years. Management does not believe that any reasonably possible changes will occur within the next twelve (12) months that will have a material impact on the financial statements.

Franchise Taxes:

Texas franchise taxes are computed under the provisions of the Texas Comptroller of Public Accounts. As of March 31, 2021 and December 31, 2020, the Texas subsidiaries have accrued state income tax liabilities of $54,000. The Company did not expense any state income taxes for the three months ended March 31, 2021 and 2020. The Texas subsidiaries do not have deferred income tax liabilities or assets.

Federal Income Taxes:

The Company and its subsidiaries are taxed as a partnership and, therefore, no provision for Federal Income Taxes is necessary in the accounts, since such taxes are the liabilities of the individual members, not the Company and its subsidiaries.

20. Contingencies

The Company is named as a defendant in four lawsuits as of March 31, 2021. The Company has accrued $150,000 related to a complaint for a sale of an incomplete house where a judgement was reached in arbitration. The Company has filed an appeal to the judgement; however, the court has not addressed the appeal.

In 2020, the Company accrued approximately $90,000 for a construction defect claim in which an award was granted in arbitration, but the Company has not paid the outstanding claim amount. The Company is in the process of determining whether an appeal would result in a favorable outcome.

For the other two cases, the outcome of the lawsuits is not determinable at this time and a range of possible loss estimate cannot be reliably determined. It is the opinion of management in consultation with outside counsel that the resolution of these matters will not have a material adverse effect on the financial statements of the Company.

21. Subsequent Events

On May 4, 2021, all the outstanding membership interests of the Company were acquired by Landsea Homes US Corp (Landsea) for $54.6 million.

In May 2021, the judgement regarding the complaint for the sale of an incomplete house was vacated by the court. As the house is incomplete, the Company and the homebuyer need to reach a resolution in this matter. Management has maintained the reserve for $150,000.

Exhibit 99.3

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Defined terms included below shall have the same meaning as terms defined and included elsewhere in this Current Report on Form 8-K/A (the "Form 8-K/A") filed with the Securities and Exchange Commission (the "SEC") on July 14, 2021.

Introduction

The Company ('Landsea") is providing the following unaudited pro forma condensed combined financial statements to aid you in your analysis of the financial aspects of the Acquisition. The following unaudited pro forma condensed combined financial statements present the combination of the financial information of the Company and Vintage Estate Homes adjusted to give effect to the Acquisition. The following unaudited pro forma condensed combined financial statements have been prepared in accordance with Article 11 of Regulation S-X.

As a result of the Acquisition, on May 4, 2021 (the "Acquisition Date") Landsea obtained all of the outstanding equity interests of Vintage Estate Homes for a purchase price of $54.6 million, subject to certain adjustments as further described in the Purchase Agreement. The Acquisition has been treated as a business combination for accounting purposes and Landsea was determined to be the accounting acquirer. The purchase price of the Acquisition has been allocated to the assets acquired and liabilities assumed based on their preliminary fair values at the Acquisition Date.

The unaudited pro forma condensed combined financial statements have been prepared to give effect to the Acquisition, and include:

- the acquisition of Vintage Estate Homes by Landsea under the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, ASC 805, "Business Combinations," where the assets and liabilities of Vintage Estate Homes will be recorded by Landsea at their respective fair values as of the Acquisition Date;

- the payment of $54.6 million in cash to Vintage Estate Homes' owners in exchange for all outstanding equity interests in Vintage Estate Homes;

- certain reclassifications to conform the historical financial statement presentation of Vintage Estate Homes to that of Landsea; and

- transaction costs in connection with the Acquisition.

The unaudited pro forma condensed combined balance sheet as of March 31, 2021 combines the historical balance sheet of the Company and the historical balance sheet of Vintage Estate Homes on a pro forma basis as if the Acquisition, summarized above, had been consummated on March 31, 2021. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2020 and the three months ended March 31, 2021, combine the historical statements of operations of the Company and Vintage Estate Homes for such periods on a pro forma basis as if the Acquisition had been consummated on January 1, 2020, the beginning of the earliest period presented.

Assumptions and estimates underlying the unaudited pro forma adjustments set forth in the unaudited pro forma condensed combined financial statements are described in the accompanying notes. The unaudited pro forma condensed combined financial statements have been presented for illustrative purposes only and are not necessarily indicative of the operating results and financial position that would have been achieved had the Acquisition occurred on the dates indicated. Further, the unaudited pro forma condensed combined financial statements do not purport to project the future operating results or financial position of the Company following the completion of the Acquisition. The unaudited pro forma condensed combined financial statements do not reflect any operating efficiencies, post-Acquisition synergies and/or cost savings that we may achieve with respect to the combined companies. The unaudited pro forma adjustments represent management's estimates based on information available as of the date of these unaudited pro forma condensed combined financial statements and are subject to change as additional information becomes available and analyses are performed.

