2018 ANNUAL REPORT

Dear Shareholders:

The year 2018 was foundational in the execution of our long-term strategy of developing large-scale mixed-use communities in major metropolitan areas in California. Our communities in Los Angeles, San Francisco, and Orange Counties are planned for more than 40,000 residential homes and 23 million square feet of commercial space. We are pleased by the progress we made at each of our communities in 2018, and we believe we are well-positioned for 2019. Our vision of building places where people can live, work, play, learn, and connect is becoming a reality.

Our long-term strategy revolves around three primary elements, which will enable us to create value as market conditions evolve:

1. **Significant Share in Primary Markets.** We have a significant share of land available for new development in three primary markets in a state that has one of the strongest economies in the country. The ability to manage our land supply in these primary markets, which are characterized by sustained demand and limited supply, promotes a comparatively stable pricing environment relative to secondary and tertiary markets, which are typically more cyclical.
2. **Virtuous Development Cycle.** We have a continuous focus on elevating the experience of our residents and the appeal of our communities by providing world class amenities. This includes building new schools, parks, and commercial uses that complement residential development. Incremental demand created by the continued growth of our residential communities will augment the value of our commercial portfolio as time passes. We also create value by opportunistically enhancing entitlements.
3. **Strong Financial Position.** We operate with a strong balance sheet that allows us to execute our strategy with a high level of confidence. A substantial portion of our costs are variable, which reinforces our ability to continue operations in the event of a prolonged downturn in the housing market. Yet, our ability to slow down or shut down expenditures related to land development activities during slower economic time periods does not impede us from achieving favorable pricing from our contractors during more active development periods.

At the Great Park, consistent home buying activity as reported by our guest builders supported additional land sales at favorable prices in both 2018 and Q1 of 2019. The wide range of products available at different price points addresses the needs of a diverse group of buyers from different generations, economic classes and cultures. The inaugural season of the Five Point Amphitheater last year and the dedication of a world class sports park continue to elevate the experience of residents living at the Great Park, while highlighting our commitment to providing amenities that serve the broader community.

At Valencia (formerly known as Newhall Ranch) in Los Angeles, we have moved over 35 million cubic yards of soil since beginning work in the fourth quarter of 2017 and have already installed miles of pipes and new roads. Our significant scale and established relationships with large contractors have allowed us to maintain tight budgetary discipline while remaining on schedule to deliver homesites later this year to builders at the first phase of Mission Village. Mission Village will have approximately 4,000 homes and 1.5 million square feet of commercial space when completed. Finally, our net zero greenhouse gas emission program at Valencia has been embraced by the state and the environmental community as a template for how cities should be built in the future.

We are proud of our commitment to building our communities in a sustainable fashion and view it as a testament to our belief that successful development can occur without compromising the environment.

In San Francisco, our development activities remain focused on Candlestick while the Navy continues its evaluation and retesting of certain parcels at The San Francisco Shipyard. During the first quarter of 2019, Five Point and its partners mutually agreed to unwind a partnership to develop an urban retail outlet mall at Candlestick. We are now working closely with the City of San Francisco on a revised development plan for the first phase of Candlestick that is currently planned to include approximately 750,000 square feet of office space, 1,600 homes, and 300,000 square feet of lifestyle amenities centered around retail and entertainment. We anticipate that the City will grant approval for our new design prior to the end of the year. We also believe that the development of a mixed-use plan that incorporates residential amenities will appeal to both technology and life science companies that are struggling to attract and retain employees due to an acute housing shortage in the region. Our exemption from ordinances that limit the amount of prospective office development in the City of San Francisco enables Five Point to deliver commercial space for potential users in a single phase.

Developments with respect to statewide policies are promising. California has a new governor who has prioritized the need for housing while also meeting the state's sustainability goals. Our company's history of successfully developing public/private partnerships that satisfy the needs of multiple constituencies uniquely positions Five Point to play an important role with respect to providing much needed housing in our three primary markets without compromising the environment. This is not a new approach for us but rather has been a core tenet of how we run the business. Accordingly, we look forward to understanding how we can work together to help develop solutions for all stakeholders.

The economic climate also remains favorable. The combination of limited residential supply and seven years of strong job growth in San Francisco, Los Angeles, and Orange Counties have contributed to demand for new housing in these markets. We believe the chronic imbalance between supply and demand and improved affordability due to lower mortgage rates should underpin a healthy housing market in 2019. The lack of available land as well as the lengthy approval process needed to entitle land in California's major markets suggest that limited supply levels will persist. This structural imbalance between supply and demand, coupled with our significant share of the land available for development in the markets in which we compete, gives us an important competitive advantage that should drive shareholder value as our business progresses.

Thank you to all of our Associates for their hard work and dedication in 2018. We also want to thank our Shareholders for their continued support heading into 2019.

Sincerely,

Emile Haddad
Chairman, Chief Executive Officer and President

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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2018

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 001-38088

Five Point Holdings, LLC

(Exact name of registrant as specified in its charter)

Delaware	27-0599397
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
15131 Alton Parkway, Suite 400 Irvine, California	92618
(Address of Principal Executive Offices)	(Zip code)

(949) 349-1000

(Registrant's telephone number, including area code)

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

Title of Each Class	Name of each exchange on which registered
Class A common shares	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

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

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

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

The aggregate market value of common shares held by non-affiliates of the registrant as of June 29, 2018, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing sale price per share as reported by the New York Stock Exchange on such date, was approximately $646.0 million.

As of February 28, 2019, 68,746,555 Class A common shares and 79,275,234 Class B common shares were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2019 Annual Meeting of Shareholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2018.

FIVE POINT HOLDINGS, LLC

TABLE OF CONTENTS

FORM 10-K

		Page
PART I.		
ITEM 1.	Business	1
ITEM 1A.	Risk Factors	12
ITEM 1B.	Unresolved Staff Comments	34
ITEM 2.	Properties	35
ITEM 3.	Legal Proceedings	37
ITEM 4.	Mine Safety Disclosures	38
PART II.		
ITEM 5.	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity	39
ITEM 6.	Selected Financial Data	41
ITEM 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	44
ITEM 7A.	Quantitative and Qualitative Disclosures About Market Risk	71
ITEM 8.	Financial Statements and Supplementary Data	71
ITEM 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	126
ITEM 9A.	Controls and Procedures	126
ITEM 9B.	Other Information	126
PART III.		
ITEM 10.	Directors, Executive Officers and Corporate Governance	127
ITEM 11.	Executive Compensation	128
ITEM 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	129
ITEM 13.	Certain Relationships and Related Transactions, and Director Independence	130
ITEM 14.	Principal Accounting Fees and Services	131
PART IV.		
ITEM 15.	Exhibits, Financial Statement Schedules	132
ITEM 16.	Form 10-K Summary	136
Signatures		137
Financial Statement Schedule		138

[This page intentionally left blank]

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are subject to risks and uncertainties. These statements concern expectations, beliefs, projections, plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. When used, the words “anticipate,” “believe,” “expect,” “intend,” “may,” “might,” “plan,” “estimate,” “project,” “should,” “will,” “would,” “result” and similar expressions that do not relate solely to historical matters are intended to identify forward-looking statements. This report may contain forward-looking statements regarding: our expectations of our future revenues, costs and financial performance; future demographics and market conditions in the areas where our communities are located; the outcome of pending litigation and its effect on our operations; the timing of our development activities; and the timing of future real estate purchases or sales.

We caution you that any forward-looking statements presented in this report are based on our current views and information currently available to us. Forward-looking statements are subject to risks, trends, uncertainties and factors that are beyond our control. We believe these risks and uncertainties include, but are not limited to, the following:

- risks associated with the real estate industry;
- downturns in economic conditions or demographic changes at the national, regional or local levels, particularly in the areas where our properties are located;
- uncertainty and risks related to zoning and land use laws and regulations, including environmental planning and protection laws;
- risks associated with development and construction projects;
- adverse developments in the economic, political, competitive or regulatory climate of California;
- loss of key personnel;
- uncertainties and risks related to adverse weather conditions, natural disasters and climate change;
- fluctuations in interest rates;
- the availability of cash for distribution and debt service and exposure to risk of default under debt obligations;
- exposure to liability relating to environmental and health and safety matters;
- exposure to litigation or other claims;
- insufficient amounts of insurance or exposure to events that are either uninsured or underinsured;
- intense competition in the real estate market and our ability to sell properties at desirable prices;
- fluctuations in real estate values;
- changes in property taxes;
- risks associated with our trademarks, trade names and service marks;
- conflicts of interest with our directors;
- general volatility of the capital and credit markets and the price of our Class A common shares; and
- risks associated with public or private financing or the unavailability thereof.

Please see the “Risk Factors” under Part I, Item 1A of this report for a more detailed discussion of these and other risks.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. We caution you therefore against relying on any of these forward-looking statements.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. They are based on estimates and assumptions only as of the date of this report. We undertake no obligation to update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes, except as required by applicable law.

DEFINITIONS

In this report:

- "acquired entities" refers, collectively, to the San Francisco Venture, the Great Park Venture and the management company, entities in which we acquired interests in the formation transactions;
- "acres" refers to gross acres, which includes unsaleable land, such as land on which major roads will be constructed, public parks, water quality basins, school sites and open space;
- "Castlelake" refers to Castlelake, L.P.;
- "company," "our company," "us," "we," and "our" refer to Five Point Holdings, LLC, together with its consolidated subsidiaries;
- "EB-5" refers to the Immigrant Investor Program under which employment-based visas are set aside for participants who invest in commercial enterprises associated with regional centers approved by the United States Citizenship and Immigration Services based on proposals for promoting economic growth;
- "Five Point Gateway Campus" refers to approximately 73 acres of commercial land in the Great Park Neighborhoods, on which four buildings have been newly constructed with an aggregate of one million square feet of research and development and office space;
- "formation transactions" refers to the transactions effected on May 2, 2016, in which, among other things, (1) we acquired an interest in, and became the managing member of, the San Francisco Venture, (2) the limited liability company agreement of the San Francisco Venture was amended and restated to provide for the possible future exchange of the remaining interests in the San Francisco Venture for interests in our operating company, (3) we acquired a 37.5% percentage interest in the Great Park Venture, and became the administrative member of the Great Park Venture, and (4) we acquired the management company. See "Part I, Item 1. Business—Structure and Formation of Our Company";
- "FP LP" refers to Five Point Communities, LP, a Delaware limited partnership;
- "FP LP Class B partnership interests" or "Class B partnership interests in FP LP" refer to partnership interests in FP LP owned by Lennar and FPC-HF that are entitled to receive distributions equal to the amount of any incentive compensation payments under the amended and restated development management agreement that are attributable to payments on legacy interests in the Great Park Venture;
- "FP Inc." refers to Five Point Communities Management, Inc., a Delaware corporation, which is the general partner of, and owns a 0.5% Class A limited partnership interest in, FP LP;
- "FPC-HF" refers to FPC-HF Venture I, LLC, a Delaware limited liability company, which is owned, directly or indirectly, by an affiliate of Castlelake, an affiliate of Lennar and certain employees of the management company;
- "FPL" refers to our subsidiary, Five Point Land, LLC, a Delaware limited liability company, which owns Newhall Land & Farming;
- "fully exchanged basis" assumes (1) the exchange of all outstanding Class A units of the operating company for our Class A common shares on a one-for-one basis, (2) the exchange of all outstanding

Class A units of the San Francisco Venture for our Class A common shares on a one-for-one basis and (3) the conversion of all of our outstanding Class B common shares into Class A common shares;

- “Gateway Commercial Venture” refers to Five Point Office Venture Holdings I, LLC, a Delaware limited liability company, which owns the Five Point Gateway Campus;
- “Great Park Venture” refers to Heritage Fields LLC, a Delaware limited liability company, which is developing Great Park Neighborhoods;
- “homes” includes single-family detached homes, single-family attached homes and apartments for rent;
- “homesite” refers to a residential lot or a portion thereof on which a home will be built;
- “legacy interests” refers to membership interests in the Great Park Venture, which are currently held by the entities that owned the Great Park Venture immediately prior to the formation transactions, and entitle them to receive priority distributions from the Great Park Venture in an aggregate amount equal to $565 million ($355 million of which has been paid);
- “Lennar” refers to Lennar Corporation and its subsidiaries;
- “Lennar-CL Venture” refers to a joint venture between Lennar and an affiliate of Castlelake, which acquired certain assets, and assumed certain liabilities, from the San Francisco Venture immediately prior to the formation transactions;
- “management company” refers, collectively, to FP LP and FP Inc., which have historically managed the development of Great Park Neighborhoods and Newhall Ranch;
- “Newhall Land & Farming” refers to The Newhall Land and Farming Company, a California limited partnership, which is developing Newhall Ranch;
- “operating company” refers to Five Point Operating Company, LP, a Delaware limited partnership;
- “our communities” refers to the communities that we are developing, including Newhall Ranch in Los Angeles County, Candlestick Point and The San Francisco Shipyard in the City of San Francisco, and Great Park Neighborhoods in Orange County, but excluding the Treasure Island community in the City of San Francisco and the Concord community in the San Francisco Bay Area, for which we are or have provided development management services, but in which we do not own any interest.
- “percentage interests” refers to membership interests in the Great Park Venture that entitle the holders to receive all distributions from the Great Park Venture after priority distributions have been paid to the holders of the legacy interests in the Great Park Venture;
- “San Francisco Agency” refers to the Office of Community Investment and Infrastructure, the successor to the Redevelopment Agency of the City and County of San Francisco;
- “San Francisco Venture” refers to The Shipyard Communities, LLC, a Delaware limited liability company, which is developing Candlestick Point and The San Francisco Shipyard; and
- “San Francisco Venture transactions” refers to the transactions effected on May 2, 2016, in which the San Francisco Venture agreed to transfer certain assets and liabilities to the Lennar-CL Venture. See “Part I, Item 1. Business—Our Communities—Candlestick Point and The San Francisco Shipyard.”

[This page intentionally left blank]

PART I

ITEM 1. Business

We are an owner and developer of mixed-use, master-planned communities in California. Our three existing communities have the general plan and zoning approvals necessary for the construction of thousands of homesites and millions of square feet of commercial space, and they represent a significant portion of the real estate available for development in three major markets in California—Los Angeles County, San Francisco County and Orange County.

Structure and Formation of Our Company

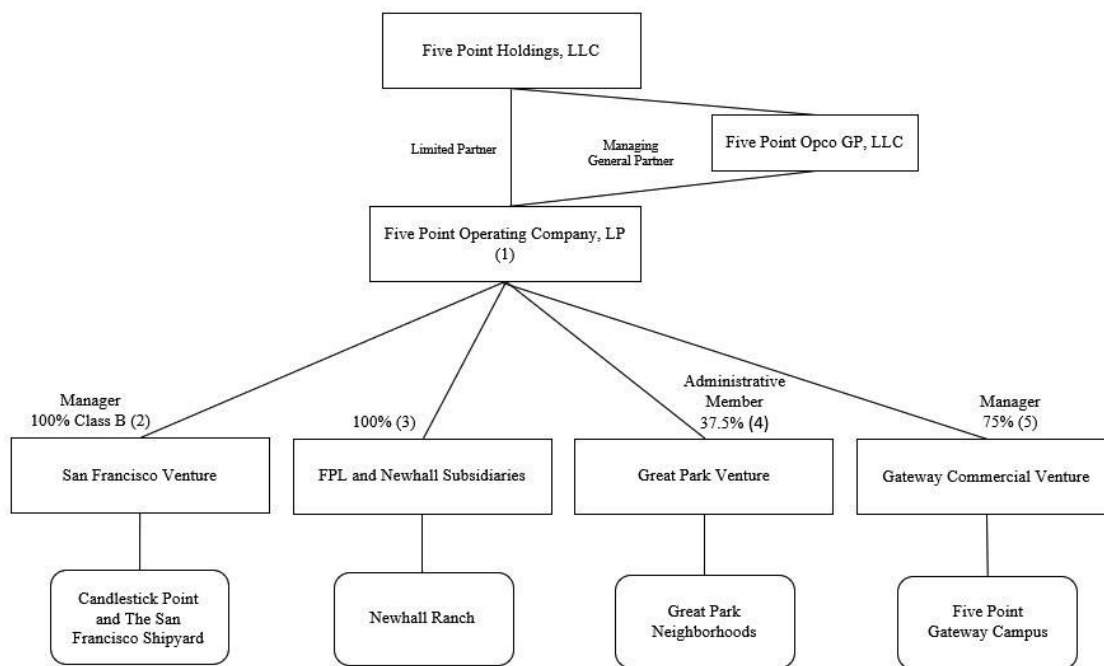
In 2009, our company was formed as a limited liability company (under the name “Newhall Holding Company, LLC”) to acquire ownership of Newhall Land & Farming. Our management company was originally formed in 2009 as a joint venture between our Chairman and Chief Executive Officer, Emile Haddad, and Lennar Corporation to manage the properties owned by Newhall Land & Farming and to pursue similar development opportunities. Our management team was an integral part of the team in charge of developing and implementing land strategies on the west coast for Lennar prior to the formation of our management company. Key members of our management team have led the acquisition, entitlement, planning and development of all three of our communities since their inception. Our management team also has long-standing relationships with our principal equityholders, including Lennar.

In May 2016, we completed the formation transactions to combine the management company with ownership of our three California communities. In the formation transactions, among other things:

- we acquired an interest in, and became the managing member of, the San Francisco Venture;
- we acquired a 37.5% percentage interest in the Great Park Venture, and we became the administrative member of the Great Park Venture; and
- we acquired the management company, which has historically managed the development of Great Park Neighborhoods and Newhall Ranch.

In August 2017, we acquired a 75% interest in the Gateway Commercial Venture, the entity that owns the Five Point Gateway Campus.

The diagram below presents a simplified depiction of our current organizational structure.



(1) Through a wholly owned subsidiary, we serve as sole managing general partner of the operating company and, as of December 31, 2018, we owned approximately 61.7% of the outstanding Class A units of the operating company. We conduct all of our businesses in or through the operating company, which owns, directly or indirectly, equity interests in, and controls the management of, FPL, the San Francisco Venture and the management company. Class A units of the operating company can be exchanged, on a one-for-one basis, for our Class A common shares, subject to certain holding periods. Based on the closing price of our Class A common shares on February 28, 2019, our market capitalization on a fully exchanged basis was approximately $1.2 billion.

(2) The operating company owns all of the outstanding Class B units of the San Francisco Venture. The Class A units of the San Francisco Venture, which the operating company does not own, are intended to be substantially economically equivalent to Class A units of the operating company. As the holder of all outstanding Class B units, the operating company is entitled to receive 99% of available cash from the San Francisco Venture after the holders of Class A units have received distributions equivalent to the distributions, if any, paid on Class A units of the operating company. Class A units of the San Francisco Venture can be exchanged, on a one-for-one basis, for Class A units of the operating company.

(3) We hold our interest in FPL directly and indirectly through the operating company and the management company.

(4) Through a wholly owned subsidiary, the operating company owns a 37.5% percentage interest in the Great Park Venture. Holders of legacy interests in the Great Park Venture are entitled to receive priority distributions in an amount equal to $565.0 million, of which $355.0 million has been distributed as of December 31, 2018. We are the administrative member of the Great Park Venture. Management of the venture is vested in the four voting members, who have a total of five votes. Major decisions generally require the approval of at least 75% of the votes of the voting members. We have two votes, and the other three voting members each have one vote, so we are unable to approve any major decision without the consent or approval of at least two of the other voting members. We do not include the Great Park Venture as a consolidated subsidiary in our consolidated financial statements.

(5) Through a wholly owned subsidiary, the operating company owns a 75% interest in the Gateway Commercial Venture and serves as its manager. However, the manager’s authority is limited. Major decisions by the Gateway Commercial Venture generally require unanimous approval by an executive committee composed of two people designated by us and two people designated by another investor. Some decisions require approval by

all of the members of the Gateway Commercial Venture. We do not include the Gateway Commercial Venture as a consolidated subsidiary in our consolidated financial statements.

Tax Classification

We have elected to be treated as a corporation for U.S. federal income tax purposes. As a result, an owner of our shares will not report our items of income, gain, loss and deduction on its U.S. federal income tax return, nor will an owner of our shares receive a Schedule K-1. Our shareholders also will not be subject to state income tax filings in the various states in which we conduct operations as a result of owning our shares. Distributions on our shares will be treated as dividends on corporate stock for U.S. federal income tax purposes to the extent of our current and accumulated earnings and profits and will be reported on Form 1099, to the extent applicable.

Our Competitive Strengths

We believe the following strengths will provide us with a competitive advantage in implementing our business strategy:

- Attractive locations in desirable and supply constrained California coastal markets
- Significant scale with favorable zoning and entitlements
- Experienced and proven leadership
- Expertise in partnering with governmental entities
- Significant discretion in timing and amount of land development expenditures
- Flexible capital structure with a conservative operating philosophy

Overview of Business Segments

Our four reportable segments are Newhall, San Francisco, Great Park and Commercial:

- Our Newhall segment includes the Newhall Ranch community, as well as other land historically owned by FPL, including 16,000 acres in Ventura County and approximately 500 acres of remnant commercial, residential and open space land in Los Angeles County.
- Our San Francisco segment includes the Candlestick Point and The San Francisco Shipyard communities, as well as development management services that we provide to Lennar with respect to the Concord community in the San Francisco Bay Area.
- Our Great Park segment includes the Great Park Neighborhoods community and development management services provided by the management company for the Great Park Venture.
- Our Commercial segment includes the Five Point Gateway Campus and property management services provided by the management company for the Gateway Commercial Venture.

For financial results and operating performance of our reportable segments, review Note 15 of our consolidated financial statements included under Part II, Item 8 of this report and "Management's Discussion and Analysis of Financial Condition and Results of Operations" under Part II, Item 7 of this report.

Our Business

We are primarily engaged in the business of planning and developing our three mixed-use, master-planned communities, and our principal source of revenue is the sale of residential and commercial land sites to homebuilders, commercial developers and commercial buyers. We may also retain a portion of the commercial and multi-family properties in our communities as income-producing assets.

Our planning and development process involves the following components:

Master planning. We design all aspects of our communities, creating highly desirable places to live, work, shop and enjoy an active lifestyle. Our designs include a wide range of amenities, such as high quality schools, parks and recreational areas, entertainment venues and walking and biking trails. Each community is comprised of several villages or neighborhoods, each of which offers a range of housing types, sizes and prices. In addition to the master land planning we undertake for each community, we typically create the floorplans and elevations for each home, as well as the landscape design for each neighborhood, considering each neighborhood's individual character within the context of the overall plan for the community. For the commercial aspects of our communities, we look for commercial enterprises that will best add value to the community by providing needed services, additional amenities or local jobs. In designing the overall program at each community, we consider the appropriate balance of housing and employment opportunities, access to transportation, resource conservation and enhanced public open spaces and wildlife habitats. We continually evaluate our plans for each community, and make adjustments that we deem appropriate based on changes in local economic factors and other market dynamics.

Entitlements. We typically obtain all discretionary entitlements and approvals necessary to develop the infrastructure within our communities and prepare our residential and commercial lots for construction. We also typically obtain all discretionary entitlements and approvals that the homebuilder or commercial builder will need to build homes or commercial buildings on our lots, although we may from time to time allocate responsibility for obtaining certain discretionary entitlements to a homebuilder or commercial builder. Although we have general plan and zoning approvals for our communities, individual development areas within our communities are at various stages of planning and development and have received different levels of discretionary entitlements and approvals. For additional information, see "—Our Communities" below.

Horizontal development (infrastructure). We refer to the process of preparing the land for construction of homes or commercial buildings as "horizontal development." This involves significant investments in a community's infrastructure and common improvements, including grading and installing roads, sidewalks, gutters, utility improvements (such as storm drains, water, gas, sewer, power and communications), landscaping and shared amenities (such as community buildings, neighborhood parks, trails and open spaces) and other actions necessary to prepare residential and commercial lots for vertical development.

Land sales. After horizontal development for a given phase or parcel is completed, graded lots are typically sold to homebuilders, commercial builders or commercial buyers. We typically sell homesites to a diverse group of high-quality homebuilders in a competitive process, although in some cases we may negotiate directly with a single homebuilder. In addition to the base purchase price, our residential land sales typically involve participation provisions that allow us to share in the profits realized by the homebuilders. We sell commercial lots to developers through a competitive process or negotiate directly with the buyer. We also regularly assess our development plan and may retain a portion of the commercial and multi-family properties within our communities as income-producing assets.

Vertical development (construction). We refer to the process of building structures (buildings or houses) and preparing them for occupancy as "vertical development." Single-family residences in our communities are built by third-party homebuilders. Commercial buildings in our communities are usually built by a third-party developer or the buyer. For commercial or multi-family properties that we retain, we may construct the building ourselves or enter into a joint venture with an established developer to construct a particular property (such as a retail development).

Community programming. Our community building efforts go beyond development and construction. We offer numerous community events, including music, food and art festivals, outdoor movies, educational programs, health and wellness programs, gardening lessons, cooking lessons, food truck events, bike tours and various holiday festivities. We plan and program all of our events with a goal of building a community that transcends the physical features of our development and connects neighbors through their interests. We believe community building efforts create loyal residents that can become repeat customers within our multi-generational communities.

Sequencing. In order to balance the timing of our revenues and expenditures, we typically sequence the development of individual neighborhoods or villages within our communities. As a result, many of the master planning, entitlement, development, sales and other activities described above may occur at the same time in different locations within a single community. Further, depending on the specific plans for each community and market conditions, we may vary the timing of certain of these phases. Throughout this process, we continually analyze each community relative to its market to determine which portions to sell, which portions to build and then sell, and which portions to retain as part of our portfolio of commercial and multi-family properties.

Our Communities

Newhall Ranch

Newhall Ranch is a mixed-use, master-planned community in Los Angeles County that spans approximately 15,000 acres and is designed to include approximately 21,500 homesites, approximately 11.5 million square feet of commercial space, approximately 50 miles of trails, approximately 275 acres of community parks and approximately 10,000 acres of protected open space. The actual commercial square footage and number of homesites are subject to change based on ultimate use and land planning. The land at Newhall Ranch is not subject to any material liens or encumbrances.

Newhall Ranch is located in an unincorporated portion of Los Angeles County along the Santa Clara River in the western portion of the Santa Clarita Valley. The property is located approximately 35 miles northwest of downtown Los Angeles, 15 miles north of the San Fernando Valley and is adjacent to the City of Santa Clarita. Newhall Ranch is adjacent to Interstate 5 and State Highway 126. Newhall Ranch is also approximately 45 miles north of the Los Angeles International Airport (LAX) and 21 miles northwest of the Bob Hope Airport (BUR) in Burbank.

The County of Los Angeles has approved the general plan and zoning for Newhall Ranch. Additionally, we have vesting tentative tract maps for two development areas within Newhall Ranch - Mission Village and Landmark Village. We commenced horizontal development activities for our first development area, Mission Village, in October 2017. We continued horizontal development activities throughout 2018 and expect to start delivering homesites to builders in late 2019. Mission Village is approved to include 4,055 homesites, including a mix of single-family detached homes, single-family attached homes, apartments and for rent affordable units, and approximately 1.6 million square feet of commercial development.

Candlestick Point and The San Francisco Shipyard

Candlestick Point and The San Francisco Shipyard, located on approximately 800 acres of bayfront property in the City of San Francisco, is designed to include approximately 12,000 homesites, approximately 6.3 million square feet of commercial space, approximately 100,000 square feet of community space, artist studios and approximately 355 acres of parks and open space. The actual commercial square footage and number of homesites are subject to change based on ultimate use and land planning. The land owned by us at Candlestick Point and The San Francisco Shipyard is not subject to any material liens or encumbrances.

Candlestick Point and The San Francisco Shipyard is located almost equidistant between downtown San Francisco and the San Francisco International Airport (SFO). It consists of two distinct, but contiguous, parcels of real estate. Candlestick Point, the southern parcel, consists of approximately 280 acres on San Francisco’s waterfront. This nationally recognized site was the location of Candlestick Park stadium, former home of the San Francisco 49ers and the San Francisco Giants. The San Francisco Shipyard, the northern parcel, consists of approximately 495 acres on the former site of the Hunters Point Navy Shipyard.

The City and County of San Francisco have approved the general plan and zoning for Candlestick Point and The San Francisco Shipyard. We have vesting tentative tract maps for the remaining development areas within Candlestick Point, and we commenced horizontal development activities there in 2015. We do not yet have vesting tentative tract maps for The San Francisco Shipyard or final maps for any of the remaining development areas.

At The San Francisco Shipyard, approximately 408 acres are still owned by the U.S. Navy and will not be conveyed to us until the U.S. Navy satisfactorily completes its finding of suitability to transfer, or "FOST," process, which involves multiple levels of environmental and governmental investigation, analysis, review, comment and approval. Based on our discussions with the U.S. Navy, we had previously expected the U.S. Navy to deliver this property between 2019 and 2022. However, allegations that Tetra Tech, Inc. ("Tetra Tech"), a contractor hired by the U.S. Navy, misrepresented sampling results at The San Francisco Shipyard have resulted in data reevaluation, governmental investigations, criminal proceedings, lawsuits, and a determination by the U.S. Navy and other regulatory agencies to undertake additional sampling. As part of the 2018 Congressional spending bill, the U.S. Department of Defense allocated $36.0 million to help fund resampling efforts at The San Francisco Shipyard. An additional $60.4 million to fund resampling efforts was approved as part of a 2019 military construction spending bill. These activities have delayed the remaining land transfers from the U.S. Navy and could lead to additional legal claims or government investigations, all of which could further delay or impede our future development of such parcels. Our development plans were designed with the flexibility to adjust for potential land transfer delays, and we have the ability to shift the phasing of our development activities to account for delays caused by U.S. Navy retesting, but there can be no assurance that these matters and other related matters that may arise in the future will not materially impact our development plans. Accordingly, our immediate development focus is on our Candlestick Point community that is not subject to land transfers from the U.S. Navy. For additional information about the finding of suitability to transfer process, see "—Regulation—FOST Process."

The San Francisco Venture previously entered into a project with a joint venture (the "Mall Venture") between an affiliate of The Macerich Company ("Macerich") and a venture between Lennar and Castlelake to construct an urban retail outlet shopping district at Candlestick Point (the "Retail Project"). Construction of the Retail Project commenced in 2015 with the demolition of the Candlestick Park stadium and other infrastructure work. In early 2019, however, we and the members of the Mall Venture decided not to proceed with the Retail Project. Accordingly, on February 13, 2019, transactions related to the termination of the Retail Project were consummated, which resulted in the termination of the obligation of the San Francisco Venture to convey parcels of property on which the Retail Project was intended to be developed by the Mall Venture. The San Francisco Venture was also released from certain development obligations. In return, the San Francisco Venture repaid Macerich a $65.1 million obligation related to a promissory note in the same principal amount, plus approximately $5.5 million of accrued interest associated with the promissory note. The San Francisco Venture also issued an aggregate of 436,498 of its Class A units (while we concurrently issued 436,498 Class B common shares) to affiliates of Lennar and Castlelake. The San Francisco Venture can now redevelop these parcels for alternative uses.

Great Park Neighborhoods

Great Park Neighborhoods, located in Irvine, California, is an approximately 2,100 acre mixed-use, master-planned community that is being developed on the former site of the U.S. Marine Corp's El Toro Air base ("El Toro Base") in Orange County. Great Park Neighborhoods is designed to include approximately 9,500 homesites (including up to 1,056 affordable homesites), approximately 4.9 million square feet of commercial space, approximately 61 acres of parks and approximately 138 acres of trails and open space. The actual commercial square footage and number of homesites are subject to change based on ultimate use and land planning. The land at Great Park Neighborhoods is not subject to any material liens or encumbrances.

Great Park Neighborhoods is approximately seven miles from the Pacific Ocean, approximately nine miles from the University of California, Irvine (UCI) and approximately 17 miles from Disneyland. It is adjacent to the Orange County Great Park, a metropolitan public park that will be nearly twice the size of New York's Central Park upon completion. Great Park Neighborhoods is close to Interstate 5, Interstate 405, State Route 133 and John Wayne Airport (SNA) in Orange County.

The City of Irvine has approved the general plan and zoning for Great Park Neighborhoods. We have vesting tentative tract maps for almost all development areas within Great Park Neighborhoods and final maps for many of the development areas. The first homesites were sold in April 2013 and, as of December 31, 2018, the Great Park Venture had sold 5,409 homesites (including 544 affordable homesites) and commercial land allowing for

development of up to 2 million square feet of commercial (research and development) space. For additional information about the commercial land sale, see “—Commercial” below.

Commercial

In August 2017, the Gateway Commercial Venture, in which we own a 75% interest, acquired the Five Point Gateway Campus, consisting of approximately 73 acres of commercial land in the Great Park Neighborhoods containing four newly constructed buildings, two of which were leased back to the seller, Broadcom Limited (together with its subsidiaries, “Broadcom”). The Five Point Gateway Campus includes approximately one million square feet consisting of research and development and office space across the four buildings designed to accommodate thousands of employees. Broadcom is the largest tenant, leasing approximately 660,000 square feet of research and development space pursuant to a 20-year triple net lease. We and Lennar have entered into separate 130-month full service gross leases to occupy approximately 135,000 aggregate square feet.

We currently expect to develop and operate certain commercial properties within our existing master-planned communities. We may develop and operate these properties on our own, or we may choose from time to time to develop and/or operate a particular property or properties in a strategic joint venture or other financing or entity structure with a third-party

Factors we consider in determining whether or not to proceed with a particular commercial investment include (1) our existing knowledge of the master-planned communities we are currently developing and understanding their respective needs, (2) whether, in our judgment, a particular commercial property or investment will create additional value for our remaining land within the community, in addition to achieving desired investment returns on such property or investment on a stand-alone basis, (3) existing entitlements and our ability to change them, (4) compatibility of the physical site with our proposed uses, and (5) environmental considerations, traffic patterns and access to the site.

Other Properties

We own approximately 16,000 acres in Ventura County that are primarily used for agriculture and energy operations. We also own approximately 500 acres of remnant commercial, residential and open space land in Los Angeles County that is planned to be sold or deeded to third parties over the next five years.

Development Management Services

Through the management company, we receive fees for providing development management services for Great Park Neighborhoods and for providing property management services to the Gateway Commercial Venture. Additionally, we provide certain (but not all) development management services to other ventures in which Lennar is an investor and to the Lennar-CL Venture in connection with their involvement in real estate activities at The San Francisco Shipyard. We also provided certain development management services to the Lennar-CL Venture related to the Retail Project at the Candlestick Point community until early 2019.

Competition

We compete with other residential, retail and commercial property developers in the development of properties in the Northern and Southern California markets. Significant factors that we believe allow us to compete effectively in this business include:

- the size and scope of our mixed-use, master-planned communities;
- the recreational and cultural amenities available within our communities;
- the commercial centers in our communities;

- our relationships with homebuilders; and

- the proximity of our communities to major metropolitan areas.

Seasonality

Our business and results of operations are not materially impacted by seasonality.

Regulation

Entitlement Process

Land use and zoning authority is exercised by local municipalities through the adoption of ordinances, regulations or zoning codes to direct the use and development of private property by controlling the use, size, density and location of and access to developments on private land. Such ordinances, regulations or codes typically divide uses of land into two categories—permitted uses and discretionary uses. Permitted uses are presumptively permitted, while discretionary uses are subject to a discretionary approval process, usually involving an application, an environmental review and a public hearing with input from other locally affected property owners and stake holders. In order to grant a discretionary use entitlement, the municipality must find that the use does not negatively impact surrounding properties and may condition such an entitlement with special requirements or limitations unique to each individual case. We typically obtain all discretionary entitlements and approvals necessary to develop the infrastructure within our communities and prepare our residential and commercial lots for construction. We also typically obtain all discretionary entitlements and approvals that the homebuilder or commercial builder will need to build homes or commercial buildings on our lots, although we may from time to time allocate responsibility for obtaining certain discretionary entitlements to a homebuilder or commercial builder.

We have incurred significant costs and expenses over the last 10 to 15 years in order to obtain the primary entitlements (general plan and zoning approvals) for our communities. Once these primary entitlements are obtained, we continue to refine the master plan for each community by planning specific development areas and obtaining the necessary governmental approvals for a development area. Among other things, we typically need to obtain the following approvals for each development area: (1) approval of the subdivision maps (such as vesting tentative tract maps and parcel maps) that allow the land to be divided into separate legal lots for residential, commercial and other improvements; (2) approval of the improvement plans that set forth certain design, engineering and other elements of infrastructure, parks, homes, commercial buildings and other improvements; (3) approval of the final map that allows for the conveyance of individual homesites and commercial lots; and (4) any other discretionary approvals needed to construct, finance, sell, lease or maintain the homes or commercial buildings within a development area.

We may also need to obtain state and federal permits for land development activities in certain development areas, including, for example, permits and approvals issued by state and federal resource agencies authorizing impacts to species covered by endangered species acts or impacts to state and federal waters or wetlands.

Development areas within our communities are at various stages of planning and development and, therefore, have received different levels of discretionary entitlements and approvals. In some cases, development areas have obtained entitlements and approvals allowing homes and commercial buildings to be built and sold, and in other cases development areas require further discretionary entitlements or approvals prior to the commencement of construction. In still other cases, our approvals have been challenged by third parties. For additional information on current legal challenges, see “Item 3. Legal Proceedings.”

Environmental Matters

Under various federal, state and local laws and regulations relating to the environment, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or discharge

of hazardous or toxic substances, waste or petroleum products at, on, in, under or migrating from such property, including costs to investigate and clean up such contamination and liability for damage to natural resources. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such contamination, and the liability may be joint and several. These liabilities could be substantial and the cost of any required remediation, removal, fines or other costs could exceed the value of the property or our aggregate assets. In addition, the presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability for costs of remediation or personal or property damage or materially adversely affect our ability to sell, lease or develop our properties or to borrow using the properties as collateral. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures. Such remaining contamination encountered during our construction and development activities also may require investigation or remediation, and we could incur costs or experience construction delays as a result of such discoveries.

Some of our properties were used in the past for commercial or industrial purposes, or are currently used for commercial purposes, that involve or involved the use of petroleum products or other hazardous or toxic substances, or are adjacent to or near properties that have been or are used for similar commercial or industrial purposes. As a result, some of our properties have been or may be impacted by contamination arising from the releases of such substances. For example, oil and gas wells have formerly operated or are currently operating at Newhall Ranch. In certain cases, prior owners or operators have in the past investigated or remediated, or are currently investigating or remediating, such conditions, but contamination may continue to be present at these sites, and future remedial activities could delay or otherwise impede property development on sites where contamination is present.

In addition, The San Francisco Shipyard and Great Park Neighborhoods properties were formerly operated by the U.S. Navy as defense plants. As a result of these historic operations, portions of these properties have been or currently are listed on the U.S. Environmental Protection Agency's ("USEPA") National Priorities List as sites requiring cleanup under federal environmental laws. While investigation and cleanup activities have been substantially completed for Great Park Neighborhoods, significant work is contemplated over the next few years for certain parcels within The San Francisco Shipyard, which will delay the transfer of such parcels to us for development.

The National Environmental Policy Act ("NEPA") requires federal agencies to integrate environmental values into their decision making processes by considering the environmental impacts of their proposed actions and reasonable alternatives to those actions. To meet NEPA requirements federal agencies prepare a detailed statement known as an Environmental Impact Statement ("EIS"). Additionally, all Department of Defense installations (such as The San Francisco Shipyard and the El Toro Base) selected for closure or realignment pursuant to the Base Closure and Realignment Acts of 1988 or 1990 and being considered for transfer by deed, and where a release or disposal of hazardous substances or petroleum products has occurred, are subject to an environmental review process and may not be transferred until a finding of suitability for transfer ("FOST") is documented. In addition, our development projects are subject to the California Environmental Quality Act ("CEQA"), which is similar in scope to NEPA, and requires potential environmental impacts of projects subject to discretionary governmental approval to be studied by the California governmental entity approving the proposed projects. Projects with significant expected impacts require an Environmental Impact Report ("EIR") while more limited projects may be approved based on a Mitigated Negative Declaration. All of our development sites and projects have either been or continue to be investigated, remediated or reviewed (with documented EISs, FOSTs and EIRs, as applicable) in accordance with the above-described and other applicable environmental laws to determine the suitability of their proposed uses and to protect human health and the environment.

New or additional permitting requirements, new interpretations of requirements, changes in our operations or litigation or community objections over the adequacy of conducted reviews and other response and mitigation actions could also trigger the need for either amended or new reviews or actions, which could result in increased costs or delays of, modification of, or denial of rights to conduct, our development programs. For additional information on legal challenges to our projects under environmental laws see "Item 3. Legal Proceedings."

When we identify conditions that require a response under environmental laws, we endeavor to address identified contamination or mitigate risks associated with such contamination as required (or ensure that such actions are taken by other parties, such as prior owners and operators); however, we cannot assure you that we will not need to take additional action, incur additional costs, or delay or modify our development plans to address these conditions or other environmental conditions that may be discovered in the future. As a result of the foregoing, we could potentially incur material liabilities.

We are also subject to a variety of other local, state, federal and other laws and regulations concerning the environment, including those governing air emissions, wastewater discharges and use and disposal of hazardous or toxic substances. The particular environmental laws that apply to any given property vary according to multiple factors, including the property's location, its environmental conditions and the present and former uses of the property, as well as adjoining properties. These issues may result in delays, may cause us to incur substantial compliance and other costs, and can prohibit or severely restrict development activity in environmentally sensitive regions or areas. For example, in those cases where wetlands or an endangered or threatened species are impacted by proposed development, environmental rules and regulations can result in the restriction or elimination of development in such identified environmentally sensitive areas.

