

LGI Homes, Inc.
Form 10-Q
December 19, 2013

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2013.

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____.

Commission file number 001-36126

LGI HOMES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation or organization)

46-3088013
(I.R.S. Employer Identification No.)

TABLE OF CONTENTS

	Page
PART I - FINANCIAL INFORMATION	
Item 1. <u>LGI Homes, Inc. Historical Financial Statements</u>	4
<u>Balance Sheet as of September 30, 2013</u>	4
<u>Notes to the Balance Sheet</u>	5
<u>LGI Homes Group (Predecessor) Historical Financial Statements</u>	7
<u>Combined Balance Sheets as of September 30, 2013 and December 31, 2012</u>	7
<u>Combined Statements of Operations for the three and nine months ended September 30, 2013 and 2012</u>	8
<u>Combined Statement of Equity for the nine months ended September 30, 2013</u>	9
<u>Combined Statements of Cash Flows for the nine months ended September 30, 2013 and 2012</u>	10
<u>Notes to the Combined Financial Statements as of and for the three and nine months ended September 30, 2013 and 2012</u>	11
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	26
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	43
Item 4. <u>Controls and Procedures</u>	43
<u>PART II - OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	4

	45
Item 1A. <u>Risk Factors</u>	45
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	45
Item 6. <u>Exhibits</u>	46
<u>SIGNATURES</u>	47

Explanatory Note

LGI Homes, Inc. is the newly-formed registrant that completed the initial public offering of 10,350,000 shares of its common stock on November 13, 2013. Concurrently with the initial public offering, LGI Homes, Inc. acquired all the equity interests of LGI Homes Group, LLC, LGI Homes Corporate, LLC, LGI Homes II, LLC (formerly LGI Homes, Ltd.), LGI Homes Sunrise Meadow, LLC (formerly LGI Homes Sunrise Meadow, Ltd.), LGI Homes Canyon Crossing, LLC (formerly LGI Homes Canyon Crossing, Ltd.), LGI Homes Deer Creek, LLC and their subsidiaries (collectively referred to in this Quarterly Report on Form 10-Q as our predecessor or LGI Homes Group (Predecessor)) which are all entities under common control. In addition, LGI Homes, Inc. also acquired from GTIS Partners, LP, a global real estate investment firm, and its affiliated entities (collectively, GTIS), all of GTIS 's equity interests in four unconsolidated joint ventures with LGI Homes Group (Predecessor), namely LGI-GTIS Holdings, LLC, LGI-GTIS Holdings II, LLC, LGI-GTIS Holdings III, LLC and LGI-GTIS Holdings IV, LLC (collectively, the LGI/GTIS Joint Ventures). See Item 2. Management 's Discussion and Analysis of Financial Condition and Results of Operations Recent Developments Reorganization LGI Transactions and GTIS Transaction.

Unless otherwise stated or the context otherwise requires, references in this Quarterly Report on Form 10-Q to we, us, our or similar terms when used in a historical context refer to LGI Homes Group (Predecessor). When used prospectively, those terms refer to LGI Homes, Inc. and its subsidiaries, including LGI Homes Group (Predecessor) and the LGI/GTIS Joint Ventures subsequent to the completion of the aforementioned initial public offering.

LGI HOMES, INC.

BALANCE SHEET

(Unaudited)

	September 30, 2013	
Assets		
Cash	\$	1,000
Total assets	\$	1,000
 LIABILITIES AND EQUITY		
Liabilities		
Accounts payable	\$	
Total liabilities		
 Stockholder s Equity		
Common stock, 1,000 shares issued and outstanding	\$	10
Additional paid in capital		990
Total stockholder s equity		1,000
TOTAL LIABILITIES AND EQUITY	\$	1,000

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See accompanying notes to the balance sheet.

4

LGI HOMES, INC.

NOTES TO THE BALANCE SHEET

September 30, 2013

(Unaudited)

1. ORGANIZATION

Organization and Description of the Business

LGI Homes, Inc., a Delaware corporation (the Company), was organized on July 9, 2013 as a holding company for the purposes of facilitating the initial public offering of its common stock (the IPO). At September 30, 2013, the Company had no material assets, no liabilities and had conducted no operations, and engaged only in activities in contemplation of the IPO. Costs incurred in connection with the IPO are the obligations of LGI Homes Group, LLC, LGI Homes Corporate, LLC and their affiliates, all of which were part of the reorganization transactions completed concurrent with the IPO (see Note 4).