The unaudited pro forma condensed combined financial statements were prepared based on the historical consolidated financial statements of Landsea and Vintage Estate Homes after giving effect to the Acquisition using the acquisition method of accounting and after applying the assumptions, reclassifications and adjustments described in the accompanying notes based on current intentions and expectations relating to the combined business.

The preliminary allocation of the purchase price used in the unaudited pro forma condensed combined financial statements is based upon assets acquired and liabilities assumed through the Acquisition. We have made significant assumptions and estimates in determining the preliminary estimated purchase price and the preliminary allocation of the purchase price in the unaudited pro forma condensed combined financial statements. The final purchase price allocation will be determined when the Company has completed the detailed valuations and necessary calculations. The final allocation could differ materially from the preliminary allocation used in the pro forma adjustments. The final allocation may include (1) changes in fair values of assets and liabilities, (2) changes in allocations to intangible assets such as trade names as well as goodwill and (3) other changes to assets and liabilities.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

AS OF MARCH 31, 2021
(in thousands)

	Landsea (Historical)	Vintage Estate Homes (Historical)	Reclassification Adjustments	Transaction Accounting Adjustments		Pro Forma Combined
ASSETS						
Cash and cash equivalents	$ 190,736	$ 4,998	$ —	$ (53,600)	**A**	$ 141,303
				(831)	**B**	
Cash held in escrow	4,138	—	—	—		4,138
Accounts receivable	—	49	(49)	—		—
Contract assets	—	1,248	(1,248)	—		—
Real estate inventories	724,437	80,881	227	11,900	**C**	817,445
Property and equipment	—	665	(665)	—		—
Due from affiliates	3,097	—	—	—		3,097
Right-of-use asset	—	1,134	(1,134)	—		—
Related party receivables	—	137	(137)	—		—
Investment in and advances to unconsolidated joint ventures	17,172	—	—	—		17,172
Goodwill	20,705	—	—	5,885	**D**	26,590
Other assets	27,254	1,579	2,598	(1,000)	**A**	31,981
				1,550	**E**	
Total assets	$ 987,539	$ 90,691	$ (408)	$ (36,096)		$ 1,041,726

See notes to unaudited pro forma condensed combined financial statements

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET (CONTINUED)

AS OF MARCH 31, 2021
(in thousands)

	Landsea (Historical)	Vintage Estate Homes (Historical)	Reclassification Adjustments	Transaction Accounting Adjustments		Pro Forma Combined
LIABILITIES						
Accounts payable	$ 40,826	$ 8,239	$ (413)	$ 2,648	**F**	$ 49,396
				(2,648)	**A**	
				744	**F**	
Accrued expenses and other liabilities	51,994	3,404	12,373	(831)	**B**	67,280
				340	**G**	
Contract liabilities	—	250	(250)			
Lease liability	—	1,188	(1,188)			
Related party payables	—	9	(9)			
Customer deposits	—	10,513	(10,513)	—		—
Due to affiliates	2,357	—	—	—		2,357
Warrant liability	16,225	—	—	—		16,225
Construction lines of credit	—	29,437	(29,437)	—		—
Notes and other debts payable, net	319,479	2,453	29,029	(407)	**H**	350,554
Subordinated related party debt	—	5,940	—	(5,940)	**A**	—
Total liabilities	430,881	61,433	(408)	(6,094)		485,812
COMMITMENTS AND CONTINGENCIES						
EQUITY						
Preferred stock	—	—	—	—		—
Common stock	5	—	—	—		5
Members' Equity	—	29,258	—	(29,258)	**I**	—
Additional paid-in capital	530,427	—	—	—		530,427
Retained earnings	24,937	—	—	(744)	**C**	24,193
Noncontrolling interests	1,289	—	—	—		1,289
Total stockholders' equity	556,658	29,258	—	(30,002)		555,914
Total liabilities and stockholders' deficit	$ 987,539	$ 90,691	$ (408)	$ (36,096)		$ 1,041,726

See notes to unaudited pro forma condensed combined financial statements

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2021
(in thousands, except share and per share data)