Environmental laws also govern the presence, maintenance and removal of asbestos-containing materials ("ACM"), and may impose fines and penalties for failure to comply with these requirements or expose us to third-party liability (such as liability for personal injury associated with exposure to asbestos). Such laws require that owners or operators of buildings containing ACM (and employers in such buildings) properly manage and maintain the asbestos, adequately notify or train those who may come into contact with asbestos and undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building. In addition, soils at Candlestick Point and The San Francisco Shipyard are known to contain naturally occurring asbestos, which must be managed, including through dust management plans. In the past, we have been subject to penalties for failure to monitor asbestos dust during development activities at The San Francisco Shipyard, and, although we endeavor to maintain (and to cause our contractors to maintain) compliance, we could incur such fines or penalties in the future.

FOST Process

The U.S. Navy is implementing its cleanup program at The San Francisco Shipyard pursuant to various federal laws and authorities. The Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") requires the U.S. Navy to remediate The San Francisco Shipyard in accordance with a federal facilities agreement entered into with the USEPA and the State of California, which sets forth procedures and timeframes for remedial decisions and deliverables. In accordance with the federal facilities agreement, the National Contingency Plan, 40 C.F.R. Part 300 and Department of Defense procedures, the U.S. Navy's cleanup process involves (1) preparation of a series of reports documenting various investigative and remedial activities and (2) securing approval of those reports from the USEPA and the State of California. The remedial steps and related reports, each of which is subject to review, comment and approval, are as follows:

Preliminary assessment/site inspection. This is an initial review of the site, including review of historical records and visual inspections. Limited sampling and analysis of soil, surface water and groundwater may also occur.

Remedial investigation. The remedial investigation involves a closer look into each of the areas of concern identified in the preliminary assessment/site inspection, and involves collecting and analyzing samples of multiple media (soil, soil gas, sediment, groundwater, etc.). The remedial investigation addresses the nature and extent of contamination at each area of concern identified in the parcel. The remedial investigation also includes preparation of a Human Health Risk Assessment and an Ecological Risk Assessment, as appropriate. The Human Health Risk Assessment identifies the contaminants that could pose a health risk under different exposure scenarios and identifies potential numeric remediation goals.

Feasibility study. The feasibility study evaluates the effectiveness, implementability and cost of various alternative remedial technologies that could be used to reduce site risk to acceptable levels, based on the results of the risk assessment and other data collected during the remedial investigation.

Proposed plan. The proposed plan summarizes the findings of the remedial investigation and proposes a preferred remedial approach for each area of concern in the parcel based on the options evaluated in the feasibility study. This step includes a public meeting to provide the public with relevant information and an opportunity to comment on the preferred cleanup alternative.

Record of decision. Once the U.S. Navy, the USEPA and the State of California select and approve the remedy for the parcel, the U.S. Navy documents and publishes the decision in the record of decision, which responds to all comments on the proposed plan.

Remedial design. The remedial design sets forth details of how the remedies identified in the record of decision will be carried out. The remedial design includes a detailed engineering design for implementing, operating and maintaining the selected cleanup alternative. The U.S. Navy also distributes a fact sheet to the public before beginning work on the cleanup.

Remedial action work plan/remedial action implementation. The U.S. Navy conducts remedial action in accordance with an approved remedial action work plan, which is based on the remedial design.

Remedial action completion report. Once complete, the cleanup is documented in a remedial action completion report.

FOST. Prior to conveyance of real property, CERCLA requires the U.S. Navy to remediate hazardous substances to a level consistent with the protection of human health and the environment. Following the completion and approval of the remedial action completion report, the U.S. Navy documents its findings that such remediation has occurred, and that the property is suitable for transfer, consistent with all applicable laws and authorities, in a FOST.

Investment Policies

Investments in Real Estate or Interests in Real Estate

We are a real estate development and operating company that specializes in the development and operation of mixed-use, master-planned communities. Our goal is to create sustainable, long-term growth and value for our shareholders. We do not currently have an investment policy; however, our board of directors may adopt one in the future.

We expect to pursue our investment objectives primarily through the ownership, development, operation and disposition of our communities: (1) Newhall Ranch; (2) Candlestick Point and The San Francisco Shipyard; and (3) Great Park Neighborhoods. Although we currently have no definitive agreements to acquire other properties, we may do so in the future. Our future investment or development activities will not necessarily be limited to any geographic area, product type or to a specified percentage of our assets.

We may also participate with third parties in property ownership, development and operation, through joint ventures, private equity real estate funds or other types of co-ownership. We also may acquire real estate or interests in real estate in exchange for the issuance of our Class A common shares, our preferred shares, options to purchase shares or Class A units of the operating company. These types of investments may permit us to own interests in larger assets without unduly restricting our diversification and, therefore, provide us with flexibility in structuring our portfolio.

We will limit our investment in any securities so that we do not fall within the definition of an "investment company" under the Investment Company Act of 1940, as amended.

Investments in Real Estate Mortgages

We may, at the discretion of our board of directors, invest in mortgages and other types of real estate interests, but we do not currently, nor do we currently intend to, engage in these activities. If we choose to invest in mortgages, we would expect to invest in mortgages secured by real property interests. The Company does not have a policy that restricts the proportion of our assets that may be invested in a type of mortgage or any single mortgage or type of mortgage loan.

Securities of, or Interests in, Persons Primarily Engaged in Real Estate Activities and Other Issuers

We do not currently intend to invest in securities of other entities engaged in real estate activities or securities of other issuers, including for the purpose of exercising control over such entities. However, we may do so in the future.

Investments in Other Securities

Other than as described above and for short-term securities pending long-term commitment, we do not currently intend to invest in any additional securities such as bonds, preferred shares or common shares.

Employees

At December 31, 2018, we had approximately 180 employees.

Available Information

Our website is www.fivepoint.com. We make available free of charge through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(d) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") as soon as reasonably practicable after being filed with, or furnished to, the Securities and Exchange Commission ("SEC"). The information contained in, or that can be accessed through, our website is not incorporated by reference and is not a part of this annual report on Form 10-K. In addition, you may obtain the documents that we file with the SEC from the SEC's website at www.sec.gov.

ITEM 1A. Risk Factors

You should carefully consider the following material risks, as well as the other information contained in this Annual Report on Form 10-K, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the related notes. If any of the following risks actually occur, our business, financial condition, results of operations or prospects could be materially and adversely affected. In such an event, the trading price of our Class A common shares could decline and you could lose part or all of your investment.

Risks Related to Real Estate

Our performance is subject to risks associated with the real estate industry.

Our economic performance is subject to various risks and fluctuations in value and demand, many of which are beyond our control. Certain factors that affect real estate generally and our properties specifically may adversely affect our revenue from land sales or leasing of retail or other commercial space. The following factors, among others, may adversely affect the real estate industry, including our properties, and could therefore adversely impact our financial condition and results of operations:

- downturns in economic conditions or demographic changes at the national, regional or local levels, particularly in the areas where our properties are located;
- significant job losses and unemployment levels, which may decrease demand for our properties;
- competition from other residential communities, retail properties, office properties or other commercial space;
- inflation or increases in interest rates;
- limitations on the availability, or increases in the cost, of financing for homebuilders, commercial builders or commercial buyers or mortgage financing for homebuyers;
- limitations, reductions or eliminations of tax benefits for homeowners;
- reductions in the level of demand for homes or retail or other commercial space in the areas where our properties are located;
- fluctuations in energy costs;
- decreases in the underlying value of properties in the areas where our properties are located;
- increases in the supply of homes or retail or other commercial space in the areas where our properties are located;
- declines in consumer confidence and spending; and
- public perception that any of the above events may occur.

There are significant risks associated with our development and construction projects that may prevent completion on budget and on schedule.

At our projects, we are engaged in extensive construction activity to develop each community's infrastructure, including grading and installing roads, sidewalks, gutters, utility improvements (such as storm drains, water, gas, sewer, power and communications), landscaping and shared amenities (such as community buildings, neighborhood parks, trails and open spaces) and other actions necessary to prepare each residential and commercial lot for construction. In addition, although we primarily rely on homebuilders to purchase homesites at our communities and construct homes, we may in the future construct a portion of the homes ourselves. For commercial or multi-family properties that we retain or acquire in the future, we may also construct the buildings ourselves. Our development and construction activities entail risks that could adversely impact our financial condition and results of operations, including:

- construction costs, which may exceed our original estimates due to increases in materials, labor or other costs, which could make the project less profitable;
- permitting or construction delays, which may result in increased debt service expense and increased project costs, as well as deferred revenue;
- unavailability of raw materials when needed, which may result in project delays, stoppages or interruptions, which could make the project less profitable;
- federal, state and local grants to complete certain highways, interchange, bridge projects or other public improvements may not be available, which could increase costs and make the project less profitable;
- claims for warranty, product liability and construction defects after a property has been built;
- claims for injuries that occur in the course of construction activities;
- poor performance or nonperformance by, or disputes with, any of our contractors, subcontractors or other third parties on whom we rely;
- health and safety incidents and site accidents;

- unforeseen engineering, environmental or geological problems, which may result in delays or increased costs;
- labor stoppages, slowdowns or interruptions;
- compliance with environmental planning and protection regulations and related legal proceedings;
- liabilities, expenses or project delays, stoppages or interruptions as a result of challenges by third parties in legal proceedings;
- delay or inability to acquire property, rights of way or easements, which may result in delays or increased costs; and
- weather-related and geological interference, including landslides, earthquakes, floods, drought, wildfires and other events, which may result in delays or increased costs.

At The San Francisco Shipyard, approximately 408 acres are still owned by the U.S. Navy and will not be conveyed to us until the U.S. Navy satisfactorily completes its finding of suitability to transfer, or "FOST," process, which involves multiple levels of environmental and governmental investigation, analysis, review, comment and approval. Allegations that Tetra Tech, a contractor hired by the U.S. Navy, misrepresented sampling results at The San Francisco Shipyard have resulted in data reevaluation, governmental investigations, criminal proceedings, lawsuits, and a determination by the U.S. Navy and other regulatory agencies to undertake additional sampling. These activities have delayed the remaining land transfers from the U.S. Navy and could lead to additional legal claims or government investigations, all of which could in turn further delay or impede our future development of such parcels.

At Newhall Ranch, we are party to royalty-based lease agreements with oil and gas operators. Pursuant to the terms of these leases, the oil and gas operators are required to remediate certain environmental impacts caused by their operations following expiration of such leases. In the event that they take longer than expected to complete such remediation or default in their obligation, such that we are required to complete such remediation, we may be forced to delay development of Newhall Ranch until such remediation is complete or incur additional costs that are currently obligations of the oil and gas operators.

We cannot assure you that projects will be completed on schedule or that construction costs will not exceed budgeted amounts. Failure to complete development or construction activities on budget or on schedule may adversely affect our financial condition and results of operations.

Zoning and land use laws and regulations may increase our expenses, limit the number of homes or commercial square footage that can be built or delay completion of our projects and adversely affect our financial condition and results of operations.

Although there are agreements with the City of Irvine for Great Park Neighborhoods and the City and County of San Francisco for Candlestick Point and The San Francisco Shipyard that protect existing entitlements, our communities are subject to numerous local, state, and federal laws and other statutes, ordinances, rules and regulations concerning zoning, development, building design, construction and similar matters that impose restrictive zoning and density requirements in order to limit the number of homes or commercial square feet that can eventually be built within the boundaries of a particular area, as well as governmental taxes, fees and levies on the acquisition and development of land parcels. These regulations often provide broad discretion to the administering governmental authorities as to the conditions for our projects being approved, if approved at all. Further, if the terms and conditions of the development agreements with the Cities of Irvine and San Francisco are not complied with, existing entitlements under those agreements could be lost, including (in the case of San Francisco) the right to acquire certain portions of the land on which development activity is expected. New housing and commercial developments are often subject to determinations by the administering governmental authorities as to the adequacy of water and sewage facilities, roads and other local services, and may also be subject to various assessments for schools, parks, streets, affordable housing and other public improvements. As a result, the development of properties may be subject to periodic delays in certain areas due to the conditions imposed by the administering governmental authorities. Due to building moratoriums, zoning changes or "slow-growth" or "no-growth" initiatives that could be implemented in the future in the areas in which our properties are located, our communities may also be subject to

periodic delays, or we could be precluded entirely from developing in certain communities or otherwise restricted in our business activities. Such moratoriums or zoning changes can occur prior or subsequent to commencement of our development operations, without notice or recourse. Local and state governments also have broad discretion regarding the imposition of development fees for projects in their jurisdictions. Projects for which we have received land use and development entitlements or approvals may still require a variety of other governmental approvals and permits during the development process and can also be impacted adversely by unforeseen health, safety, and welfare issues, which can further delay these projects or prevent their development. As a result, revenue from land sales or leasing of retail or other commercial space may be adversely affected, or costs may increase, which could negatively affect our financial condition and results of operations.

In addition, laws and regulations governing the approval processes provide third parties the opportunity to challenge proposed plans and approvals. Certain of our plans and approvals have been challenged by third parties, such as environmental groups, and are currently the subject of ongoing legal proceedings. These and any future third-party challenges to our planned developments provide additional uncertainties in real estate development planning and entitlements. Third-party challenges in the form of litigation could result in the denial of our right to develop in accordance with our current development plans or could adversely affect the length of time or the cost required to obtain the necessary governmental approvals to develop. In addition, adverse decisions arising from any litigation could increase the cost and length of time to obtain ultimate approval of a project and could adversely affect the design, scope, plans and profitability of a project, which could negatively affect our financial condition and results of operations.

We incur significant costs, and may be subject to delays, in obtaining entitlements, permits and approvals before we can begin development or construction of our projects and begin to recover our costs.

Before any of our projects can generate revenues, we make material expenditures to obtain entitlements, permits and development approvals. It generally takes several years to complete this process and completion times vary based on complexity of the project and the community and regulatory issues involved. We could also be subject to delays in construction, which could lead to higher costs and adversely affect our results of operations. Changing market conditions during the entitlement and construction periods could negatively impact our revenue from land sales or leasing of retail or other commercial space. Historically, certain of our entitlements, permits and development approvals have been challenged by third parties, such as environmental groups. Future entitlements, permits and development approvals that we will need to obtain for development areas within our communities may be similarly challenged.

As a result of the time and complexity involved in construction and obtaining approvals for our projects, we face the risk that demand for residential and commercial properties may decline and we may be forced to sell or lease properties at prices or rates that generate lower profit margins than we anticipated, or would result in losses. If values decline, we may be required to make material write-downs of the book value of our real estate assets or real estate investments.

We will have to make significant investments at our properties before we realize significant revenues.

We currently plan to spend material amounts on horizontal development at our communities. Those expenditures primarily reflect the costs of developing the infrastructure at our properties, including grading and installing roads, sidewalks, gutters, utility improvements (such as storm drains, water, gas, sewer, power and communications), landscaping and shared amenities (such as community buildings, neighborhood parks, trails and open spaces) and other actions necessary to prepare each residential and commercial lot for construction. We currently expect to have sufficient capital to fund the horizontal development of our communities in accordance with our development plan for several years. However, we may experience cost increases, our plans may change, new regulations and regulatory plan modifications or court rulings may affect our ability to develop or the cost to develop the project or circumstances may arise that result in our needing additional capital to execute our development plan. If we are not successful in obtaining additional financing to enable us to complete our projects, we may experience further delays or increased costs, and our financial condition and results of our operations may be adversely affected.

Our projects are subject to environmental planning and protection laws and regulations that require us to obtain permits and approvals that may be delayed, withheld or challenged by third parties in legal proceedings.

Our projects are subject to various environmental and health and safety laws and regulations. These laws and regulations require us to obtain and maintain permits and approvals, undergo environmental review processes and implement environmental and health and safety programs and procedures to mitigate the physical impact our communities will have on the environment (such as traffic impacts, health and safety impacts, impacts on public services and impacts on endangered, threatened or other protected plants and species) and to control risks associated with the siting, development, construction and operation of our projects, all of which involve a significant investment of time and expense. The particular environmental requirements that apply to a project vary depending on, among other things, location, environmental conditions, current and former uses of a property, the presence or absence of certain wildlife or habitats, and nearby conditions. We expect that increasingly stringent environmental requirements will be imposed on developers in the future.

These future environmental requirements could affect the timing or cost of our development. In addition, future environmental requirements could reduce the number of homesites or amount of commercial square feet we are able to develop, increase our financial commitments to local or state agencies or organizations or otherwise reduce the profitability of the project. Failure to comply with these laws, regulations and permit requirements may result in delays, administrative, civil and criminal penalties, denial or revocation of permits or other authorizations, other liabilities and costs, the issuance of injunctions to limit or cease operations and the imposition of additional requirements for future compliance as a result of past failures.

Certain of our environmental permits and approvals have been challenged in the past by third parties, such as environmental groups. Future environmental permits and approvals that we will need to obtain for development areas within our communities may be similarly challenged.

We could incur significant costs related to regulation of and litigation over the presence of asbestos-containing materials at our properties.

Environmental laws govern the control, presence, maintenance and removal of ACM. Such laws may impose fines and penalties, and, on occasion, we have had such penalties imposed against us, for failure to comply with these requirements. Such laws require that owners or operators of buildings or properties containing ACM properly manage and maintain it, adequately notify or train those who may come into contact with it, and undertake special precautions including asbestos dust monitoring, removal or other abatement if asbestos would be disturbed during construction, renovation or demolition activities. Certain buildings on our properties that are being and will be demolished (or have already been demolished) in connection with our development plans, and the soil at certain of our properties, contain ACM which must be handled in accordance with these laws. Such laws may increase our development costs, and subject us to fines and penalties and other liabilities and costs in the event compliance is not maintained. We have also been exposed to legal proceedings initiated by third parties and may in the future be exposed to third party liability (such as liability for personal injury associated with exposure to asbestos).

As an owner and operator of real property, we could incur liability for environmental contamination issues.

We have incurred costs and expended funds, and may do so again in the future, to comply with environmental requirements, such as those relating to discharges or threatened discharges to air, water and land, the handling and disposal of solid and hazardous waste and the cleanup of properties affected by hazardous substances. Under these and other environmental requirements, as a property owner or operator, we may be required to investigate and clean up hazardous or toxic substances or chemical releases at our communities or properties currently or formerly owned or operated by us, including as a result of the current and former oil and gas leasing operations at Newhall Ranch or as a result of prior activities conducted at the El Toro Base or The San Francisco Shipyard. Some of our properties have been or may be impacted by contamination arising from these or other prior uses of these properties, or adjacent properties. In this regard, certain portions of the El Toro Base and The San Francisco Shipyard have been or currently are listed on the USEPA's National Priorities List as sites requiring cleanup under federal environmental law. Although the U.S. Navy has been primarily responsible for investigation and cleanup activities at these properties and will continue to have liability for future contamination that is

discovered, we also may incur costs for investigation or cleanup of contamination that is discovered or disturbed during the course of our future development activities or otherwise. Similarly, in the event that oil and gas operators at Newhall Ranch do not fully remediate contamination resulting from such operations, we may incur such costs. As an owner and operator of real property, we could be held responsible to a governmental entity or third parties for property damage, personal injury and investigation and cleanup costs incurred by them in connection with any contamination at or from such real property. We may also be liable for the costs of remediating contamination at off-site disposal or treatment facilities when we arrange for disposal or treatment of hazardous substances or waste at such facilities, without regard to whether we comply with environmental laws in doing so.

Environmental laws and requirements typically impose cleanup responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the contaminants. The liability under the laws related to such requirements has been interpreted to be joint and several, meaning a governmental entity or third party may seek recovery of the entire amount from us even if there are other responsible parties, unless the harm is divisible and there is a reasonable basis for allocation of the responsibility. The costs of investigation, remediation or removal of those substances, or fines, penalties and other sanctions and damages from third-party claims for property damage or personal injury, may be substantial, and the presence of those substances, or the failure to remediate a property properly, may impair our ability to sell, lease or otherwise use our property. While we currently have and may maintain insurance policies from time to time to mitigate some or all of these risks, insurance coverage for such claims may be limited or nonexistent. In addition, to the extent that we have indemnification rights against third parties relating to any such environmental liability or remediation costs (such as, for example, the U.S. Navy under certain federal laws as a former owner and operator of the El Toro Base and The San Francisco Shipyard, and former oil and gas lessees under certain settlement agreements relating to portions of Newhall Ranch), the indemnification may not fully cover such costs or we may not be able to collect the full amount of the indemnification from the third party. While investigation and cleanup activities have been substantially completed for the Great Park Neighborhoods, significant work is contemplated over the next few years for certain of The San Francisco Shipyard parcels, which will delay transfer of such parcels to us for development.

Although most of our properties have been subjected to environmental assessments by independent environmental consultants or in the case of Great Park Neighborhoods and The San Francisco Shipyard, extensive environmental assessments by the U.S. government, these environmental assessments may not include or identify all potential environmental liabilities or risks associated with the properties. We cannot assure you that these or other environmental assessments identified all potential environmental liabilities, or that we will not incur material environmental liabilities in the future. We cannot predict with any certainty the magnitude of our future expenditures relating to environmental compliance or the long-range effect, if any, of environmental laws on our operations. Compliance with such laws could have a material adverse effect on our results of operations and competitive position in the future.

Our communities are all located in California, which makes us susceptible to risks in that state.

Our communities, as well as the Concord community for which we provide development management services, are all located in California. We have no current plans to acquire any additional properties or operations outside of California and we expect, at least for a number of years, to be dependent upon our existing projects for all of our cash flow. As a result, we are susceptible to greater risks than if we owned a larger or more geographically diverse portfolio. California also continues to suffer from severe budgetary constraints, which may result in the layoff or furlough of government employees, and is regarded as more litigious and more highly regulated and taxed than many other states. Any adverse change in the economic, political, competitive or regulatory climate in California, or the counties and cities where our properties are located, could adversely affect our real estate development activities and have a negative impact on our financial condition and results of operations.

In addition, historically, California has been subject to natural disasters, including earthquakes, droughts, floods, wildfires and severe weather, and coastal locations may be particularly susceptible to climate stress events or adverse localized effects of climate change, such as sea-level rise and increased storm frequency or intensity. We therefore have greater exposure to the risks of natural disasters, which can lead to power shortages, shortages of labor and materials and delays in development. The occurrence of natural disasters may also negatively impact the

demand for new homes in affected areas. If our insurance does not fully cover losses resulting from these events, our financial condition and results of operations could be adversely affected.

Drought conditions in California may, from time to time, cause us to incur additional costs and delay or prevent construction within our communities, which could have a material adverse impact on our financial condition and results of operations.

In recent years, California has faced persistent drought conditions. In 2014, the Governor of California proclaimed a Drought State of Emergency warning that drought conditions may place drinking water supplies at risk in many California communities. In May 2016, the prior Governor of California issued an executive order that, among other things, directs the State Water Resources Control Board (the "SWRCB") and the Department of Water Resources (the "DWR") to require urban water suppliers to report monthly information regarding water use, conservation and enforcement on a permanent basis. In response to this executive order, the DWR and the SWRCB were required to engage in a public process and work with urban water suppliers, local governments and environmental groups to develop new water use efficiency targets as part of a long-term conservation framework for urban water agencies. Further, drought emergency reduction targets and other measures that are instituted to respond to drought conditions could cause us to incur additional costs to develop each community's infrastructure, as well as cause homebuilders and commercial builders to incur additional costs, which could reduce the price that they are willing to pay for our residential and commercial lots. Although the Governor of California rescinded the Drought State of Emergency in April 2017, if drought conditions were to return, there could be additional restrictions or moratoriums on building permits and access to utilities, such as water and sewer taps, which could delay or prevent our construction activities, as well as the construction of homes and commercial buildings, even when we have obtained water rights for our communities.

Simultaneous development projects may divert management time and resources.

Since all of our communities, and the Concord community for which we provide development management services, are being developed simultaneously, members of our senior management will be involved in planning and developing these projects, which may divert management resources from the construction, sale, lease or opening of any of these projects. Management's inability to devote sufficient time and attention to a project may delay the construction or opening of such project. This type of delay could adversely affect our financial condition and results of operations.

We are highly dependent on homebuilders.

We are highly dependent on our relationships with homebuilders to purchase lots at our residential communities. Our business will be adversely affected if homebuilders do not view our residential communities as desirable locations for homebuilding operations. Also, some homebuilders may be unwilling or unable to close on previously committed land parcel purchases due to factors outside of our control. As a result, we may sell fewer land parcels and may have lower revenues from sales, which could adversely affect our financial condition and results of operations.

We may from time to time be subject to litigation, which could have a material adverse effect on our financial condition and results of operations.

We may from time to time be subject to various claims and routine litigation arising in the ordinary course of business. Among other things, we are, and are likely to continue to be, affected by litigation against governmental agencies related to environmental and similar approvals that we receive or seek to obtain or relating to historical contamination at our properties that have had prior industrial uses, such as The San Francisco Shipyard. For additional information on recent litigation relating to our properties, see "Item 3. Legal Proceedings."

Litigation and other claims may result in potentially significant defense costs, settlements, fines or judgments against us, some of which may not be covered by insurance. Payment of any such costs, settlements, fines or judgments that are not insured or that exceed our insurance limits could have an adverse impact on our financial

condition and results of operations. In addition, certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage and adversely affect our results of operations, expose us to increased risks that would be uninsured or adversely impact our ability to attract officers and directors. Such litigation could adversely affect the length of time and the cost required to obtain the necessary governmental approvals. In addition, adverse decisions or publicity arising from any litigation could increase the cost and length of time to obtain ultimate approval of a project, could require us to abandon all or portions of a project and could adversely affect the design, scope, plans and profitability of a project, any of which could negatively affect our financial condition and results of operations.

We may be subject to increased costs of insurance or limitations on coverage.

We maintain comprehensive insurance coverage for general liability, property, workers' compensation and other risks on all of our properties and operations, including insurance covering certain environmental risks and liabilities. We believe the policy specifications and insured limits of these policies are adequate and appropriate. There are some risks of loss for which we may be unable to purchase insurance coverage. For example, losses associated with certain environmental risks or liabilities, floods, landslides, earthquakes and other weather-related or geologic events may not be insurable and other losses, such as those arising from terrorism, may not be economically insurable. In addition, there is no assurance that certain types of risks that are currently insurable will continue to be insurable on an economically feasible basis, and we may discontinue certain insurance coverage on some or all of our properties in the future if the cost of premiums for any of these policies in our judgment exceeds the value of the coverage discounted for the loss. If an uninsured loss or a loss in excess of insured limits occurs, we may have to incur uninsured costs to mitigate such losses or lose all or a portion of the capital invested in a property, as well as the anticipated future revenue from the property. We might also remain obligated for any financial obligations related to the property, even if the property is irreparably damaged. Future changes in the insurance industry's risk assessment approach and pricing structure could increase the cost of insuring our properties and operations or decrease the scope of insurance coverage, either of which could adversely affect our financial condition and results of operations.

Moreover, we carry several different lines of insurance, placed with several large insurance carriers. If any one of these large insurance carriers were to become insolvent, we would be forced to replace the existing insurance coverage with another suitable carrier and any outstanding claims would be at risk for collection. In such an event, we cannot be certain that we would be able to replace the coverage at similar or otherwise favorable terms. Replacing insurance coverage at unfavorable rates and the potential of uncollectible claims due to carrier insolvency could adversely affect our financial condition and results of operations.

Title to our property may be impaired by title defects.

We cannot give any assurance that title to our properties will not be challenged or impugned, and cannot be certain that we have or will acquire valid title to our properties. Further, we cannot give any assurance that there are not any liens, encumbrances, mortgages, impositions, fines, violations, levies, superior title claims or other title defects or title issues (collectively, "title defects") with respect to our properties. The lack of good, marketable fee title, or the existence of any existing title defects with respect to our properties, could materially and adversely affect our properties, including by resulting in: (1) chain of title issues (such as impediments to the potential sale, transfer, assignment or grant of any fee or leasehold interests in all or any portion of our properties); (2) financing issues (such as impediments to qualifying for a line of credit, mortgage or private equity financing); (3) development issues (such as impediments to qualifying for governmental licenses and permits or construction financing, delays in operations, or additional costs incurred in connection with any required corrective measures); (4) foreclosure, forfeiture and loss of fee title (such as resulting from a mortgage foreclosure, tax levy or rescission rights); (5) reduction of asset value; or (6) loss of revenue, capital or anticipated profits.

Although the San Francisco Venture holds title insurance on the portions of Candlestick Point and The San Francisco Shipyard that it currently owns, and the Great Park Venture holds title insurance on Great Park Neighborhoods, we do not hold title insurance on Newhall Ranch. In any event, an owner's title insurance policy only provides insurance coverage as of the issuance date of such policy and does not protect against transfers or other title defects that impact the properties from and after the title policy issuance dates. Accordingly, for all of our

properties, whether or not we hold title insurance, it is possible that there may be title defects for which we will have no title insurance coverage.

In addition, the title insurance policies we do hold may not insure for the current aggregate market value of our properties, and we do not intend to increase our title insurance coverage as the market value of our portfolio increases. As a result, we may not have sufficient coverage against all losses that we may experience, including from adverse title claims.

Inflation may adversely affect us by increasing costs that we may not be able to recover.

Inflation can adversely affect us by increasing costs of materials and labor. In addition, inflation is often accompanied by higher interest rates, which could have a negative impact on demand for homes and the cost of debt financing. In a highly inflationary environment, depending on industry and other economic conditions, we may be unable to raise prices enough to keep up with the rate of inflation, which would reduce our profit margins. Although the overall rate of inflation has been low for the last several years, we have been experiencing increases in the prices of labor and materials, especially at Candlestick Point and The San Francisco Shipyard, and there could be a significant increase in inflation in the future.

Significant competition could have an adverse effect on our business.

We compete with other residential, retail and commercial property developers in the development of properties in the Northern and Southern California markets. We compete with a number of residential, retail and commercial developers, some with greater financial resources, in seeking resources for development and prospective purchasers. Competition from other real estate developers may adversely affect our ability to attract purchasers and sell or lease residential, retail and commercial properties, attract and retain experienced real estate development personnel or obtain construction materials and labor. These competitive conditions could make it difficult to sell properties at desirable prices and could adversely affect our financial condition and results of operations.

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

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

Fluctuations in real estate values may require us to write down the carrying value of our real estate assets or real estate investments.

Our industry is subject to significant variability and fluctuations in real estate values. The valuation of our real estate assets or real estate investments is inherently subjective and based on the individual characteristics of each asset. Factors such as competitive market supply and demand for inventory, changes in laws and regulations, political and economic conditions and interest and inflation rate fluctuations subject our valuations to uncertainty. Our valuations are made on the basis of assumptions that may not prove to reflect economic or demographic reality. If the real estate market deteriorates, we may reevaluate the assumptions used in our analysis. As a result, adverse market conditions may require us to write down the book value of certain real estate assets or real estate investments and some of those write-downs could be material. Any material write-downs of assets could have a material adverse effect on our financial condition and results of operations. Also, a material write-down of assets could adversely affect our ability to meet specified financial ratios or satisfy financial condition tests under the terms of our indebtedness and could adversely affect our ability to utilize certain exceptions from various debt covenants that impose operating restrictions on us, including limitations on our ability to: pay dividends, redeem or repurchase

capital stock or make other restricted payments; make certain investments; incur additional indebtedness or issue preferred stock; create certain liens; or consolidate, merge or transfer all or substantially all of our assets. See "—Risks Related to Our Organization and Structure—Our substantial indebtedness may have a material adverse effect on our business, our financial condition and results of operations and our ability to secure additional financing in the future."

Changes in global or regional climatic conditions and governmental actions in response to such changes may adversely affect us by restricting, or increasing the costs of, our planned development activities.

There is growing concern from many members of the scientific community and the general public that an increase in global average temperatures due to emissions of greenhouse gases and other human activities could cause significant changes in weather patterns and increase the frequency and severity of natural disasters. Government mandates, standards or regulations intended to reduce greenhouse gas emissions or ameliorate projected climate change impacts could result in restrictions on land development in certain areas, higher costs resulting from green building codes and increased energy, transportation and raw material costs, or cause us to incur compliance expenses that we will be unable to fully recover, which could reduce our gross profit margins and adversely affect our financial condition and results of operations.

For example, in response to challenges to certain approvals for our planned development at Newhall Ranch, the Supreme Court of California issued a ruling that required CDFW to reassess certain analyses and determinations related to the project's greenhouse gas emissions in connection with approving the related EIR. Although the final environmental analysis was ultimately approved, the Supreme Court's ruling resulted in the need to reassess certain elements of the project's potential impacts and to modify certain aspects (such as specific mitigation measures and project design features) related to the development plan for Newhall Ranch, which in turn increased our costs and caused delays in construction. Future environmental permits and approvals that we will need to obtain for development areas within our communities may be similarly challenged and could result in similar impacts or other obstacles to our development plans.

Our property taxes could increase due to rate increases or reassessments or the imposition of new taxes or assessments, which may adversely impact our financial condition and results of operations.

We will be required to pay state and local real property taxes and assessments on our properties. The real property taxes and assessments on our properties may increase as property or special tax rates increase or if our properties are assessed or reassessed at a higher value by taxing authorities. If we are obligated to pay new taxes or if there are increases in the property taxes and assessments that we currently pay, our financial condition and results of operations could be adversely affected.

Our trademarks, trade names and service marks may infringe other names and marks, or become diluted or invalidated.

We believe that our name and the names that we will be using to brand our communities, and their neighborhoods, are important to our business. However, we are aware of a number of other companies that use names that consist of or contain one or more of our names. As a result, there could be potential trade name, trademark or service mark infringement claims brought against us by the users of these names and marks, and such users may have rights that are senior to ours. If another company were to successfully challenge our right to use one or more of our names or marks, our business could be adversely impacted. In addition, to the extent third parties use similar names or marks, the value of our names and marks could be diminished.

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

Negative publicity related to our industry, company, brands, marketing, personnel, operations, business performance or customers may generate negative sentiment regarding our company, potentially affecting our share price and the performance of our business, regardless of its accuracy or inaccuracy. Our success in maintaining,

extending and expanding our brand image and reputation depends on our ability to adapt and respond to such publicity in a rapidly changing environment. Negative sentiment resulting from adverse publicity or unfavorable public commentary could damage our brand image and reputation, reduce the demand for homes, homesites, and commercial and multi-family properties in our communities, or adversely affect our ability to acquire additional landholdings and plan and develop new communities, any of which could adversely affect our business, financial condition, results of operations and share price.

Risks Related to Our Organization and Structure

We depend on key personnel.

Our success depends to a significant degree upon the contributions of certain key personnel, including Mr. Haddad, our Chairman and Chief Executive Officer. These key personnel would be difficult to replace because of their experience in identifying, acquiring, developing, financing and managing real estate assets and their long-term relationships across, and strong reputation in, the real estate industry generally and for our communities specifically. If any of our key personnel were to cease employment with us, our results of operations could suffer. Our ability to retain our key personnel or to attract suitable replacements should any members of our management team leave is dependent on the competitive nature of the employment market. The loss of services from key personnel or a limitation in their availability could materially and adversely impact our financial condition and results of operations. Further, such a loss could be negatively perceived in the capital markets.

As a holding company, we are entirely dependent upon the operations of the operating company and its ability to make distributions to provide cash flow to us or to pay taxes and other expenses.

We are a holding company and our only investment is our interest in the operating company. The operating company conducts all of our operations and owns all of our assets. As a result, our cash flow depends upon the cash flow of the operating company and its ability to provide funds to us in the form of distributions, loans or otherwise. The distributions that we receive from the operating company are based on our ownership interest in it, which was 61.7%, as of December 31, 2018. The operating company is treated as a partnership for U.S. federal income tax purposes and, as such, is generally not subject to U.S. federal income tax. Instead, taxable income is allocated to the operating company's partners, including us. Accordingly, we incur income taxes on our proportionate share of any net taxable income of the operating company. Under the terms of the limited partnership agreement for the operating company, the operating company is obligated to make tax distributions to its partners, including us, subject to the restrictions described below. These tax distributions generally will be made on a pro rata basis. In addition to tax expenses, we also incur expenses related to our operations, including expenses under the tax receivable agreement ("TRA"), which we expect could be significant.

The ability of the operating company to make distributions in an amount sufficient to allow us to pay our taxes and operating expenses, including any payments under the TRA, is subject to the obligations of the operating company and its subsidiaries to their respective creditors. In addition, future financing arrangements may contain negative covenants limiting the ability of the operating company to make distributions to us. Furthermore, the ability of the operating company's subsidiaries and the Great Park Venture to pay distributions to the operating company may be limited by their obligations to their respective creditors and other investors. For example, the distribution rights of the holders of legacy interests in the Great Park Venture and the Class B partnership interests in Five Point Communities, LP will reduce the cash available for distribution to the operating company. Similarly, we may be limited in our ability to move capital among the operating company and its subsidiaries as a result of future financing arrangements and obligations to creditors.

As an equity investor in the operating company and, indirectly, in our other subsidiaries and the Great Park Venture and the Gateway Commercial Venture, our right (and, therefore, the rights of our shareholders) to receive assets upon the liquidation or reorganization of the operating company and its subsidiaries, or the Great Park Venture or the Gateway Commercial Venture, will be structurally subordinated to the claims of their creditors. Even if we are recognized as a creditor of the operating company, our claims may still be subordinated to any security interest in or other lien on its assets and any debt or other obligations. Therefore, in the event of our bankruptcy, liquidation or

reorganization, our consolidated assets will be available to satisfy the claims of our shareholders only after all of our liabilities and the liabilities of the operating company have been paid in full.

Recent U.S. tax legislation may adversely affect our operations.

The Tax Cuts and Jobs Act of 2017 (the "Tax Act"), which was signed into law on December 22, 2017, made significant changes to the taxation of U.S. business entities, including by, among other things, reducing the corporate income tax rate from 35% to 21%, eliminating the corporate alternative minimum tax, restricting deductions allowed for net operating losses to 80% of current year taxable income, permitting net operating losses to be carried forward indefinitely and allowing immediate deductions for certain new investments instead of recovering the expense over time though depreciation. Although we expect the Tax Act to be beneficial to us overall, particularly by reducing our obligations under the tax receivable agreement, as described in a risk factor below, some aspects of the Act could potentially have a negative effect on our operations. For example, certain changes in the Tax Act applicable to individuals could have a negative effect on the housing market and, consequently, our operations. Among the possible changes that could negatively impact the perceived affordability of homeownership are new limitations on the ability to deduct (i) property taxes, (ii) mortgage interest and (iii) state and local income taxes. In addition, it is unclear how the Tax Act will affect state and local taxation, which often uses federal taxable income as a starting point for computing state and local tax liabilities. We continue to work with our tax advisors and auditors to determine the full impact that the Tax Act will have on us.

Some of our directors are involved in other businesses including real estate activities and public or private investments and, therefore, may have competing or conflicting interests with us.

Certain of our directors have and may in the future have interests in other real estate business activities, and may have control or influence over these activities or may serve as investment advisors, directors or officers of other real estate companies. These interests and activities, and any duties to third parties arising from such interests and activities, could divert the attention of such directors from our operations. Additionally, some of our directors are engaged in investment and other activities in which they may learn of real estate and other related opportunities. Our operating agreement and our code of business conduct and ethics expressly provide that our non-employee directors are not obligated to limit their interests or activities in their non-director capacities or to notify us of any opportunities that may arise in connection therewith, even if the opportunities are complementary to, or in competition with, our businesses. Accordingly, we have no expectation that we will be able to learn of or participate in such opportunities and it is possible that our directors, in their capacity as investment advisors, directors or officers of other real estate companies, may compete with us with respect to these opportunities. For example, three of our directors are senior officers of Lennar (a national homebuilder), one of our directors is a partner and portfolio manager of Castlelake (an investment firm), one of our directors is the lead independent director at William Lyon Homes (a regional homebuilder), one of our directors is a director at Tejon Ranch Company (a real estate development and agribusiness), and one of our directors is the chairman and chief executive officer of Shorenstein Properties, LLC (an owner and operator of office and multi-family properties), each of which may compete with us or make investments in entities that compete with us for development opportunities or otherwise.

Lennar is our largest equity owner and will be engaging in transactions with us and may compete with us.

As of December 31, 2018, Lennar owned Class A common shares and Class B common shares representing approximately 40% of our outstanding voting interests. Three of our directors are also senior officers of Lennar. Lennar is one of the nation's largest homebuilders and has in the past purchased properties from us. In the future, we expect that we will sell additional properties to Lennar. Transactions between Lennar and us must be approved by our conflicts committee. Transactions between the Great Park Venture and Lennar must be approved by a majority of the members of the Great Park Venture (excluding us). Nonetheless, Lennar's relationship with us could give it an advantage in bidding for properties that we own.

Lennar may also compete with us. Lennar owns an interest in a joint venture that owns the Treasure Island community, located in San Francisco, which may compete with Candlestick Point and The San Francisco Shipyard. Lennar also has a right to acquire the first phase of the Concord community, located in the San Francisco Bay Area,

which may compete with Candlestick Point and The San Francisco Shipyard. We provide development management services to Lennar with respect to the Concord community. Lennar may in the future bid for, and acquire for itself, properties that we may seek to acquire. Our operating agreement contains provisions that will permit Lennar to engage in such activities and transactions.

Lennar and Castlelake and their respective affiliates control approximately 57% of the voting power of our outstanding common shares and, as a result, are able to exercise significant influence over all matters requiring shareholder approval.

Holders of our Class A common shares and our Class B common shares vote together as a single class on all matters (including the election of directors) submitted to a vote of shareholders, with a share of each class entitling the holder to one vote. As of December 31, 2018, Lennar and Castlelake and their respective affiliates beneficially owned, in the aggregate, Class A common shares and Class B common shares representing approximately 40% and 17%, respectively, of the voting power of our outstanding common shares. As a result, if these shareholders act together (which they have not agreed to do), they and their affiliates are able to exercise significant influence over all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions, which may have the effect of delaying or preventing a third party from acquiring control of us. These transactions may include those that other shareholders deem to be in their best interests and in which those other shareholders might otherwise receive a premium for their shares over their current prices.