LGI Homes, Inc.'s principal business is the development of communities and the design and construction of homes in Texas, Arizona, Florida and Georgia. Subsequent to September 30, 2013, LGI Homes Inc. commenced homebuilding operations in New Mexico.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying balance sheet has been prepared in accordance with accounting principles generally accepted in the United States. Separate statements of income and changes in stockholder's equity have not been presented because there have been no operating activities or equity transactions of the Company as of September 30, 2013. A separate statement of cash flows has not been presented, as the only transactions impacting such statement as of September 30, 2013, are fully described below.

3. STOCKHOLDER'S EQUITY

The Company is authorized to issue 250,000,000 shares of common stock, par value \$0.01 per share, and 5,000,000 shares of preferred stock, par value \$0.01 per share. On July 9, 2013, 1,000 shares of common stock, par value \$0.01 per share, were issued upon receipt of \$1,000.

4. SUBSEQUENT EVENTS

On November 13, 2013, the Company completed the IPO and the reorganization of LGI Homes Group, LLC and LGI Homes Corporate, LLC and their consolidated subsidiaries and controlled variable interest entities, as well as LGI

Homes II, LLC (formerly LGI Homes, Ltd.), LGI Homes Sunrise Meadow, LLC (formerly LGI Homes Sunrise Meadow, Ltd.), LGI Homes Canyon Crossing, LLC (formerly LGI Homes Canyon Crossing, Ltd.), and LGI Homes Deer Creek, LLC, (collectively, LGI Homes Group (Predecessor)) into LGI Homes, Inc. A total of 10,003,358 shares of the Company's common stock were issued to the owners of the entities that make up LGI Homes Group (Predecessor), including the issuance of 2,161,580 shares of the Company's common stock to the non-controlling interests in a subsidiary of one of the entities. Immediate family members, a father and son, individually or jointly owned more than 50% of the voting ownership interest of each entity comprising LGI Homes Group (Predecessor). The LGI Homes Group (Predecessor) entities and the Company are under common management, operate in the same business, and are controlled by the family principals. Following the reorganization, the entities that comprise the LGI Homes Group (Predecessor) are wholly-owned subsidiaries of the Company. These reorganization transactions will be accounted for at the transaction date as a combination of entities under common control.

Concurrent with the IPO, the Company acquired from GTIS Partners, LP and its affiliated entities (GTIS) all of GTIS equity interests in four unconsolidated joint ventures with LGI Homes Group (Predecessor), namely LGI-GTIS Holdings, LLC, LGI-GTIS Holdings II, LLC, LGI-GTIS Holdings III, LLC and LGI-GTIS Holdings IV, LLC (collectively, the LGI/GTIS Joint Ventures), in exchange for aggregate consideration of \$41.4 million, consisting of a cash payment of approximately \$36.9 million and 409,091 shares of the Company's common stock valued at \$4.5 million (based on the IPO price of \$11.00 per share). As this transaction resulted in a change of control for the LGI/GTIS Joint Ventures, the acquisition will be accounted for at the transaction date in accordance with ASC 805, Business Combinations, and the assets and liabilities of the LGI/GTIS Joint Ventures will be recorded at fair value.

LGI HOMES, INC.

NOTES TO THE BALANCE SHEET

September 30, 2013

(Unaudited)

In the IPO, the Company issued and sold 10,350,000 shares of its common stock at a price to the public of \$11.00 per share and received net proceeds of \$102.7 million after deducting underwriting discounts and commissions of \$8.0 million and other offering expenses of approximately \$3.2 million.

On November 6, 2013, immediately prior to the effectiveness of the prospectus for the IPO, the Company granted 140,222 restricted stock units to employees, executives and non-employee directors under the LGI Homes, Inc. 2013 Equity Incentive Plan which vest over periods ranging from one to three years and will be settled in shares of the Company's common stock. Of these grants, 93,315 restricted stock units represent the settlement of accrued liabilities of LGI Homes Group (Predecessor) for management and executive bonuses of \$1.0 million which had been earned and recorded as compensation expense of LGI Homes Group (Predecessor) as part of a performance-based cash bonus plan through the date of the IPO. In addition, 46,907 restricted stock units were granted to certain employees, executives and the non-employee directors under the LGI Homes, Inc. 2013 Equity Incentive Plan.

LGI HOMES GROUP (PREDECESSOR)

COMBINED BALANCE SHEETS

(Unaudited)

	September 30, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	\$ 9,392,646	\$ 7,069,471
Accounts receivable	1,604,638	922,897
Accounts receivable, related parties		