	Landsea (Historical)	Vintage Estate Homes (Historical)	Reclassification Adjustments	Transaction Accounting Adjustments		Pro Forma Combined	
Revenue							
Home sales	$ 154,765	$ 39,341	$ (5,485)	$ —		$ 188,621	
Lot sales and other revenue	5,654	—	5,472	—		11,126	
Total revenue	160,419	39,341	(13)	—		199,747	
Cost of sales							
Home sales	136,841	32,704	(5,281)	(149)	**AA**	163,916	
				(199)	**BB**		
Inventory impairments	—	—	—	—		—	
Lot sales and other cost of sales	4,780	—	3,750	—		8,530	
Total cost of sales	141,621	32,704	(1,531)	(348)		172,446	
Gross margin							
Home sales	17,924	6,637	(204)	348		24,705	
Lot sales	874	—	1,722	—		2,596	
Total gross margin	18,798	6,637	1,518	348		27,301	
Sales and marketing expenses	9,931	—	2,200	—		12,131	
General and administrative expenses	14,986	—	2,899	(18)	**CC**	17,867	
Selling, general and administrative	—	3,568	(3,568)	—		—	
Total operating expenses	24,917	3,568	1,531	(18)		29,998	
(Loss) income from operations	(6,119)	3,069	(13)	366		(2,697)	
Other income (expense), net	(61)	59	13	—		11	
Equity in net (loss) income of unconsolidated joint ventures	(21)	—	—	—		(21)	
(Loss) on remeasurement of warrant liability	(4,950)	—	—	—		(4,950)	
(Loss) income before income taxes	(11,151)	3,128	—	366		(7,657)	
(Benefit) provision for income taxes	(4,065)	—	—	908	**EE**	(3,157)	
Net (loss) income	(7,086)	3,128	—	(542)		(4,500)	
Net loss attributed to noncontrolling interests	(12)	—	—	—		(12)	
Net (loss) income attributable to Landsea Homes Corporation	$ (7,074)	$ 3,128	$ —	$ (542)		$ (4,488)	
(Loss) per share:							
Basic and Diluted	$ (0.16)					$ (0.10)	**GG**
Weighted average common shares outstanding							
Basic and Diluted	44,245,847					44,245,847	**GG**

See notes to unaudited pro forma condensed combined financial statements

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2020
(in thousands, except share and per share data)

	Landsea (Historical)	Vintage Estate Homes (Historical)	Reclassification Adjustments	Transaction Accounting Adjustments		Pro Forma Combined	
Revenue							
Home sales	$ 734,608	$ 157,117	$ (23,311)	$ —		$ 868,414	
Lot sales and other revenue	—	—	23,008	—		23,008	
Total revenue	734,608	157,117	(303)	—		891,422	
Cost of sales							
Home sales	636,324	132,958	(24,387)	(352)	**AA**	755,684	
				(759)	**BB**		
				11,900	**FF**		
Inventory impairments	3,413	—	—	—		3,413	
Lot sales and other cost of sales	—	—	17,240	—		17,240	
Total cost of sales	639,737	132,958	(7,147)	10,789		776,337	
Gross margin							
Home sales	94,871	24,159	1,076	(10,789)		109,317	
Lot sales	—	—	5,768	—		5,768	
Total gross margin	94,871	24,159	6,844	(10,789)		115,085	
Sales and marketing expenses	48,100	—	9,497	—		57,597	
General and administrative expenses	42,598	—	13,189	3,410	**CC**	60,747	
				1,550	**DD**		
Selling, general and administrative	—	15,577	(15,577)	—		—	
Total operating expenses	90,698	15,577	7,109	4,960		118,344	
Income from operations	4,173	8,582	(265)	(15,749)		(3,259)	
Other income (expense), net	80	35	303	—		418	
Equity in net (loss) income of unconsolidated joint ventures	(16,418)	—	—	—		(16,418)	
(Loss) income before income taxes	(12,165)	8,617	38	(15,749)		(19,259)	
(Benefit) provision for income taxes	(3,081)	—	38	(1,844)	**EE**	(4,887)	
Net (loss) income	(9,084)	8,617	—	(13,905)		(14,372)	
Net (loss) income attributed to noncontrolling interests	(133)	—	—	—		(133)	
Net (loss) income attributable to Landsea Homes Corporation	$ (8,951)	$ 8,617	$ —	$ (13,905)		$ (14,239)	
(Loss) per share:							
Basic and Diluted	(0.27)					$ (0.44)	**GG**
Weighted average common shares outstanding							
Basic and Diluted	32,557,303					32,557,303	**GG**

See notes to unaudited pro forma condensed combined financial statements

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited pro forma condensed combined financial statements are based on the historical consolidated financial statements of Landsea and Vintage Estate Homes after giving effect to the Acquisition using the acquisition method of accounting, as well as certain reclassifications and pro forma adjustments.