We may have assumed unknown liabilities in connection with the formation transactions, which, if significant, could adversely affect our financial condition and results of operations.

In the formation transactions, we acquired equity interests in entities which have existing liabilities, some of which may be unknown or unquantifiable. In a contribution and sale agreement that we entered into in connection with the formation transactions, we received representations and warranties regarding the entities in which we acquired interests, but these representations and warranties did not survive the closing. If we discover new or additional liabilities, we may have no recourse for such liabilities. Any such liabilities could adversely affect our financial condition and results of operations.

We did not receive appraisals or fairness opinions in connection with the formation transactions.

The value of the equity interests and other assets acquired by us in the formation transactions, and the value of the securities and other consideration provided in exchange for such equity interests and other assets, were determined based on negotiation among the parties. We did not obtain any third-party appraisals of these equity interests and other assets, and the valuation implied by the consideration received for some of the assets could exceed their fair market value.

We will be required to pay certain investors for certain expected tax benefits.

Holders of Class A units of the operating company may exchange their units for, at our option, either Class A common shares on a one-for-one basis (subject to adjustment in the event of share splits, distributions of shares, warrants or share rights, specified extraordinary distributions and similar events), or cash in an amount equal to the market value of such shares at the time of exchange. This exchange right is currently exercisable by all holders of outstanding Class A units of the operating company. We expect that basis adjustments resulting from these transactions, if they occur, will reduce the amount of income tax we would otherwise be required to pay in the future.

Moreover, Section 704(c) of the Internal Revenue Code of 1986, as amended (the “Code”), and the U.S. Treasury regulations promulgated thereunder, require that items of income, gain, loss and deduction that are attributable to the operating company’s directly and indirectly held property, including property contributed to the operating company pursuant to the formation transactions, must be allocated among the partners of the operating company to take into account the difference between the fair market value and the adjusted tax basis of such assets

on the date the formation transactions are consummated. As a result, the operating company will be required to make certain special allocations of its items of income, gain, loss and deduction that are attributable to such assets. These allocations, like the increases in tax basis described above, are likely to reduce the amount of income tax we would otherwise be required to pay.

Simultaneously with the completion of the formation transactions, we entered into a TRA with the holders of Class A units of the operating company and the holders of Class A units of the San Francisco Venture. These investors include Mr. Haddad and entities affiliated with Lennar and Castlelake. The TRA provides for payments by us to such investors or their successors equal to 85% of the amount of cash savings, if any, in income tax we realize as a result of (1) increases in tax basis that are attributable to exchanges of Class A units of the operating company for our Class A common shares or cash or certain other taxable acquisitions of equity interests by the Company, (2) allocations that result from the application of the principles of Section 704(c) of the Code and (3) tax benefits related to imputed interest or guaranteed payments deemed to be paid or incurred by us as a result of the TRA. The TRA also makes certain assumptions intended to equalize the treatment of (A) holders who exchange their Class A units and provide us with tax benefits attributable to an increase in tax basis and (B) those who retain their Class A units and provide us with tax benefits attributable to special allocations of the operating company's items of income and gain pursuant to Section 704(c) of the Code.

We expect that during the expected term of the TRA, the payments that we make to the parties to the TRA could be substantial. The actual amount and timing of any payments under the TRA will vary depending upon a number of factors, including the timing of exchanges of Class A units of the operating company, the price of our Class A common shares at the time of such exchanges, the extent to which such exchanges are taxable and our ability to use the potential tax benefits, which will depend on the amount and timing of our taxable income and the rate at which we pay income tax.

Due to the various factors that will affect the amount and timing of the tax benefits we will receive, it is not possible to determine the exact amount of payments that will be made under the TRA. If the TRA had been terminated on December 31, 2018, we estimate that the termination payment would have been approximately $106.8 million, assuming no material changes to the relevant tax law, that the aggregate value of our properties is equal to the value implied by such per share price and that LIBOR is 3.01%. However, this is merely an estimate, and the actual payments made under the TRA in the event that it is terminated or otherwise could be significantly greater.

In certain circumstances, payments under the tax receivable agreement could exceed the actual tax benefits we realize.

The TRA provides that, upon a merger, asset sale or other form of business combination or certain other changes of control or if, at any time, we materially breach any of our obligations under the TRA or elect an early termination, our (or our successor's) obligations with respect to exchanged or acquired units (whether exchanged or acquired before or after such change of control, early termination or breach) will be based on certain assumptions, including that (1) we will have sufficient taxable income to fully utilize the increased tax deductions and other benefits anticipated by the TRA, (2) all of our properties will be disposed of ratably over a 15 year period for fair market value and (3) any Class A units of the operating company that have not been exchanged will be deemed exchanged for the market value of our Class A common shares at the time of such change of control, early termination or breach. Consequently, it is possible in these circumstances that the actual cash tax savings realized by us may be significantly less than the corresponding TRA payments.

We will not be able to recover payments made under the tax receivable agreement if the related tax benefits are subsequently disallowed.

The Internal Revenue Service (the "IRS") may challenge all or part of the tax basis increases or the special allocations upon which we calculate payments under the TRA, and a court might sustain such a challenge. Although we are not aware of any issue that would cause the IRS to challenge potential tax basis increases or other tax benefits covered under the TRA, if such basis increases or other benefits are subsequently disallowed (in whole or in part), the parties to the TRA will not be required to return any payments made in respect of such disallowed basis or

other tax benefit. Consequently, it is possible in these circumstances that the actual tax savings realized by us may be significantly less than the corresponding TRA payments. However, because payments under the TRA in a year are based upon the amount by which 85% of the Company's cumulative net tax savings exceed the payments previously made under the TRA, disallowance of basis increases or other tax benefits would reduce payments under the TRA in years after the disallowance.

The obligations associated with being a public company require significant resources and management attention.

As a public company with our Class A common shares listed on the New York Stock Exchange (the "NYSE"), we are subject to laws, regulations and requirements, including the requirements of the Exchange Act, certain corporate governance provisions of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), related regulations of the SEC and requirements of the NYSE. The Exchange Act requires, among other things, that we file annual, quarterly and current reports and proxy statements with respect to our business and financial condition. The Sarbanes-Oxley Act requires, among other things, that we establish and maintain effective internal controls and procedures for financial reporting.

Section 404 of the Sarbanes-Oxley Act requires our management and independent registered public accounting firm to attest annually on the effectiveness of our internal control over financial reporting. However, because we are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), we will take advantage of certain exemptions from various reporting requirements, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. Once we are no longer an emerging growth company or if, prior to such date, we opt to no longer take advantage of the applicable exemption, we will be required to include an opinion from our independent registered public accounting firm on the effectiveness of our internal control over financial reporting.

These reporting and other obligations place significant demands on our management, administrative, operational and accounting resources and may cause us to incur significant expenses. We may need to upgrade our systems or create new systems, implement additional financial and management controls, reporting systems and procedures, create or outsource an internal audit function and hire additional legal, accounting and finance staff. If we are unable to accomplish these objectives in a timely and effective fashion, our ability to comply with the financial reporting requirements and other rules that apply to reporting companies could be impaired. Any failure to operate successfully as a public company could have a material adverse effect on our financial condition and results of operations.

If we fail to implement and maintain an effective system of internal controls, we may not be able to accurately determine our financial results or prevent fraud. As a result, our investors could lose confidence in our financial results, which could materially and adversely affect us.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While management continues to review the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we cannot assure you that our disclosure controls and procedures or internal control over financial reporting will be effective in accomplishing all control objectives all of the time.

Additionally, the existence of any material weakness or significant deficiency would require management to devote significant time and incur significant expense to remediate, and management may not be able to remediate in a timely manner any such material weakness or significant deficiency. The existence of any material weakness in our internal control over financial reporting could also result in errors in our financial statements that could require us to restate our financial statements, cause us to fail to meet our reporting obligations and cause investors to lose confidence in our reported financial information, all of which could materially and adversely affect our financial condition and results of operations.

We are an "emerging growth company" and the reduced disclosure requirements applicable to emerging growth companies may make our Class A common shares less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act. An emerging growth company may take advantage of specified exemptions from various requirements that are otherwise applicable generally to public companies in the United States. These provisions include:

- an exemption to include fewer than five years of selected financial data;
- an exemption from the auditor attestation requirement in the assessment of the emerging growth company's internal control over financial reporting; and
- reduced disclosure about the emerging growth company's executive compensation arrangements.

As a result, the information that we provide shareholders in our filings with the SEC may be different than what is available with respect to many other public companies. If some investors find our Class A common shares less attractive as a result of our reliance on these exemptions, there may be a less active trading market for our Class A common shares and our share price may be adversely affected. When we are no longer deemed to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above.

Certain provisions in the operating company's limited partnership agreement may delay or prevent acquisitions of us.

Provisions in the operating company's limited partnership agreement may delay, or make more difficult, an acquisition or change of control of us. These provisions could discourage third parties from making proposals involving an acquisition or change of control of us, although some holders of our Class A common shares might consider such proposals, if made, desirable. These provisions include:

- a requirement that the partners consent to a merger, consolidation or other combination involving the company or any sale, lease, exchange or other transfer of all or substantially all of our assets or all or any portion of our interest in the operating company unless certain criteria are satisfied; and
- our ability, as sole managing general partner, to cause the operating company to issue units with terms that could delay, defer or prevent a merger or other change of control without the consent of the other partners.

Anti-takeover provisions in our operating agreement or provisions of Delaware law could prevent or delay a change in control, even if a change of control would benefit our shareholders.

Provisions of our operating agreement, as well as provisions of Delaware law, could discourage, delay or prevent a merger, acquisition or other change in control, even if a change in control would benefit our shareholders. These provisions include the following:

- there is no cumulative voting in the election of directors;
- our board of directors is classified so that approximately one-third of the directors are elected at each annual meeting of shareholders;
- our board of directors is authorized to issue "blank check" preferred shares to increase the number of outstanding shares without shareholder approval;
- shareholder action by written consent is not permitted; and
- there are advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon by shareholders at shareholder meetings.

In addition, our operating agreement provides that Section 203 of the General Corporation Law of the State of Delaware (the "DGCL") will be deemed to apply to us as if we were a Delaware corporation. Section 203 of the DGCL may affect the ability of an "interested shareholder" to engage in certain business combinations, including

mergers, consolidations or acquisitions of additional shares, for a period of three years following the time that the shareholder becomes an "interested shareholder." An "interested shareholder" is defined to include persons owning directly or indirectly 15% or more of the outstanding voting shares of a company.

We do not control the Great Park Venture.

Through a wholly owned subsidiary of the operating company, we own a 37.5% percentage interest in the Great Park Venture and serve as its administrative member. However, the administrative member's authority is limited. Major decisions generally require approval by at least 75% of the votes held by the voting members of the Great Park Venture. We have two votes out of a total of five votes held by all voting members. Thus, any decision will require the additional approval of at least two of the other voting members. These approval rights could prevent actions at the Great Park Venture that would otherwise be in our best interests.

We do not control the Gateway Commercial Venture.

Through a wholly owned subsidiary of the operating company, we own a 75% interest in the Gateway Commercial Venture, the joint venture that acquired the Five Point Gateway Campus, and serve as its manager. However, the manager's authority is limited. Major decisions by the Gateway Commercial Venture generally require unanimous approval by an executive committee composed of two people designated by us and two people designated by another investor. Some decisions require approval by all of the members of the Gateway Commercial Venture. These approval rights could prevent actions at the Gateway Commercial Venture that would otherwise be in our best interests.

We may need additional capital to execute our development plan, and we may be unable to raise additional capital on favorable terms.

We currently expect to have sufficient capital to fund the horizontal development of our communities in accordance with our development plan for several years. However, we may need additional capital to execute our development plan with respect to vertical development. There can be no assurance that we will be able to obtain new debt or equity financing on favorable terms, or at all, including as a result of volatility in the credit and capital markets, increases in interest rates or a decline in the value of our properties or portions thereof.

In addition, we currently expect to obtain a portion of our capital from forms of public financing, including Community Facilities District ("CFD") bond issuances, tax increment financing, and state and federal grants, which depend, in part, on factors outside of our control. CFDs are established when local government agencies impose a special property tax on real estate located within a specific district for the purpose of financing public improvements, including streets, water, sewage, drainage, electricity, schools, parks and fire and police protection. Our ability to obtain funds from CFDs is dependent on the value of developed property in the specific district, the collection of general property taxes from property owners in the specific district, collection of special taxes from property owners in the specific district and market interest rates at the time the CFD bonds are issued. For tax increment financing, the amount of property tax that a specific district generates is set at a base amount and as property values increase, property tax growth above that base amount, net of property taxes retained by the municipal agencies, can be used to fund redevelopment projects within the district. Our ability to obtain funds from tax increment financing is dependent on the value of developed property in the specific district, the collection of general property taxes from property owners in the specific district, the time it takes the tax assessor to update the tax rolls and market interest rates at the time the tax increment bonds are issued.

If we need to obtain additional financing, and such financing is not available in a timely manner or on terms substantially similar to our existing financing, it could increase our cost of capital and we may experience delays or increases in costs, and our financial condition and results of operations could be adversely affected.

Our substantial indebtedness may have a material adverse effect on our business, our financial condition and results of operations and our ability to secure additional financing in the future.

As of December 31, 2018, we had approximately $565.0 million of total indebtedness, including $500.0 million aggregate principal amount of 7.875% senior notes due 2025 (the "senior notes"). We also had $124.0 million available to be borrowed under our revolving credit facility as of December 31, 2018. Our indebtedness could subject us to many risks that, if realized, would adversely affect us, including the following:

- our cash flow from operations may be insufficient to make required payments of principal of and interest on the debt, and a failure to pay would likely result in acceleration of such debt and could result in cross accelerations or cross defaults on other debt;
- our debt may increase our vulnerability to adverse economic and industry conditions;
- to the extent that we use a portion of our cash flow from operations to make payments on our debt, it reduces our funds available for operations, development, capital expenditures and future investment opportunities or other purposes;
- debt covenants may limit our ability to borrow additional amounts for working capital, capital expenditures, debt service requirements, executing our development plan or other purposes;
- restrictive debt covenants may limit our flexibility in operating our business, including limitations on our ability to make certain investments; incur additional indebtedness; create certain liens; incur obligations that restrict the ability of our subsidiaries to make payments to us; consolidate, merge or transfer all or substantially all of our assets; or enter into transactions with affiliates;
- to the extent that our indebtedness bears interest at a variable rate (such as our revolving credit facility), we are exposed to the risk of increased interest rates;
- debt covenants may limit our subsidiaries' ability to make distributions to us; and
- if any debt is refinanced, the terms of any refinancing may not be as favorable as the terms of the debt being refinanced.

In August 2017, the Gateway Commercial Venture, in which we own a 75% interest, entered into a debt facility with a total capacity of approximately $339.0 million to fund the purchase price for the Five Point Gateway Campus and the cost of future tenant improvements and certain capital expenditures at the Five Point Gateway Campus. The risks described above with respect to leverage are applicable to the Gateway Commercial Venture's borrowings. In addition, we have provided guaranties of the Gateway Commercial Venture's indebtedness that obligate us to (i) pay losses of the lender arising out of or in connection with fraud, intentional misrepresentation, gross negligence, willful misconduct, illegal acts and other customary "bad act" recourse exceptions by the Gateway Commercial Venture or its affiliates, and (ii) repay the indebtedness of the Gateway Commercial Venture upon the occurrence of certain bankruptcy or insolvency events, or other customary "bad act" recourse exceptions, involving the Gateway Commercial Venture or its affiliates.

A breach of any of our debt covenants could result in an event of default under that indebtedness. Such a default may allow the creditors to accelerate the related indebtedness and may result in the acceleration of other indebtedness to which a cross-acceleration or cross-default provision applies. In addition, an event of default under the credit agreement governing our revolving credit facility would permit the lenders to terminate commitments to extend further credit under that facility.

If we do not have sufficient funds to repay our debt at maturity or upon an earlier acceleration, it may be necessary to refinance the debt through additional debt or equity financings. If, at the time of any refinancing, prevailing interest rates or other factors result in a higher interest rate on such refinancing, increases in interest expense could adversely affect our cash flows and results of operations. If we are unable to refinance our debt on acceptable terms, we may be forced to dispose of our assets on disadvantageous terms, postpone investments in the development of our properties or default on our debt. In addition, to the extent we cannot meet any future debt service obligations, we will risk losing some or all of our assets that are pledged to secure such obligations.

We may increase leverage in executing our development plan, which could further exacerbate the risks associated with our substantial indebtedness.

We may decide to increase leverage to execute our development plan. Our board of directors will consider a number of factors when evaluating our level of indebtedness and when making decisions regarding the incurrence of new indebtedness, including the estimated market value of our assets and the ability of particular assets, and our company as a whole, to generate cash flow to cover the expected debt service. Although the indenture relating to our senior notes limits our ability to incur additional indebtedness, our operating agreement does not limit the amount of debt we may incur, and our board of directors may change our target debt levels at any time without the approval of our shareholders. We may incur additional indebtedness from time to time in the future to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. If we do so, the risks related to our indebtedness could intensify.

Future debt financings, which would rank senior to our Class A common shares upon our bankruptcy or liquidation, and future offerings of equity securities that may be senior to our Class A common shares for the purposes of liquidating or other distributions, may adversely affect the market price of our Class A common shares.

In the future, we may attempt to increase our capital resources by obtaining additional debt financing (including by offering debt securities) or making additional offerings of equity securities. Upon bankruptcy or liquidation, holders of our debt and our preferred shares and lenders with respect to other borrowings will receive distributions of our available assets prior to the holders of our Class A common shares. Additional equity offerings may dilute the holdings of our existing shareholders or reduce the market price of our Class A common shares, or both. Any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our Class A common shares and may result in dilution to the holders of our Class A common shares. Holders of our Class A common shares are not entitled to preemptive rights or other protections against dilution. Our preferred shares, if issued, could have a preference on liquidating or other distributions that could limit our ability to make distributions to the holders of our Class A common shares. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control. As a result, we cannot predict or estimate the amount, timing or nature of our future offerings, and holders of our Class A common shares bear the risk of our future offerings reducing the market price of our Class A common shares and diluting their ownership interest in our company.

We do not expect to be able to generate sufficient cash flow from operations to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or refinance our debt obligations, including the senior notes, depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. Until such time as we can service our indebtedness with cash flow from operations, we intend to service our indebtedness, including interest on the senior notes and the revolving credit facility, from cash on hand.

If our cash flows, cash on hand and other capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional indebtedness or equity capital, or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. The credit agreement governing the revolving credit facility and the indenture relating to the senior notes restrict our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise indebtedness or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations.

If we cannot make scheduled payments on our indebtedness, we will be in default and holders of the senior notes could declare all outstanding principal and interest to be due and payable, the lenders under the revolving credit facility could terminate their commitments to loan money, other indebtedness could be accelerated and we could be forced into bankruptcy or liquidation.

Uncertainty about the future of the London Interbank Offer Rate ("LIBOR") may adversely affect our business and financial results.

Borrowings under our revolving credit facility bear interest at LIBOR plus an applicable margin. In July 2017, the UK's Financial Conduct Authority, which regulates LIBOR, announced its intent to phase out LIBOR by the end of 2021. It is not possible to predict the effect of this announcement, including whether LIBOR will continue in place, and if so what changes will be made to it, what alternative reference rates may replace LIBOR in use going forward, and how LIBOR will be determined for purposes of loans, securities and derivative instruments currently referencing it if it ceases to exist. If the method for calculation of LIBOR changes, if LIBOR is no longer available or if lenders have increased costs due to changes in LIBOR, we may suffer from potential increases in interest rates on our revolving credit facility. Further, we may need to renegotiate our revolving credit facility to replace LIBOR with the new standard that is established. These uncertainties or their resolution also could negatively impact our borrowing costs and other aspects of our business and financial results.

Risks Related to Ownership of Our Class A Common Shares

An active trading market for our Class A common shares may not be sustained and the price of our Class A common shares may be volatile.

Although our Class A common shares are listed on the NYSE, an active trading market for our Class A common shares may not be sustained. Accordingly, no assurance can be given as to the following:

- the likelihood that an active trading market for our Class A common shares will be sustained;
- the liquidity of any such market;
- the ability of our shareholders to sell their Class A common shares; or
- the price that our shareholders may obtain for their Class A common shares.

The trading price of our Class A common shares may fluctuate widely as a result of a number of factors, many of which are outside of our control. Historically, the stock market has experienced extreme price and volume fluctuations that have affected the market prices of many companies. These broad market fluctuations could negatively affect the market price of our Class A common shares. A significant decline in our share price could result in substantial losses for individual shareholders and could lead to costly and disruptive securities litigation.

Some of the factors that could negatively affect or result in fluctuations in the market price of our Class A common shares include:

- actual or anticipated variations in our quarterly results of operations;
- changes in market valuations of similar companies;
- announcements by us or our competitors of significant acquisitions or dispositions;
- the market's reaction to our reduced disclosure as a result of being an emerging growth company under the JOBS Act;
- the operation and share price performance of other comparable companies;
- our ability to implement our development plan;

- changes in laws or regulations, or new interpretations or applications of laws and regulations, that are applicable to us;
- additions or departures of key personnel;
- actions by shareholders;
- speculation in the press or investment community regarding us or factors or events that may directly or indirectly affect us;
- general or specific market, economic and political conditions, including supply and demand factors in our markets, an economic slowdown or dislocation in the global credit markets;
- general economic trends and other external factors, including those resulting from war, incidents of terrorism or responses to such events;
- our operating performance, including changes in the status of our communities;
- changes in accounting principles;
- publication of research reports about us or the real estate industry;
- future equity issuances;
- our ability to raise capital on favorable terms;
- a loss of any major funding source; and
- the realization of any of the other risk factors presented in this report.

Securities markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. In the past, securities class action litigation has often been instituted against companies following periods of volatility in the price of their common shares. This type of litigation could result in substantial costs and divert our management's attention and resources, which could have an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common shares. Any broad market fluctuations may adversely affect the trading price of our Class A common shares.

We may issue additional Class A common shares in the future in lieu of incurring indebtedness, which may dilute existing shareholders, or we may issue securities that have rights and privileges that are more favorable than the rights and privileges accorded to holders of our Class A common shares.

We may issue additional securities, including Class A common shares, options, rights and warrants, for any purpose and for such consideration and on such terms and conditions as our board of directors may determine. Our board of directors will be able to determine the class, designations, preferences, rights, powers and duties of any additional securities, including any rights to share in our profits, losses and distributions, any rights to receive assets upon dissolution or liquidation and any redemption, conversion and exchange rights. Our board of directors may use such authority to issue additional securities exchangeable for our Class A common shares, such as the Class A units of the operating company, which would dilute existing holders of our Class A common shares, or to issue securities with rights and privileges that are more favorable than those of our Class A common shares. You will not have any right to consent to or otherwise approve the issuance of any such securities or the terms on which any such securities may be issued.

Substantial amounts of our Class A common shares could be sold in the near future, which could depress our share price and result in dilution of your shares.

The sale or issuance of a substantial number of Class A common shares or other equity-related securities in the public markets, or the perception that such sales could occur, could depress the market price of our Class A common shares and impair our ability to raise capital through the sale of additional equity securities.

As of December 31, 2018, we had outstanding 66,810,980 Class A common shares. In addition, 78,862,387 Class A common shares are reserved for issuance upon exchange of Class A units of the operating company

(including 37,433,775 Class A units of the operating company issuable upon exchange of Class A units of the San Francisco Venture) and conversion of our Class B common shares, and 4,077,493 Class A common shares are available for future issuance under the Incentive Award Plan (including 1,089,004 Class A common shares that may be issued in settlement of outstanding vested RSUs).

From time to time, we may issue up to 78,862,387 Class A common shares upon conversion of Class B common shares or in exchange for outstanding Class A units of the operating company (including Class A units of the operating company issued in exchange for Class A units of the San Francisco Venture). Holders of Class A units of the operating company may exchange their units for, at our option, either Class A common shares on a one-for-one basis (subject to adjustment for share splits and similar events) or cash in an amount equal to the market value of such shares at the time of exchange. This exchange right is currently exercisable by all holders of outstanding Class A units of the operating company. Holders of Class A units of the San Francisco Venture may exchange their units for Class A units of the operating company on a one-for-one basis (with no holding period), subject to certain exceptions.

We have an effective shelf registration statement on Form S-3 under which we registered with the SEC the resale of Class A common shares held by certain of our existing shareholders and the Class A common shares that we may issue in exchange for Class A units of the operating company or Class A units of the San Francisco Venture. We are required to use our reasonable efforts to keep the Form S-3 registration statement (or a successor registration statement) effective until there are no longer any registrable securities other than Class A common shares that can be sold under Rule 144 without any limitation as to volume or manner of sale.

We cannot predict whether future issuances or sales of our Class A common shares or the availability of shares for resale in the open market will decrease the per share trading price of our Class A common shares. The per share trading price of our Class A common shares may decline significantly when the restrictions on resale by certain of our shareholders lapse or upon the registration of additional Class A common shares pursuant to registration rights granted to certain shareholders.

We do not intend to pay distributions on our Class A common shares for the foreseeable future.

We have no current plans to pay distributions on our Class A common shares in the foreseeable future. We intend to retain our earnings, if any, to use in our ongoing operations. Any decision to declare and pay distributions in the future will be made at the sole discretion of our board of directors and will depend on, among other things, our financial condition, results of operations, cash requirements, contractual restrictions and other factors that our board of directors may deem relevant. In addition, because we are a holding company and our only investment is our interest in the operating company, we will only be able to pay distributions from funds we receive from the operating company. Our board of directors has the authority to issue one or more series of preferred shares without action of our shareholders. The issuance of preferred shares could have the effect of limiting distributions on our Class A common shares. Accordingly, you may need to sell your Class A common shares to realize a return on your investment, and you may not be able to sell your shares at or above the price you paid for them.

If security or industry analysts do not publish, or cease publishing, research reports about us, our business or our market, or if such analysts make adverse recommendations regarding our Class A common shares, our share price and trading volume could decline.

The trading market for our Class A common shares is influenced by whether industry or securities analysts publish research and reports about us, our business, our market or our competitors and, if any analysts do publish such reports, what they publish in those reports. We may not obtain analyst coverage in the future. Any analysts who do cover us may make adverse recommendations regarding our shares, adversely change their recommendations from time to time, or provide more favorable relative recommendations about our competitors. If any analyst who may cover us in the future were to cease coverage of our company or fail to regularly publish reports on us, or if analysts fail to cover us or publish reports about us at all, we could lose, or never gain, visibility in the financial markets, which in turn could cause our share price or trading volume to decline.

Cyber-attacks or acts of cyber-terrorism could disrupt our business operations and information technology systems or result in the loss or exposure of confidential or sensitive employee or Company information.

Our business operations and information technology systems, and the information technology systems we use that are provided or managed by third-party service providers, may be attacked by individuals or organizations intending to disrupt our business operations and information technology systems and those of our third-party service providers, whether through cyber attacks or cyber-intrusions over the Internet, malware, computer viruses, attachments to e-mails, persons inside our organization, or persons with access to systems inside our organization. The risk of a security breach or disruption, particularly through cyber attacks or cyber-intrusion, including by computer hackers, foreign governments, and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. We rely on information technology systems to conduct important operational activities and to maintain our business and employee records and financial data. Disruption of those systems could adversely impact our ability to conduct development activities and to otherwise operate our business. Accordingly, if such an attack or act of terrorism were to occur, our operations and financial results could be adversely affected. In addition, we use our information technology systems to protect confidential or sensitive employee and Company information developed and maintained in the normal course of our business. Any attack on such systems that would result in the unauthorized release or loss of employee or other confidential or sensitive data could have a material adverse effect on our business reputation, increase our costs and expose us to additional material legal claims and liability. As a result, if such an attack or act of terrorism were to occur, our operations and financial results and our share price could be adversely affected.

ITEM 1B. Unresolved Staff Comments

None.

Executive Officers of Five Point Holdings, LLC

The following individuals are our executive officers as of February 28, 2019:

Name	Age	Position
Emile Haddad	60	Chairman, President and Chief Executive Officer
Erik R. Higgins	51	Chief Financial Officer and Vice President
Michael Alvarado	53	Chief Legal Officer, Vice President and Secretary
Lynn Jochim	55	Co-Chief Operating Officer
Kofi Bonner	63	Co-Chief Operating Officer
Greg McWilliams	67	Chief Policy Officer

Emile Haddad. Mr. Haddad has been our President and Chief Executive Officer and Chairman of our board of directors since May 2016. Mr. Haddad has been a member of our board since 2009. From 2009 until May 2016, Mr. Haddad was President and Chief Executive Officer of the management company, which he co-founded.

Erik R. Higgins. Mr. Higgins is our Chief Financial Officer and Vice President and has been since May 2016. From September 2015 to May 2016, Mr. Higgins was Chief Financial Officer of the management company. For more than ten years prior to joining the management company, Mr. Higgins was Senior Vice President-National Finance of Lennar, where he was responsible for Lennar's project-level financing and joint venture asset management.

Michael Alvarado. Mr. Alvarado has been our Chief Legal Officer, Vice President and Secretary since May 2016. From 2011 until May 2016, Mr. Alvarado served as General Counsel for the management company.

Lynn Jochim. Ms. Jochim was named our Co-Chief Operating Officer in March 2018. From May 2016 until her appointment as Co-Chief Operating Officer, Ms. Jochim served as our Executive Vice President. From 2009 until May 2016, Ms. Jochim worked for the management company, being principally responsible for Great Park Neighborhoods.

Greg McWilliams. Mr. McWilliams was named our Chief Policy Officer in March 2018. From May 2016 until his appointment as Chief Policy Officer, Mr. McWilliams served as our Regional President-Southern California. From 2004 until May 2016, Mr. McWilliams was President of Newhall Land & Farming.

Kofi Bonner. Mr. Bonner was named our Co-Chief Operating Officer in March 2018. From May 2016 until his appointment as Co-Chief Operating Officer, Mr. Bonner served as our Regional President - Northern California, leading development of our communities, Candlestick Point and The San Francisco Shipyard.

ITEM 2. Properties

We lease and maintain our principal executive office located in Irvine, California. We also lease and maintain offices in Valencia, California and San Francisco, California near our master-planned communities in those respective areas. We believe our present facilities are sufficient to support our operations.

We are developing new, vibrant and sustainable communities that, in addition to homesites, include commercial, retail, educational and recreational elements, as well as civic areas, parks and open spaces. We are the initial developer of our three communities that are designed to include approximately 40,000 residential homes and

approximately 23 million square feet of commercial space over a period of more than 10 years. The properties we are developing at our mixed-use, master-planned communities are held as inventory in the ordinary course of the planning and development process. We discuss these properties in Item 1 of this report.

ITEM 3. Legal Proceedings

Landmark Village and Mission Village

The Los Angeles County Board of Supervisors ("BOS") approved the Newhall Ranch Landmark Village and Mission Village environmental impact reports ("EIRs") and permits in late 2011 and 2012. In 2012, petitioners filed two petitions (one for each village development) in Los Angeles County Superior Court ("Superior Court") challenging such approvals under certain state environmental and planning and zoning laws. In 2014, the Superior Court issued decisions in favor of Los Angeles County (the "County") and us, and in 2015, the Court of Appeal affirmed the Superior Court's decisions in full. The Petitioners then filed a petition for review, and in 2015, the California Supreme Court ("Supreme Court") granted petitioners' request to review the County's greenhouse gas ("GHG") emission analysis, but ordered that further proceedings in the two actions be deferred pending disposition of the related GHG issue in a related case involving a challenge to an EIR certified by the California Department of Fish and Wildlife ("CDFW").

After the Supreme Court decision invalidating the GHG findings in the related CDFW action, in 2016, the Court of Appeal issued new decisions reversing the trial court judgments to the sole extent that the County's EIRs did not support its GHG significance impact finding. The matters were remitted to the trial court and that court issued the judgment and writ requested by the County. In May 2017, petitioners filed a notice of appeal challenging the scope of the trial court's judgment and writ.

In September 2017, petitioners Center for Biological Diversity, California Native Plant Society, and Wishtoyo Foundation/Ventura Coastkeeper (collectively, "Settling Petitioners") settled all of their respective claims in the Landmark Village and Mission Village cases and in the related CDFW action, leaving only two petitioners, Santa Clarita Organization for Planning and the Environment and Friends of the Santa Clara River (collectively, "Non-Settling Petitioners"). Also in September 2017, the County advised the trial court it had taken the actions required to fully comply with the writs, and requested that the Superior Court discharge the writs. As explained in further detail below, the two Non-Settling Petitioners filed a new action challenging the County's certification of the additional environmental analyses and approval of the Landmark Village and Mission Village projects and related permits.

In October 2017, the two Non-Settling Petitioners objected to Los Angeles County's return to the writs, raising the same issues as to the scope of the trial court's writ as they raised in the related CDFW action. As requested by the County and us, the trial court deferred its ruling on the Non-Settling Petitioners' objections until the Court of Appeal's opinion in the related CDFW action had been finalized and that court issued an opinion resolving the Landmark Village and Mission Village appeals as to the scope of the writs. In March 2018, the Supreme Court denied the Non-Settling Petitioners' petition to review the Court of Appeal's decision in the CDFW action. Thereafter, in May 2018, the Court of Appeal issued its combined decision in favor of Los Angeles County and us on the Landmark Village and Mission Village appeals as to the scope of the writs. Based on the County's compliance with the writ directives, the trial court issued signed orders discharging the writs in August 2018. The time for an appeal of the judgment expired in October 2018 without an appeal being filed.

Landmark Village/Mission Village

During the pendency of the above-referenced litigation involving the approval of the original EIRs and related permits for the Landmark Village and Mission Village projects, in July 2017, the BOS certified the final additional environmental analyses required as a result of the Supreme Court's decision regarding the original GHG analysis and reapproved the Landmark Village and Mission Village projects and related permits. In August 2017, the two Non-Settling Petitioners filed a new petition for writ of mandate in the Superior Court. The petition challenges the County's July 2017 approvals of the Mission Village and Landmark Village environmental analyses and the two projects based on claims arising under CEQA and the California Water Code. The Court held a hearing on the merits of the petition in September 2018. In December 2018, the Superior Court issued its written decision denying the Non-Settling Petitioners' petition for writ of mandate. Thereafter, in January 2019, the Superior Court entered judgment on the petition for writ of mandate in favor of the County and the Company.

Hunters Point Litigation

In May 2018, residents of the Bayview Hunters Point neighborhood filed a putative class action in San Francisco Superior Court naming Tetra Tech, Inc., an independent contractor hired by the U.S. Navy to conduct testing and remediation of toxic radiological waste at The San Francisco Shipyard ("Tetra Tech"), Lennar and us as defendants. The plaintiffs allege that, among other things, Tetra Tech fraudulently misrepresented its test results and remediation efforts. The plaintiffs are seeking damages against Tetra Tech and have requested an injunction to prevent Lennar and us from undertaking any development activities at The San Francisco Shipyard.

In June 2018, two construction workers who allegedly engaged in development activities at The San Francisco Shipyard filed a lawsuit in San Francisco Superior Court naming Tetra Tech, Lennar and us, among others, as defendants. The plaintiffs allege personal injuries resulting from exposure to contamination at The San Francisco Shipyard and are seeking damages relating to such alleged injuries. In March 2019, the plaintiffs dismissed us from the lawsuit.

Since July 2018, a number of lawsuits have been filed in San Francisco Superior Court on behalf of homeowners in The San Francisco Shipyard, which name Tetra Tech, Lennar, us and the our CEO, among others, as defendants. The plaintiffs allege that environmental contamination issues at The San Francisco Shipyard were not properly disclosed to them before they purchased their homes. They also allege that Tetra Tech and other defendants (not including the Company) have created a nuisance at The San Francisco Shipyard under California law. They seek damages as well as certain declaratory relief. We believe that we have meritorious defenses to the allegations in all of these cases and may have insurance and indemnification rights against third parties, including related parties, with respect to these claims. Given the preliminary nature of these claims, we cannot predict the outcome of these matters.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Class A common shares are traded on the New York Stock Exchange (the "NYSE") under the symbol "FPH." Our shares have been publicly traded since May 10, 2017. Our Class B common shares are neither listed nor traded on any stock exchange.

No distributions on our Class A or Class B common shares have been declared or paid since the formation transactions. Any future determination related to our distribution policy will be made at the sole discretion of our board of directors and will depend on, among other things, our financial condition, results of operations, cash requirements, contractual restrictions and other factors the board of directors may deem relevant. Because we are a holding company and our only investment is our interest in the operating company, we will only be able to pay distributions from funds we receive from the operating company. In addition, the operating company's ability to pay distributions to us will depend on the ability of its consolidated and nonconsolidated subsidiaries to pay dividends or distributions to the operating company. The priority distribution rights of the holders of legacy interests in the Great Park Venture and the Class B partnership interests in FP LP will limit the cash available for distribution to the operating company until such rights are satisfied in full.

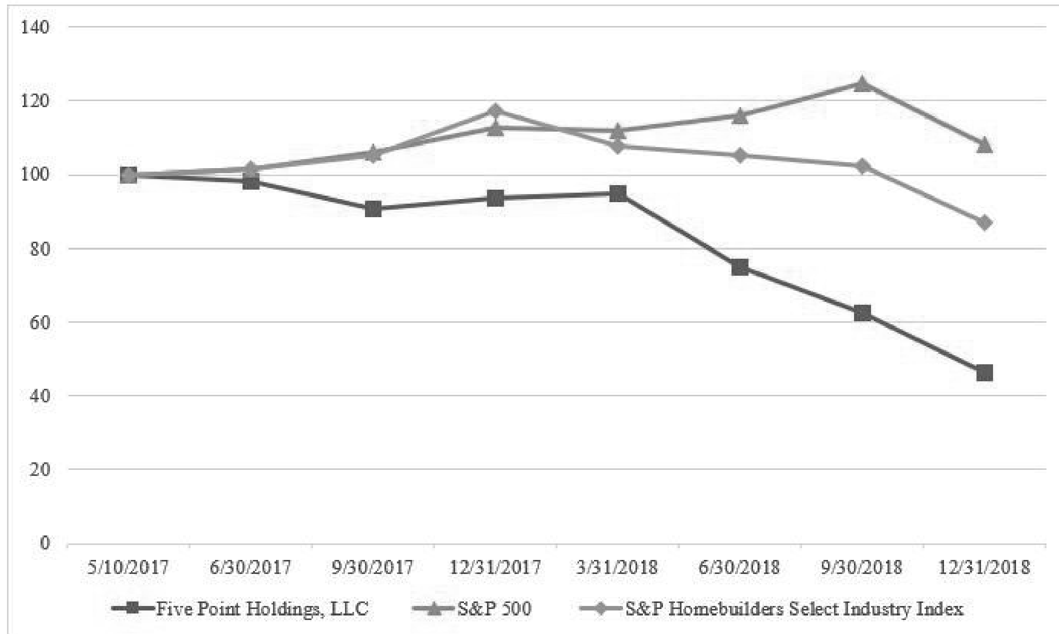
Holders of our Class B common shares are entitled to receive distributions of the same type and at the same time as any distribution payable on our outstanding Class A common shares in an amount per Class B common share equal to the amount of distributions paid on 0.0003 Class A common shares.

As of February 28, 2019, there were 90 and 11 holders of record of our Class A and Class B common shares, respectively.

Our board of directors may, from time to time, in its sole discretion, authorize our company to repurchase our outstanding shares. There were no repurchases of our shares during the year ended December 31, 2018.

Performance Graph

The following graph compares the cumulative total return of our Class A common shares with the S&P 500 and the S&P Homebuilders Select Industry Index from May 10, 2017 (the date our Class A common shares commenced trading on the NYSE) through December 31, 2018. The graph assumes $100 was invested at the market close on May 10, 2017 in our Class A common shares, the S&P 500 and the S&P Homebuilders Select Industry Index, and the reinvestment of all dividends.



Recent Sale of Unregistered Securities

We conduct all of our business in or through our subsidiary, the operating company. Under the Limited Partnership Agreement of the operating company, holders (the "Class A Unit Holders") of Class A units of the operating company ("Class A Units") may exchange their Class A Units for, at our option, either (1) Class A common shares on a one-for-one basis (subject to adjustment in the event of share splits, distributions of shares, warrants or share rights, specified extraordinary distributions and similar events), or (2) cash in an amount equal to the market value of such shares at the time of exchange.

On December 21, 2018, we issued 306,751 Class A Common Shares to certain Class A Unit Holders in exchange for an equal number of Class A Units after receiving notices of redemption from such Class A Unit Holders. These issuances were exempt from registration in reliance upon Section 4(a)(2) of the Securities Act of 1933, as amended, on the basis that no public offering was made. In connection with such exchanges, an aggregate of 306,751 Class B common shares held by such Class A Unit Holders automatically converted into 92 Class A Common Shares, pursuant to our Second Amended and Restated Limited Liability Company Agreement. These issuances were exempt from registration in reliance upon Section 3(a)(9) of the Securities Act of 1933, as amended, on the basis that securities were exchanged by the issuer with existing security holders and no commission or other remuneration was paid or given for soliciting such exchange.

On February 13, 2019, in connection with the termination of the Retail Project, we sold 357,928 Class B common shares to an affiliate of Lennar and 78,570 Class B common shares to an affiliate of Castlelake at a price of $0.0063 per share. Our Class B common shares automatically convert into Class A common shares, at a ratio of 0.0003

Class A common shares for each Class B common share, upon the exchange (by the holder of the Class B common shares) of Class A Units of the operating company for our Class A common shares. The Class B common shares were issued in reliance on the exemption afforded by Rule 506 of Regulation D and Section 4(a)(2) of the Securities Act of 1933, as amended, as a transaction not involving a public offering.

ITEM 6. Selected Financial Data

The following sets forth our selected consolidated financial data as of and for each of the years ended December 31, 2015 through 2018. We adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, effective January 1, 2018 on a modified retrospective basis. Financial results for the year ended December 31, 2018 are presented in accordance with this new revenue recognition standard. Historical financial results for reporting periods prior to 2018 are presented in conformity with amounts previously disclosed under the prior revenue recognition standard, Accounting Standards Codification 605, *Revenue Recognition*. The information presented is based upon and should be read in conjunction with our consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are included elsewhere in this annual report on Form 10-K.

As a result of the formation transactions, our results of operations will not be comparable between periods which did not include the results of operations of the San Francisco Venture, the management company or our investment in the Great Park Venture prior to May 2, 2016 and those after May 2, 2016 that do include such results.

(In thousands, except per share/unit amounts)	Year Ended December 31, 2018	2017	2016	2015
RESULTS OF OPERATIONS:				
REVENUES:				
Land sales	$ 133	$ 17,257	$ 9,561	$ 17,229
Land sales—related party	900	87,556	2,512	6,065
Management services—related party	40,976	22,517	16,856	—
Operating properties	6,981	12,101	10,439	12,288
Total revenues	48,990	139,431	39,368	35,582
COSTS AND EXPENSES:				
Land sales	(165)	84,659	356	(2,862)
Management services	23,962	10,791	9,122	—
Operating properties	5,077	11,450	10,656	10,161
Selling, general, and administrative	98,983	122,367	120,724	27,686
Management fees—related party	—	—	1,716	5,109
Total costs and expenses	127,857	229,267	142,574	40,094
OTHER INCOME:				
Adjustment to payable pursuant to tax receivable agreement	1,928	105,586	—	—
Interest income	11,767	2,577	—	—
Miscellaneous	8,573	93	57	144
Total other income	22,268	108,256	57	144
EQUITY IN (LOSS) EARNINGS FROM UNCONSOLIDATED ENTITIES	(2,163)	5,776	(1,356)	—
(LOSS) INCOME BEFORE INCOME TAX (PROVISION) BENEFIT	(58,762)	24,196	(104,505)	(4,368)
INCOME TAX (PROVISION) BENEFIT	(9,183	—	7,888	546
NET (LOSS) INCOME	(67,945)	24,196	(96,617)	(3,822)
LESS NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(33,231)	(49,039)	(63,351)	(1,137)
NET (LOSS) INCOME ATTRIBUTABLE TO THE COMPANY	$ (34,714)	$ 73,235	$ (33,266)	$ (2,685)
NET (LOSS) INCOME ATTRIBUTABLE TO THE COMPANY PER CLASS A SHARE/UNIT				
Basic	$ (0.53)	$ 1.33	$ (0.89)	$ (0.07)
Diluted	$ (0.53)	$ 0.18	$ (0.89)	$ (0.07)

(In thousands)	December 31, 2018	2017	2016	2015
FINANCIAL POSITION:				
Inventories	$ 1,696,084	$ 1,425,892	$ 1,360,451	$ 259,872
Cash and cash equivalents	495,694	848,478	62,304	108,657
Marketable securities held to maturity	—	—	20,577	25,000
Total assets	2,923,892	2,978,355	2,114,582	441,851
Debt	557,004	560,618	69,387	8,577
Total liabilities	1,075,375	1,072,746	606,469	93,418
Total noncontrolling interests	1,261,491	1,320,208	1,265,197	87,511
Total capital	1,848,517	1,905,609	1,508,113	348,433

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated audited financial statements and related notes included elsewhere in this report. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including but not limited to those described in the "Item 1A. Risk Factors" section of this report. Actual results could differ materially from those set forth in any forward-looking statements. See "Cautionary Statement Regarding Forward-Looking Statements."

Overview

We conduct all of our business in or through our operating company, Five Point Operating Company, LP (the "operating company"). We are, through a wholly owned subsidiary, the sole managing general partner and owned, as of December 31, 2018, approximately 61.7% of the operating company. The operating company directly or indirectly owns equity interests in: (1) Five Point Land, LLC ("FPL"), which owns The Newhall Land & Farming Company, a California limited partnership, the entity that is developing Newhall Ranch; (2) The Shipyard Communities, LLC (the "San Francisco Venture"), which is developing Candlestick Point and The San Francisco Shipyard; (3) Heritage Fields LLC (the "Great Park Venture"), which is developing Great Park Neighborhoods; (4) Five Point Communities, LP and Five Point Communities Management, Inc. (together, the "management company"), which have historically managed the development of Great Park Neighborhoods and Newhall Ranch; and (5) Five Point Office Venture Holdings I, LLC (the "Gateway Commercial Venture"), which owns the Five Point Gateway Campus. The operating company consolidates and controls the management of all of these entities except for the Great Park Venture and the Gateway Commercial Venture. The operating company owns a 37.5% percentage interest in the Great Park Venture, and a 75% interest in the Gateway Commercial Venture and accounts for its interest in both using the equity method. The management company performs development management services for the Great Park Venture and property management services for the Gateway Commercial Venture.

Formation Transactions

On May 2, 2016, we completed the formation transactions, in which we acquired controlling interests in the San Francisco Venture and the management company and a 37.5% percentage interest in the Great Park Venture.

We have identified Five Point Holdings, LLC as our predecessor for accounting purposes. Prior to the formation transactions, Five Point Holdings, LLC had a controlling interest in the operating company, which owns FPL. Our acquired businesses were not under common control prior to the formation transactions, despite having commonality of several owners. In determining Five Point Holdings, LLC as our predecessor, we considered many factors, including, but not limited to, Five Point Holdings, LLC being considered the accounting acquirer in the formation transactions, the extent of historical operations at the companies, the relative size of each business acquired and our organizational and governance structure subsequent to the formation transactions.

Our Business

We stage the development process to optimize the pace of land sales and land values within our communities. As a result, we are often in multiple phases of the development lifecycle within each of our communities. The development lifecycle of our mixed-use, master-planned communities can be broken down into

several phases. First, we obtain title, or the contractual right to acquire title, to the undeveloped land. Second, we obtain the necessary primary entitlements from governmental agencies for the community, which typically include zoning and general plan approvals and certification of an environmental impact report under the California Environmental Quality Act ("CEQA"), as well as any state or federal permits required for development. Third, we continue to refine the master plan for the community beyond the primary entitlements by planning and subdividing the land into separate legal lots for residential and commercial development and obtaining any other requisite discretionary approvals needed to commence construction. Fourth, we make significant investments in the community's infrastructure and common improvements, including grading and installing roads, sidewalks, gutters, utility improvements (such as storm drains, water, gas, sewer, power and communications), landscaping and shared amenities (such as community buildings, neighborhood parks, trails and open spaces), and prepare each lot for sale or development by us. Fifth, residential and commercial lots within the community are typically sold to homebuilders, commercial developers or commercial buyers, although in some cases we may retain lots and build homes or commercial buildings ourselves. Sixth, homebuilders construct the homes and commercial developers, commercial buyers or we construct the commercial buildings. Finally, homebuilders or commercial builders sell the homes or commercial buildings to homebuyers or commercial buyers, although in some cases we may retain certain income-producing properties. Given the large scale of our communities, some of these phases may occur concurrently across different parts of a single community. Further, depending on the specific plans for each community and market conditions, these phases may occur in a different sequence than as described above.

Within the development lifecycle, our cash expenditures are concentrated in the title acquisition, entitlement and infrastructure development phases, and our revenue generation occurs in the land sale phase. If we also build all or a portion of the homes or commercial buildings within a community, we incur additional development costs and receive revenue when homes or commercial properties are sold. In addition, with respect to properties that we may retain in the future, we expect to receive revenue in connection with lease or other related payments from tenants.

Our principal source of revenue generation is from selling homesites to homebuilders and commercial lots to commercial developers or commercial buyers. We primarily sell homesites to national, regional and local homebuilders in a competitive process, although in some cases we may negotiate with a single homebuilder directly. Our residential land sales typically require a cash payment upfront and include participation provisions that allow us to share in the profits realized by the homebuilders if the overall profitability of a block of homes exceeds an agreed-upon margin. We may sell commercial lots to commercial developers through a competitive process or we may negotiate directly with a commercial buyer. We also regularly assess our development plan and may retain a portion of the commercial or multi-family properties in our communities as income-producing assets.

In the ordinary course of our business, we have sold homesites to Lennar, which is our largest equity owner, or its subsidiaries or joint ventures in which Lennar is a member. During the years ended December 31, 2018, 2017 and 2016, we recognized \$0.9 million, \$87.6 million and \$2.5 million, respectively, of such revenue. We did not sell homesites to Lennar during the year ended December 31, 2018 but did recognize revenues related to certain fees or profit participation associated with homesites sold in prior periods. Additionally, since the formation transactions on May 2, 2016, we have been providing certain management services for ventures in the San Francisco Bay area in which Lennar is a significant participant. For the years ended December 31, 2018, 2017 and 2016, we recognized \$4.4 million, \$5.8 million and \$3.5 million, respectively, of revenue related to these agreements. However, we do not expect these arrangements to contribute material revenues in future periods. We also provide management services to the Great Park Venture pursuant to a development management agreement. In addition to our 37.5% percentage interest in the Great Park Venture, Lennar owns a 25% legacy interest in the Great Park Venture. Lennar, along with an affiliate of Castlelake L.P. ("Castlelake"), also owns interests in an entity that owns a 12.5% legacy interest in the

Great Park Venture. For the years ended December 31, 2018, 2017 and 2016, we recognized $35.1 million, $16.2 million and $13.3 million, respectively, of revenue from management services provided to the Great Park Venture. Other than Lennar and the Great Park Venture, no customer accounted for more than 10% of our revenue during the years ended December 31, 2018, 2017 and 2016.

Factors That May Influence our Results of Operations

Fluctuations in the Economy and Market Conditions

Our results of operations are subject to various risks and fluctuations in value and demand, many of which are beyond our control. Our business could be impacted by, among other things, downturns in economic conditions at the national, regional or local levels, particularly where our communities are located, inflation and increases in interest rates, significant job losses and unemployment levels, and declines in consumer confidence and spending.

Supply and Demand for Residential and Commercial Properties

We generate most of our revenue from land sales, which are dependent on demand from homebuilders, commercial developers and commercial buyers, which is in turn dependent on the prices that homebuyers, commercial buyers and renters are expected to pay. In addition, sales of homesites typically include participation provisions that allow us to share in the profits realized by the homebuilders if the overall profitability of a block of homes exceeds an agreed-upon margin. Because our revenue is influenced by the prices that homebuyers and commercial buyers are willing to pay for homes or commercial buildings in our region, our results of operations may be influenced by, among other things, the overall supply and demand for housing and commercial properties, the prevailing interest rates for mortgages, and the availability of mortgage financing for residential and commercial developers and residential and commercial buyers.

Timing of Obtaining the Necessary Approvals to Begin Development

As a developer of real property in California, we are subject to numerous land use and environmental laws and regulations. Before we can begin developing our communities, we must obtain entitlements, permits and approvals. Depending upon the type of the approval being sought, we may also need to complete an environmental impact report, remediate environmental impacts or agree to finance or develop public infrastructure within the community, each of which would impose additional costs on us. In the event that we materially modify any of our existing entitlements, approvals or permits, we may also need to go through a discretionary approval process before the relevant governmental authority or go through an additional or supplemental environmental review and certification process.

In addition, laws and regulations governing the approval processes provide third parties with the opportunity to challenge our entitlements, permits and approvals. The prospect of these third-party challenges creates additional uncertainty. Third-party challenges in the form of litigation can adversely affect the length of time or the cost required to obtain the necessary governmental approvals to develop, or result in the denial of our right to develop the particular community or development area in accordance with our current development plans. Furthermore, adverse decisions arising from any litigation can increase the cost or length of time to obtain ultimate approval of a project, if such approval is obtained at all, and can adversely affect the design, scope, plans and profitability of a project, which can negatively affect our financial condition and results of operations. See Part I, Item 3, of this report for a discussion of legal proceedings.

Financial Information

As a result of the formation transactions, our consolidated results of operations after May 2, 2016 are not comparable to our consolidated results of operations prior to that date because our results of operations prior to May 2, 2016 did not include either the financial condition and results of operations of the San Francisco Venture and the management company or our investment in the Great Park Venture. Consequently, our results of operations for the year ended December 31, 2016 include only eight months of results attributable to the San Francisco Venture and the management company and to our investment in the Great Park Venture, compared to a full year of operations included in the results for the years ended December 31, 2018 and 2017.

The timing of our land sale revenues is influenced by the factors described above. As a result, we have historically experienced, and expect to continue to experience, variability in results of operations between comparable periods.

On January 1, 2018, we, the Great Park Venture, and the Gateway Commercial Venture adopted the new revenue recognition guidance contained in Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, using the modified retrospective approach with the cumulative effect recorded as an adjustment to opening capital. The new guidance was applied to contracts not completed at the transition date. Results for reporting periods beginning after January 1, 2018 are presented under ASC Topic 606, *Revenue from Contracts with Customers*, while prior period results have not been adjusted and continue to be reported in accordance with historical accounting under ASC Topic 605, *Revenue Recognition,* and other industry specific guidance. See Part II, Item 8 of this report for a discussion of recently adopted accounting pronouncements.

Segments

Our four reportable segments are Newhall, San Francisco, Great Park and Commercial:

- Our Newhall segment includes operating results for the Newhall Ranch community, as well as results attributable to other land historically owned by FPL, including 16,000 acres in Ventura County, The Tournament Players Club at Valencia Golf Course (which was sold in January 2018), 500 acres of remnant commercial, residential and open space land in Los Angeles County.
- Our San Francisco segment includes operating results for the Candlestick Point and The San Francisco Shipyard communities, as well as results attributable to the development management services that we provide to Lennar with respect to the Concord community in the San Francisco Bay Area. As of December 31, 2018, we terminated the services we provided under the development management agreement for the Treasure Island community.
- Our Great Park segment includes operating results for the Great Park Neighborhoods community and development management services provided by the management company for the Great Park Venture.
- Our Commercial segment includes the operating results of the Five Point Gateway Campus and property management services provided by the management company for the Gateway Commercial Venture.

Results of Operations

The Company

The following table summarizes our consolidated historical results of operations for the years ended December 31, 2018, 2017 and 2016.

	Year Ended December 31,		
	2018	2017	2016
		(in thousands)	
Statement of Operations Data			
REVENUES:			
Land sales	$ 133	$ 17,257	$ 9,561
Land sales—related party	900	87,556	2,512
Management services—related party	40,976	22,517	16,856
Operating properties	6,981	12,101	10,439
Total revenues	48,990	139,431	39,368
COSTS AND EXPENSES:			
Land sales	(165)	84,659	356
Management services	23,962	10,791	9,122
Operating properties	5,077	11,450	10,656
Selling, general, and administrative	98,983	122,367	120,724
Management fees—related party	—	—	1,716
Total costs and expenses	127,857	229,267	142,574
OTHER INCOME:			
Adjustment to payable pursuant to tax receivable agreement	1,928	105,586	—
Interest income	11,767	2,577	—
Miscellaneous	8,573	93	57
Total other income	22,268	108,256	57
EQUITY IN (LOSS) EARNINGS FROM UNCONSOLIDATED ENTITIES	(2,163)	5,776	(1,356)
(LOSS) INCOME BEFORE INCOME TAX (PROVISION) BENEFIT	(58,762)	24,196	(104,505)
INCOME TAX (PROVISION) BENEFIT	(9,183)	—	7,888
NET (LOSS) INCOME	(67,945)	24,196	(96,617)
LESS NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(33,231)	(49,039)	(63,351)
NET (LOSS) INCOME ATTRIBUTABLE TO THE COMPANY	$ (34,714)	$ 73,235	$ (33,266)

Years Ended December 31, 2018 and 2017

Revenues. Revenues decreased by $90.4 million, or 64.9%, to $49.0 million for the year ended December 31, 2018, from $139.4 million for the year ended December 31, 2017. The difference in revenue was primarily due to a land sale of 3.6 acres planned for construction of up to 390 for-sale homesites to a related party at our San Francisco segment in January 2017. Offsetting this decrease was an increase in management services revenue at our Great Park segment mostly resulting from our application of ASC Topic 606 in 2018 for the recognition of certain variable management fees under the new revenue recognition guidance.

Cost of land sales. The higher cost of land sales for the year ended December 31, 2017 was primarily due to the land sale at our San Francisco segment.

Cost of management services. Cost of management services increased by $13.2 million, or 122.1%, to $24.0 million for the year ended December 31, 2018, from $10.8 million for the year ended December 31, 2017. The increase was primarily due to intangible asset amortization expense at our Great Park segment.

Selling, general, and administrative. Selling, general, and administrative expenses decreased by $23.4 million, or 19.1%, to $99.0 million for the year ended December 31, 2018, from $122.4 million for the year ended December 31, 2017. The decrease is mainly due to lower expenses, including litigation related costs, incurred at our Newhall segment and lower compensation expense (share-based and payroll) incurred in 2018. Share-based compensation decreased as a result of certain awards granted in connection with the formation transactions becoming fully vested at the completion of the service period in January 2018.

Other income. Other income for the year ended December 31, 2018 consisted primarily of a $6.7 million gain on the sale of an operating asset at our Newhall segment in addition to interest income earned on our cash and cash equivalents. For the year ended December 31, 2017, we recorded other income primarily as a result of a decrease to our estimate of the payable pursuant to the tax receivable agreement due to the reduction to our corporate tax rate resulting from the passage of the Tax Cuts and Jobs Act of 2017 (the "Tax Act").

Equity in (loss) earnings from unconsolidated entities. Equity in earnings from unconsolidated entities decreased to a loss of $2.2 million for the year ended December 31, 2018, from earnings of $5.8 million for the year ended December 31, 2017. The decrease in earnings was primarily due to land sale activity at our Great Park segment in 2018 compared to 2017.

Income tax provision. At December 31, 2018, we had a deferred tax asset of $150.8 million, and a deferred tax liability of $136.8 million. We net $127.6 million of the deferred tax asset against the deferred tax liability and recorded a valuation on the remaining deferred tax asset of $23.2 million. This net deferred tax liability of $9.2 million, and the increase in the valuation allowance, is a result of certain deferred tax assets not being able to offset the deferred tax liability due to changes to the utilization of tax attributes as a result of the Tax Act. We assessed the realization of the net deferred tax asset and the need for a valuation allowance, based on positive and negative evidence, and determined that, at both December 31, 2018 and December 31, 2017, it was more likely than not that such net deferred tax assets would not be realized. Pre-tax loss of $58.8 million for the year ended December 31, 2018 resulted in an increase to the net deferred tax asset of $6.1 million. The recording of a tax provision to increase our valuation allowance, against a pre-tax book loss, provided for a negative effective tax rate and resulted in a $9.2 million provision in 2018. For the year ended December 31, 2017, we had a deferred tax asset valuation allowance of $7.9 million against a net deferred tax asset of the same amount. In 2017, there was a zero tax rate against pre-tax income due to the valuation allowance, as well as the non-taxable nature of the tax receivable agreement re-measurement gain. Our effective tax rate, before changes in valuation allowance, decreased for the year ended December 31, 2018 compared to the year ended December 31, 2017, primarily due to the effect of the federal rate change on our deferred tax balances and the impact of our noncontrolling interests not participating in the income from the reduction in the payable pursuant to the tax receivable agreement.

Years Ended December 31, 2017 and 2016

Revenues. Revenues increased by $100.1 million, or 254.2%, to $139.4 million for the year ended December 31, 2017, from $39.4 million for the year ended December 31, 2016. The increase in revenue was primarily due to a land sale to a related party at our San Francisco segment. Additionally, the increase was also driven in part by revenues from development management services provided to related parties at our San Francisco

and Great Park segments. Prior to the formation transactions, our predecessor did not provide development management services.

Cost of land sales. Cost of land sales increased by $84.3 million to $84.7 million for the year ended December 31, 2017, from $0.4 million for the year ended December 31, 2016. The increase was primarily due to the land sale at our San Francisco segment.

Selling, general, and administrative. Selling, general, and administrative expenses increased by $1.6 million, or 1.3%, to $122.3 million for the year ended December 31, 2017, from $120.7 million for the year ended December 31, 2016. This increase was primarily due to higher general and administrative expenses, including payroll expenses (excluding share-based compensation), incurred for the year ended December 31, 2017 primarily attributable to the acquired business operations of the San Francisco Venture and the corporate overhead of the management company that are included in the results for the full year of operations compared to eight months of operations in 2016 (from the acquisition date on May 2, 2016 to December 31, 2016). Offsetting this higher 2017 expense was a higher share-based compensation expense in 2016 incurred in connection with the formation transactions.

Management fees—related party. For the year ended December 31, 2016, we incurred management fees of $1.7 million related to the engagement of the management company as the development manager of Newhall Ranch. As a result of our acquisition of the management company in the formation transactions, the development management agreement for Newhall Ranch was terminated.

Equity in earnings (loss) from unconsolidated entities. Equity in earnings from unconsolidated entities increased by $7.1 million to $5.8 million for the year ended December 31, 2017, from a loss of $1.4 million for the year ended December 31, 2016. The increase was primarily due to increased revenue from land sales at our Great Park segment.

Income tax benefit. At December 31, 2017, we had a deferred tax asset valuation allowance of $7.9 million against a net deferred tax asset of the same amount. We assessed the realization of the net deferred tax asset and the need for a valuation allowance, based on positive and negative evidence, and determined that, at both December 31, 2017 and December 31, 2016, it was more likely than not that such net deferred tax assets would not be realized. Pre-tax income of $24.2 million for the year ended December 31, 2017, combined with the change in federal tax rates, resulted in a decrease to the net deferred tax asset of $7.8 million. Offsetting the decrease to the net deferred tax asset was a decrease to our deferred tax asset valuation allowance of $7.8 million. For the year ended December 31, 2016, we recognized an income tax benefit of $7.9 million attributable to a $104.5 million pre-tax loss for the period. The tax benefit also resulted in a decrease to the net deferred tax liability that existed during the period. Our effective tax rate, before changes in valuation allowance, increased for the year ended December 31, 2017 compared to the year ended December 31, 2016, primarily due to the effect of the federal rate change on our deferred tax balances and the impact of our noncontrolling interests not participating in the income from the reduction in the payable pursuant to the tax receivable agreement.

Newhall Segment

Our Newhall Ranch property consists of approximately 15,000 acres in northern Los Angeles County. Newhall Ranch is designed to include approximately 21,500 homesites and approximately 11.5 million square feet of commercial space. Newhall Ranch is directly adjacent to our completed, award-winning Valencia master-planned community, where today approximately 20,000 households reside and approximately 60,000 people work. We are continuing horizontal development activities at Newhall Ranch's first neighborhood, Mission Village, and expect to

start delivering homesites to builders in late 2019. Mission Village is approved for up to 4,055 homesites and approximately 1.6 million square feet of commercial development.

The following table summarizes the results of operations of our Newhall segment for the years ended December 31, 2018, 2017 and 2016.

	Year Ended December 31,		
	2018	2017	2016
		(in thousands)	
Statement of Operations Data			
Revenues			
Land sales	$ 133	$ 17,257	$ 9,561
Land sales—related party	16	2,746	2,107
Operating properties	6,252	11,565	10,376
Total revenues	6,401	31,568	22,044
Costs and expenses			
Land sales	(241)	3,201	356
Operating properties	5,077	11,450	10,656
Selling, general, and administrative	15,391	29,371	32,076
Management fees—related party	—	—	1,716
Total costs and expenses	20,227	44,022	44,804
Other income	7,024	96	57
Segment loss	$ (6,802)	$ (12,358)	$ (22,703)

Years Ended December 31, 2018 and 2017

Land sales revenues. Revenues decreased by $19.9 million, or 99.3%, to $0.1 million for the year ended December 31, 2018, from $20.0 million for the year ended December 31, 2017. Land sales revenues for the year ended December 31, 2017 included the sale of 153 residential homesites on approximately 24 acres in Sacramento, California for gross proceeds of $7.2 million. The property was the last part of the Newhall segment's land holdings in Sacramento, California. Additional land sale revenues in 2017 were primarily due to miscellaneous land sale revenue recognition, which includes the recognition of deferred revenues, profit participation and collection of various builder fees.

Operating Properties. In January 2018, we completed the sale of The Tournament Players Club at Valencia Golf Course to a third party for net cash proceeds of $5.7 million, and the buyer's assumption of certain liabilities, including certain club membership related liabilities. We recognized a gain of $6.7 million during the year ended December 31, 2018 as a result of the sale, included in other income. We operated the property as an amenity to the segment's completed Valencia community, and we do not consider the sale of The Tournament Players Club at Valencia Golf Course to be a disposal that represents a strategic shift that will have a major effect on our future operations and financial results. Included in operating properties revenues and expenses for 2017 was $5.8 million in revenues and $6.5 million of expenses generated from operations at The Tournament Players Club at Valencia Golf Course.

Selling, general, and administrative. Selling, general, and administrative expenses decreased by $14.0 million, or 47.6%, to $15.4 million for the year ended December 31, 2018, from $29.4 million for the year ended December 31, 2017. This decrease was primarily due to decreased legal and consulting expenses incurred in 2018

compared to 2017 related to certain legal proceedings. See Part I, Item 3 of this report for a discussion of legal proceedings.

Years Ended December 31, 2017 and 2016

Revenues. Revenues increased by $9.5 million, or 43.2%, to $31.6 million for the year ended December 31, 2017, from $22.0 million for the year ended December 31, 2016. In 2017, we sold 153 residential homesites in Sacramento, California for gross proceeds of $7.2 million (see above). No residential homesites or significant commercial acres were sold in 2016. Additional land sale revenues in both periods represent recognition of deferred revenue, profit participation and collection of various builder fees related to prior period land sales.

Management fees—related party. No management fees were incurred for the year ended December 31, 2017, and $1.7 million of management fees were incurred for the year ended December 31, 2016. As a result of our acquisition of the management company with the formation transactions, our development management agreement with the management company was terminated on May 2, 2016.

San Francisco Segment

Located almost equidistant between downtown San Francisco and the San Francisco International Airport, Candlestick Point and The San Francisco Shipyard consists of approximately 800 acres of bayfront property in the City of San Francisco. Candlestick Point and The San Francisco Shipyard is designed to include approximately 12,000 homesites and approximately 6.3 million square feet of commercial space.

On May 2, 2016, the San Francisco Venture transferred to a joint venture (the "Lennar-CL Venture") between Lennar and an affiliate of Castlelake certain assets and liabilities of the San Francisco Venture, including property within The San Francisco Shipyard known as the Phase 1 Land (the "Separation Transaction"). The Lennar-CL Venture is responsible for current and future residential construction on the Phase 1 Land. We are not entitled to any of the proceeds from future sales of homes on the Phase 1 Land (although we will receive a marketing fee for each home sold). The Lennar-CL Venture was also transferred the ownership interest in a joint venture (the "Mall Venture") formed with affiliates of The Macerich Company ("Macerich") that intended to construct an urban retail outlet shopping district (the "Retail Project") at Candlestick Point. Following the Separation Transaction, we were obligated to complete certain development activities and convey the parcels of property to the Mall Venture upon which the Retail Project was to be developed. In early 2019, following discussions with the members of the Mall Venture, we and the members of the Mall Venture decided not to proceed with the Retail Project. As part of the termination of the Retail Project, we were released from our obligation to convey parcels of property on which the Retail Project was intended to be developed by the Mall Venture. We were also released from certain development obligations. In return, we repaid Macerich a $65.1 million obligation related to a promissory note in the same amount, plus $5.5 million of accrued interest associated with the promissory note. The San Francisco Venture also issued an aggregate of 436,498 of its Class A Units (while we concurrently issued 436,498 of our Class B common shares) to affiliates of Lennar and Castlelake. The San Francisco Venture can now redevelop these parcels for alternative uses.

In November 2016, San Francisco voters approved an initiative measure, Proposition O, to exempt Candlestick Point and The San Francisco Shipyard from citywide office development growth restrictions. Those growth controls (referred to as Proposition M after the 1986 initiative measure first imposing them) limit the amount of new office construction in San Francisco to 950,000 square feet per year and require each new office development of 25,000 square feet or more to obtain an allocation of office space from the Planning Commission. With passage of Proposition O and the approval to implement the redevelopment plan amendments that the San

Francisco Venture is seeking, development at Candlestick Point and The San Francisco Shipyard will not be required to obtain an allocation of office space and will not be subject to the Proposition M annual limitations on office development. This means the full amount of permitted commercial square footage at Candlestick Point and The San Francisco Shipyard can be constructed as we determine, including all at once, even though Proposition M may delay new office developments elsewhere in San Francisco. In 2018, our disposition and development agreement with the City of San Francisco was amended to increase the total amount of commercial use at Candlestick Point and The San Francisco Shipyard by over two million square feet, most of which we anticipate will be for office use, and increases our total commercial space to approximately 6.3 million square feet.

At The San Francisco Shipyard, approximately 408 acres are still owned by the U.S. Navy and will not be conveyed to us until the U.S. Navy satisfactorily completes its finding of suitability to transfer, or "FOST," process, which involves multiple levels of environmental and governmental investigation, analysis, review, comment and approval. Based on our discussions with the U.S. Navy, we had previously expected the U.S. Navy to deliver this property between 2019 and 2022. However, allegations that Tetra Tech, Inc. ("Tetra Tech"), a contractor hired by the U.S. Navy, misrepresented sampling results at The San Francisco Shipyard have resulted in data reevaluation, governmental investigations, criminal proceedings, lawsuits, and a determination by the U.S. Navy and other regulatory agencies to undertake additional sampling. As part of the 2018 Congressional spending bill, the U.S. Department of Defense allocated $36.0 million to help fund resampling efforts at The San Francisco Shipyard. An additional $60.4 million to fund resampling efforts was approved as part of a 2019 military construction spending bill. These activities have delayed the remaining land transfers from the U.S. Navy and could lead to additional legal claims or government investigations, all of which could in turn further delay or impede our future development of such parcels. Our development plans were designed with the flexibility to adjust for potential land transfer delays, and we have the ability to shift the phasing of our development activities to account for potential delays caused by U.S. Navy retesting, but there can be no assurance that these matters and other related matters that may arise in the future will not materially impact our development plans.

We have been, and may in the future be, named as a defendant in lawsuits seeking damages and other relief arising out of alleged contamination at The San Francisco Shipyard and Tetra Tech's alleged misrepresentations of related sampling work. See Part I, Item 3 of this report for additional information. Given the preliminary nature of the claims to date, the Company cannot predict the outcome of these matters.

The following table summarizes the results of operations of our San Francisco segment for the years ended December 31, 2018 and 2017 and for the period from May 2, 2016 (date of formation transactions) to December 31, 2016.

	Year ended December 31,	Year ended December 31,	Period from May 2, 2016 to December 31,
	2018	2017	2016
		(in thousands)	
Statement of Operations Data			
Revenues			
Land sales—related party	$ 884	$ 84,810	$ 405
Operating property	729	536	62
Management services—related party	4,397	5,841	3,532
Total revenues	6,010	91,187	3,999
Costs and expenses			
Land sales	76	81,458	—
Management services	1,015	709	110
Selling, general, and administrative	22,979	28,288	18,093
Total costs and expenses	24,070	110,455	18,203
Segment loss	$ (18,060)	$ (19,268)	$ (14,204)

Years Ended December 31, 2018 and 2017

Land sales—related party. Land sales revenues decreased by $83.9 million, or 99.0%, to $0.9 million for the year ended December 31, 2018, from $84.8 million for the year ended December 31, 2017. The decrease was primarily due to the recognition of revenues in 2017 from a sale to the Lennar-CL Venture for real estate within the Candlestick Point community. The sale closed in January 2017, resulting in gross proceeds of $91.4 million on 3.6 acres planned for construction of up to 390 for-sale homesites. As of December 31, 2017, we had deferred $9.9 million in revenue related to the sale. In transitioning to the new revenue recognition guidance, we determined that we transferred control of the land in connection with the 2017 land sale and satisfied the performance obligation to the buyer at the time of the sale, and we recognized $9.9 million in deferred revenues, and the associated inventory relief, directly to capital on January 1, 2018. Additionally, under the new revenue guidance, the recognition of variable consideration from land sale contracts in the form of revenue or profit participation and marketing fees received from homebuilders, which historically have been recognized as revenue in the period in which the contingencies associated with the amount and timing of the consideration were resolved, is now recognized at the time of land sale in an amount we expect to be entitled to receive in revenue.

At the transition date, our San Francisco segment recognized a contract asset of $7.0 million representing a variable cash consideration component of the transaction price for the sale that closed in January 2017. In the third quarter of 2018, after receiving the necessary government approvals, the Lennar-CL Venture transferred to us entitlements for the right to construct 172 homesites and 71,000 square feet of retail space at the Candlestick Point and The San Francisco Shipyard communities. As a result of receiving these entitlements, the transaction price components changed, and we relinquished our rights to receive the variable cash consideration. The total transaction price did not change as a result of the changes to the consideration components. The cost of land sales for the year ended December 31, 2017 is primarily related to the land sale to the Lennar-CL Venture.

Management Services—related party. The decrease in management services—related party revenues was mainly attributable to an amendment to our agreement with an affiliate of Lennar, which reduced the fees and the scope of management services that we provided with respect to the Treasure Island community. The amended agreement expired in December 2018, and we no longer provide management services with respect to the Treasure Island community.

Year Ended December 31, 2017 and the Period from May 2, 2016 to December 31, 2016

Revenues. Revenues increased by $87.2 million, to $91.2 million for the year ended December 31, 2017, from $4.0 million for the period from May 2, 2016 to December 31, 2016. In addition to the collection of Phase I builder marketing fees, land sale revenues of $84.8 million in 2017 primarily consist of revenues from a sale to the Lennar-CL Venture related to a purchase and sale agreement entered into concurrent with the formation transactions. The cost of land sales for the year ended December 31, 2017 is related to the land sale to the Lennar-CL Venture.

Selling, general, and administrative. Selling, general, and administrative expenses increased by $10.2 million, or 56.3%, to $28.3 million for the year ended December 31, 2017, from $18.1 million for the period from May 2, 2016 to December 31, 2016. The increase was primarily due to the results for 2016 consisting of just eight months of operations after the completion of the formation transactions compared to a full year for 2017.

Great Park Segment

We have a 37.5% percentage interest in the Great Park Venture, and we account for our investment using the equity method of accounting. We have a controlling interest in the management company, an entity which performs development management services at Great Park Neighborhoods. We do not include the Great Park Venture as a consolidated subsidiary in our consolidated financial statements. However, because of the relationship between the management company and the Great Park Venture, we assess our investment in the Great Park Venture based on the financial information for the Great Park Venture in its entirety, and not just our equity interest in it. As a result, our Great Park segment consists of the operations of both the Great Park Venture and the development management services provided by the management company at the Great Park Venture.

Great Park Neighborhoods consists of approximately 2,100 acres in Orange County and is being built around the approximately 1,300 acre Orange County Great Park, a metropolitan public park that is under construction. Great Park Neighborhoods is designed to include approximately 9,500 homesites and approximately 4.9 million square feet of commercial space.

The Great Park Venture sold the first homesites in April 2013 and, as of December 31, 2018, had sold 5,409 homesites (including 544 affordable homesites) and commercial land allowing for development of up to 2 million square feet of commercial (research and development) space for aggregate consideration of approximately $2.3 billion. Based on reports we receive from third-party homebuilders, we believe that the percentage of homes sold in Parasol Park and Cadence Park at the Great Park Neighborhoods was approximately 98% and 31%, respectively, as of December 31, 2018.

Interests in the Great Park Venture are either "percentage interests" or "legacy interests." Holders of the legacy interests are entitled to receive priority distributions in an amount up to $565.0 million, and holders of percentage interests are entitled to all other distributions. As of December 31, 2018, aggregate distributions to holders of legacy interests totaled $355.0 million.

The following table summarizes the results of operations of our Great Park segment for the years ended December 31, 2018, 2017 and for the period from May 2, 2016 (date of formation transactions) to December 31, 2016.

	Year ended December 31,	Year ended December 31,	Period from May 2, 2016 to December 31,
	2018	2017	2016
		(in thousands)	
Statement of Operations Data			
Revenues			
Land sales	$ 171,775	$ 473,234	$ 15,719
Land sales—related party	3,914	7,700	6,786
Management services—related party	35,090	16,239	13,325
Total revenues	210,779	497,173	35,830
Costs and expenses			
Land sales	118,115	339,100	12,093
Management services	22,947	10,082	9,012
Selling, general, and administrative	32,322	27,115	18,806
Management fees—related party	24,999	80,883	75,310
Total costs and expenses	198,383	457,180	115,221
Interest income	2,815	2,226	11,723
Segment income (loss)	$ 15,211	$ 42,219	$ (67,668)

Land sales revenues. Land sales revenues decreased by $301.5 million, or 63.7%, to $171.8 million for the year ended December 31, 2018 from $473.2 million for the year ended December 31, 2017. Land sales during the year ended December 31, 2017 included revenue recognition from the sale of 1,007 home sites on approximately 103 acres, resulting in gross proceeds of $474.8 million. Land sales during the year ended December 31, 2018, include revenue recognized from the sale of 536 home sites on approximately 33 acres, with initial gross proceeds from the base price of $166.0 million. Revenues from the 2018 sales also include approximately $4.0 million as an estimate of the amount of variable consideration from marketing fees that we expect to be entitled to receive. Land sales revenues also included changes in estimates of variable consideration from those amounts previously recorded by the Great Park Venture in accordance with the application of the new revenue recognition guidance. As of December 31, 2017, the Great Park Venture had a deferred revenue balance of $18.4 million attributable to land sales in 2017 and prior periods. In transitioning to the new revenue recognition guidance, the Great Park Venture determined that it transferred control of the land in connection with prior land sales and satisfied the performance obligation to the buyers at the time of sale, and it recognized the balance of deferred revenues and the associated inventory relief directly to capital on January 1, 2018.

Management services revenue—related party. The management company has an agreement to provide development management services to the Great Park Venture. Under this agreement, the management company receives a base management fee, reimbursement for certain defined project team costs and the right to receive certain variable incentive compensation. The new revenue recognition guidance primarily impacted our recognition of variable incentive compensation consideration. Previously, revenue was recognized when contingencies associated with the amount and timing of the consideration were resolved. Under the new guidance, estimates of the amount of variable consideration that we expect to be entitled to receive as revenue are recognized over time as management services are provided. Upon transitioning to the new guidance, we adjusted our opening balance sheet

on January 1, 2018 to reflect a contract asset of $29.4 million, representing the cumulative amount of consideration we expect to be entitled to receive for services provided through the transition date. We include this contract asset in related party assets on our consolidated balance sheet. During the year ended December 31, 2018, we recognized $18.3 million in revenues and an increase to our contract asset attributed to the incentive compensation provisions of the development management agreement with the Great Park Venture for services provided during the period. We also recognized $16.8 million in revenues attributable to the base management fee and reimbursement of certain defined project costs during the year ended December 31, 2018 compared to $16.2 million recognized during the same period in 2017.

Management services costs and expenses. Included within management services costs and expenses are general and administrative costs and expenses incurred directly by the management company's project team that is managing the development of the Great Park Neighborhoods. We also include amortization expense, if any, related to the intangible asset attributable to the incentive compensation provisions of the development management agreement with the Great Park Venture. Corporate and non-project team salaries and overhead are not allocated to management services costs and expenses and are reported in selling, general, and administrative costs in the consolidated statement of operations. During the year ended December 31, 2018, management services costs and expenses increased compared to the year ended December 31, 2017 primarily as a result of amortization expense related to the intangible asset of $12.5 million in 2018 and no amortization expense incurred in 2017.

Selling, general, and administrative. Selling, general, and administrative expenses are comprised of the Great Park Venture's marketing related costs and project team and other administrative costs that are reimbursed to the management company per the terms of the development management agreement. Selling, general, and administrative costs increased by $5.2 million, or 19.2%, to $32.3 million for the year ended December 31, 2018, from $27.1 million for the year ended December 31, 2017. The higher expense during the year ended December 31, 2018 is primarily due to increased marketing activities in connection with active neighborhoods at the Great Park Neighborhoods.

Management fees—related party. Management fees incurred by the Great Park Venture decreased by $55.9 million, or 69.1%, to $25.0 million for the year ended December 31, 2018, from $80.9 million for the year ended December 31, 2017. Management fees incurred by the Great Park Venture are comprised of base development management fees and incentive compensation fees. In general, incentive compensation fees will be paid as a percentage of distributions made to holders of the Great Park Venture's percentage interests. When payments are deemed probable of being made, the Great Park Venture recognizes the expense ratably over the period services are expected to be provided. When estimates of the amount of incentive compensation probable of being paid change, the Great Park Venture records a cumulative adjustment in the period in which the estimate changes. The Great Park Venture recognized $18.3 million and $74.7 million of incentive compensation fees during the years ended December 31, 2018 and 2017, respectively. Included in the incentive compensation expense recognized in 2017, is $34.4 million in incentive compensation expense expected to be probable of being paid in future periods to the Great Park Venture's former commercial development sub-manager. The commercial development sub-manager is an affiliate of one of the members of the Great Park Venture. As a result of its early contract termination, the commercial development sub-manager became fully vested and entitled to incentive compensation payments in periods after it was no longer providing services. In addition, during the year ended December 31, 2018, the Great Park Venture recognized $6.3 million in base management fees compared to $6.2 million recognized during the year ended December 31, 2017.

Year Ended December 31, 2017 and the Period from May 2, 2016 to December 31, 2016

Revenues. During the year ended December 31, 2017, the Great Park Venture closed escrow with eight homebuilders for an aggregate of 1,007 homesites on approximately 103 acres, resulting in gross proceeds of $474.8

million. A portion of the consideration paid was deferred until the Great Park Venture completed certain infrastructure improvements. Deferred land sale revenues from prior period land sales in addition to the collection of builder marketing fees were also recognized in the year ended December 31, 2017. For the period from May 2, 2016 to December 31, 2016, revenues from the Great Park Venture were generated from the sale of 26 homesites on approximately two acres resulting in gross proceeds of $7.2 million in addition to the recognition of deferred land sale revenue and builder marketing fees.