In accordance with the acquisition method of accounting for business combinations, the assets acquired and the liabilities assumed will be recorded as of the completion of the Acquisition at their respective fair values. The excess purchase consideration over the fair values of assets acquired and liabilities assumed will be recorded as goodwill.

The unaudited pro forma condensed combined financial statements should be read together with the historical financial statements and related notes, as follows:

- Accompanying notes to the unaudited pro forma condensed combined financial statements;
- Audited historical consolidated financial statements of Landsea as of and for the year ended December 31, 2020, included in Landsea's Post-Effective Amendment No. 1 to Form S-1 filed with the Securities and Exchange Commission (the "SEC") on March 12, 2021;
- Audited historical consolidated financial statements of Vintage Estate Homes and subsidiaries as of and for the year ended December 31, 2020, included in this Form 8-K/A;
- Unaudited historical consolidated financial statements of Landsea as of and for the three months ended March 31, 2021, included in Landsea's Quarterly Report on Form 10-Q filed with the SEC on May 17, 2021;
- Unaudited historical consolidated financial statements of Vintage Estate Homes as of and for the three months ended March 31, 2021, included in this Form 8-K/A.

2. Accounting Policies

The accounting policies used in the preparation of these unaudited pro forma condensed combined financial statements are those set out in Landsea's audited financial statements as of and for the year ended December 31, 2020 and Landsea's unaudited financial statements as of and for the three months ended March 31, 2021.

Certain reclassifications have been reflected in the pro forma adjustments to conform Vintage Estate Homes' presentation to Landsea's presentation in the unaudited pro forma condensed combined financial statements. The unaudited pro forma condensed combined financial statements may not reflect all the adjustments necessary to conform the accounting policies of Vintage Estate Homes to the accounting policies of Landsea.

Management will perform a comprehensive review of the two entities' accounting policies. As a result of the review, management may identify differences between the accounting policies of the two entities which, when conformed, could have a material impact on the financial statements of the post-combination company.

3. Calculation of Purchase Consideration and Preliminary Purchase Price Allocation

The aggregate purchase price of the Acquisition was $54.6 million in cash, based on a base purchase price of $54.6 million adjusted for (i) Vintage Estate Homes closing costs paid by Landsea (ii) Vintage Estate Homes debt paid off by Landsea, and (iii) an amount held in escrow, all of which reduced the base purchase price to $41.0 million. The adjustments described above were determined to be part of the purchase consideration for accounting purposes.

		(in thousands)
Base purchase price (1)	$	54,600
Closing transaction expenses (2)		(2,648)
Note repayment amounts (3)		(5,940)
Escrow holdback amount (4)		(5,000)
Closing date purchase price		41,012
Closing date purchase price		41,012
Closing transaction expenses (2)		2,648
Note repayment amounts (3)		5,940
Escrow holdback amount (4)		5,000
Total purchase consideration	**$**	**54,600**

(1) Represents the Base purchase price as defined by the Purchase Agreement.

(2) Represents Vintage Estate Homes' transaction costs paid by Landsea, which reduces the Closing date purchase price paid to Vintage Estate Homes per the Purchase Agreement and are added back to accounting purchase consideration.

(3) Represents Vintage Estate Homes' debt paid by Landsea, which reduces the Closing date purchase price paid to Vintage Estate Homes per the Purchase Agreement and are added back to accounting purchase consideration.

(4) Represents amounts paid by Landsea and held in escrow, which reduces the Closing date purchase price paid to Vintage Estate Homes per the Purchase Agreement and are added back to accounting purchase consideration.

We identified and recorded the assets acquired and liabilities assumed at their preliminary estimated fair values at the Acquisition Date and allocated the remaining value of approximately $5.9 million to goodwill. For acquired assets and liabilities for which the fair value was determined to equal book value, the book value as of the pro forma balance sheet date of March 31, 2021 was used. The values assigned to certain acquired assets and liabilities are preliminary, are based on information available as of the date of these unaudited pro forma condensed combined financial statements and may be adjusted as further information becomes available during the measurement period of up to 12 months from the date of the Acquisition. Additional information that relates to facts and circumstances that exist as of the Acquisition Date may subsequently become available and may result in changes in the values allocated to various assets and liabilities. Changes in the fair values of the assets acquired and liabilities assumed during the measurement period may result in material adjustments to goodwill.