Selling, general, and administrative. Selling, general, and administrative costs increased by $8.3 million, or 44.2%, to $27.1 million for the year ended December 31, 2017, from $18.8 million for the period from May 2, 2016 to December 31, 2016. The increase was primarily due to the results for 2016 consisting of just eight months of operations after the completion of the formation transactions compared to a full year for 2017.

Management fees—related party. Management fees increased by $5.6 million, or 7.4%, to $80.9 million for the year ended December 31, 2017, from $75.3 million for the period from May 2, 2016 to December 31, 2016. Management fees incurred by the Great Park Venture from services provided by the management company are comprised of base development management fees and incentive compensation fees. In 2017, the Great Park Venture recognized $40.3 million of incentive compensation fees, representing a portion of an estimated amount of incentive compensation determined to be probable of being paid in future periods. The amount recognized is attributable to the portion of the services that had been provided through December 31, 2017. Additionally, in 2017, the Great Park Venture recognized $34.4 million in incentive compensation expense expected to be probable of being paid to the Great Park Venture's former commercial development sub-manager in future periods. The commercial development sub-manager is an affiliate of one of the members of the Great Park Venture. As a result of its early contract termination, the commercial development sub-manager became fully vested and entitled to incentive compensation payments in periods after it was no longer providing services. During the period from May 2, 2016 to December 31, 2016, management fees—related party included incentive compensation of $71.3 million, all of which was paid in 2016 and in January 2017 to the management company and the commercial development sub-manager.

Interest income. Interest income decreased by $9.5 million, to $2.2 million for the year ended December 31, 2017, from $11.7 million for the period from May 2, 2016 to December 31, 2016. The increased interest income in 2016 was primarily from interest earned on a note receivable held by the Great Park Venture related to a homesite sale that closed escrow prior to May 2, 2016. The note receivable was collected in full in December 2016.

The table below reconciles the Great Park segment results for the years ended December 31, 2018 and 2017 and for the period from May 2, 2016 to December 31, 2016 to the equity in (loss) earnings from our investment in the Great Park Venture that is reflected in the consolidated statements of operations for the years ended December 31, 2018, 2017 and 2016, respectively.

	Year ended December 31,	Year ended December 31,	Period from May 2, 2016 to December 31,
	2018	2017	2016
		(in thousands)	
Segment net income (loss) from operations	$ 15,211	$ 42,219	$ (67,668)
Less net income of management company attributed to the Great Park segment	12,143	6,157	4,312
Net income (loss) of Great Park Venture	3,068	36,062	(71,980)
The Company's share of net income (loss) of the Great Park Venture	1,151	13,523	(26,992)
Basis difference (amortization) accretion	(2,057)	(7,763)	25,636
Equity in (loss) earnings from Great Park Venture	$ (906)	$ 5,760	$ (1,356)

Commercial Segment

We have a 75% interest in the Gateway Commercial Venture that is held through a wholly owned subsidiary of the operating company, and we serve as the manager of the Gateway Commercial Venture. However, the manager's authority is limited. Major decisions by the Gateway Commercial Venture generally require unanimous approval by an executive committee composed of two people designated by us and two people designated by another investor. Some decisions require approval by all of the members of the Gateway Commercial Venture. We do not include the Gateway Commercial Venture as a consolidated subsidiary in our consolidated financial statements. However, as a result of our 75% economic interest and our role as manager, we assess our investment in the Gateway Commercial Venture based on the financial information of the Gateway Commercial Venture in its entirety, and we include the Gateway Commercial Venture's financial results within the Commercial segment. Additionally, the management company has been engaged by the Gateway Commercial Venture to provide property management services to the Five Point Gateway Campus. We include the management company's results of operations related to these property management services within the Commercial segment.

In August 2017, the Gateway Commercial Venture acquired the Five Point Gateway Campus, a commercial office campus consisting of approximately 73 acres of land in the Great Park Neighborhoods containing four newly constructed buildings, two of which were leased back by the seller, Broadcom Limited (together with its subsidiaries, "Broadcom"). The Five Point Gateway Campus includes approximately one million square feet planned for research and development and office space in the four buildings, which are designed to accommodate thousands of employees. Broadcom is the largest tenant, leasing approximately 660,000 square feet of research and development space pursuant to a 20-year triple net lease. We and Lennar have entered into separate 130-month full service gross leases to occupy approximately 135,000 aggregate square feet.

The following table summarizes the results of operations of our Commercial segment for the year ended December 31, 2018 and for the period from August 4, 2017 (the date of our initial investment) to December 31, 2017.

	Year ended December 31, 2018	Period from August 4, 2017 to December 31, 2017
	(in thousands)	
Statement of Operations Data		
Revenues		
Rental and related income	$ 26,580	$ 9,245
Property management fees	1,489	437
Total revenues	28,069	9,682
Costs and expenses		
Rental operating expenses	4,705	1,049
Interest	11,563	3,629
Depreciation	7,632	2,834
Amortization	4,098	1,670
Other expenses	258	42
Total costs and expenses	28,256	9,224
Segment (loss) income	$ (187)	$ 458

Revenues. Revenues increased by $18.4 million, or 189.9%, to $28.1 million for the year ended December 31, 2018, from $9.7 million for the period from August 4, 2017 to December 31, 2017. The increase was primarily due to the results for 2017 consisting of just five months of operations compared to a full year for 2018. Correspondingly, rental operating expenses also increased by $3.7 million, to $4.7 million for the year ended December 31, 2018, from $1.0 million for the year ended December 31, 2017. Revenues are generated from tenant leases and property management services provided by the management company to the Gateway Commercial Venture.

Costs and expenses. Costs and expenses increased by $19.0 million, or 206.3%, to $28.3 million for the year ended December 31, 2018, from $9.2 million for the period from August 4, 2017 to December 31, 2017. The increase is primarily due to the results for 2017 consisting of just five months of operations compared to a full year for 2018.

The table below reconciles the Commercial segment results for the year ended December 31, 2018 and for the period from August 4, 2017 to December 31, 2017 to the equity in loss (earnings) from our investment in the Gateway Commercial Venture that is reflected in the consolidated statements of operations for the years ended December 31, 2018 and 2017:

	Year ended December 31, 2018	Period from August 4, 2017 to December 31, 2017
	(in thousands)	
Segment net (loss) income from operations	$ (187)	$ 458
Less net income of management company attributed to the Commercial segment	1,489	437
Net (loss) income of Gateway Commercial Venture	(1,676)	21
Equity in (loss) earnings from Gateway Commercial Venture	$ (1,257)	$ 16

Liquidity and Capital Resources

At December 31, 2018, we had $495.7 million of consolidated cash and cash equivalents, compared to $848.5 million at December 31, 2017. As of December 31, 2018, no funds have been drawn on the Company's $125.0 million revolving credit facility. However, letters of credit of $1.0 million are issued and outstanding under the revolving credit facility, thus reducing the available capacity to $124.0 million.

Our short-term cash needs consist primarily of general and administrative expenses and development expenditures at Newhall Ranch and the Candlestick Point and The San Francisco Shipyard communities. The development stages of our master-planned communities continue to require significant cash outlays on both a short-term and long-term basis. While we expect land sales at Newhall Ranch to begin in late 2019, the Candlestick Point and The San Francisco Shipyard communities are not expected to generate significant liquidity within the next 12 months. We expect to meet our cash requirements for at least the next 12 months with available cash and collection of management fees under our various management agreements.

Our long-term cash needs relate primarily to future horizontal development expenditures and investments in or vertical construction costs for properties that we may acquire or develop for our income-producing portfolio. We budget our cash development costs on an annual basis. Budgeted amounts are subject to change due to delays or accelerations in construction or regulatory approvals, changes in inflation rates and other increases (or decreases) in costs. We may also modify our development plans or change the sequencing of our communities in response to changing economic conditions, consumer preferences and other factors, which could have a material impact on the timing and amount of our development costs. Budgeted amounts are expected to be funded through a combination of available cash, cash flows from our communities and reimbursements from public financing, including community facilities districts, tax increment financing and local, state and federal grants. Cash flows from our communities may occur in uneven patterns as cash is primarily generated by land sales, which can occur at various points over the life cycle of our communities.

We currently expect to have sufficient capital to fund the horizontal development of our communities in accordance with our development plan for several years. However, we may experience cost increases, our plans may

change or circumstances may arise that result in our needing additional capital to execute our development plan. In addition, the level of capital expenditures in any given year may vary due to, among other things, the number of communities or neighborhoods under development and the number of planned deliveries, which may vary based on market conditions. We may seek to raise additional capital by accessing the debt or equity capital markets or with one or more revolving or term loan facilities or other public or private financing alternatives. These financings may not be available on attractive terms, or at all.

Summary of Cash Flows

The following table outlines the primary components of our cash flows (in thousands):

	Year ended December 31,		
	2018	**2017**	**2016**
Operating activities	$ (343,296)	$ (58,143)	$ (124,637)
Investing activities	579	(56,765)	81,753
Financing activities	(10,131)	900,206	(5,043)

Cash Flows from Operating Activities. Cash flows from operating activities are primarily comprised of cash inflows from land sales, management services and operating property results. Cash outflows are comprised primarily of cash outlays for horizontal development costs, employee compensation, management fees and selling, general, and administration costs. Our operating cash flows vary significantly each year due to the timing of land sales and the development efforts related to our master-planned communities.

Net cash used in operating activities increased by $285.2 million for the year ended December 31, 2018, compared to the year ended December 31, 2017 due to $91.2 million in net proceeds received upon closing escrow for the land sale at the San Francisco Venture that offset net cash used for operating activities during the year ended December 31, 2017. We did not have any significant land sale proceeds during the year ended December 31, 2018. Additionally, during the year ended December 31, 2018, net cash used in operating activities included increased spending on horizontal development activities at our Newhall segment and total interest payments of $38.6 million on our senior notes.

Net cash used in operating activities decreased by $66.5 million for the year ended December 31, 2017, compared to the year ended December 31, 2016 due to $91.2 million in net proceeds received in 2017 upon closing escrow for the land sale at the San Francisco Venture. Offsetting these proceeds was an increase in horizontal development costs, including entitlement costs on real estate inventory primarily related to the San Francisco Venture, the operations of which are included in our 2016 financial results only for the period from May 2, 2016 to December 31, 2016. Further offsetting the increase was the increased use of operating cash for selling, general, and administrative costs, the increase in which is primarily attributable to the consolidated operations of the San Francisco Venture and the management company being included in our consolidated results for the entire year in 2017, compared to only a portion of the period in 2016 (from May 2, 2016 to December 31, 2016).

Cash Flows from Investing Activities. Net cash provided by investing activities was $0.6 million for the year ended December 31, 2018, an increase of $57.3 million compared to the net cash used in investing activities of $56.8 million for the year ended December 31, 2017.

For the year ended December 31, 2018, net proceeds from the sale of the Newhall segment's golf course operating property were $5.7 million. Additionally, we used $1.8 million of cash to acquire an indirect interest in

rights to certain legacy interests in the Great Park Venture that were held by our CEO, Mr. Emile Haddad. We expect to receive distributions of approximately $2.8 million with respect to such legacy interest as the Great Park Venture makes the remaining priority distributions to the holders of legacy interests. We also made a capital contribution of $8.4 million to the Gateway Commercial Venture related to funding of tenant improvements. The contribution is expected to be fully distributed back to us following completion of the tenant improvements. As of December 2018, we had received distributions of $6.5 million from the Gateway Commercial Venture with the remaining balance expected to be received in 2019.

For the year ended December 31, 2017, we contributed $106.5 million to the Gateway Commercial Venture in exchange for our equity interest and used $25.2 million to purchase investments in marketable debt securities. Proceeds from maturities of our investments in marketable debt securities during 2017 resulted in cash inflows of $45.2 million. Additionally, we received proceeds of $30.0 million from the prior owners of the San Francisco Venture representing the final payment under the $120.0 million capital commitment given in connection with the formation transactions.

During the year ended December 31, 2016, we received $25.0 million in proceeds from the maturity of investments in marketable debt securities, of which $20.8 million was reinvested in marketable debt securities. Additionally, we received $90.0 million of the capital commitment from the prior owners of the San Francisco Venture. Partially offsetting these proceeds, we paid a related party $14.6 million in connection with the Separation Transaction.

Cash Flows from Financing Activities. Net cash used in financing activities was $10.1 million for the year ended December 31, 2018, compared to net cash provided by financing activities of $900.2 million for the year ended December 31, 2017.

For the year ended December 31, 2018, we used $5.1 million to net settle certain share-based compensation awards with employees for tax withholding purposes. Additionally, we made the final principal payment of $5.0 million on a settlement note.

In 2017, we received aggregate proceeds of $419.7 million, net of underwriting discounts of $18.4 million, upon the closing of the Company's IPO and concurrent private placement. Additionally, we issued an aggregate of $500.0 million principal amount of 7.875% senior notes due 2025. Offsetting these sources was the use of $6.5 million to net settle certain share-based compensation awards for tax withholding purposes and the payment of $13.1 million in equity offering and financing costs associated with the IPO, senior notes issuance and the amendment to our unsecured Revolving Credit Facility.

Net cash used in financing activities was $5.0 million for the year ended December 31, 2016 and was primarily related to a $5.0 million principal payment on a settlement note, partially offset by $0.5 million in proceeds received from the sale of Class B common shares in connection with the formation transactions.

Changes in Capital Structure

During the year ended December 31, 2018, our ownership percentage in the operating company increased to 61.7%, primarily due to the operating company issuing us additional Class A units of the operating company in connection with our issuance of Class A common shares under our share-based compensation plan and to our issuance of approximately 2.6 million Class A common shares in exchange for an equal number of Class A units of the operating company tendered for redemption.

The table below summarizes outstanding Class A units of the operating company and Class A units of the San Francisco Venture, that are redeemable on a one-for-one basis for Class A units of the operating company, at December 31, 2018 and 2017 held by us and those held by noncontrolling interest members.

	Year ended December 31,	
	2018	2017
Class A units of the operating company:		
Held by us	66,810,980	62,314,850
Held by noncontrolling interest members	41,404,961	43,984,228
	108,215,941	106,299,078
Class A units of the San Francisco Venture held by noncontrolling interest members	37,433,775	37,479,205
	145,649,716	143,778,283

In January 2019, we granted approximately 1.9 million restricted Class A common shares under our share-based compensation plan that resulted in the operating company issuing us an equal number of Class A units of the operating company. Additionally, we reacquired approximately 0.3 million restricted Class A common shares from employees for income tax withholding purposes that resulted in the operating company retiring an equal number of Class A units of the operating company we previously held.

Contractual Obligations

The following table aggregates certain of our cash contractual obligations and commitments as of December 31, 2018:

	Payment due by period (in thousands)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Notes payable [(1)]	$ 500,000	$ —	$ —	$ —	$ 500,000
Interest commitment on senior notes	275,625	39,375	78,750	78,750	78,750
Operating lease obligations	39,967	5,790	10,109	11,003	13,065
Water purchase agreement [(2)]	36,330	1,233	2,588	2,759	29,750
Interchange funding agreement [(3)]	8,800	8,800	—	—	—
Newhall Ranch approval settlement [(4)]	36,490	18,745	4,245	9,000	4,500
Related party EB-5 loan reimbursements [(5)]	107,594	42,876	64,718	—	—
Total	$ 1,004,806	$ 116,819	$ 160,410	$ 101,512	$ 626,065

(1) The amounts presented exclude our promissory note issued to an affiliate of Macerich in the amount of $65.1 million and associated accrued interest. It was anticipated that upon completion of certain conditions, including the conveyance of the Retail Project Property to the Mall Venture, the Macerich Member, in several steps, would cause the Macerich Note to be distributed to the Company, resulting in the extinguishment of the Macerich Note. However, in early 2019, we and the members of the Mall Venture determined not to proceed with the Retail Project and we repaid Macerich $65.1 million plus approximately $5.5 million of accrued interest associated with the Macerich Note.

(2) We are subject to a water purchase agreement requiring annual payments in exchange for the delivery of water for our exclusive use. The agreement has an initial 35-year term, which expires in 2039 with an option for a second 35-year term.

(3) In January 2012, we entered into an agreement with Los Angeles County pursuant to which we agreed to finance construction costs of an interchange project that Los Angeles County is managing. The interchange project is a critical infrastructure project that will benefit Newhall Ranch. Under the agreement, we have committed to pay the remainder of the actual construction costs, up to $8.8 million. We currently expect this amount to be paid within twelve months of December 31, 2018.
(4) In September 2017, we reached a settlement with key national and state environmental and Native American organizations that were petitioners in various legal challenges to Newhall Ranch's regulatory approvals and permits. Under the settlement terms, we agreed to fund certain environmental and cultural investments and protections at Newhall Ranch and the surrounding region.
(5) Beginning in October 2013, certain subsidiaries of the San Francisco Venture entered into EB-5 loan agreements with lenders that are authorized by the United States Citizenship and Immigration Services to raise capital from foreign nationals who seek to obtain permanent residency in the United States. On May 2, 2016, in connection with the Separation Transaction, the Lennar-CL Venture assumed the EB-5 loan liabilities, and the San Francisco Venture entered into reimbursement agreements pursuant to which it agreed to reimburse the Lennar-CL Venture for a portion of the EB-5 loan liabilities and related interest. The amounts set forth in the above table include interest based on the weighted average interest rate of 4.1%. In January 2019, one of the reimbursement agreements was amended to defer principal payments by six months, resulting in approximately $16.5 million in principal payments shifting from less than one year obligations to one to three year obligations per the table above.

Other Contractual Obligations and Commitments

The following contractual obligation payments are not included in the table above due to the contingent nature of the amount and timing of the payment obligations. Unless otherwise stated, all of the below contractual obligation payments are as of December 31, 2018.

Simultaneous with, but separate and apart from the formation transactions, we entered into a tax receivable agreement ("TRA") with the holders of Class A units of the operating company and the holders of Class A units of the San Francisco Venture. The TRA provides for payments by us to such investors or their successors in aggregate amounts equal to 85% of the cash savings, if any, in income tax that we realize as a result of (a) increases in tax basis that are attributable to exchanges of Class A units of the operating company for our Class A common shares or cash or certain other taxable acquisitions of equity interests by the Company, (b) allocations that result from the application of the principles of Section 704(c) of the Code and (c) tax benefits related to imputed interest or guaranteed payments deemed to be paid or incurred by us as a result of the TRA.

Holders of the management company's Class B interests (an affiliate of Lennar and FPC-HF Venture I) are entitled to receive all distributions, up to a maximum of $9.0 million, from the management company that are attributable to any contingent payments that may be received by the management company from the Great Park Venture pursuant to a cash flow participation agreement.

We do not anticipate making future payments for contributions related to our defined pension plan over the next twelve months as the plan is sufficiently funded. In 2004, our defined benefit pension plan was amended to cease future benefit accruals for services provided by participants of the plan and to close the plan to new participants.

We are committed under various letters of credit ("LOCs") to perform certain development activities and provide certain guarantees in the normal course of business. Outstanding LOCs totaled $2.4 million at both December 31, 2018 and 2017, respectively. At both December 31, 2018 and 2017, we had $1.4 million in restricted cash and certificates of deposit securing certain of our LOCs. Additionally, under our Revolving Credit Facility, we

are able to utilize undrawn capacity to support the issuance of LOCs. As of December 31, 2018, we were using approximately $1.0 million in capacity under the Revolving Credit Facility to support LOCs. Additionally, in the ordinary course of business and as a part of the entitlement and development process, we are required to provide performance bonds to ensure completion of certain development obligations. We had outstanding performance bonds of $73.5 million as of December 31, 2018.

At December 31, 2018, the San Francisco Venture had outstanding guarantees benefiting the San Francisco Agency for infrastructure and construction of certain park and open space obligations with aggregate maximum obligations of $197.8 million.

Critical Accounting Policies

Critical accounting policies are those that are both significant to the overall presentation of our financial condition and results of operations and require management to make difficult, complex or subjective judgments. Our critical accounting policies are those applicable to the following:

Consolidation

The consolidated financial statements include our accounts, the accounts of all subsidiaries in which we have a controlling interest and the accounts of variable interest entities ("VIEs") in which we are deemed to be the primary beneficiary. A VIE is an entity in which either (i) the equity investors as a group, if any, lack the power through voting or similar rights to direct the activities of such entity that most significantly impact such entity's economic performance or (ii) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support. We examine specific criteria and use our judgment when determining if we are the primary beneficiary of a VIE. Factors considered in determining whether we are the primary beneficiary include risk and reward sharing, experience and financial condition of other partner(s), voting rights, involvement in day-to-day capital and operating decisions, representation on a VIE's executive committee, existence of unilateral kick-out rights or voting rights, level of economic disproportionality between us and the other partner(s) and contracts to purchase assets from VIEs. Our consolidated financial statements include the consolidation of four VIEs, two of which were acquired in the formation transactions. The accounting policy relating to VIEs is a critical accounting policy because the determination of whether an entity is a VIE and, if so, whether we are primary beneficiary, may require us to exercise significant judgment.

Business Combinations

We account for businesses we acquire in accordance with Accounting Standards Codification Topic 805, *Business Combinations*. This methodology requires that assets acquired and liabilities assumed be recorded at their respective fair values on the date of acquisition. Accordingly, we recognize assets acquired and liabilities assumed in business combinations, including contingent assets and liabilities and noncontrolling interests in the acquiree, based on the fair value estimates as of the date of acquisition. Any excess of the purchase consideration over the net fair value of tangible and identified intangible assets acquired, less liabilities assumed, is recorded as goodwill. The costs of business acquisitions are expensed as incurred. These costs may include fees for accounting, legal, professional consulting and valuation specialists. Purchase price allocations may be preliminary and, during the measurement period, not to exceed one year from the date of acquisition, there may be changes in assumptions and estimates that result in adjustments to the fair values of assets acquired and liabilities assumed in the period the adjustments are determined. Contingent consideration assumed in a business combination is measured at fair value for each

reporting period, and any change in the fair value, from either the passage of time or events occurring after the acquisition date, is recorded in the results of operations.

The estimated fair value of the acquired assets and assumed liabilities requires significant judgments by management. Based on the businesses that have been acquired, the most significant assets and liabilities requiring such judgments are inventories, intangible assets and related party liabilities.

For purposes of the formation transactions, the fair value of inventories was determined primarily by a discounted cash flow model. Projected cash flows are significantly affected by estimates of land sales prices, development costs and cost reimbursements. In forming such estimates, we make assumptions about market conditions that include the length of time and cost to complete the entitlements on our land, the cost of labor and materials to complete horizontal development obligations, the type and size of homes and commercial buildings that will be built on our land and the associated costs of labor and materials to construct those homes and commercial buildings, and the sales price of homes to residents. In determining these assumptions, we utilize historical trends and data from past development projects in addition to internal and external market studies and trends, which generally include analysis of population growth and household formations, job and wage growth, mortgage interest rates, home prices and the supply, price and inflation rates of raw materials.

The fair value of intangible assets and the ultimate settlement amount of certain related party liabilities of the businesses acquired are a function of future financial results and thus highly dependent on the cash flows that result from the development and sales of the Company’s owned and managed communities as described above. For purposes of the formation transactions, the fair values of these assumed liabilities and our related party EB-5 reimbursement obligation were determined primarily by a discounted cash flow model. The determination of fair value also requires discounting the estimated cash flows at a rate that we believe a market participant would determine to be commensurate with the inherent risks associated with the asset and related estimated cash flow streams.

We believe that the accounting policy related to business combinations is a critical accounting policy because (1) assumptions inherent in the valuation of assets acquired and liabilities assumed are highly subjective and (2) the impact of recognizing the assets acquired and liabilities assumed is expected to be material to our consolidated financial statements upon the acquisition date and going forward, with a continued impact on cost of sales and interest expense. Because of changes in economic and market conditions and assumptions and estimates required of management in valuing the components of the business combination, actual results could differ materially from management’s assumptions and may require material inventory impairment charges to be recorded in the future.

Revenue Recognition

Revenue from land sales contain both fixed (stated purchase price of the land) and variable considerations. A form of variable consideration is profit participation whereby we receive from homebuilders a portion of profit after the builder has received an agreed-upon margin. If the project profitability falls short of the participation threshold, we receive no additional revenues. In most contracts, at the time of the land sale we expect to constrain our estimate of profit participation, if any, as there are significant factors outside our control that will impact whether participation thresholds will be met. In addition, some residential homesite sale agreements contain a provision requiring the homebuilder to pay a marketing fee per residence sold, as a percentage of the home sale price. We estimate such fees as a variable consideration and include an amount we expect to be entitled to receive in the transaction price. At the end of each reporting period, we reassess the variable considerations to ensure changes in circumstances or constraints are appropriately reflected in the estimated transaction price. Changes in estimates of variable components of transaction prices could result in cumulative catch-up adjustments to revenue.

Revenues from management services are recognized as the customer consumes the benefits of the performance obligation satisfied over time. The transaction price pertaining to management services revenue may be comprised of fixed and variable components, including incentive compensation fee provisions that are contingent on the performance of our customer. In making estimates of incentive compensation we expect to be entitled to receive in exchange for providing management services, we make significant assumptions and judgments in evaluating the factors that may determine the amount of consideration we will ultimately receive. In doing so, we typically utilize cash flow projections. These cash flows are significantly affected by estimates and assumptions related to market supply and demand, the local economy, projected pace of sales of homesites, pricing and price appreciation over the estimated selling period, the length of the estimated development and selling periods, remaining development, general and administrative costs, and other factors. When changes in our estimates and assumptions occur, our estimate of the amount of incentive compensation we expect to be entitled to receive may change, resulting in a cumulative catch-up being recorded in the period of the change.

We believe that the accounting policy related to revenue recognition is a critical accounting policy because of the significance of revenue, the complexity of estimating the amount of variable consideration, and judgment in identifying performance obligations and in determining the timing of recognizing revenue.

Impairment of Assets

Long-lived assets are reviewed for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. Impairment indicators for long-lived inventory assets include, but are not limited to, significant increases in horizontal development costs, significant decreases in the pace and pricing of home sales within our communities and surrounding areas and political and societal events that may negatively impact the local economy. For operating properties, impairment indicators may include significant increases in operating costs, decreased utilization and continued net operating losses. If indicators of impairment exist, and the undiscounted cash flows expected to be generated by a long-lived asset are less than its carrying amount, an impairment charge is recorded to write down the carrying amount of such long-lived asset to its estimated fair value. We generally estimate the fair value of our long-lived assets using a discounted cash flow model or through appraisals of the underlying property or a combination thereof.

Our projected cash flows for each long-lived inventory asset are significantly affected by estimates and assumptions related to market supply and demand, the local economy, projected pace of sales of homesites, pricing and price appreciation over the estimated selling period, the length of the estimated development and selling periods, remaining development costs and other factors. For operating properties, our projected cash flows also include estimates and assumptions about the use and eventual disposition of such properties, including utilization, capital

expenditures, operating expenses, and the amount of proceeds to be realized upon eventual disposition of such properties.

In determining these estimates and assumptions, we utilize historical trends from our past development projects, in addition to internal and external market studies and trends, which generally include, but are not limited to, statistics on population demographics and unemployment rates. Using all available information, we calculate our best estimate of projected cash flows for each asset. While many of the estimates are calculated based on historical and projected trends, all estimates are subjective and change as market and economic conditions change. The determination of fair value also requires discounting the estimated cash flows at a rate that we believe a market participant would determine to be commensurate with the inherent risks associated with the asset and related estimated cash flow streams. The discount rate used in determining each asset's fair value generally depends on the asset's projected life and development stage.

Inventories

Inventories primarily include land held for development and sale. Inventories are stated at cost, less reimbursements, unless the inventory within a community is determined to be impaired, in which case the impaired inventory would be written down to fair market value. Capitalized inventory costs include land, horizontal development, real estate taxes and interest related to financing development and construction. Horizontal development costs can be further broken down to costs incurred to entitle and permit the land for its intended use; costs incurred for infrastructure projects, such as schools, utilities, roads and bridges; and site costs, such as grading and amenities, to prepare the land for sale. Project litigation costs are charged to expense when incurred. Costs that cannot be clearly associated with the acquisition, development and construction of a real estate project or related selling expense are expensed as incurred. Certain public infrastructure project costs incurred by us are eligible for reimbursement, typically, from the proceeds of CFD bond debt, tax increment financing, state or federal grants or property tax assessments.

A portion of capitalized inventory costs is allocated to individual parcels within a project using the relative sales value method. Under the relative sales value method, each parcel in the project under development is allocated costs in proportion to the estimated overall sales price of the project such that each parcel to be sold reflects the same gross profit margin. Since this method requires us to estimate the expected sales price for the entire project, the profit margin on subsequent parcels sold will be affected by both changes in the estimated total revenues, as well as any changes in the estimated total cost of the project.

We believe that the accounting related to capitalization of inventory is a critical accounting policy because assumptions inherent in the determination of costs to be capitalized and assumptions used to estimate a project's total revenues and total costs are subjective.

Investments in Unconsolidated Entities

For investments in entities that we do not control, but over which we exercise significant influence, we use the equity method of accounting. Our judgment with regard to our level of influence or control of an entity involves consideration of various factors including the form of our ownership interest, our representation in the entity's governance, our ability to participate in policy-making decisions and the rights of other investors to participate in the decision-making process to replace us as manager or to liquidate the entity. Investments accounted for under the equity method of accounting are recorded at cost and adjusted for our share in the earnings (losses) of the venture and cash contributions and distributions. Any difference between the carrying amount of the equity method investment on our balance sheet and the underlying equity in net assets on the entity's balance sheet results in a basis

difference which is adjusted as the related underlying assets are depreciated, amortized or sold and the liabilities are settled. We generally allocate income and loss from unconsolidated entities based on the venture's distribution priorities, which may be different from its stated ownership percentage.

We evaluate the recoverability of our investments in unconsolidated entities by first reviewing each investment for any indicators of impairment. If indicators are present, we estimate the fair value of the investment. If the carrying value of the investment is greater than the estimated fair value, management makes an assessment of whether the impairment is "temporary" or "other-than-temporary." In making this assessment, management considers (1) the length of time and the extent to which fair value has been less than cost, (2) the financial condition and near-term prospects of the entity and (3) our intent and ability to retain our interest long enough for a recovery in market value. If management concludes that the impairment is "other-than-temporary," we reduce the investment to its estimated fair value.

We believe that the accounting related to investments in unconsolidated entities is a critical accounting policy because (1) the impact of our share in our significant equity method investees is material to our financial statements and (2) we make significant estimates on the fair value of the investment to determine its recoverability.

Income Taxes

We record income taxes in accordance with ASC 740, which requires an asset and liability approach, whereby deferred tax assets and liabilities are recognized based on the future tax consequences attributable to temporary differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and attributable to operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which the temporary differences are expected to be recovered or paid. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period when the changes are enacted. A valuation allowance is provided to reduce deferred tax assets to the amount of future tax benefit when it is more likely than not that some portion of the deferred tax assets will not be realized. When assessing the need for a valuation allowance, we consider among other things, the nature, frequency and severity of prior cumulative losses, forecasts of future taxable income, the duration of statutory carryforward periods, our utilization experience with operating loss and tax credit carryforwards and tax planning alternatives, to the extent these items are applicable. Any increase or decrease in a valuation allowance could have a material adverse effect or beneficial effect on our income tax provision and net income or loss in the period the determination is made. We recognize interest or penalties related to income tax matters in income tax expense.

Recently Issued Accounting Pronouncements and Developments

See our consolidated financial statements included under Part II, Item 8 of this report for a discussion of new accounting pronouncements applicable to the Company.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements as of December 31, 2018.

Seasonality

Our business and results of operations are not materially impacted by seasonality.

Inflation

Inflation poses a risk to our business due to the possibility that higher prices would increase our development expenditures. In particular, our development expenditures are influenced by the price of oil, which is used in our development activities, including grading and paving roads. However, inflation can also indirectly improve our revenues by increasing the amount that homebuyers and commercial buyers are willing to pay for newly constructed homes and commercial buildings, which in turn, increases the amount that homebuilders and commercial developers are willing to pay for our residential and commercial lots. In addition, because sales of homesites typically include participation provisions that allow us to share in the profits realized by the homebuilders if the overall profitability of a block of homes exceeds an agreed-upon margin, we may be able to receive additional benefit in the event of inflation.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of loss from adverse changes in market prices and interest rates. Our future earnings, cash flows and fair values relative to financial instruments are dependent upon prevailing market interest rates. Our primary market risk results from our indebtedness, which bears interest at both fixed and floating rates. Although we do not currently do so, we may in the future manage our market risk on floating rate debt by entering into swap arrangements to in effect fix the rate on all or a portion of the debt for varying periods up to maturity. This would, in turn, reduce the risks of variability of cash flows created by floating rate debt and mitigate the risk of increases in interest rates. Our objective when undertaking such arrangements would be to reduce our floating rate exposure, as we do not plan to enter into hedging arrangements for speculative purposes.

As of December 31, 2018, we had outstanding consolidated indebtedness of $557.0 million, $65.1 million of which bears interest based on floating interest rates. If the relevant rates used to determine the interest rates on this floating rate indebtedness were to increase (or decrease) by 100 basis points, the interest expense would increase (or decrease) by approximately $0.7 million annually.

We have not entered into any transactions using derivative financial instruments or derivative commodity instruments.

ITEM 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Five Point Holdings, LLC

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Five Point Holdings, LLC and subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive (loss) income, capital, and cash flows, for each of the three years in the period ended December 31, 2018, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2, Summary of Significant Accounting Policies—Recently adopted accounting pronouncements and Note 3, Revenues, to the consolidated financial statements, the Company has changed its method of accounting for revenues from contracts with customers as of January 1, 2018 using the modified retrospective approach with the cumulative effect recorded as an adjustment to opening capital due to the adoption of Accounting Standards Codification No. 606.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP
Los Angeles, California
March 14, 2019

We have served as the Company’s auditor since 2009.

FIVE POINT HOLDINGS, LLC

CONSOLIDATED BALANCE SHEETS

(In thousands, except shares)

	December 31, 2018	December 31, 2017
ASSETS		
INVENTORIES	$ 1,696,084	$ 1,425,892
INVESTMENT IN UNCONSOLIDATED ENTITIES	532,899	530,007
PROPERTIES AND EQUIPMENT, NET	31,677	29,656
ASSETS HELD FOR SALE, NET	—	4,519
INTANGIBLE ASSET, NET—RELATED PARTY	95,917	127,593
CASH AND CASH EQUIVALENTS	495,694	848,478
RESTRICTED CASH AND CERTIFICATES OF DEPOSIT	1,403	1,467
RELATED PARTY ASSETS	61,039	3,158
OTHER ASSETS	9,179	7,585
TOTAL	$ 2,923,892	$ 2,978,355
LIABILITIES AND CAPITAL		
LIABILITIES:		
Notes payable, net	$ 557,004	$ 560,618
Accounts payable and other liabilities	161,139	167,620
Liabilities related to assets held for sale	—	5,363
Related party liabilities	178,540	186,670
Deferred income tax liability, net	9,183	—
Payable pursuant to tax receivable agreement	169,509	152,475
Total liabilities	1,075,375	1,072,746
COMMITMENTS AND CONTINGENT LIABILITIES (Note 13)		
CAPITAL:		
Class A common shares; No par value; Issued and outstanding: 2018—66,810,980 shares; 2017—62,314,850 shares		
Class B common shares; No par value; Issued and outstanding: 2018—78,838,736 shares; 2017—81,463,433 shares		
Contributed capital	556,521	530,015
Retained earnings	33,811	57,841
Accumulated other comprehensive loss	(3,306)	(2,455)
Total members’ capital	587,026	585,401
Noncontrolling interests	1,261,491	1,320,208
Total capital	1,848,517	1,905,609
TOTAL	$ 2,923,892	$ 2,978,355

See accompanying notes to consolidated financial statements.

FIVE POINT HOLDINGS, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share/unit and per share/unit amounts)

	Year Ended December 31,		
	2018	2017	2016
REVENUES:			
Land sales	$ 133	$ 17,257	$ 9,561
Land sales—related party	900	87,556	2,512
Management services—related party	40,976	22,517	16,856
Operating properties	6,981	12,101	10,439
Total revenues	48,990	139,431	39,368
COSTS AND EXPENSES:			
Land sales	(165)	84,659	356
Management services	23,962	10,791	9,122
Operating properties	5,077	11,450	10,656
Selling, general, and administrative	98,983	122,367	120,724
Management fees—related party	—	—	1,716
Total costs and expenses	127,857	229,267	142,574
OTHER INCOME:			
Adjustment to payable pursuant to tax receivable agreement	1,928	105,586	—
Interest income	11,767	2,577	—
Miscellaneous	8,573	93	57
Total other income	22,268	108,256	57
EQUITY IN (LOSS) EARNINGS FROM UNCONSOLIDATED ENTITIES	(2,163)	5,776	(1,356)
(LOSS) INCOME BEFORE INCOME TAX (PROVISION) BENEFIT	(58,762)	24,196	(104,505)
INCOME TAX (PROVISION) BENEFIT	(9,183)	—	7,888
NET (LOSS) INCOME	(67,945)	24,196	(96,617)
LESS NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(33,231)	(49,039)	(63,351)
NET (LOSS) INCOME ATTRIBUTABLE TO THE COMPANY	$ (34,714)	$ 73,235	$ (33,266)
NET (LOSS) INCOME ATTRIBUTABLE TO THE COMPANY PER CLASS A SHARE/UNIT			
Basic	$ (0.53)	$ 1.33	$ (0.89)
Diluted	$ (0.53)	$ 0.18	$ (0.89)
WEIGHTED AVERAGE CLASS A SHARES/UNITS OUTSTANDING			
Basic	65,002,387	54,006,954	37,795,447
Diluted	65,002,387	133,007,828	37,795,447
NET (LOSS) INCOME ATTRIBUTABLE TO THE COMPANY PER CLASS B SHARE/UNIT			
Basic and diluted	$ (0.00)	$ 0.00	$ (0.00)
WEIGHTED AVERAGE CLASS B SHARES/UNITS OUTSTANDING			
Basic and diluted	79,859,730	78,821,553	49,547,050

See accompanying notes to consolidated financial statements.

FIVE POINT HOLDINGS, LLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(In thousands)

	Year Ended December 31,		
	2018	2017	2016
NET (LOSS) INCOME	$ (67,945)	$ 24,196	$ (96,617)
OTHER COMPREHENSIVE (LOSS) INCOME:			
Net actuarial (loss) gain on defined benefit pension plan	(1,252)	611	(332)
Reclassification of actuarial loss on defined benefit pension plan included in net (loss) income	90	113	91
Other comprehensive (loss) income before taxes	(1,162)	724	(241)
INCOME TAX (PROVISION) BENEFIT RELATED TO OTHER COMPREHENSIVE (LOSS) INCOME	—	—	(8)
OTHER COMPREHENSIVE (LOSS) INCOME—Net of tax	(1,162)	724	(249)
COMPREHENSIVE (LOSS) INCOME	(69,107)	24,920	(96,866)
LESS COMPREHENSIVE LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(33,675)	(48,737)	(63,522)
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO THE COMPANY	$ (35,432)	$ 73,657	$ (33,344)

See accompanying notes to consolidated financial statements.

FIVE POINT HOLDINGS, LLC
CONSOLIDATED STATEMENTS OF CAPITAL
(In thousands, except share/unit amounts)

	Class A Units	Class B Units	Class A Common Shares	Class B Common Shares	Contributed Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Members' Capital	Noncontrolling Interests	Total Capital
BALANCE - January 1, 2016	36,627,847	12,792,948	—	—	$ 245,829	$ 17,872	$ (2,779)	$ 260,922	$ 87,511	$ 348,433
Net loss	—	—	—	—	—	(33,266)	—	(33,266)	(63,351)	(96,617)
Share-based compensation expense	—	—	—	—	27,746	—	—	27,746	—	27,746
Reacquisition of share-based compensation for tax-withholding purposes	—	—	—	—	(381)	—	—	(381)	—	(381)
Conversion of Class A units to Class A common shares	(36,627,847)	—	36,627,847	—	—	—	—	—	—	—
Cancellation of Class B units	—	(12,792,948)	—	—	—	—	—	—	—	—
Sale of Class B Common Shares	—	—	—	74,320,576	470	—	—	470	—	470
Formation Transactions	—	—	798,161	—	119,208	—	388	119,596	1,241,208	1,360,804
Initial liability recognized under tax receivable agreement—net of tax benefit of $69,752	—	—	—	—	(132,093)	—	—	(132,093)	—	(132,093)
Other comprehensive loss—net of tax of $8-actuarial loss on pension plan	—	—	—	—	—	—	(78)	(78)	(171)	(249)
BALANCE - December 31, 2016	—	—	37,426,008	74,320,576	$ 260,779	$ (15,394)	$ (2,469)	$ 242,916	$ 1,265,197	$ 1,508,113
Net income (loss)	—	—	—	—	—	73,235	—	73,235	(49,039)	24,196
Share-based compensation expense	—	—	—	—	18,421	—	—	18,421	—	18,421
Reacquisition of share-based compensation for tax-withholding purposes	—	—	—	—	(6,480)	—	—	(6,480)	—	(6,480)
Settlement of restricted share units for Class A common shares	—	—	285,670	—	—	—	—	—	—	—
Issuance of share-based compensation awards	—	—	453,172	—	—	—	—	—	—	—
Issuance of Class A common shares in initial public offering—net of underwriting discount and offering costs of $21,294	—	—	24,150,000	—	316,806	—	—	316,806	—	316,806
Issuance of Class A Common Units and related sale of Class B common shares in private placement	—	—	—	7,142,857	45	—	—	45	100,000	100,045
Adjustment to liability recognized under tax receivable agreement —net of tax of $0	—	—	—	—	(56,216)	—	—	(56,216)	—	(56,216)
Other comprehensive income—net of tax of $0-actuarial gain on pension plan	—	—	—	—	—	—	422	422	302	724
Adjustment of noncontrolling interest in the Operating Company	—	—	—	—	(3,340)	—	(408)	(3,748)	3,748	—
BALANCE - December 31, 2017	—	—	62,314,850	81,463,433	$ 530,015	$ 57,841	$ (2,455)	$ 585,401	$ 1,320,208	$ 1,905,609
Adoption of accounting standards	—	—	—	—	—	10,684	—	10,684	13,961	24,645
Net loss	—	—	—	—	—	(34,714)	—	(34,714)	(33,231)	(67,945)
Share-based compensation expense	—	—	—	—	11,464	—	—	11,464	—	11,464
Reacquisition of share-based compensation for tax-withholding purposes	—	—	(68,886)	—	(5,131)	—	—	(5,131)	—	(5,131)
Settlement of restricted share units for Class A common shares	—	—	319,783	—	—	—	—	—	—	—
Issuance of share-based compensation awards, net of forfeitures	—	—	1,619,752	—	—	—	—	—	—	—
Other comprehensive loss—net of tax of $0-actuarial gain on pension plan	—	—	—	—	—	—	(718)	(718)	(444)	(1,162)
Redemption of noncontrolling interests	—	—	2,625,481	(2,624,697)	30,190	—	(102)	30,088	(30,088)	—
Adjustment to liability recognized under tax receivable agreement —net of tax of $0	—	—	—	—	(18,963)	—	—	(18,963)	—	(18,963)
Adjustment of noncontrolling interest in the Operating Company	—	—	—	—	8,946	—	(31)	8,915	(8,915)	—
BALANCE - December 31, 2018	—	—	66,810,980	78,838,736	$ 556,521	$ 33,811	$ (3,306)	$ 587,026	$ 1,261,491	$ 1,848,517

See accompanying notes to consolidated financial statements.

FIVE POINT HOLDINGS, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	$ (67,945)	$ 24,196	$ (96,617)
Adjustments to reconcile net (loss) income to net cash used in operating activities:			
Equity in loss (earnings) from unconsolidated entities	2,163	(5,776)	1,356
Deferred income taxes	9,183	—	(7,888)
Depreciation and amortization	13,260	1,508	3,042
Noncash adjustment of payable pursuant to tax receivable agreement liability	(1,928)	(105,586)	—
Gain on sale of golf club operating properties	(6,700)	—	—
Gain on insurance proceeds for damaged property	(1,566)	—	—
Share-based compensation	11,464	18,421	27,746
Changes in operating assets and liabilities:			
Inventories	(278,008)	(64,523)	(61,746)
Related party assets	(17,787)	49,253	14,230
Other assets	(1,073)	(923)	(479)
Accounts payable and other liabilities	(5,714)	59,774	11,237
Related party liabilities	1,355	(34,487)	(15,518)
Net cash used in operating activities	(343,296)	(58,143)	(124,637)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the maturity of marketable securities	—	45,210	25,000
Purchase of marketable securities	—	(25,233)	(20,763)
Distribution from Gateway Commercial Venture	6,450	—	—
Contribution to Gateway Commercial Venture	(8,438)	(106,500)	—
Purchase of indirect Legacy Interest in Great Park Venture—related party	(1,762)	—	—
Proceeds from sale of golf club operating properties	5,685	—	—
Proceeds from insurance on damaged property	1,749	—	—
Cash acquired in Formation Transactions, net of consideration paid	—	—	3,213
Cash from former San Francisco Venture members in relation to Formation Transactions	—	30,000	90,000
Cash paid to former San Francisco Venture members in relation to Separation Agreement	—	—	(14,606)
Purchase of properties and equipment	(3,105)	(242)	(1,091)
Net cash provided by (used in) investing activities	579	(56,765)	81,753
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds of Initial Public Offering of Class A common shares—net of underwriting discounts of $18,402	—	319,698	—
Proceeds of Class B common share offering	—	45	470
Proceeds from senior notes offering	—	500,000	—
Proceeds from issuance of Class A Common Units in private placement	—	100,000	—
Principal payment on settlement note	(5,000)	—	(5,000)
Payment of equity offering costs	—	(2,499)	—
Reacquisition of share-based compensation awards for tax-withholding purposes	(5,131)	(6,480)	(381)
Payment of financing costs	—	(10,558)	(132)
Net cash (used in) provided by financing activities	(10,131)	900,206	(5,043)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH	(352,848)	785,298	(47,927)
CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH—Beginning of period	849,945	64,647	112,574
CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH—End of period	$ 497,097	$ 849,945	$ 64,647

SUPPLEMENTAL CASH FLOW INFORMATION (Note 14)
See accompanying notes to consolidated financial statements.

FIVE POINT HOLDINGS, LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND ORGANIZATION

Five Point Holdings, LLC, a Delaware limited liability company (the “Holding Company”) was formed on July 21, 2009. Prior to the completion of the Formation Transactions (as defined below) on May 2, 2016, the Holding Company was named Newhall Holding Company, LLC and through the operations of its subsidiaries, was primarily engaged in the planning and development of Newhall Ranch, a master-planned community located in northern Los Angeles County, California (the Holding Company together with its subsidiaries, the “Company”). Following completion of the Formation Transactions, the Company owns interests in, plans, and manages the development of multiple mixed-use, master-planned communities in coastal California, which are expected to include residential homes, commercial space, as well as retail, education and recreational elements, civic areas and parks and open spaces. In August 2017, the Company acquired an investment in a commercial office and research and development campus (the “Five Point Gateway Campus”) located on one of its master-planned communities (see Note 5).

On October 1, 2017, the Holding Company converted its operating subsidiary, Five Point Operating Company, LLC, from a Delaware limited liability company to a Delaware limited partnership named Five Point Operating Company, LP (in either instance, the “Operating Company”). The Holding Company conducts all of its operations through the Operating Company. The Holding Company’s wholly owned subsidiary is the managing general partner of the Operating Company and at December 31, 2018 and 2017, the Holding Company and its wholly owned subsidiary owned approximately 61.7% and 58.6%, respectively, of the outstanding Class A Common Units of the Operating Company. The Holding Company also owned all of the outstanding Class B Common Units of the Operating Company at both December 31, 2018 and 2017.

Initial Public Offering

On May 15, 2017, the Holding Company completed an initial public offering (“IPO”) and sold 24,150,000 Class A common shares at a public offering price of $14.00 per share, which included 3,150,000 shares pursuant to the full exercise by the underwriters of their over-allotment option, resulting in gross proceeds of $338.1 million. The Holding Company used the net proceeds of the IPO to purchase 24,150,000 Class A Common Units of the Operating Company. The aggregate net proceeds to the Company after deducting underwriting discounts and commissions and before offering expenses payable by the Company, was $319.7 million.

Concurrent with the IPO, the Company completed a private placement with an affiliate of Lennar Corporation (“Lennar”) in which the Operating Company sold 7,142,857 Class A Common Units of the Operating Company at a price per unit equal to the IPO public offering price per share, and the Holding Company sold an equal number of Class B common shares at a price of $0.00633 per share. There were no underwriting fees, discounts or commissions, and aggregate proceeds from the private placement were $100.0 million. The Holding Company used the proceeds from the sale of the Class B common shares to purchase 7,142,857 Class B Common Units of the Operating Company at a price of $0.00633 per unit.

Reverse Share Split

On March 30, 2017, the board of directors of the Holding Company (the “Board”) approved, and on March 31, 2017 the Company effected, (i) a 1 for 6.33 reverse share split of issued and outstanding Class A and Class B common shares of the Holding Company, (ii) a 1 for 6.33 reverse unit split of issued and outstanding Class A and Class B Common Units of the Operating Company, and (iii) a 1 for 6.33 reverse unit split of the issued and outstanding Class A and Class B Units of the Operating Company’s consolidated subsidiary, The Shipyard Communities, LLC (the “San Francisco Venture”) (the “Reverse Split”). All share, unit, per share, and per unit amounts in the accompanying consolidated financial statements give effect to the Reverse Split for all periods presented.

Formation Transactions

On May 2, 2016, the Company completed a series of transactions (the “Formation Transactions”) pursuant to a Second Amended and Restated Contribution and Sale Agreement (the “Contribution and Sale Agreement”). The principal organizational elements of these transactions were as follows:

- The Holding Company’s limited liability company agreement was amended and restated to, among other things (i) convert the membership interests previously designated as “Class A Units” into “Class A common shares” with each Class A Unit converted into one Class A common share, (ii) terminate and cancel the membership interests designated as “Class B Units,” and (iii) create a second class of shares designated as “Class B common shares.” The holders of Class A and Class B common shares are entitled to one vote per share, and the holders of Class B common shares receive distributions per share equal to 0.03% of the per share distributions to the holders of Class A common shares;

- The Operating Company’s limited liability company agreement was amended and restated to, among other things, (i) create two classes of membership interests designated as “Class A Common Units” and “Class B Common Units,” (ii) convert all existing membership interests of the Operating Company into Class A Common Units, (iii) reflect the issuance of Class A Common Units per the Contribution and Sale Agreement, (iv) reflect the issuance of Class B Common Units to the Holding Company, and (v) appoint the Holding Company as the operating managing member;

- All noncontrolling interest members of the Company’s consolidated subsidiary Five Point Land, LLC (“FPL” formerly named Newhall Land Development, LLC) contributed to the Operating Company 7,513,807 units of FPL in exchange for 7,513,807 Class A Common Units of the Operating Company;

- The Company acquired 37.5% of the Percentage Interest (as defined in Note 5) in Heritage Fields LLC (the “Great Park Venture”), the entity that is developing Great Park Neighborhoods in Irvine, California, in exchange for 17,749,756 Class A Common Units of the Operating Company;

- The Company acquired all of the Class B units of, and became the managing member of, the San Francisco Venture, the entity that is developing Candlestick Point and The San Francisco Shipyard in San Francisco, California, in exchange for 378,578 Class A Common Units of the Operating Company and other consideration;

- The limited liability company agreement of the San Francisco Venture was amended and restated to provide for the possible future exchange of all of the Class A units of the San Francisco Venture for Class A Common Units in the Operating Company;

- The Company acquired all of the limited partners’ Class A interests in Five Point Communities, LP and all of the stock in its general partner, Five Point Communities Management, Inc. (together, the “Management Company”), the entities which have historically managed the development of Great Park Neighborhoods and Newhall Ranch, in exchange for 798,161 Class A common shares of the Holding Company, 6,549,629 Class A Common Units of the Operating Company, and other consideration;

- The Holding Company sold 74,320,576 Class B common shares for aggregate consideration of $0.5 million to investors holding Class A Common Units of the Operating Company and holders of Class A units of the San Francisco Venture. Each investor was entitled to purchase one Class B common share for each unit held.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation— The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Principles of consolidation—The accompanying consolidated financial statements include the accounts of the Company and the accounts of all subsidiaries in which the Company has a controlling interest and the accounts of variable interest entities (“VIEs”) in which the Company is deemed to be the primary beneficiary. A VIE is an entity in which either (i) the equity investors as a group, if any, lack the power through voting or similar rights to

direct the activities of such entity that most significantly impact such entity's economic performance or (ii) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support. The Company identifies the primary beneficiary of a VIE as the enterprise that has both of the following characteristics: (i) the power to direct the activities of the VIE that most significantly impact the entity's economic performance; and (ii) the obligation to absorb losses or receive benefits of the VIE that could potentially be significant to the entity. The Company consolidates its investment in a VIE when it determines that it is its primary beneficiary. The Company may change its original assessment of a VIE upon subsequent events such as the modification of contractual arrangements, or changes in influence and control over any entity, that affect the characteristics of the entity's equity investments at risk and the disposition of all or a portion of an interest held by the primary beneficiary. The Company performs this analysis on an ongoing basis. All intercompany transactions and balances have been eliminated in consolidation.

The accounts and operating results of the consolidated businesses acquired in the Formation Transactions have been included in the accompanying consolidated financial statements from the acquisition date forward.

Use of estimates—The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Management evaluates its estimates on an ongoing basis and makes revisions to these estimates and related disclosures as experience develops or new information becomes known. Actual results could differ from those estimates.

Concentration of risk—As of December 31, 2018, the Company's inventories and the Company's unconsolidated entities' inventories and properties are all located in California. The Company is subject to risks incidental to the ownership, development, and operation of commercial and residential real estate. These include, among others, the risks normally associated with changes in the general economic climate in the communities in which the Company operates, trends in the real estate industry, availability of land for development, changes in tax laws, interest rate levels, availability of financing, and potential liability under environmental and other laws.

The Company's credit risk relates primarily to cash deposits, cash equivalents and restricted cash and certificates of deposit. Cash deposit accounts at each institution are in excess of amounts insured by the Federal Deposit Insurance Corporation. The Company has not experienced any credit losses to date on its cash deposits, cash equivalents, restricted cash and certificates of deposit, and marketable securities—held to maturity. The Company's risk management policies define parameters of acceptable market risk and strive to limit exposure to credit risk.

Acquisitions—The Company accounts for businesses it acquires in accordance with Accounting Standards Codification ("ASC") Topic 805, *Business Combinations*. This methodology requires that assets acquired and liabilities assumed be recorded at their respective fair values on the date of acquisition. Accordingly, the Company recognizes assets acquired and liabilities assumed in business combinations, including contingent assets and liabilities and non-controlling interest in the acquiree, based on the fair value estimates as of the date of acquisition. Any excess of the purchase consideration over the net fair value of tangible and identified intangible assets acquired less liabilities assumed is recorded as goodwill. The costs of business acquisitions are expensed as incurred. These costs may include fees for accounting, legal, professional consulting and valuation specialists. Purchase price allocations may be preliminary and, during the measurement period, not to exceed one year from the date of acquisition, changes in assumptions and estimates that result in adjustments to the fair value of assets acquired and liabilities assumed are recorded in the period the adjustments are determined.

Contingent consideration assumed in a business combination is remeasured at fair value each reporting period until the contingency is resolved and any change in the fair value from either the passage of time or events occurring after the acquisition date, is recorded in results from operations.

The estimated fair value of acquired assets and assumed liabilities requires significant judgments by management and are determined primarily by a discounted cash flow model. The determination of fair value using a discounted cash flow approach also requires discounting the estimated cash flows at a rate that the Company believes a market participant would determine to be commensurate with the inherent risks associated with the asset and related estimated cash flow streams.

For acquisitions accounted for as an asset acquisition, the fair value of consideration transferred by the Company (including transaction costs) is allocated to all assets acquired and liabilities assumed on a relative fair value basis.

Noncontrolling interests—The Company presents noncontrolling interests and classifies such interests within capital, but separate from the Company's Class A and Class B members' capital when the criteria for permanent equity classification has been met. Noncontrolling interests in the Company represent interests held by owners, excluding the Operating Company, of consolidated subsidiaries of the Operating Company, and investors in the Operating Company excluding the Holding Company. Net income or loss of the Operating Company is allocated to noncontrolling interests based on substantive profit sharing arrangements within the operating agreements, or if it is determined that a substantive profit sharing arrangement does not exist, allocation is based on relative ownership percentage of the Operating Company and the noncontrolling interests.

Revenue recognition—Under ASC 606, *Revenue From Contracts With Customers* ("ASC 606"), which the Company adopted on January 1, 2018 (see *–Recently Adopted Accounting Pronouncements*), revenues from land sales are recognized when the Company satisfies the performance obligation at a point in time, which typically occurs when the control of the land passes to its customers. Revenue is recognized in an amount that reflects the consideration the Company expects to be entitled to receive (i.e., the transaction price) in exchange for the transfer of land. The transaction price typically contains fixed and variable components in which the fixed consideration represents the stated purchase price for the land. Some of the Company's residential homesite sale agreements contain a profit participation provision, a variable consideration, whereby the Company receives from homebuilders a portion of profit after the builder has received an agreed-upon margin. If the project profitability falls short of the participation threshold, no additional revenue is received. In most contracts, at the time of the land sale, the estimate of profit participation, if any, is constrained, as there are significant factors outside of the Company's control that will impact whether participation thresholds will be met. In addition, some residential homesite sale agreements contain a provision requiring the homebuilder to pay a marketing fee per residence sold, as a percentage of the home sale price. Such fees are estimated as a variable consideration and the amount the Company expects to be entitled to receive is included in the transaction price. At the end of each reporting period, variable considerations are reassessed to ensure changes in circumstances or constraints are appropriately reflected in the estimated transaction price. Changes in estimates of variable components of transaction prices could result in cumulative catch-up adjustments to revenue.

A contract asset or liability is recognized when the timing of the satisfaction of a performance obligation is different from the timing of the payments made by customers. Contract assets typically consist of estimates of contingent or variable consideration that has been included in the transaction price and recognized as revenue before the contingency is resolved and the contractual payment is due. Contract liabilities typically consist of payments received prior to satisfying the associated performance obligation. For example, a contract asset may be recorded at the closing of a land sale representing the estimated marketing fees included in the transaction price. However, the actual amount and timing of marketing fee payments is not known until the time a residence is sold. As marketing fee payments are collected from customers, the contract asset balance will be adjusted and reduced accordingly. Further, re-estimation of marketing fees at the end of each reporting period may result in an increase or decrease to the contract asset.

Under ASC 605, *Revenue Recognition* ("ASC 605") for periods prior to January 1, 2018, revenues from land sales were recognized when a significant down payment was received, the earnings process was complete, title passes, and the collectability of any receivables was reasonably assured. Revenues from profit participation were recognized when sufficient evidence existed that the homebuilding project had met the participation thresholds and the Company had collected the profit participation payment or was reasonably assured of collection. The Company deferred revenue on amounts collected in advance of meeting the recognition criteria. Lastly, marketing fees were recognized upon collection of receipts from the customer.

Under ASC 606, revenues from management services are recognized as the customer consumes the benefits of the performance obligation satisfied over time. The transaction price pertaining to management services revenue is comprised of fixed and variable components whereby the fixed consideration typically represents a base management fee. The Company's management agreements may contain incentive compensation fee provisions contingent on the performance of customers. In making estimates of incentive compensation, the Company expects

to be entitled to receive in exchange for providing management services, significant assumptions and judgments are made in evaluating the factors that may determine the amount of consideration the Company will ultimately receive. In doing so, cash flow projections are typically utilized. These cash flows are significantly affected by estimates and assumptions related to market supply and demand, the local economy, projected pace of sales of homesites, pricing and price appreciation over the estimated selling period, the length of the estimated development and selling periods, remaining development, general and administrative costs, and other factors. Incentive compensation revenue from management services is recognized evenly over the expected contract term, as the performance obligation is satisfied. When changes in estimates and assumptions occur, the estimate of the amount of incentive compensation the Company expects to be entitled to receive may change, resulting in a cumulative catch-up being recorded in the period of the change. Similar to land sale revenues, a contract asset may be recognized associated with revenues generated from management services when there is a timing difference between the satisfaction of performance obligations and revenues becoming billable. Reassessment of the estimated transaction price at the end of each reporting period may increase or decrease contract assets. Contract asset balances are reduced when revenues from our customers become billable.

Under ASC 605, the Company recorded management services revenues over the period in which the services were performed, fees were determinable, and collectability was reasonably assured. The Company recorded revenues from annual fees ratably over the contract period using the straight-line method and the Company recognized incentive compensation in the period in which the contingency was resolved and only to the extent other recognition conditions had been met.

Included in operating properties revenues in the consolidated statements of operations are revenues from the Company's agriculture and energy operations and its golf club operation, Tournament Players Club at Valencia Golf Course (sold in January 2018).

Impairment of assets—Long-lived assets are reviewed for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. Impairment indicators for long-lived inventory assets include, but are not limited to, significant increases in horizontal development costs, significant decreases in the pace and pricing of home sales within the Company's communities and surrounding areas and political and societal events that may negatively affect the local economy. For operating properties, impairment indicators may include significant increases in operating costs, decreased utilization, and continued net operating losses. If indicators of impairment exist, and the undiscounted cash flows expected to be generated by a long-lived asset are less than its carrying amount, an impairment charge is recorded to write down the carrying amount of such long-lived asset to its estimated fair value. The Company generally estimates the fair value of its long-lived assets using a discounted cash flow model or sales comparison approach of the underlying property or a combination thereof.

The Company's projected cash flows for each long-lived inventory asset are significantly affected by estimates and assumptions related to market supply and demand, the local economy, projected pace of sales of homesites, pricing and price appreciation over the estimated selling period, the length of the estimated development and selling periods, remaining development costs, and other factors. For operating properties, the Company's projected cash flows also include estimates and assumptions about the use and eventual disposition of such properties, including utilization, capital expenditures, operating expenses, and the amount of proceeds to be realized upon eventual disposition of such properties.

In determining these estimates and assumptions, the Company utilizes historical trends from past development projects of the Company in addition to internal and external market studies and trends, which generally include, but are not limited to, statistics on population demographics and unemployment rates.

Using all available information, the Company calculates its best estimate of projected cash flows for each asset. While many of the estimates are calculated based on historical and projected trends, all estimates are subjective and change as market and economic conditions change. The determination of fair value also requires discounting the estimated cash flows at a rate the Company believes a market participant would determine to be commensurate with the inherent risks associated with the asset and related estimated cash flow streams. The discount rate used in determining each asset's fair value generally depends on the asset's projected life and development stage.

Share-based payments— Share-based payments are recognized on a straight-line basis over the service period in the statement of operations based on their measurement date fair values. Forfeitures, if any, are accounted for in the period when they occur.

Cash and cash equivalents—Included in cash and cash equivalents are short-term investments that have original maturity dates of three months or less. The carrying amount approximates fair value due to the short-term nature of these investments.

Restricted cash and certificates of deposit—Restricted cash and certificates of deposit consist of cash, cash equivalents, and certificates of deposit held as collateral on open letters of credit related to development obligations or because of other legal obligations of the Company that require the restriction.

Marketable securities—During the years ended December 31, 2017 and 2016, the Company made investments in marketable debt securities. The Company purchased each investment with the intent and ability to hold the investment until maturity and carried each investment at amortized cost. The amortized cost of such debt securities were adjusted for amortization of premiums and accretion of discounts, using the effective interest method or a method that approximates the effective interest method. Amortization and accretion of premiums and discounts are included in selling, general, and administrative costs and expenses in the accompanying consolidated statements of operations. The Company evaluates securities in unrealized loss positions for evidence of other-than-temporary impairment, considering, among other things, duration, severity, and financial condition of the issuer. No other-than-temporary impairments were identified during either year ended December 31, 2017 or 2016, and the Company held no marketable securities at December 31, 2018 or 2017.

Properties and equipment—Properties and equipment primarily relate to the Company's operating properties' businesses, are recorded at cost. Properties and equipment, other than land, are depreciated over their estimated useful lives using the straight-line method. At the time properties and equipment are disposed of, the asset and related accumulated depreciation, if any, are removed from the accounts, and any resulting gain or loss is credited or charged to earnings. The estimated useful life for land improvements and buildings is 10 to 40 years while the estimated useful life for furniture, fixtures, and equipment is two to 15 years.

Held for sale classification—Assets to be disposed of together as a group in a single transaction and liabilities directly associated with those assets that will be transferred in the transaction are classified as held for sale on the Company's consolidated balance sheet. Management evaluates certain criteria when determining held for sale classification including management's authority to approve a disposal, management's commitment to a plan to sell the disposal group, and the probability of completing the sale within one year. When initially classified as held for sale, assets and liabilities of assets held for sale are measured at the lower of carrying value or fair value less costs to sell. Included in the consolidated balance sheet at December 31, 2017 are assets and liabilities related to The Tournament Players Club at Valencia Golf Course that have been classified as held for sale. Assets held for sale of $4.5 million were comprised of property and equipment of $3.7 million, net of accumulated depreciation of $1.9 million, and other assets of $0.8 million. Liabilities of assets held for sale of $5.4 million consisted of club membership liabilities totaling $5.3 million and other liabilities of $0.1 million. In January 2018, The Tournament Players Club at Valencia Golf Course was sold for cash proceeds of $5.9 million, and the buyer's assumption of certain liabilities, including certain membership related liabilities. Results of operations of The Tournament Players Club at Valencia Golf Course, prior to disposal, are included in the Company's Newhall segment. The property was operated by the Company as an amenity to the Company's fully developed Valencia community. There are no assets or liabilities held for sale at December 31, 2018.

Investments in unconsolidated entities—For investments in entities that the Company does not control, but exercises significant influence, the Company uses the equity method of accounting. The Company's judgment with regard to its level of influence or control of an entity involves consideration of various factors including the form of its ownership interest, its representation in the entity's governance, its ability to participate in policy-making decisions, and the rights of other investors to participate in the decision-making process to replace the Company as manager or to liquidate the entity. Investments accounted for under the equity method of accounting are recorded at cost and adjusted for the Company's share in the earnings (losses) of the venture and cash contributions and distributions. Any difference between the carrying amount of the equity method investment on the Company's balance sheet and the underlying equity in net assets on the entity's balance sheet results in a basis difference which is adjusted as the related underlying assets are depreciated, amortized, or sold and the liabilities are settled. The

Company generally allocates income and loss from unconsolidated entities based on the venture's distribution priorities, which may be different from its stated ownership percentage.

The Company evaluates the recoverability of its investment in unconsolidated entities by first reviewing each investment for any indicators of impairment. If indicators are present, the Company estimates the fair value of the investment. If the carrying value of the investment is greater than the estimated fair value, management makes an assessment of whether the impairment is "temporary" or "other-than-temporary." In making this assessment, management considers the following: (1) the length of time and the extent to which fair value has been less than cost, (2) the financial condition and near-term prospects of the entity, and (3) the Company's intent and ability to retain its interest long enough for a recovery in market value. If management concludes that the impairment is "other-than-temporary," the Company reduces the investment to its estimated fair value. No other-than-temporary impairments were identified during either the year ended December 31, 2018, 2017 or 2016.

Inventories—Inventories primarily include land held for development and sale. Inventories are stated at cost, less reimbursements, unless the inventory within a community is determined to be impaired, in which case the impaired inventory would be written down to fair market value. Capitalized direct and indirect inventory costs include land, land in which the Company has the rights to receive in accordance with a disposition and development agreement (see Note 4), horizontal development costs, real estate taxes, and interest related to financing development and construction. During the years ended December 31, 2018, 2017 and 2016, the Company incurred interest expense, including amortization of debt issuance costs, all of which was capitalized into inventories, of $54.8 million, $9.4 million and $3.5 million, respectively. Horizontal development costs can be further broken down to costs incurred to entitle and permit the land for its intended use; costs incurred for infrastructure projects, such as schools, utilities, roads, and bridges; and site costs, such as grading and amenities, to bring the land to a saleable state. General and administrative costs related to project litigation are charged to expense when incurred. Costs that cannot be clearly associated with the acquisition, development, and construction of a real estate project and selling expenses are expensed as incurred. The Company expenses advertising costs as incurred, which were $2.0 million, $4.3 million and $3.5 million during the years ended December 31, 2018, 2017 and 2016, respectively. Certain public infrastructure project costs incurred by the Company are eligible for reimbursement, typically, from the proceeds of CFD bond debt, state and federal grants or property tax assessments.

A portion of capitalized inventory costs is allocated to individual parcels within a project using the relative sales value method. Under the relative sales value method, each parcel in the project under development is allocated costs in proportion to the estimated overall sales prices of the project such that each parcel to be sold reflects the same gross profit margin. Since this method requires the Company to estimate the expected sales price for the entire project, the profit margin on subsequent parcels sold will be affected by both changes in the estimated total revenues, as well as any changes in the estimated total cost of the project.

Intangible Asset—In connection with the Company's acquisition of the Management Company (see Note 4), the Company acquired an intangible asset related to the contract value of the incentive compensation provisions of the Management Company's development management agreement with the Great Park Venture. The Company records amortization expense over the contract period based on the pattern in which the Company expects to recognize the economic benefits from the incentive compensation.

Receivables—The Company evaluates the carrying value of receivables, which includes receivables from related parties, at each reporting date to determine the need for an allowance for doubtful accounts. As of both December 31, 2018 and 2017, the allowance for doubtful accounts was not significant.

Fair value measurements—The Company follows guidance for fair value measurements and disclosures that emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the guidance establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participant assumptions.

Level 1—Quoted prices for identical instruments in active markets

Level 2—Quoted prices for similar instruments in active markets or inputs, other than quoted prices, that are observable for the instrument either directly or indirectly

Level 3—Significant inputs to the valuation model are unobservable

In instances where the determination of the fair value measurements is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Offering Costs—Costs incurred by the Company, totaling $2.9 million, that were directly attributable to the IPO were deferred and charged against the gross proceeds of the offering as a reduction of members' contributed capital.

Income taxes—The Company accounts for income taxes in accordance with ASC Topic 740, *Income Taxes* ("ASC 740"), which requires an asset and liability approach for measuring deferred taxes based on temporary differences between the financial statements and tax bases of assets and liabilities existing at each balance sheet date using enacted tax rates for the years in which taxes are expected to be paid or recovered.

The Holding Company has elected to be treated as a corporation for U.S. federal, state, and local tax purposes and determines the provision or benefit for income taxes on an interim basis using an estimate of its annual effective tax rate and the impact of specific events as they occur.

The Company's estimate of the Holding Company's annual effective tax rate is subject to change based on changes in federal and state tax laws and regulations, the Holding Company's ownership interest in the Operating Company and the Operating Company's ownership in the San Francisco Venture, and the Company's assessment of its deferred tax asset valuation allowance. Cumulative adjustments are made in interim periods in which the Company identifies a change in its estimate of the amount of future tax benefit when it is more likely than not that some portion of the deferred tax assets will not be realized. Among other things, the nature, frequency and severity of prior cumulative losses, forecasts of future taxable income, the duration of statutory carryforward periods, the Company's utilization experience with operating loss and tax credit carryforwards and tax planning alternatives are considered and evaluated when assessing the need for a valuation allowance. Any increase or decrease in a valuation allowance could have a material adverse effect or beneficial effect on the Holding Company's income tax provision and net income or loss in the period the determination is made. The Holding Company recognizes interest or penalties related to income tax matters in income tax expense.

Miscellaneous other income—Miscellaneous other income consisted of the following (in thousands):

	Year Ended December 31,		
	2018	2017	2016
Gain on sale of golf club operating property	$ 6,700	$ —	$ —
Gain on insurance claims	1,566	—	—
Net periodic pension benefit	307	93	57
Total miscellaneous other income	$ 8,573	$ 93	$ 57

Recently issued accounting pronouncements—In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* ("ASU No. 2018-07") which simplifies the accounting of share-based payments granted to nonemployees for goods and services. Under ASU No. 2018-07, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees including the determination of the measurement date. ASU No. 2018-07 generally requires an entity to use a modified retrospective transition approach, with a cumulative-effect adjustment to

retained earnings as of the beginning of the fiscal year of adoption. The amendments in ASU No. 2018-07 are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company does not expect the adoption of ASU No. 2018-07 to have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU No. 2016-02"). This ASU generally requires that lessees recognize right-of-use assets and lease liabilities on the balance sheet for operating and financing leases and also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. This update is effective for public entities in fiscal years beginning after December 15, 2018, including interim reporting periods within those fiscal years. The FASB has issued multiple clarifications and updates since ASU No. 2016-02 that include, but is not limited to, the ability to elect practical expedients upon transition.

The Company will adopt ASU No. 2016-02 effective on January 1, 2019 on a modified retrospective basis. Consequently, comparative prior periods presented in financial statements after adoption will continue to be in accordance with current U.S. GAAP (Topic 840, *Leases*). Upon transition, the Company will elect the package of practical expedients, whereby the Company will not reassess whether existing contracts contain leases, the lease classification of existing leases and initial direct costs associated with those leases. Additionally, the Company expects to exclude recognition of short term leases on the balance sheet and not separate lease and nonlease components for both lessee and lessor leases. Lease payments for short term leases would continue to be recognized in the consolidated statements of operations on a straight-line basis over the lease term. The Company estimates recognizing total lease liabilities ranging from $25 million to $35 million and corresponding right-of-use assets ranging from $30 million to $40 million predominantly associated with leased office space. The difference between the right-of-use asset and lease liability is primarily due to the existing prepaid and deferred rent balances, resulting from historical straight-lining of operating leases, that will be reclassified upon adoption to increase or reduce the measurement of the right-of-use assets. The Company continues to evaluate the disclosure requirements and the Company's associated processes and disclosure controls in advance of the first interim reporting period after adoption. The Company does not expect the adoption of ASU No. 2016-02 to have a material impact on the Company's consolidated statement of operations or statement of cash flows.

In June 2016, the FASB issued ASU No. 2016-13, *Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* which amends the guidance on the impairment of financial instruments, including most debt instruments, trade receivables and loans. ASU No. 2016-13 adds to U.S. GAAP an impairment model known as the current expected credit loss model that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses for instruments measured at amortized cost, resulting in a net presentation of the amount expected to be collected on the financial asset. ASU No. 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is currently evaluating the impact of adopting ASU No. 2016-13 on its consolidated financial statements.

Recently adopted accounting pronouncements—In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU No. 2014-09"), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted ASU No. 2014-09 and the related ASUs that formed ASC Topic 606, *Revenue from Contracts with Customers*, on January 1, 2018 using the modified retrospective approach with the cumulative effect recorded as an adjustment to opening capital. The new guidance was applied to contracts not completed at the transition date. Results for reporting periods beginning after January 1, 2018 are presented under ASC Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with historic accounting under ASC Topic 605, *Revenue Recognition,* and other industry specific guidance.

The impact of adopting the new guidance primarily relates to (i) the recognition of variable incentive compensation consideration associated with the Company's development management agreement with the Great Park Venture, which previously was recognized when contingencies associated with the amount and timing of the consideration were resolved, but under the new guidance estimates of the amount of variable consideration that the Company expects to be entitled to receive in revenue are recognized over time as management services are

provided; (ii) the recognition of variable consideration from land sale contracts in the form of revenue or profit participation and marketing fees received from homebuilders, which historically have been recognized as revenue in the period in which the contingencies associated with the amount and timing of the consideration were resolved, but under the new guidance estimates of the amount of variable consideration that the Company expects to be entitled to receive in revenue, if any, are recognized at the time of land sale; (iii) the timing of revenue recognition from land sales or agriculture crop sales resulting from additional clarity in determining that the performance obligation to the customer is complete when control of the land or crop has been transferred to the customer; (iv) the impact of adoption of ASU No. 2014-09 by the Company's unconsolidated entities; and (v) the requirement to provide more robust disclosure on the nature of the Company's transactions, the economic substance of the arrangements and the judgments involved.

The cumulative effect of the changes made to the Company's consolidated January 1, 2018 balance sheet from the adoption of the new revenue guidance were as follows (in thousands):

	Balance at December 31, 2017	Adjustments due to ASU No. 2014-09	Balance at January 1, 2018
ASSETS			
Inventories	$ 1,425,892	$ (9,457)	$ 1,416,435
Investment in unconsolidated entities	530,007	3,067	533,074
Intangible asset, net—related party	127,593	(19,220)	108,373
Related party assets	3,158	38,332	41,490
Other assets	7,585	716	8,301
LIABILITIES			
Accounts payable and other liabilities	167,620	(1,722)	165,898
Related party liabilities	186,670	(9,485)	177,185
CAPITAL			
Retained earnings	57,841	10,684	68,525
Noncontrolling interests	1,320,208	13,961	1,334,169

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)* ("ASU No. 2016-15") which amends the guidance in ASC Topic 230, *Statement of Cash Flows*, on the classification of certain cash receipts and payments in the statement of cash flows. The primary purpose of ASU No. 2016-15 is to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic. The Company adopted ASU No. 2016-15 effective January 1, 2018 retrospectively with no material impact on the Company's consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the Emerging Issues Task Force)* ("ASU No. 2016-18") which requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flow. The Company adopted this guidance on January 1, 2018 retrospectively and as a result included restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts presented on the consolidated statement of cash flows.

The effect of the changes made to the Company's consolidated statement of cash flow line items from the adoption of ASU No. 2016-18 were as follows (in thousands):

	Year Ended December 31, 2017		
	As Previously Reported	Adjustments due to ASU No. 2016-18	As Adjusted
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease in restricted cash and certificates of deposits	$ 876	$ (876)	$ —
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	786,174	(876)	785,298
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH—Beginning of period	62,304	2,343	64,647
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH—End of period	848,478	1,467	849,945

	Year Ended December 31, 2016		
	As Previously Reported	Adjustments due to ASU No. 2016-18	As Adjusted
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease in restricted cash and certificates of deposits	$ 1,574	$ (1,574)	$ —
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(46,353)	(1,574)	(47,927)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH—Beginning of period	108,657	3,917	112,574
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH—End of period	62,304	2,343	64,647

In March 2017, the FASB issued ASU No. 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* ("ASU No. 2017-07") which amends the guidance for the income statement presentation of the components of net periodic benefit cost for an entity's sponsored defined benefit pension and other postretirement plans. ASU No. 2017-07 requires entities to report non-service-cost components of net periodic benefit cost outside of income from operations. The Company adopted ASU No. 2017-07 effective January 1, 2018, retrospectively, which resulted in reclassifying net periodic pension benefit of $93,000 and $57,000 from selling, general, and administrative expenses to miscellaneous other income on the consolidated statement of operations for the years ended December 31, 2017 and 2016, respectively.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting ("ASU No. 2017-09")*. ASU No. 2017-09 provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in ASC Topic 718, *Compensation - Stock Compensation*. The Company adopted the amendments of ASU No. 2017-09 effective January 1, 2018 prospectively with no material impact on the Company's consolidated financial statements.

3. REVENUES

The application of the new revenue standard had the following impacts to the financial statement line items in the Company's consolidated financial statements (in thousands):

Statement of Operations

	Year Ended December 31, 2018		
	As Reported	**Balances without Adoption of ASC 606**	**Effect of Change**
REVENUES:			
Land sales	$ 133	$ 486	$ (353)
Land sales—related party	900	497	403
Management services—related party	40,976	23,055	17,921
Operating properties	6,981	6,667	314
COSTS AND EXPENSES:			
Land sales	(165)	(378)	213
Management services	23,962	11,506	12,456
Operating properties	5,077	4,935	142
EQUITY IN (LOSS) EARNINGS FROM UNCONSOLIDATED ENTITIES	(2,163)	(2,399)	236
NET LOSS	(67,945)	(73,654)	5,709
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(33,231)	(36,023)	2,792
NET LOSS ATTRIBUTABLE TO THE COMPANY	(34,714)	(37,631)	2,917

Balance Sheet

	December 31, 2018		
	As Reported	**Balances without Adoption of ASC 606**	**Effect of Change**
ASSETS			
Inventories	$ 1,696,084	$ 1,698,630	$ (2,546)
Investment in unconsolidated entities	532,899	529,596	3,303
Intangible asset, net—related party	95,917	127,593	(31,676)
Related party assets	61,039	11,205	49,834
Other assets	9,179	8,522	657
LIABILITIES			
Accounts payable and other liabilities	161,139	162,588	(1,449)
Related party liabilities	178,540	187,873	(9,333)
CAPITAL			
Retained earnings	33,811	20,210	13,601
Noncontrolling interest	1,261,491	1,244,738	16,753

As a result of applying the new revenue standard, there was no impact to the Company's operating, investing or financing activities in the consolidated statement of cash flows other than a change to net loss and therefore a corresponding impact on the reconciling items to arrive at the net cash used in operating activities.

Revenues are recognized when control of the promised goods (i.e., land) or services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

At contract inception, the Company assesses the goods and services promised in its contract with its customers and identifies a performance obligation for each promise to transfer to the customer a good or service (or a series of services) that is distinct. Identified performance obligations are assessed by considering implicit and explicitly stated promises. For the distinct performance obligation related to land sales, the Company typically satisfies the performance obligations at a point in time, upon transferring control of the land (when title passes at the close of escrow). The customer is able to direct the use of, control and obtain substantially all of the benefits from the land when title passes. For the distinct performance obligation related to management services, which is comprised of a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer, the Company typically satisfies the performance obligations over time as services are rendered. The customer consumes the benefits of the management services as the performance obligation is satisfied over time. The following tables present the Company's consolidated revenues disaggregated by revenue source and reporting segment (see Note 15) (in thousands):

	Year Ended December 31, 2018				
	Newhall	San Francisco	Great Park	Commercial	Total
Land sales	$ 149	$ 884	$ —	$ —	$ 1,033
Management services	—	4,397	35,090	1,489	40,976
Operating properties	3,878	729	—	—	4,607
Total revenues subject to ASC 606	4,027	6,010	35,090	1,489	46,616
Operating properties leasing revenues	2,374	—	—	—	2,374
Total Revenues	$ 6,401	$ 6,010	$ 35,090	$ 1,489	$ 48,990

Contract balances are recorded on the consolidated balance sheet in related party assets and other assets for receivables from customers and contract assets (unbilled receivables) depending on whether the customer is a related party. Similarly, contract liabilities (deferred revenue) are included in accounts payable and other liabilities and related party liabilities. When the timing of the Company's satisfaction of a performance obligation is different from the timing of the payments made by customers, the Company recognizes either a contract asset or a contract liability. Contract assets typically consist of the Company's estimate of contingent or variable consideration that has been included in the transaction price and recognized as revenue before the contractual payment is due. Contract liabilities typically consist of payments received by the Company prior to the Company satisfying the associated performance obligation.

Consideration in the form of contingent incentive compensation from the Company's development management agreement with the Great Park Venture is recognized as revenue as services are provided over the expected contract term, although contractual payments are due in connection with distributions made to the members of the Great Park Venture. The Company includes in the transaction price an estimate of incentive compensation only to the extent that a significant reversal of revenue is not probable. In some of its development management agreements, the Company receives compensation equal to the actual general and administrative costs incurred by the Company's project team. In these circumstances, the Company acts as the principal and recognizes management fee revenues on these reimbursements in the same period that these costs are incurred because the amount to which the Company has the right to invoice corresponds directly with the value consumed by the customer for the Company's performance to date.