The preliminary purchase price allocation is as follows:

		(in thousands)
Cash and cash equivalents	$	4,167
Inventories		93,008
Other assets		5,727
Total assets		102,902
Accounts payable and accrued construction costs		(7,826)
Accrued expenses and other liabilities		(15,286)
Notes payable		(31,075)
Total liabilities		(54,187)
Net assets acquired (a)		48,715
Preliminary purchase consideration (b)		54,600
Preliminary goodwill (b) - (a)	**$**	**5,885**

Under the acquisition method, acquisition-related transaction costs (e.g. advisory, legal, valuation and other professional fees) are not included as consideration transferred. Instead, they are accounted for as expenses in the periods in which the costs are incurred.

4. Adjustments to Unaudited Pro Forma Condensed Combined Financial Statements

The unaudited pro forma condensed combined financial statements have been prepared to illustrate the effect of the Acquisition and has been prepared for informational purposes only.

The pro forma combined provision for income taxes does not necessarily reflect the amounts that would have resulted had the post-combination company filed consolidated income tax returns during the periods presented.

Transaction Accounting Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet

The transaction accounting adjustments included in the unaudited pro forma condensed combined balance sheet as of March 31, 2021 are as follows:

(A) To record cash paid out for consideration of $54.6 million, inclusive of $1 million in cash deposited to an escrow account and classified in other assets, $5.9 million of which was used to pay off debt held by Vintage Estate Homes, and $2.7 million of which was used to pay off transaction costs incurred by Vintage Estate Homes

(B) To record the payoff of Vintage Estate Homes' accrued restricted unit award, which is to be paid out prior to the Acquisition as a provision of the Purchase Agreement.

(C) To record the estimated adjustment to step up Vintage Estate Home's real estate inventory to a fair value of approximately $93.0 million, an increase of $11.9 million from the carrying value. The fair value calculation is preliminary and subject to change. The fair value was determined based on the estimated selling price of the inventory less the remaining manufacturing and selling costs and a normal profit margin on those manufacturing and selling efforts. After the Acquisition, the step-up in inventory fair value of $11.9 million will increase cost of sales over approximately 12 months as the inventory is sold.

	Book value (in thousands)	Estimated fair value (in thousands)
Land value step up summary	$ 40,795	$ 47,958
Lot option step up summary	1,722	3,481
Vertical WIP step up summary	37,911	40,889
Other real estate inventories	680	680
Total real estate inventories	**$ 81,108**	**$ 93,008**

(D) To record preliminary estimate of goodwill.

(E) To record the estimated fair value of acquired intangible assets. As part of the preliminary valuation analysis, the Company identified intangible assets consisting of trade names. The fair value of identifiable intangible assets is determined primarily using the income approach, which uses a forecast of the expected future cash flows.

	Estimated fair value (in thousands)	Estimated useful life (years)	Incremental first year amortization (in thousands)
Trade names $	1,550	1	$ 1,550
Total identified intangible assets $	**1,550**		**$ 1,550**

(F) To record the accrual of Landsea's and Vintage Estate Homes's total estimated transaction costs, inclusive of advisory, legal, accounting and auditing fees, and other professional fees of $0.7 million and 2.7 million, respectively, that are deemed to be direct and incremental costs of the Acquisition.

(G) To record the net adjustment to estimated fair value of the assumed warranty liability.

(H) To eliminate Vintage Estate Homes's unamortized deferred financing costs.

(I) To eliminate Vintage Estate Homes's historical equity balance.

Transaction Accounting Adjustments to Unaudited Pro Forma Condensed Combined Statements of Operations

The transaction accounting adjustments included in the unaudited pro forma condensed combined statements of operations for the three months ended March 31, 2021 and the year ended December 31, 2020 are as follows:

(AA) To eliminate historical amortization expense related to the debt paid off as referenced in adjustment (A).

(BB) To eliminate historical amortization expense related to the deferred financing costs, which were written off as referenced in adjustment (H).

(CC) To eliminate the transaction costs, inclusive of advisory, legal, accounting and auditing fees and other professional fees of that are deemed to be direct and incremental costs of the Acquisition incurred during the three months ended March 31, 2021 and to add such costs to the pro forma income statement for the year ended December 31, 2020, and to record such estimated costs to the year ended December 31, 2020, based on the pro forma assumed Acquisition date of January 1, 2020. This is a nonrecurring item.

(DD) To record the amortization expense based on the estimated fair value of acquired intangible assets.

(EE) Reflects the income tax effect of the historical Vintage Estate Homes taxable income and pro forma adjustments using the estimated blended federal and state statutory tax rate of 26%.

(FF) To increase cost of sales by the amount of the inventory fair value adjustment as the inventory is expected to be sold within one year of the Acquisition date.

(GG) To calculate the basic and diluted earnings per share following pro forma adjustments, with no changes to the denominator for the basic and diluted earnings per share calculation.