Additionally, the Company's land sale contracts may include contingent amounts of variable consideration in the form of revenue or profit participation and marketing fees received from the homebuilders in amounts that are determined from the sales price or profitability of the sold homes. Estimates of such variable consideration that the Company expects to be entitled to receive from the homebuilder, if any, is recognized as revenue and a contract asset at the time of land sale, although payments are received in future periods when homebuilders complete home sales.

Changes in estimates of variable components of transaction prices, including estimates of variable consideration that are constrained, could result in cumulative catch-up adjustments to revenue that may result in an increase or decrease to contract assets in future periods.

The opening (after initial adoption) and closing balances of the Company's contract assets for the year ended December 31, 2018 were$39.0 million and $50.6 million, respectively. The increase of $11.6 million between the opening and closing balances of the Company's contract assets primarily results from an increase of $18.6 million during the year ended December 31, 2018 as a result of a timing difference between the Company's recognition of revenue earned for the performance of management services and contractual payments due from the customer during the period. Offsetting such increase was the derecognition of $7.0 million, representing variable cash consideration related to a land sale from a previous period. In September 2018, the Company relinquished its rights to the variable consideration in favor of additional entitlements transferred from the buyer that can be used at Candlestick Point and The San Francisco Shipyard communities (see Note 10). The total transaction price for this purchase and sale agreement did not change as a result of the changes to the consideration components. The Company's opening and closing contract liabilities for the year ended December 31, 2018 were insignificant.

As of December 31, 2018, the aggregate amount of the transaction price allocated to the Company's partially unsatisfied performance obligations associated with the development management agreement with the Great Park Venture was $56.0 million. The Company will recognize this revenue ratably as services are provided over the expected contract term, which terminates in December 2021, unless extended by mutual agreement by both the Company and the Great Park Venture. At each reporting period the Company will reassess the estimate of the amount of variable consideration the Company is expected to be entitled to such that it is probable that a significant reversal will not occur. Significant judgment is involved in management's estimate of the amount of variable consideration included in the transaction price. In making this estimate, management utilizes projected cash flows of the operations of the Great Park Venture. These cash flows are significantly affected by estimates and assumptions related to market supply and demand, the local economy, projected pace of sales of homesites, pricing and price appreciation over the estimated selling period, the length of the estimated development and selling periods, remaining development, general, and administrative costs, and other factors. When changes in the estimate occur, a cumulative catch-up will be recorded in the period and the transaction price allocated to the unsatisfied performance obligation will be adjusted. The Company applies the disclosure exemptions associated with remaining performance obligations for contracts with an original expected term of one year or less, contracts for which revenue is recognized in proportion to the amount of services performed and variable consideration that is allocated to wholly unsatisfied performance obligations for services that form part of a series of services.

4. ACQUISITIONS AND DISPOSALS

On May 2, 2016, the Company completed the Formation Transactions pursuant to the Contribution and Sale Agreement (see Note 1), in which the Company acquired a controlling financial interest in the San Francisco Venture and the Management Company. The acquisitions and the Company's concurrent investment in the Great Park Venture (see Note 5) transformed the Company into an owner, manager and developer of real estate at three locations. In accordance with ASC 805, *Business Combinations*, the Company has recorded the acquired assets (including identifiable intangible assets) and liabilities at their respective fair values as of the date of the Contribution and Sale Agreement.

The Company was a party to a cost sharing agreement related to the transactions that were consummated through the Contribution and Sale Agreement in which financial advisory, legal, accounting, tax and other consulting services were shared between the Company, the San Francisco Venture, the Great Park Venture and the Management Company. The Management Company acted as the administrative agent for all the parties. Transaction costs of $1.8 million was incurred directly by the Company or allocated to the Company under the cost sharing agreement during the year ended December 31, 2016 and is included in selling, general, and administrative expense in the accompanying consolidated statement of operations.

The San Francisco Venture

On May 2, 2016, immediately prior to completion of the Formation Transactions, the San Francisco Venture completed a separation transaction (the "Separation Transaction") pursuant to an Amended and Restated Separation and

Distribution Agreement ("Separation Agreement") in which the equity interests in a subsidiary of the San Francisco Venture known as CPHP Development, LLC ("CPHP") were distributed directly to the members of the San Francisco Venture: (i) an affiliate of Lennar and (ii) an affiliate of Castlelake, LP ("Castlelake"). The principal terms of the Separation Agreement included the following:

- CPHP was transferred certain acres of land where homes were being built, as well as all responsibility for current and future residential construction on the land;
- Once a final subdivision map is recorded, title to a parking structure parcel at Candlestick Point ("CP Parking Parcel") was to be conveyed to CPHP and CPHP was to assume the obligation to construct the parking structure and certain other improvements at Candlestick Point;
- CPHP was transferred the membership interest in Candlestick Retail Member, LLC, ("Mall Venture Member"), the entity that had entered into a joint venture ("Mall Venture") with CAM Candlestick LLC (the "Macerich Member") to build a fashion outlet retail shopping center ("Retail Project") above and adjacent to the parking structure that CPHP is to construct on the CP Parking Parcel;
- Once a final subdivision map is recorded, the San Francisco Venture was to convey to the Mall Venture the property on which the Retail Project was to be built (the "Retail Project Property"); and
- CPHP assumed all of the vertical construction loans and EB-5 loan liabilities of the San Francisco Venture, subject to a reimbursement agreement for the portion of the EB-5 loans that were used to fund development of the portion of Candlestick Point and The San Francisco Shipyard that was not transferred to CPHP.

Concurrent with and pursuant to the terms and conditions of the Contribution and Sale Agreement, the limited liability company agreement of the San Francisco Venture was amended and restated to reflect among other things (1) the conversion of the existing members' interest into Class A units of the San Francisco Venture that are redeemable, at the holder's option, subject to certain conditions, for Class A Common Units of the Operating Company, (2) the creation of Class B units of the San Francisco Venture and (3) the appointment of the Operating Company as the manager of the San Francisco Venture. In exchange for 378,578 of its Class A Common Units, the Operating Company acquired 378,578 Class A units of the San Francisco Venture that automatically converted into an equal number of Class B units of the San Francisco Venture. As the holder of all the outstanding Class B units of the San Francisco Venture, the Operating Company owns interests that entitle it to receive 99% of all distributions from the San Francisco Venture after the holders of Class A units of the San Francisco Venture have received distributions equivalent to the distributions, if any, paid on the Class A Common Units of the Operating Company. The Company has a controlling financial interest and consolidates the accounts of the San Francisco Venture and reports noncontrolling interest attributed to the outstanding Class A units of the San Francisco Venture.

The equity issued for the San Francisco Venture consisted of the following (in thousands, except unit and per unit amounts):

Class A Common Units in the Operating Company		378,578
Class A units at the San Francisco Venture exchangeable for Class A Common Units in the Operating Company		37,479,205
Total units issued/issuable in consideration		37,857,783
Estimated fair value per Class A Common Unit of the Operating Company	$	23.61
Total equity consideration	$	893,856
Add: contingent consideration		64,870
Less: capital commitment from seller		(120,000)
Total consideration issued for the San Francisco Venture	$	838,726

The estimated fair value per Class A Common Unit of the Operating Company was determined using a discounted cash flow method projected for the Operating Company to determine a per unit enterprise value as of the acquisition date. As the Class A units of the San Francisco Venture are exchangeable on a one-for-one basis for Class A Common Units of the Operating Company, it was determined that the unit value of a Class A unit of the San Francisco Venture is substantially equal to the unit value of a Class A Common Unit of the Operating Company. The fair value of the noncontrolling interest represented by the Class A units of the San Francisco Venture held by affiliates of Lennar and Castlelake is calculated as the product of the unit value of the Class A units of the San Francisco Venture and the number of Class A units of the San Francisco Venture outstanding and redeemable for Class A Common Units of the Operating Company.

Contingent consideration consists of the San Francisco Venture's obligation (through a subsidiary) to convey the Retail Project Property to the Mall Venture and the CP Parking Parcel to CPHP. The Retail Project Property is to be conveyed pursuant to a development and acquisition agreement, dated November 13, 2014, between the Mall Venture and the San Francisco Venture's subsidiary (the "Mall DAA"). The former owners of the San Francisco Venture retained the rights to 49.9% of the equity ownership in the Mall Venture through the Separation Agreement; therefore, the conveyance of the Retail Project Property to the Mall Venture represents additional consideration to the former owners, contingent upon the San Francisco Venture obtaining the appropriate governmental approvals required to subdivide and convey the Retail Project Property.

In connection with the Separation Transaction, the former owners agreed to make an aggregate capital commitment to the San Francisco Venture of $120.0 million, payable to the San Francisco Venture in four equal installments, with the first installment paid on May 2, 2016 and the second, third and fourth installments payable within 90, 180 and 270 days thereafter. The second and third installments were paid and received by the San Francisco Venture on August 5, 2016 and November 3, 2016, respectively, and the fourth installment was received on February 2, 2017. The $120.0 million capital commitment from the selling members was determined to be an adjustment to purchase consideration since the amount is a cash inflow to the Company from the former owners of the San Francisco Venture in relation to the acquisition, thereby reducing the fair value of the consideration.

The estimated fair value of the assets acquired and liabilities assumed, as well as the fair value of the noncontrolling interest in the San Francisco Venture as of the acquisition date, is as follows (in thousands):

Assets acquired:		
Inventories	$	1,038,154
Other assets		827
Liabilities assumed:		
Macerich Note		(65,130)
Accounts payable		(17,715)
Related party liabilities		(117,410)
Net assets acquired	$	838,726
Adjustment to equity consideration, net (see table above)		55,130
	$	893,856
Noncontrolling interest in the San Francisco Venture	$	884,917

Inventories consist of land held for development and the right to receive land from the Office of Community Investment and Infrastructure, the Successor to the Redevelopment Agency of the City and County of San Francisco (the "San Francisco Agency") in accordance with a disposition and development agreement between the San Francisco Venture's subsidiary and the San Francisco Agency.

Accounts payable consists of payables related to normal business operations. Related party liabilities consist of (i) $102.7 million in EB-5 loan reimbursements to CPHP or its subsidiaries, pursuant to reimbursement agreements that the San Francisco Venture entered into as of May 2, 2016 to reimburse CPHP or its subsidiaries for the proceeds of the EB-5 loans that were used to fund development of the portion of Candlestick Point and The San Francisco Shipyard that were not transferred to CPHP; and (ii) $14.6 million closing cash adjustment payable to CPHP (see Note 10). The Macerich Note is a $65.1 million loan from an affiliate of the Macerich Member (see Note 11).

Management Company

The Management Company was formed in 2009 as a joint venture between the Company's Chairman and Chief Executive Officer, Emile Haddad, and an affiliate of Lennar. Since being formed, the Management Company had been engaged by the Company as an independent contractor to supervise the day-to-day affairs of the Company and the assets of its subsidiaries. The Company awarded the Management Company a 2.48% ownership interest in the Company's subsidiary FPL in connection with its engagement as development manager as well as a seat on the Company's Board of Managers prior to the Formation Transactions. The Management Company has also acted as development manager for the Great Park Venture, under the terms of the development management agreement. Prior to the Formation Transactions, the Management Company also held an ownership interest in the Great Park Venture through an investment in a joint venture with an affiliate of Castlelake ("FPC-HF Venture I"). In 2014, the Management Company sold the rights to 12.5% of all incentive compensation under the development management agreement to FPC-HF Venture I in exchange for its ownership interest in FPC-HF Venture I. Concurrent with and pursuant to the terms and conditions of the Contribution

and Sale Agreement, the Management Company amended and restated its limited partnership agreement. Among other things, the principal organizational changes that occurred were as follows:

- Distribution of the Management Company's ownership interest in FPC-HF Venture I (see Note 5), to its selling shareholders, Emile Haddad and an affiliate of Lennar;
- The partnership interests were converted into two classes of partnership interests, designated as Class A interests and Class B interests. Holders of the Management Company's Class B interests are entitled to receive distributions from the Management Company equal to the amount of any incentive compensation payments the Management Company receives under the development management agreement, as amended and restated (the "A&R DMA"), characterized as "Legacy Incentive Compensation." Holders of Class A interests are entitled to all other distributions; and
- Admission of FPC-HF Venture I as a 12.5% holder of the Management Company's Class B interests in exchange for FPC-HF Venture I's contribution of its right to 12.5% of the Legacy Incentive Compensation, as defined and discussed in Note 10.

By acquiring all of the stock of Five Point Communities Management, Inc. and all of the Class A interests of Five Point Communities, LP, the Company obtained a controlling financial interest in the Management Company and is able to direct all business decisions of the Management Company.

The equity issued for the Management Company, consisted of the following (in thousands, except unit/share and per unit amounts):

Class A common shares of the Company		798,161
Class A Common Units of the Operating Company		6,549,629
Total units/shares issued in consideration		7,347,790
Estimated fair value per Class A Common Unit of the Operating Company and Class A common share of the Company	$	23.61
Total equity consideration	$	173,488
Add: available cash distribution		450
Total consideration issued for the Management Company	$	173,938

A Class A common share of the Company and a Class A Common Unit of the Operating Company issued as consideration were each valued at $23.61.

The estimated total purchase price was allocated to Management Company's assets and liabilities based upon fair values as determined by the Company, as follows (in thousands):

Assets acquired:		
Investment in FPL	$	70,000
Intangible asset		129,705
Cash		3,664
Legacy Incentive Compensation receivable from related party		56,232
Related party receivables		5,282
Prepaid expenses and other current assets		328
Liabilities assumed:		
Other liabilities		(2,397)
Related party liabilities		(81,996)
Accrued employee benefits		(6,880)
Net assets acquired	$	173,938

The intangible asset is a contract asset resulting from the incentive compensation provisions of the A&R DMA. The A&R DMA has an original term commencing on December 29, 2010 and ending on December 31, 2021, with options to renew at the mutual agreement of terms and provisions by both the Company and the Great Park Venture for three additional years and then two additional years. The intangible asset will be amortized over the contract period based on the pattern in which the economic benefits are expected to be received. The investment in FPL, which was stepped up to fair value, eliminates in consolidation as FPL is a consolidated subsidiary of the Company. Related party liabilities are

comprised of the Class B distribution rights that were held by Emile Haddad, an affiliate of Lennar and FPC-HF Venture I. The Class B interests were determined to not be a substantive form of equity because the interests only entitle the holders to the Legacy Incentive Compensation payments, and does not expose the holders to the net assets or residual interest of Management Company. Class B distributions will be made when the Management Company receives Legacy Incentive Compensation payments under the A&R DMA. As of December 31, 2018, the Management Company had received $58.3 million of the Legacy Incentive Compensation and made distributions in the same amount to the holders of Class B interests. Related party liabilities also includes an obligation to the Operating Company for $14.1 million representing 12.5% of the Non-Legacy Incentive Compensation under the A&R DMA that the Management Company previously sold to FPC-HF Venture I and that the Operating Company acquired from FPC-HF Venture I in connection with the Contribution and Sale Agreement (see Note 10). This obligation and the Operating Company's acquired asset are eliminated in the accompanying consolidated balance sheets as of December 31, 2018 and 2017.

The Company recorded revenue and losses related to the acquisition of the Management Company and the San Francisco Venture for the year ended December 31, 2016 as follows (in thousands):

	2016
Revenue	$ 15,223
Loss	$ (11,992)

Tournament Players Club at Valencia Golf Course Disposal

In January 2018, the Tournament Players Club at Valencia Golf Course was sold for net cash proceeds of $5.7 million, and the buyer's assumption of certain liabilities, including certain club membership related liabilities. The Company recognized a gain of $6.7 million as a result of the sale and such gain is included in miscellaneous other income in the consolidated statement of operations for the year ended December 31, 2018. The property was operated by the Company as an amenity to the Newhall segment's fully developed Valencia community and the gain on the sale is included in the Newhall segment's results for the year ended December 31, 2018.

5. INVESTMENT IN UNCONSOLIDATED ENTITIES

Great Park Venture

On May 2, 2016, concurrent with and pursuant to the terms and conditions of the Contribution and Sale Agreement, the Great Park Venture amended and restated its limited liability company agreement, which split the previous interests in Great Park Venture into two classes of interests—"Percentage Interests" and "Legacy Interests." The pre-Formation Transaction owners of Great Park Venture retained the Legacy Interests, which entitle them to receive priority distributions in an aggregate amount equal to $476.0 million and up to an additional $89.0 million from subsequent distributions of cash depending on the performance of the Great Park Venture. The holders of the Percentage Interests will receive all other distributions. As of December 31, 2018, the Great Park Venture has made distributions to the holders of Legacy Interests in the aggregate amount of $355.0 million. Pursuant to the Contribution and Sale Agreement, the Operating Company acquired 37.5% of the Percentage Interests in exchange for issuing 17,749,756 Class A Common Units in the Operating Company to an affiliate of Lennar and to FPC-HF Venture I. Great Park Venture is the owner of Great Park Neighborhoods, a mixed-use, master planned community located in Orange County, California. The Company, through its acquisition of the Management Company, has been engaged to manage the planning, development and sale of the Great Park Neighborhoods and supervise the day-to-day affairs of the Great Park Venture. The Great Park Venture is managed by an executive committee comprised of representatives appointed by only the holders of Percentage Interest. The Company does not control the actions of the executive committee.

The cost of the Company's investment in the Great Park Venture was $114.2 million higher than the Company's underlying equity in the carrying value of net assets of the Great Park Venture (basis difference). The Company's earnings from the equity method investment are adjusted by amortization and accretion of the basis differences as the assets and liabilities that gave rise to the basis difference are sold, settled or amortized.

The following table summarizes the statement of operations of the Great Park Venture for years ended December 31, 2018 and 2017 and for the period from the acquisition date of May 2, 2016 to December 31, 2016 (in thousands):

	2018	2017	2016
Land sale revenues	$ 175,689	$ 480,934	$ 22,505
Cost of land sales	(118,115)	(339,100)	(12,093)
Other costs and expenses	(54,506)	(105,772)	(82,392)
Net income (loss) of Great Park Venture	$ 3,068	$ 36,062	$ (71,980)
The Company's share of net income (loss)	$ 1,151	$ 13,523	$ (26,992)
Basis difference (amortization) accretion	(2,057)	(7,763)	25,636
Equity in (loss) earnings from Great Park Venture	$ (906)	$ 5,760	$ (1,356)

The following table summarizes the balance sheet data of the Great Park Venture and the Company's investment balance as of December 31, 2018 and 2017 (in thousands):

	2018	2017
Inventories	$ 1,059,717	$ 1,089,513
Cash and cash equivalents	60,663	336,313
Receivable and other assets	33,836	21,778
Total assets	$ 1,154,216	$ 1,447,604
Accounts payable and other liabilities	$ 152,809	$ 225,588
Redeemable Legacy Interests	209,967	445,000
Capital (Percentage Interest)	791,440	777,016
Total liabilities and capital	$ 1,154,216	$ 1,447,604
The Company's share of capital in Great Park Venture	$ 296,790	$ 291,381
Unamortized basis difference	128,863	132,111
The Company's investment in the Great Park Venture	$ 425,653	$ 423,492

Gateway Commercial Venture

On August 4, 2017, the Company entered into the Limited Liability Company Agreement of Five Point Office Venture Holdings I, LLC, a Delaware limited liability company (the "Gateway Commercial Venture"), made a capital contribution of $106.5 million to the Gateway Commercial Venture, and received a 75% interest in the venture. The Gateway Commercial Venture is governed by an executive committee in which the Company is entitled to appoint two individuals. One of the other members of the Gateway Commercial Venture is also entitled to appoint two individuals to the executive committee. The unanimous approval of the executive committee is required for certain matters, which limits the Company's ability to control the Gateway Commercial Venture, however, the Company is able to exercise significant influence and therefore accounts for its investment in the Gateway Commercial Venture using the equity method. The Company is the manager of the Gateway Commercial Venture, with responsibility to manage and administer its day-to-day affairs and implement a business plan approved by the executive committee.

On August 10, 2017, through its wholly owned subsidiaries, the Gateway Commercial Venture completed the purchase of the Five Point Gateway Campus located in Irvine, California. The purchase price of $443.0 million was funded using capital contributions by the members of the Gateway Commercial Venture and $291.2 million in debt financing. The financing arrangement also provides for an additional $48.0 million to be borrowed for the cost of tenant improvements, leasing expenditures and certain capital expenditures. The debt obtained by the Gateway Commercial Venture is non-recourse to the Company other than in the case of customary "bad act" or bankruptcy or insolvency events. In July 2018, the Company made a capital contribution of $8.4 million to the Gateway Commercial Venture. The contribution, which related to funding of tenant improvements, is expected to be distributed back to the Company following completion of the tenant improvements. As of December 31, 2018, the Gateway Commercial Venture has made distributions totaling $6.5 million to the Company with the remaining balance expected to be received in 2019.

The following table summarizes the statement of operations of the Gateway Commercial Venture for the year ended December 31, 2018 and from August 4, 2017 (the date of our initial investment) to December 31, 2017 (in thousands):

	2018	2017
Rental revenues	$ 26,580	$ 9,245
Rental operating and other expenses	(4,963)	(1,091)
Depreciation and amortization	(11,730)	(4,504)
Interest expense	(11,563)	(3,629)
Net (loss) income of Gateway Commercial Venture	$ (1,676)	$ 21
Equity in (loss) earnings from Gateway Commercial Venture	$ (1,257)	$ 16

The following table summarizes the balance sheet data of the Gateway Commercial Venture and the Company's investment balance as of December 31, 2018 and 2017 (in thousands):

	2018	2017
Real estate and related intangible assets, net	$ 464,123	$ 448,795
Other assets	14,833	7,211
Total assets	$ 478,956	$ 456,006
Notes payable, net	$ 295,440	$ 286,795
Other liabilities, net	40,521	27,190
Members' capital	142,995	142,021
Total liabilities and capital	$ 478,956	$ 456,006
The Company's investment in the Gateway Commercial Venture	$ 107,246	$ 106,516

6. NONCONTROLLING INTERESTS

The Holding Company's wholly owned subsidiary is the managing general partner of the Operating Company and at December 31, 2018, the Holding Company and its wholly owned subsidiary owned approximately 61.7% of the outstanding Class A Common Units of the Operating Company, 100% of the outstanding Class B Common Units of the Operating Company. The Holding Company consolidates the financial results of the Operating Company and its subsidiaries, and records a noncontrolling interest for the remaining 38.3% of the outstanding Class A Common Units of the Operating Company.

After a 12 month holding period, holders of Class A Common Units of the Operating Company may exchange their units for, at the Company's option, either (i) Class A common shares on a one-for-one basis (subject to adjustment in the event of share splits, distributions of shares, warrants or share rights, specified extraordinary

distributions and similar events), or (ii) cash in an amount equal to the market value of such shares at the time of exchange. Whether such units are acquired by the Company in exchange for Class A common shares or for cash, if the holder also owns Class B common shares, then an equal number of that holder's Class B common shares will automatically convert into Class A common shares, at a ratio of 0.0003 Class A common shares for each Class B common share. This exchange right is currently exercisable by all holders of outstanding Class A Common Units of the Operating Company.

The San Francisco Venture has two classes of units—Class A units and Class B units. The Operating Company owns all of the outstanding Class B units of the San Francisco Venture. All of the outstanding Class A units are owned by affiliates of Lennar and affiliates of Castlelake. The Class A units of the San Francisco Venture are intended to be substantially economically equivalent to the Class A Common Units of the Operating Company. The Class A units of the San Francisco Venture represent noncontrolling interests to the Operating Company.

Holders of Class A units of the San Francisco Venture can redeem their units at any time and receive Class A Common Units of the Operating Company on a one-for-one basis (subject to adjustment in the event of share splits, distributions of shares, warrants or share rights, specified extraordinary distributions and similar events). If a holder requests a redemption of Class A units that would result in the Holding Company's ownership of the Operating Company falling below 50.1%, the Holding Company has the option of satisfying the redemption with Class A common shares instead. The Company also has the option, at any time, to acquire outstanding Class A units of the San Francisco Venture in exchange for Class A Common Units of the Operating Company. The 12 month holding period for any Class A Common Units of the Operating Company issued in exchange for Class A units of the San Francisco Venture is calculated by including the period that such Class A units of the San Francisco Venture were owned. This exchange right is currently exercisable by all holders of outstanding Class A units of the San Francisco Venture.

Pursuant to the First Amendment to the Second Amended and Restated Limited Liability Company Agreement of The Shipyard Communities, LLC, dated as of February 13, 2019, the San Francisco Venture was authorized to issue Class C units to an affiliate of Lennar that agreed to contribute $25.0 million to the San Francisco Venture in exchange for the issuance of 25 million units of the new class of membership interest. Provided that Lennar completes the construction of a certain number of new homes in Candlestick Point as contemplated under its agreements with the Company, the San Francisco Venture is required to redeem the Class C units if and when the Company receives reimbursements from the Mello-Roos communities facilities district formed for the Candlestick Point project, in an aggregate amount equal to 50% of any reimbursements up to a maximum amount of $25.0 million. Upon a liquidation of the San Francisco Venture, the holders of Class C Units are entitled to a liquidation preference in an aggregate amount equal to the cumulative amount of reimbursements received, less the aggregate amount previously paid to redeem Class C units. The maximum amount payable by the San Francisco Venture pursuant to redemptions or liquidation of the Class C units is $25.0 million. The holders of Class C units are not entitled to receive distributions. In connection with the issuance of the Class C units, the San Francisco Venture agreed to spend $25.0 million on the development of infrastructure and/or parking facilities at the Company's Candlestick Point development.

Net (loss) income attributable to the noncontrolling interests on the consolidated statements of operations represents the portion of earnings attributable to the economic interest in the Company held by the noncontrolling interests. The Company allocates (loss) income to noncontrolling interests based on the substantive profit sharing provisions of the applicable operating agreements.

With each exchange of Class A Common Units of the Operating Company for Class A common shares, the Holding Company's percentage ownership interest in the Operating Company and its share of the Operating Company's cash distributions and profits and losses will increase (see Note 7). Additionally, other issuances of common shares of the Holding Company or common units of the Operating Company results in changes to the noncontrolling interest percentage as well as the total net assets of the Company. As a result, all equity transactions result in an allocation between equity and the noncontrolling interest in the Company's consolidated balance sheets and statements of capital to account for the changes in the noncontrolling interest ownership percentage as well as the change in total net assets of the Company.

During the year ended December 31, 2018, the Holding Company increased its ownership interest in the Operating Company as a result of equity transactions related to the Company's share-based compensation plan and

exchanges of Class A Common Units of the Operating Company for Class A common shares. During the year ended December 31, 2017, the Holding Company's ownership interest in the Operating Company changed as a result of the Holding Company acquiring Class A Common Units of the Operating Company with the proceeds of the Holding Company's IPO, the sale of Class A Common Units of the Operating Company in a private placement with Lennar, and equity transactions related to the Company's share-based compensation plan.

7. CONSOLIDATED VARIABLE INTEREST ENTITY

The Holding Company conducts all of its operations through the Operating Company, a consolidated VIE, and as a result, substantially all of the Company's assets and liabilities represent the assets and liabilities of the Operating Company, other than items attributed to income taxes and the TRA related obligation, which was $169.5 million and $152.5 million at December 31, 2018 and 2017 respectively. The Operating Company has investments in and consolidates the assets and liabilities of the San Francisco Venture, Five Point Communities, LP and FPL, all of which have also been determined to be VIEs.

The San Francisco Venture is a VIE as the limited partners (or functional equivalent) of the venture, individually or as a group, are not able to exercise kick-out rights or substantive participating rights. The Company applied the variable interest model and determined that it is the primary beneficiary of the San Francisco Venture and, accordingly, the San Francisco Venture is consolidated in its results. In making that determination, the Company evaluated that the Operating Company has unilateral and unconditional power to make decisions in regards to the activities that significantly impact the economics of the VIE, which are the development of properties, marketing and sale of properties, acquisition of land and other real estate properties and obtaining land ownership or ground lease for the underlying properties to be developed. The Company is determined to have more-than-insignificant economic benefit from the San Francisco Venture because the Operating Company can prevent or cause the San Francisco Venture from making distributions on its units, and the Operating Company would receive 99% of any such distributions (assuming no distributions had been paid on the Class A Common Units of the Operating Company). In addition, the San Francisco Venture is only allowed to make a capital call on the Operating Company and not any other interest holders, which could be a significant financial risk to the Operating Company.

As of December 31, 2018, the San Francisco Venture had total combined assets of $1,151.4 million, primarily comprised of $1,137.0 million of inventories and $12.3 million in cash and total combined liabilities of $260.8 million including $168.9 million in related party liabilities and $65.1 million in notes payable.

As of December 31, 2017, the San Francisco Venture had total combined assets of $1,074.1 million, primarily comprised of $1,063.9 million of inventories and $8.4 million in cash and total combined liabilities of $269.2 million including $177.4 million in related party liabilities and $65.1 million in notes payable.

Those assets are owned by, and those liabilities are obligations of, the San Francisco Venture, not the Company. The San Francisco Venture is not a guarantor of the Company's obligations, and the assets held by the San Francisco Venture may only be used as collateral for the San Francisco Venture's debt. The creditors of the San Francisco Venture do not have recourse to the assets of the Operating Company, as the VIE's primary beneficiary, or of the Holding Company.

The Company and other partners do not generally have an obligation to make capital contributions to the San Francisco Venture. In addition, there are no liquidity arrangements or agreements to fund capital or purchase assets that could require the Company to provide financial support to the San Francisco Venture. The Company did not guarantee any debt of the San Francisco Venture.

Five Point Communities, LP and FPL are VIEs as in each case the limited partners (or functional equivalent) have disproportionately fewer voting rights and substantially all of the activities of the entities are conducted on behalf of the limited partners and their related parties. The Operating Company, or a wholly owned subsidiary of the Operating Company, is the primary beneficiary of Five Point Communities, LP and FPL.

As of December 31, 2018, Five Point Communities, LP and FPL had combined assets of $745.3 million, primarily comprised of $559.1 million of inventories, $95.9 million of intangibles, $54.3 million in related party assets and $0.1 million in cash, and total combined liabilities of $118.1 million, including $108.6 million in accounts payable and other liabilities and $9.5 million in related party liabilities.

As of December 31, 2017, Five Point Communities, LP and FPL had combined assets of $543.5 million, primarily comprised of $361.9 million of inventories, $127.6 million of intangibles, $3.1 million in related party assets and $12.3 million in cash, and total combined liabilities of $131.0 million, including $117.1 million in accounts payable and other liabilities and $9.1 million in related party liabilities.

The Company evaluates its primary beneficiary designation on an ongoing basis and assesses the appropriateness of the VIE's status when events have occurred that would trigger such an analysis. During the years ended December 31, 2018, 2017 and 2016, respectively, there were no VIEs that were deconsolidated.

8. PROPERTIES AND EQUIPMENT, NET

Properties and equipment as of December 31, 2018 and 2017 consisted of the following (in thousands):

	2018	2017
Agriculture operating properties and equipment	$ 29,975	$ 29,689
Other	7,166	4,890
Total properties and equipment	37,141	34,579
Accumulated depreciation	(5,464)	(4,923)
Properties and equipment, net	$ 31,677	$ 29,656

Depreciation expense was $0.8 million, $1.1 million and $1.0 million for the years ended December 31, 2018, 2017 and 2016 respectively.

9. INTANGIBLE ASSET, NET—RELATED PARTY

In connection with the Company's acquisition of the Management Company (see Note 4), the Company acquired an intangible asset related to the contract value of the incentive compensation provisions of the Management Company's development management agreement with the Great Park Venture. The carrying amount and accumulated amortization of the intangible asset as of December 31, 2018 and 2017 were as follows (in thousands):

	2018	2017
Gross carrying amount	$ 129,705	$ 129,705
Accumulated amortization	(33,788)	(2,112)
Net book value	$ 95,917	$ 127,593

The Company recorded amortization expense of $12.5 million for the year ended December 31, 2018, which is included in the cost of management services in the accompanying consolidated statement of operations. Amortization expense is recognized using a relative value method based on revenue recognition attributable to incentive compensation. No amortization expense was recorded for the year ended December 31, 2017, as the Company did not recognize any economic benefits from incentive compensation. Additionally, in connection with the transition adjustment recorded for the adoption of ASU No. 2014-09 on January 1, 2018, the Company recorded an increase to accumulated amortization of $19.2 million (see Note 2).

10. RELATED PARTY TRANSACTIONS

Related party assets and liabilities included in the Company's consolidated balance sheets as of December 31, 2018 and 2017 consisted of the following (in thousands):

	2018	2017
Assets:		
Contract asset (see Note 3)	$ 49,834	$ —
Prepaid rent	5,972	—
Other	5,233	3,158
	$ 61,039	$ 3,158
Liabilities:		
EB-5 loan reimbursements	$ 102,692	$ 102,692
Contingent consideration—Mall Venture project property	64,870	64,870
Deferred land sale revenue	—	9,860
Payable to holders of Management Company's Class B interests	9,000	9,000
Other	1,978	248
	$ 178,540	$ 186,670

Development Management Agreement with the Great Park Venture (Legacy Incentive Compensation Contract Asset)

In 2010, the Great Park Venture, the Company's equity method investee, engaged the Management Company under a development management agreement to provide management services to the Great Park Venture. The compensation structure in place as per the A&R DMA consists of a base fee and incentive compensation. The base fee consists of a fixed annual fee and a variable fee equal to general and administrative costs incurred by the Management Company on behalf of the Great Park Venture. Incentive compensation is characterized as "Legacy Incentive Compensation" and "Non-Legacy Incentive Compensation." The Legacy Incentive Compensation consists of the following: (i) $15.2 million, which was received by the Management Company on May 2, 2016; (ii) $43.1 million received by the Management Company on January 3, 2017; and (iii) a maximum of $9.0 million of incentive compensation payments attributed to contingent payments made under a cash flow participation agreement the Great Park Venture is a party to. Generally, the Non-Legacy Incentive Compensation is 9% of distributions made by the Great Park Venture, as defined in the A&R DMA, excluding the distributions to the holders of Legacy Interests of $565.0 million (see Note 5).

Due to the contingencies associated with the portion of the Legacy Incentive Compensation (maximum of $9.0 million) that has not been received and the Non-Legacy Incentive Compensation, no receivable was recognized at the acquisition date for these components and instead an intangible asset at fair value, was recognized at the acquisition date (see Note 4). Adoption of the new revenue guidance on January 1, 2018 (see Note 3) impacted the Company's recognition of variable Legacy and Non-Legacy Incentive Compensation consideration. Previously, revenue was recognized when contingencies associated with the amount and timing of the consideration were resolved. Under the new guidance, estimates of the amount of variable consideration that the Company expects to be entitled to receive as revenue are recognized over time as management services are provided. Upon transitioning to the new guidance, the Company adjusted its opening balance sheet on January 1, 2018 to reflect a contract asset of $29.4 million representing an estimate of the cumulative amount of consideration the Company expected to be entitled to receive for services provided through the adoption date. At December 31, 2018, a contract asset balance of $47.7 million is included in related party assets on the accompanying consolidated balance sheet attributed to Legacy and Non-Legacy Incentive Compensation.

For the years ended December 31, 2018, 2017 and 2016, the Company recognized revenue from management services of $35.1 million (including incentive compensation), $16.2 million and $13.3 million,

respectively, related to all management fees under the A&R DMA and such revenues are included in management services—related party in the accompanying consolidated statements of operations. At December 31, 2018 and 2017, the Company had a receivable from the Great Park Venture of $3.0 million and $2.9 million, respectively, related to cost reimbursements under the A&R DMA. The receivable amounts are included in other related party assets in the table above. The current term of the A&R DMA ends in December 2021 and provides for term extensions at the mutual agreement of terms and provisions by both the Company and the Great Park Venture.

Purchase of Indirect Legacy Interest in Great Park Venture

In June 2018, the Company purchased an indirect interest in rights to certain Legacy Interests in the Great Park Venture that were held by Emile Haddad. At December 31, 2018, the carrying value of the purchased interests was $1.8 million and is included in other related party assets in the table above.

Five Point Gateway Campus Lease

In August 2017, the Company entered into a 130-month full service gross lease with the Gateway Commercial Venture, and the Company relocated its Orange County, California offices to the newly leased office space at the Five Point Gateway Campus in December 2018. At December 31, 2018, the Company had a prepaid rent balance of $6.0 million.

EB-5 Loan Reimbursements

The San Francisco Venture has entered into reimbursement agreements for which it has agreed to reimburse CPHP or its subsidiaries for a portion of the EB-5 loan liabilities and related interest that were assumed by CPHP or its subsidiaries pursuant to the Separation Agreement. At both December 31, 2018 and 2017, the balance of the payable to CPHP or its subsidiaries was $102.7 million. Interest is paid monthly and totaled $4.2 million for each of the years ended December 31, 2018 and 2017. All of the incurred interest for the years ended December 31, 2018 and 2017 was capitalized into inventories as interest on development and construction costs. The weighted average interest rate as of December 31, 2018 was 4.1%. Principal payments of $39.4 million and $63.3 million are due in 2019 and 2020, respectively.

Contingent Consideration to Class A Members of the San Francisco Venture

Under the terms of the Separation Agreement, the San Francisco Venture retained the obligation under the Mall DAA to subdivide and convey the Retail Project Property to the Mall Venture, and the former owners of the San Francisco Venture retained the rights to 49.9% of the equity ownership in the Mall Venture. The obligation to convey the Retail Project Property to the Mall Venture represents additional consideration as the conveyance of the Retail Project Property provides direct benefit to the former owners (see Note 4).

In early 2019, after discussions between the Company, CPHP and the Macerich Member, the parties determined not to proceed with the Retail Project. As a result of terminating the Retail Project, the obligation of the San Francisco Venture to convey the CP Parking Parcel and the Retail Project Property was terminated, and the San Francisco Venture was also released from certain development obligations. In return, the San Francisco Venture repaid the Macerich Note and accrued interest (see Note 11). Additionally, the San Francisco Venture issued an aggregate of 436,498 of its Class A Units (while the Company concurrently sold 436,498 of the Company's Class B common shares) to affiliates of Lennar and Castlelake (see Note 13). The San Francisco Venture can now redevelop these parcels for alternative uses.

Payables to Holders of Management Company's Class B Interests

Holders of the Management Company's Class B interests are entitled to receive all distributions from the Management Company that are attributable to any Legacy Incentive Compensation received by the Management Company. The Management Company made a $43.1 million payment to the holders of Class B interests of the Management Company in January 2017 in connection with the Management Company's January 2017 collection of

Legacy Incentive Compensation in the same amount. No payments were made during the year ended December 31, 2018.

Transition Services Agreement

The Operating Company has engaged a subsidiary of Lennar to provide certain services, support, and resources to the Company under a Transition Services Agreement (“TSA”). The TSA was amended on May 1, 2018, which resulted in reduced services that substantially ceased at the end of 2018. For the years ended December 31, 2018, 2017 and 2016, the Company incurred $1.4 million, $1.8 million and $1.0 million, respectively, in costs for office space licensing and transition services. As of December 31, 2018 and 2017, the Company had related party payables of $0.1 million and $0.2 million, respectively, related to the various components of the TSA.

San Francisco Bay Area Development Management Agreements

The Company has entered into development management agreements with affiliates of Lennar and Castlelake in which the Company will provide certain development management services to various real estate development projects located in the San Francisco Bay area. The agreements generally consist of a fixed management fee and in some cases a variable fee equal to general and administrative costs incurred by the Company. In most cases the management agreements terminate upon project development milestones. For the years ended December 31, 2018, 2017 and 2016, the Company recognized revenue from these management services of $4.4 million, $5.8 million and $3.5 million, respectively. Revenues related to management fees under the San Francisco Bay area development management agreements are included in management services—related party in the accompanying consolidated statements of operations.

Gateway Commercial Venture Property Management Agreement

The Company has entered into a property management agreement with Gateway Commercial Venture in which the Company will provide certain property management services to the Five Point Gateway Campus. The agreement consists of a base management fee, calculated as the greater of a determined fixed value or percentage of gross rent, plus additional fees, when applicable, pertaining to management of tenant improvements and securing tenants. For the years ended December 31, 2018 and 2017, the Company recognized revenue from these management services of $1.5 million and $0.5 million, respectively, which is included in management services—related party in the accompanying consolidated statement of operations. At December 31, 2018, the Company had a contract asset balance of $0.2 million related to these management fees from the Gateway Commercial Venture.

Candlestick Point Purchase and Sale Agreements

The San Francisco Venture has entered into purchase and sale agreements with an affiliate of Lennar and Castlelake to sell homesites at Candlestick Point including one agreement for 3.6 acres of land where up to 390 for-sale homesites are planned to be built and one agreement for land that includes additional airspace parcels above the planned Retail Project where multi-family homesites were planned to be built. The Company was required to complete certain conditions prior to the close of escrow of the sale of the airspace parcels above the planned Retail Project, including recording the subdivision of the land and airspace parcels into separate legal parcels. The San Francisco Venture closed escrow on the for-sale homesites in January 2017 resulting in gross proceeds of $91.4 million. At December 31, 2017, the Company had $9.9 million of deferred revenue on this sale related to completion of certain infrastructure improvements. In transitioning to the new revenue recognition guidance (see Note 3), the Company determined that it transferred control of the land in connection with the 2017 land sale and satisfied the performance obligation to the buyer at the time of the sale, as such, the Company recognized $9.9 million in deferred revenues, and the associated inventory relief, directly to capital on January 1, 2018.

In connection with the termination of the Retail Project in early 2019 described above, the purchase and sale agreement for the planned multi-family homesites was terminated.

Entitlement Transfer Agreement

In December 2016, the San Francisco Venture entered into an agreement with an affiliate of Lennar and Castlelake pursuant to which an affiliate of Lennar and Castlelake agreed to transfer to the San Francisco Venture entitlements for the right to construct (1) at least 172 homesites (or, if greater, the number of entitled homesites that are not developed or to be developed by or on behalf of the San Francisco Agency or by residential developers on the land transferred to CPHP) and (2) at least 70,000 square feet of retail space (or, if greater, the amount of entitled retail space that is not developed or to be developed by or on behalf of the San Francisco Agency or by commercial developers on the land transferred to CPHP) for use in the development of other portions of Candlestick Point and The San Francisco Shipyard. The Company successfully received the necessary government approvals to effectuate the transfer of the entitlements in 2018, relinquished its rights to certain variable consideration related to the Candlestick Point purchase and sale agreements, and received the additional entitlements (see Note 3).

11. NOTES PAYABLE, NET

At December 31, 2018 and 2017, notes payable consisted of the following (in thousands):

	2018	2017
7.875 % Senior Notes due 2025	$ 500,000	$ 500,000
Macerich Note	65,130	65,130
Settlement Note	—	5,000
Unamortized debt issuance costs and discount	(8,126)	(9,512)
	$ 557,004	$ 560,618

Senior Notes

In November 2017, the Operating Company and Five Point Capital Corp., a directly wholly owned subsidiary of the Operating Company (the “Co-Issuer” and, together with the Operating Company, the “Issuers”), offered, sold and issued $500.0 million aggregate principal amount of 7.875% unsecured senior notes due November 15, 2025 at 100% of par (the “Senior Notes”). Proceeds from the offering, after underwriting fees and offering expenses were $490.7 million. Interest on the notes is payable on May 15 and November 15 of each year. Interest incurred, including amortization of debt issuance costs, on the Senior Notes during the years ended December 31, 2018 and 2017 totaled $39.8 million and $4.6 million, respectively. All interest incurred was capitalized to inventories in both years.

The Senior Notes are redeemable at the option of the Issuers, in whole or in part, at any time, and from time to time, on or after November 15, 2020, at a declining call premium as set forth in the indenture governing the Senior Notes, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption. In addition, at any time prior to November 15, 2020, the issuers may redeem some or all of the Senior Notes at a price equal to 100% of the aggregate principal amount of the Senior Notes redeemed, plus a “make-whole” premium, plus accrued and unpaid interest, if any, to, but excluding, the date of redemption. Lastly, prior to November 15, 2020, the Issuers may redeem up to 35% of the aggregate principal amount of the Senior Notes with an amount equal to the net cash proceeds from certain equity offerings, at a redemption price equal to 107.875% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

The Senior Notes are guaranteed jointly and severally, by certain direct and indirect subsidiaries of the Issuers (the “Guarantors”, other than the Co-Issuer), however the Issuers non-guarantor subsidiaries represent substantially all of the operations and total assets of the Issuers. The Senior Notes are senior in right of payment to all of the Issuers’ and Guarantors’ subordinated indebtedness, equal in right of payment with all of the Issuers’ and the Guarantors’ senior indebtedness, without giving effect to collateral arrangements in the case of secured indebtedness, effectively subordinated to any of the Issuers’ and the Guarantors’ secured indebtedness, to the extent of the value of the assets securing such indebtedness, and structurally subordinated to all of the existing and future

liabilities (including trade payables but excluding intercompany liabilities) or preferred equity of each of the Operating Company's subsidiaries that do not guarantee the Senior Notes (other than the Co-Issuer).

Macerich Note

On November 13, 2014, in connection with entering into the Mall Venture and Mall DAA, a wholly-owned subsidiary of the San Francisco Venture issued a promissory note (the "Macerich Note") to an affiliate of the Macerich Member in the amount of $65.1 million, bearing interest at 360-day LIBOR plus 2.0% (5.01% at December 31, 2018). It was anticipated that upon completion of certain conditions, including the conveyance of the Retail Project Property to the Mall Venture, the Macerich Member, in several steps, would cause the Macerich Note to be distributed to the Company, resulting in the extinguishment of the Macerich Note. However in early 2019, in connection with the termination of the Retail Project (see Note 10), the Company repaid the Macerich Note, plus paid or caused to be paid outstanding accrued interest of approximately $11.1 million. Offsetting the Company's payment was a concurrent contribution to the San Francisco Venture of approximately $5.5 million from the members of CPHP (affiliates of Lennar and Castlelake).

Settlement Note

The settlement note represents the settlement of an April 2011 third party dispute related to a prior land acquisition in which the Company issued a $12.5 million non-interest-bearing promissory note. At issuance, the Company recorded a discount on the face value of the promissory note at an imputed interest rate of approximately 12.8%. Amortization expense of this discount is capitalized to the Company's inventory each period. During the years ended December 31, 2018, 2017 and 2016, the Company capitalized amortization expense of $0.3 million, $0.5 million and $0.7 million, respectively. The Company made its final principal payment on the settlement note of $5.0 million in April 2018.

Revolving Credit Facility

The Company has a revolving credit facility (the "Revolving Credit Facility"), with aggregate commitments to $125.0 million. The Revolving Credit Facility matures on April 18, 2020, with one option to extend the maturity date by an additional year, subject to the satisfaction of certain conditions including the approval of the administrative agent and the lenders. Borrowings under the Revolving Credit Facility bear interest at LIBOR plus a margin ranging from 1.75% to 2.00% based on the Company's leverage ratio. As of December 31, 2018, no funds have been drawn on the Revolving Credit Facility, however letters of credit of $1.0 million are issued and outstanding under the Revolving Credit Facility as of December 31, 2018, thus reducing the available capacity by the outstanding letters of credit amount.

12. TAX RECEIVABLE AGREEMENT

Simultaneous with, but separate and apart from the Formation Transactions on May 2, 2016, the Company entered into a TRA with all of the holders of Class A Common Units of the Operating Company and all the holders of Class A Units of the San Francisco Venture (as parties to the TRA, the "TRA Parties"). The TRA provides for payment by the Company to the TRA Parties or their successors of 85% of the amount of cash savings, if any, in income tax the Company realizes as a result of:

(a) Increases in the Company's tax basis attributable to exchanges of Class A Common Units of the Operating Company for Class A common shares of the Company or cash or certain other taxable acquisitions of equity interests by the Operating Company.

After a 12 month holding period, holders of Class A Common Units of the Operating Company will be able to exchange their units for, at the Company's option, either Class A common shares on a one-for-one basis (subject to adjustment in the event of share splits, distributions of shares, warrants or share rights, specified extraordinary distributions and similar events), or cash in an amount equal to the market value of such shares at the time of exchange. The Company expects that basis adjustments resulting from these

transactions, if they occur, are likely to reduce the amount of income tax the Company would otherwise be required to pay in the future.

(b) Allocations that result from the application of the principles of Section 704(c) of the Code.

Section 704(c) of the Code, and the U.S. Treasury regulations promulgated thereunder, require that items of income, gain, loss and deduction that are attributable to the Operating Company's directly and indirectly held property, including property contributed to the Operating Company pursuant to the Formation Transactions and the property held by the Operating Company prior to the Formation Transactions, must be allocated among the members of the Operating Company to take into account the difference between the fair market value and the adjusted tax basis of such assets on May 2, 2016. As a result, the Operating Company will be required to make certain special allocations of its items of income, gain, loss and deduction that are attributable to such assets. These allocations, like the increases in tax basis described above, are likely to reduce the amount of income tax the Company would otherwise be required to pay in the future.

(c) Tax benefits related to imputed interest or guaranteed payments deemed to be paid or incurred by the Company as a result of the TRA.

At December 31, 2018 and 2017, the Company's consolidated balance sheets include liabilities of $169.5 million and $152.5 million, respectively, for payments expected to be made under certain components of the TRA which the Company deems to be probable and estimable. Management deems a TRA payment related to the benefits expected to be received by the Company under the application of Section 704(c) of the Code to be probable and estimable when an event occurs that results in the Company measuring the Operating Company's direct or indirectly held property at fair value in the Company's consolidated balance sheet or the sale of such property at fair value. Either of these activities are indicators that the difference between the fair market value of the property and the adjusted tax basis has been or will be realized, resulting in special allocations of income, gain, loss or deduction that are likely to reduce the amount of income taxes that the Company would otherwise pay. The Company may record additional TRA liabilities related to properties not currently held at fair value when those properties are recognized or realized at fair value. Furthermore, the Company may record additional liabilities under the TRA if and when TRA Parties exchange Class A Common Units of the Operating Company for the Company's Class A common shares or other equity transactions that impact the Holding Company's ownership in the Operating Company. During the year ended December 31, 2017, the Company adjusted its recorded TRA liability as a result of equity transactions during the period, including the IPO and private placement. Changes in the Company's estimates of the utilization of its deferred tax attributes and tax rates in effect may also result in subsequent changes to the amount of TRA liabilities recorded. At the end of the 2017, the Tax Cuts and Jobs Act (the "Tax Act") was enacted into law, which reduced the federal corporate tax rate from 35% to 21%. As a result of this reduction, the value of the benefit that the Company will receive from tax attributes and tax items that are the subject of the TRA was reduced and, as a result, the TRA liability was also reduced. During the year ended December 31, 2018, the Company adjusted its recorded TRA liability as a result of several exchanges of Class A Common Units of the Operating Company for the Company's Class A common shares as well as certain other equity transactions associated with share based compensation. As a result of these changes, the value of the benefit that the Company will receive from tax attributes and tax items that are the subject of the TRA increased and, as a result, the TRA liability was increased.

The term of the TRA will continue until all such tax benefits under the agreement have been utilized or expired, unless the Company exercises its right to terminate the TRA for an amount based on an agreed value of payments remaining to be made under the agreement. No TRA payments were made during the years ended December 31, 2018, 2017 and 2016.

13. COMMITMENTS AND CONTINGENCIES

The Company is subject to the usual obligations associated with entering into contracts for the purchase, development, and sale of real estate, which the Company does in the routine conduct of its business. The operations of the Company are conducted through the Operating Company and its subsidiaries, and in some cases, the Holding Company will guarantee the performance of the Operating Company or its subsidiaries.

Operating Leases

The Company has entered into agreements to lease certain office facilities and equipment under operating leases. The Company also leases portions of its land to third parties for agricultural operations. As of December 31, 2018, minimum lease payments to be made under operating leases with initial terms in excess of one year and minimum lease payments to be received under noncancelable leases are as follows (in thousands):

Years Ending December 31,	Rental Payments	Rental Receipts
2019	$ 5,790	$ 633
2020	4,846	556
2021	5,263	193
2022	5,420	145
2023	5,583	142
Thereafter	13,065	925
	$ 39,967	$ 2,594

Rent expense for the years ended December 31, 2018, 2017 and 2016, was $2.7 million, $2.7 million and $1.8 million, respectively.

Newhall Ranch Project Approval Settlement

In September 2017, the Company reached a settlement (the “Newhall Settlement”) with key national and state environmental and Native American organizations that were petitioners (the “Settling Petitioners”) in various legal challenges to Newhall Ranch’s regulatory approvals and permits (see Legal Proceedings below). As of December 31, 2018, the Company has recorded a liability, included in accounts payable and other liabilities in the accompanying consolidated balance sheets, of $36.5 million associated with certain obligations of the settlement. The Holding Company has provided a guaranty to the Settling Petitioners for monetary payments due from the Company as required under the Newhall Settlement. As of December 31, 2018, the remaining estimated maximum potential amount of monetary payments subject to the guaranty was $43.3 million with the final payment due in 2026. The Company did not reach a settlement with two local environmental organizations that have pending challenges to certain approvals for Newhall Ranch (the “Non-Settling Petitioners”).

Water Purchase Agreement

The Company is subject to a water purchase agreement requiring annual payments in exchange for the delivery of water for the Company’s exclusive use. The agreement has an initial 35-year term, which expires in 2039 with an option for a second 35-year term. During the year ended December 31, 2018, the Company made a payment of $1.2 million. The annual minimum payments for years 2019 to 2023 are $1.2 million, $1.3 million, $1.3 million, $1.4 million, and $1.4 million respectively. At December 31, 2018, the aggregate annual minimum payments remaining under the initial term total $36.3 million.

Newhall Ranch Infrastructure Project

In January 2012, the Company entered into an agreement with Los Angeles County, in which the Company will finance up to a maximum of $45.8 million for the construction costs of an interchange project that Los Angeles County is managing. The interchange project is a critical infrastructure project that will benefit Newhall Ranch. As of December 31, 2018, the Company has made aggregate payments of $37.0 million and the interchange project is expected to be completed in 2019. There is also a provision for the Company to pay Los Angeles County interest on defined unreimbursed construction costs incurred prior to the reimbursement payment. Upon the final payment, Los Angeles County will credit the Company, in the form of bridge and thoroughfare construction fee district fee credits, an amount equal to the Company’s actual payments, exclusive of any interest payments. These credits are eligible for application against future bridge and thoroughfare fees the Company may incur. At December 31, 2018 and

2017, the Company had $7.6 million and $5.6 million, respectively, included in accounts payable and other liabilities in the accompanying consolidated balance sheets, representing unreimbursed construction costs payable to Los Angeles County.

Agreement Regarding Mall Venture

On May 2, 2016, the Company entered into an agreement with CPHP pursuant to which, upon completion of the Retail Project, CPHP was to contribute all of its interests in the Mall Venture Member to the Operating Company in exchange for 2,917,827 Class A Common Units of the Operating Company (see Note 4). Additionally, CPHP was to purchase an equal amount of Class B common shares from the Holding Company at a price of $0.00633 per share. If the Company or CPHP failed to achieve certain milestones, including the conveyance to the Mall Venture of the Retail Project Property on or prior to December 31, 2017, subject to certain extensions, Macerich would have the right to terminate the joint venture, require the Company to repay the $65.1 million Macerich Note (see Note 11) and to pay certain termination fees (50% of such termination fees would be funded by CPHP). However, the Company would no longer be obligated to transfer the Retail Project Property to the Retail Project or the CP Parking Parcel to CPHP and instead would be obligated to issue 436,498 Class A Common Units of the Operating Company to CPHP or its designees and CPHP or its designees will purchase an equal amount of Class B common shares from the Holding Company at a price of $0.00633 per share. The Retail Project Property had not been conveyed to the Mall Venture as of December 31, 2017. In early 2019, the Retail Project was terminated (see Note 10) and the Company repaid the Macerich Note, plus termination fees and issued affiliates of Lennar and Castlelake 436,498 Class A Units of the San Francisco Venture that are redeemable for Class A Common Units of the Operating Company and sold an equal number of Class B common shares. The Company can now redevelop these parcels for alternative uses.

Candlestick Point Development Agreement

On May 2, 2016, the Company entered into a development agreement with CPHP whereby among other things, CPHP agreed to be responsible for all design and construction costs associated with the parking structure to be built on the CP Parking Parcel, up to $240.0 million, and the Company agreed to reimburse CPHP for design and construction costs in excess of $240.0 million. In early 2019, the development agreement was terminated by the Company and CPHP concurrent with the termination of the Retail Project (see Note 10).

Performance and Completion Bonding Agreements

In the ordinary course of business and as a part of the entitlement and development process, the Company is required to provide performance bonds to ensure completion of certain development obligations. The Company had outstanding performance bonds of $73.5 million and $79.9 million as of December 31, 2018 and 2017, respectively.

Candlestick Point and San Francisco Shipyard Disposition and Development Agreement

The San Francisco Venture is a party to a disposition and development agreement with the San Francisco Agency in which the San Francisco Agency will convey portions of Candlestick Point and The San Francisco Shipyard owned or acquired by the San Francisco Agency to the San Francisco Venture for development. The San Francisco Venture will reimburse the San Francisco Agency for reasonable costs and expenses actually incurred and paid by the San Francisco Agency in performing its obligations under the disposition and development agreement. The San Francisco Agency can also earn a return of certain profits generated from the development and sale of Candlestick Point and The San Francisco Shipyard if certain thresholds are met. As of December 31, 2018 the thresholds have not been met.

At December 31, 2018, the San Francisco Venture had outstanding guarantees benefiting the San Francisco Agency for infrastructure and construction of certain park and open space obligations with aggregate maximum obligations of $197.8 million.

Letters of Credit

At December 31, 2018 and December 31, 2017, the Company had outstanding letters of credit totaling $2.4 million and these letters of credit were issued to secure various development and financial obligations. At December 31, 2018 and December 31, 2017, the Company had restricted cash and certificates of deposit of $1.4 million pledged as collateral under certain of the letters of credit agreements.

Legal Proceedings

California Department of Fish and Wildlife Permits

In January 2011, petitioners Center for Biological Diversity, California Native Plant Society, and Wishtoyo Foundation/Ventura Coastkeeper, Santa Clarita Organization for Planning and the Environment ("SCOPE") and Friends of the Santa Clara River filed a complaint in Los Angeles County Superior Court ("Superior Court") challenging the validity of certain aspects of the environmental impact report ("EIR") portion of the EIR/ Environmental Impact Statement ("EIR/EIS") for the Newhall Ranch project. In November 2015, following lower court proceedings, the California Supreme Court ("Supreme Court") reversed the Court of Appeal's judgment on three issues raised in the case, namely: (i) the EIR's greenhouse gas ("GHG") emissions significance findings, (ii) the EIR's mitigation measures for a protected fish species ("Stickleback"), and (iii) the timeliness of public comments on impacts to cultural resources and another sensitive fish species; and remanded to the Court of Appeal for reconsideration and new decision. In July 2016, after the remand, the Court of Appeal issued a new decision in favor of California Department of Fish and Wildlife ("CDFW") and the Company as to the public comment issues. After further proceedings, the Court of Appeal remitted the case to the trial court, and that court issued the judgment and writ of mandate proposed by the CDFW as to the GHG and Stickleback issues. In February 2017, petitioners filed a notice of appeal challenging the scope of the trial court's judgment and writ. In the interim, and in response to the Supreme Court's decision, CDFW conducted additional analysis on the GHG and Stickleback issues and, in June 2017, reapproved the EIR and Newhall Ranch project. Thereafter, the Court of Appeal issued an opinion affirming the scope of the trial court's judgment and writ in favor of CDFW and the Company.

In September 2017, petitioners Center for Biological Diversity, California Native Plant Society, and Wishtoyo Foundation/Ventura Coastkeeper (collectively, "Settling Petitioners") settled all of their respective claims in the case, leaving only two petitioners, SCOPE and Friends of the Santa Clara River (collectively, "Non-Settling Petitioners"). In October 2017, the two Non-Settling Petitioners objected to CDFW's June 2017 reapproval of the Newhall Ranch EIR and project. In March 2018, the Supreme Court denied the Non-Settling Petitioners' petition for review. In July 2018, the trial court entered its judgment at CDFW's request discharging the trial court's earlier writ, finding that CDFW has complied with it. The time for an appeal of the judgment expired in September 2018 without an appeal being filed.

Landmark Village and Mission Village

The Los Angeles County Board of Supervisors ("BOS") approved the Newhall Ranch Landmark Village and Mission Village EIRs and permits in late 2011 and 2012. In 2012, petitioners filed two petitions (one for each village development) in the Superior Court challenging such approvals under certain state environmental and planning and zoning laws. In 2014, the Superior Court issued decisions in favor of Los Angeles County (the "County") and the Company, and in 2015, the Court of Appeal affirmed the Superior Court's decisions in full. Petitioners then filed a petition for review, and in 2015, the Supreme Court granted petitioners' request to review the County's GHG analysis, but ordered that further proceedings in the two actions be deferred pending disposition of the related GHG issue in the CDFW action noted above.

After the Supreme Court decision invalidating the GHG findings in the related CDFW action, in 2016, the Court of Appeal issued new decisions reversing the trial court judgments to the sole extent that the County's EIRs did not support its GHG significance impact finding. The matters were remitted to the trial court and that court issued the judgment and writ requested by the County. In May 2017, petitioners filed a notice of appeal challenging the scope of the trial court's judgment and writ.

In September 2017, the County advised the trial court it had taken the actions required to fully comply with the writs, and requested that the Superior Court discharge the writs. As explained in further detail below, the two

Non-Settling Petitioners filed a new action challenging the County's certification of the additional environmental analyses and approval of the Landmark Village and Mission Village projects and related permits.

As with the CDFW action above, in September 2017, the Settling Petitioners settled all of their respective claims in the Landmark Village and Mission Village cases with the Company, leaving only the two Non-Settling Petitioners.

In October 2017, the two Non-Settling Petitioners objected to the County's return to the writs, raising the same issues as to the scope of the trial court's writ as they raised in the related CDFW action. As requested by the County and the Company, the trial court deferred its ruling on the Non-Settling Petitioners' objections until the Court of Appeal's opinion in the related CDFW action had been finalized and that court issued an opinion resolving the Landmark Village and Mission Village appeals as to the scope of the writs. As discussed above, in March 2018, the Supreme Court denied the Non-Settling Petitioners' petition to review the Court of Appeal's decision in the CDFW action. Thereafter, in May 2018, the Court of Appeal issued its combined decision in favor of the County and the Company on the Landmark Village and Mission Village appeals as to the scope of the writs. Based on the County's compliance with the writ directives, the trial court issued signed orders discharging the writs in August 2018. The time for an appeal of the judgment expired in October 2018 without an appeal being filed.

Landmark Village/Mission Village

During the pendency of the above-referenced litigation involving the approval of the original EIRs and related permits for the Landmark Village and Mission Village projects, in July 2017, the BOS certified the final additional environmental analyses required as a result of the Supreme Court's decision regarding the original GHG analysis and reapproved the Landmark Village and Mission Village projects and related permits. In August 2017, the two Non-Settling Petitioners filed a new petition for writ of mandate in the Superior Court. The petition challenges the County's July 2017 approvals of the Mission Village and Landmark Village environmental analyses and the two projects based on claims arising under CEQA and the California Water Code. The Court held a hearing on the merits of the petition in September 2018. In December 2018, the Superior Court issued its written decision denying the Non-Settling Petitioners' petition for writ of mandate. Thereafter, in January 2019, the Superior Court entered judgment on the petition for writ of mandate in favor of the County and the Company.

Other Permits

In August 2011, the U.S. Army Corps of Engineers (the "Corps") approved the EIS portion of the joint EIR/EIS and issued its provisional Section 404 Clean Water Act authorization (the "Section 404 Permit") for the Newhall Ranch project. In September 2012, the Los Angeles Regional Water Quality Control Board (the "Regional Board") unanimously adopted final Section 401 conditions and certified the Section 404 Permit. In October 2012, petitioners Center for Biological Diversity and Wishtoyo Foundation/Ventura Coastkeeper filed a petition for review and reconsideration of the Regional Board's actions to the State Water Resources Control Board ("State Board"); however, that petition was withdrawn in September 2017 as part of the settlement referenced above in this action and the CDFW, Landmark Village, and Mission Village actions. In October 2012, after consulting with the U.S. Environmental Protection Agency (the "USEPA"), the Corps issued the final Section 404 Permit.

In July 2014, plaintiffs, the Settling Petitioners and the Non-Settling Petitioners, filed a complaint against the Corps and the USEPA in the U.S. District Court, Central District of California (Los Angeles) ("U.S. District Court"). The complaint alleged that those two federal agencies violated various environmental and historic preservation laws in connection with the Section 404 Permit and requested, among other things, that the U.S. District Court vacate the federal agencies' approvals and prohibit construction activities pending compliance with federal law. The Company was granted intervenor status by the U.S. District Court in light of its interests as the landowner and holder of the Section 404 Permit. In June 2015, the U.S. District Court issued a favorable order granting the Corps' and the Company's motions for summary judgment and denying plaintiffs' summary judgment motion. In September 2015, plaintiffs filed a notice of appeal with the U.S. Court of Appeals for the Ninth Circuit ("Ninth Circuit"). The Ninth Circuit briefing is completed and oral argument occurred in February 2017.

Consistent with the terms of the settlement in this action and the CDFW, Landmark Village, and Mission Village actions, the Settling Petitioners moved to dismiss their claims on appeal and withdraw from the U.S. District Court litigation. In October 2017, the Ninth Circuit granted the motion to dismiss the appeal and the claims with

prejudice as to the Settling Petitioners. The Ninth Circuit then ordered supplemental briefs to explain the impact of the dismissal, if any, on the remaining claims. The Corps and the Company, on the one hand, and the two Non-Settling Petitioners, on the other hand, filed supplemental briefs pursuant to the Court's order. In April 2018, the Ninth Circuit issued its opinion affirming the U.S. District Court's summary judgment in favor of the Corps and the Company as intervenor. The Ninth Circuit opinion became final and non-appealable in July 2018.

Hunters Point Litigation

In May 2018, residents of the Bayview Hunters Point neighborhood filed a putative class action in San Francisco Superior Court naming Tetra Tech, Inc., an independent contractor hired by the U.S. Navy to conduct testing and remediation of toxic radiological waste at The San Francisco Shipyard ("Tetra Tech"), Lennar and the Company as defendants. The plaintiffs allege that, among other things, Tetra Tech fraudulently misrepresented its test results and remediation efforts. The plaintiffs are seeking damages against Tetra Tech and have requested an injunction to prevent the Company and Lennar from undertaking any development activities at The San Francisco Shipyard.

In June 2018, two construction workers who allegedly engaged in development activities at The San Francisco Shipyard filed a lawsuit in San Francisco Superior Court naming Tetra Tech, Lennar and the Company, among others, as defendants. The plaintiffs allege personal injuries resulting from exposure to contamination at The San Francisco Shipyard and are seeking damages relating to such alleged injuries. In March 2019, the plaintiffs dismissed the Company from the lawsuit.

Since July 2018, a number of lawsuits have been filed in San Francisco Superior Court on behalf of homeowners in The San Francisco Shipyard, which name Tetra Tech, Lennar, the Company and the Company's CEO, among others, as defendants. The plaintiffs allege that environmental contamination issues at The San Francisco Shipyard were not properly disclosed to them before they purchased their homes. They also allege that Tetra Tech and other defendants (not including the Company) have created a nuisance at The San Francisco Shipyard under California law. They seek damages as well as certain declaratory relief. The Company believes that it has meritorious defenses to the allegations in all of these cases and may have insurance and indemnification rights against third parties, including related parties, with respect to these claims. Given the preliminary nature of these claims, the Company cannot predict the outcome of these matters.

Other

Other than the actions outlined above, the Company is also a party to various other claims, legal actions, and complaints arising in the ordinary course of business, the disposition of which, in the Company's opinion, will not have a material adverse effect on the Company's consolidated financial statements.

As a significant land owner and developer of unimproved land it is possible that environmental contamination conditions could exist that would require the Company to take corrective action. In the opinion of the Company, such corrective actions, if any, would not have a material adverse effect on the Company's consolidated financial statements.

14. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information for the years ended December 31, 2018, 2017 and 2016 is as follows (in thousands):

	2018	2017	2016
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest, all of which was capitalized to inventories	$ 43,892	$ 4,211	$ 2,807
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Liabilities assumed by buyer in connection with sale of golf course operating property	$ 7,795	$ —	$ —
Class A common shares issued for redemption of noncontrolling interests	$ 30,088	$ —	$ —
Contingent consideration related to acquisition of the San Francisco Venture (see Note 4)	$ —	$ —	$ 64,870
Accrued deferred equity and debt offering costs	$ —	$ —	$ 1,038
Capital issued in acquisition of interest in the Management Company (see Note 4)	$ —	$ —	$ 173,488
Capital issued in acquisition of interest in the San Francisco Venture (see Note 4)	$ —	$ —	$ 8,939
Capital issued in acquisition of interest in the Great Park Venture	$ —	$ —	$ 419,088
Capital issued in purchase of rights to 12.5% of Non-Legacy Incentive Compensation from FPC-HF Venture I (see Note 4)	$ —	$ —	$ 14,110
Recognition of TRA liability	$ 18,963	$ 56,216	$ 201,845

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows for the years ended December 31, 2018, 2017 and 2016 is as follows (in thousands):

	2018	2017	2016
Cash and cash equivalents	$ 495,694	$ 848,478	$ 62,304
Restricted cash and certificates of deposit	1,403	1,467	2,343
Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statements of cash flows	$ 497,097	$ 849,945	$ 64,647

Amounts included in restricted cash and certificates of deposit represent amounts held as collateral on open letters of credit related to development obligations or because of other contractual obligations of the Company that require the restriction.

15. SEGMENT REPORTING

As of and for the year ended December 31, 2018, the Company's reportable segments consist of:

• Newhall—includes the community of Newhall Ranch planned for development in northern Los Angeles County, California. The Newhall segment derives revenues from the sale of residential and commercial land sites to homebuilders, commercial developers and commercial buyers in addition to ancillary operations of operating properties.

• San Francisco—includes the Candlestick Point and The San Francisco Shipyard communities located on bayfront property in the City of San Francisco, California. The San Francisco segment derives revenues

from the sale of residential and commercial land sites to homebuilders, commercial developers and commercial buyers in addition to management services provided to affiliates of a related party.

• Great Park—includes Great Park Neighborhoods being developed adjacent to and around the Orange County Great Park, a metropolitan park under construction in Orange County, California. This segment also includes management services provided by the Management Company to the Great Park Venture, the owner of the Great Park Neighborhoods. As of December 31, 2018, the Company had a 37.5% Percentage Interest in the Great Park Venture and accounts for the investment under the equity method. The reported segment information for the Great Park segment includes the results of 100% of the Great Park Venture at the historical basis of the venture, which did not apply push down accounting in the Formation Transactions. The Great Park segment derives revenues from the sale of residential and commercial land sites to homebuilders, commercial developers and commercial buyers in addition to management services provided by the Company to the Great Park Venture.

• Commercial—includes Five Point Gateway Campus, an office and research and development campus within the Great Park Neighborhoods, consisting of four newly constructed buildings. Two of the four buildings are leased to one tenant under a 20-year triple net lease which commenced in August 2017. The Company and a subsidiary of Lennar have entered into separate 130-month full service gross leases to occupy a portion of the other two buildings. This segment also includes property management service provided by the Management Company to the Gateway Commercial Venture, the entity that owns the Five Point Gateway Campus. As of December 31, 2018, the Company had a 75% interest in the Gateway Commercial Venture and accounts for the investment under the equity method. The reported segment information for the Commercial segment includes the results of 100% of the Gateway Commercial Venture.

Segment operating results and reconciliations to the Company's consolidated balances are as follows:

For the year ended December 31, 2018

(in thousands)

	Newhall	San Francisco	Great Park	Commercial	Total reportable segments	Removal of Great Park Venture (1)	Removal of Gateway Commercial Venture (1)	Add investment in Great Park Venture	Add investment in Gateway Commercial Venture	Other eliminations (2)	Corporate and unallocated (3)	Total Consolidated
Revenues	$ 6,401	$ 6,010	$ 210,779	$ 28,069	$ 251,259	$ (175,689)	$ (26,580)	$ —	$ —	$ —	$ —	$ 48,990
Depreciation and amortization	271	287	12,456	11,730	24,744	—	(11,730)	—	—	—	210	13,224
Interest income	1	—	2,815	—	2,816	(2,815)	—	—	—	—	11,766	11,767
Interest expense	—	—	—	11,563	11,563	—	(11,563)	—	—	—	—	—
Segment profit (loss)/net profit (loss)	(6,802)	(18,060)	15,211	(187)	(9,838)	(3,068)	1,676	(906)	(1,257)	—	(54,552)	(67,945)
Other significant items:												
Segment assets	596,222	1,151,372	1,303,362	479,662	3,530,618	(1,154,216)	(478,956)	425,653	107,246	(730)	494,277	2,923,892
Inventory assets and real estate related assets, net	559,126	1,136,958	1,059,717	464,123	3,219,924	(1,059,717)	(464,123)	—	—	—	—	1,696,084
Expenditures for long-lived assets (4)	198,008	73,177	109,292	27,030	407,507	(109,292)	(27,030)	—	—	—	2,354	273,539

For the year ended December 31, 2017

(in thousands)

	Newhall	San Francisco	Great Park	Commercial	Total reportable segments	Removal of Great Park Venture (1)	Removal of Gateway Commercial Venture (1)	Add investment in Great Park Venture	Add investment in Gateway Commercial Venture	Other eliminations (2)	Corporate and unallocated (3)	Total Consolidated
Revenues	$ 31,568	$ 91,187	$ 497,173	$ 9,682	$ 629,610	$ (480,934)	$ (9,245)	$ —	$ —	$ —	$ —	$ 139,431
Depreciation and amortization	553	316	—	4,504	5,373	—	(4,504)	—	—	—	185	1,054
Interest income	3	—	2,226	—	2,229	(2,226)	—	—	—	—	2,574	2,577
Interest expense	—	—	—	3,628	3,628	—	(3,628)	—	—	—	—	—
Segment profit (loss)/net profit (loss)	(12,358)	(19,268)	42,219	458	11,051	(36,061)	(21)	5,760	16	—	43,451	24,196
Other significant items:												
Segment assets	444,407	1,123,266	1,578,142	456,292	3,602,107	(1,447,604)	(456,006)	423,492	106,516	(80,890)	830,740	2,978,355
Inventory assets	361,943	1,063,949	1,089,513	448,795	2,964,200	(1,089,513)	(448,795)	—	—	—	—	1,425,892
Expenditures for long-lived assets (4)	84,024	62,188	311,932	446,072	904,216	(311,932)	(446,072)	—	—	—	1	146,213

For the year ended December 31, 2016

(in thousands)

	Newhall	San Francisco	Great Park	Commercial	Total reportable segments	Removal of Great Park Venture (1)	Removal of Gateway Commercial Venture (1)	Add investment in Great Park Venture	Add investment in Gateway Commercial Venture	Other eliminations (2)	Corporate and unallocated (3)	Total Consolidated
Revenues	$ 22,044	$ 3,999	$ 35,830	$ —	$ 61,873	$ (22,505)	$ —	$ —	$ —	$ —	$ —	$ 39,368
Depreciation and amortization	492	195	2,113	—	2,800	—	—	—	—	—	58	2,858
Interest income	91	—	11,723	—	11,814	(11,723)	—	—	—	—	77	168
Segment loss/net loss	(22,703)	(14,204)	(67,668)	—	(104,575)	71,980	—	(1,356)	—	—	(62,666)	(96,617)
Other significant items:												
Segment assets	416,445	1,134,196	1,669,679	—	3,220,320	(1,496,102)	—	417,732	—	(69,462)	42,094	2,114,582
Inventory assets	280,377	1,080,074	1,115,818	—	2,476,269	(1,115,818)	—	—	—	—	—	1,360,451
Expenditures for long-lived assets (4)	21,686	42,113	123,008	—	186,807	(123,008)	—	—	—	—	461	64,260

(1) Represents the removal of the Great Park Venture's and Gateway Commercial Venture's operating results and balances that are included in the Great Park segment and Commercial segment operating results and balances, respectively, but are not included in the Company's consolidated results and balances.
(2) Represents intersegment balances that eliminate in consolidation.
(3) Corporate and unallocated activity is primarily comprised of corporate general, and administrative expenses and income taxes. Corporate and unallocated assets consist of cash, marketable securities, receivables, prepaids, and deferred equity offering and financing costs.
(4) Expenditures for long-lived inventory assets are net of cost reimbursements and include noncash project accruals and capitalized interest.

Lennar and several of its affiliates represented one of the Company's major customers for the years ended December 31, 2017 and 2016, and accounted for approximately $93.4 million or 67% and $6.0 million or 15%, respectively, of total consolidated revenues. These revenues represented land sales and management services revenues, and were reported in the Newhall and San Francisco segments. The Great Park Venture represented another of the Company's major customers for the years ended December 31, 2018, 2017 and 2016, and accounted for approximately $35.1 million or 72%, $16.2 million or 12%, and $13.3 million or 34%, respectively, of total consolidated revenues. These revenues represented management services revenues and were reported in the Great Park segment.

16. SHARE-BASED COMPENSATION

The Company may grant equity incentive awards to employees, consultants and non-employee directors under the Five Point Holdings, LLC 2016 Incentive Award Plan (the "Incentive Award Plan"). The Incentive Award Plan provides for the grant of share options, restricted shares, restricted share units, performance awards (which include, but are not limited to, cash bonuses), distribution equivalent awards, deferred share awards, share payment awards, share appreciation rights, other incentive awards (which include, but are not limited to, LTIP Unit awards (as defined in the Incentive Award Plan) and performance share awards. The Incentive Award Plan authorized the issuance of up to 8,500,822 Class A common shares of the Holding Company. As of December 31, 2018, there were 4,077,493 remaining Class A common shares available for future issuance under the Incentive Award Plan.

Under the Incentive Award Plan, the Company has granted restricted share units ("RSUs") and restricted share awards either fully vested or with service conditions. Awards with a service condition generally vest over a three-year period or in the case of non-employee directors over one year. Restricted share awards entitle the holders to non-forfeitable distributions and to vote the underlying Class A common share during the restricted period.

The Company estimates the fair value of restricted share awards with a service condition based on the closing market price of the Company's Class A common shares on the award's grant date. Prior to the Company's IPO, the Company measured the fair value of RSUs and restricted share awards based on the estimated fair value of the Company's underlying Class A common shares determined using a discounted cash flow analysis. The inputs utilized in the Company's estimate were selected by the Company based on information available to the Company, including relevant information obtained after the measurement date, as to the assumptions that market participants would make at the measurement date.

During the years ended December 31, 2018, 2017 and 2016, the Company reacquired vested RSUs and restricted share awards from employees for $5.1 million, $6.5 million and $0.4 million, respectively, for the purpose of settling tax withholding obligations. The reacquisition cost is based on the fair value of the Company's Class A common shares on the date the tax obligation is incurred.

The following table summarizes share-based equity compensation activity for the years ended December 31, 2018, 2017 and 2016:

	Share-Based Awards (in thousands)	Weighted-Average Grant Date Fair Value
Nonvested at January 1, 2016	—	$ —
Granted	2,350	$ 19.81
Vested	(1,045)	$ 19.62
Nonvested at December 31, 2016	1,305	$ 20.00
Granted	453	$ 15.52
Vested	(673)	$ 19.26
Nonvested at December 31, 2017	1,085	$ 18.57
Granted	1,724	$ 14.81
Forfeited	(105)	$ 14.83
Vested	(811)	$ 18.76
Nonvested at December 31, 2018	1,893	$ 15.27

Share-based compensation expense was $11.4 million, $18.5 million and $27.7 million for the years ended December 31, 2018, 2017 and 2016, respectively. Share-based compensation expense is included in selling, general, and administrative expenses in the accompanying consolidated statements of operations. Approximately $18.2 million of total unrecognized compensation cost related to non-vested awards is expected to be recognized over a weighted–average period of 1.9 years from December 31, 2018. The estimated fair value at vesting of share-based awards that vested during the years ended December 31, 2018, 2017 and 2016 was $11.8 million, $10.5 million, and $20.5 million respectively.

In January 2019, the Company granted 2.3 million equity incentive awards to employees and non-employee directors. The awards were comprised of restricted share awards with a service condition and restricted share awards or RSU awards with a market condition contingent on the Company's Class A common shares satisfying certain price targets.

17. EMPLOYEE BENEFIT PLANS

Retirement Plan—The Newhall Land and Farming Company Retirement Plan (the "Retirement Plan") is a defined benefit plan that is funded by the Company and qualified under the Employee Retirement Income Security Act. The Retirement Plan was frozen in 2004.

The Retirement Plan's funded status and amounts recognized in the Company's consolidated financial statements for the Retirement Plan as of and for the years ended December 31, 2018 and 2017 are as follows (in thousands):

	2018	2017
Change in benefit obligation:		
Projected benefit obligation—beginning of year	$ 21,622	$ 20,919
Interest cost	749	818
Benefits paid	(984)	(929)
Actuarial (gain) loss	(1,063)	814
Projected benefit obligation—end of year	$ 20,324	$ 21,622
Change in plan assets:		
Fair value of plan assets—beginning of year	$ 18,829	$ 16,778
Actual (loss) gain on plan assets	(1,168)	2,450
Employer contributions	218	530
Benefits paid	(984)	(929)
Fair value of plan assets—end of year	$ 16,895	$ 18,829
Funded status	$ (3,429)	$ (2,793)
Amounts recognized in the consolidated balance sheet—liability	$ 3,429	$ 2,793
Amounts recognized in accumulated other comprehensive loss—net actuarial loss	$ (5,428)	$ (4,266)

The accumulated benefit obligation for the Retirement Plan was $20.3 million and $21.6 million at December 31, 2018 and 2017, respectively.

The components of net periodic benefit and other amounts recognized in accumulated other comprehensive loss as of December 31, 2018, 2017 and 2016, are as follows (in thousands):

	2018	2017	2016
Net periodic benefit:			
Interest cost	$ 749	$ 818	$ 859
Expected return on plan assets	(1,146)	(1,024)	(1,007)
Amortization of net actuarial loss	90	113	91
Net periodic benefit	(307)	(93)	(57)
Adjustment to accumulated other comprehensive loss:			
Net actuarial loss (gain)	1,252	(611)	332
Amortization of net actuarial loss	(90)	(113)	(91)
Total adjustment to accumulated other comprehensive loss	1,162	(724)	241
Total recognized in net periodic benefit and accumulated other comprehensive loss	$ 855	$ (817)	$ 184

The weighted-average assumptions used to determine benefit obligations as of December 31, 2018 and 2017 were as follows:

	2018	2017
Discount rate	4.20%	3.55%
Rate of compensation increase	N/A	N/A

The weighted-average assumptions used to determine net periodic expense for the years ended December 31, 2018, 2017 and 2016, were as follows:

	2018	2017	2016
Discount rate	3.55%	4.10%	4.35%
Rate of compensation increase	N/A	N/A	N/A
Expected long-term return on plan assets	6.23%	6.33%	6.32%

To develop the long-term rate of return on assets assumption, the Company considered the current level of expected return on risk-free investments (primarily U.S. government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class.

Plan Assets—The Company's investment policy and strategy for the Retirement Plan is to ensure the appropriate level of diversification and risk. The asset allocation targets were approximately 55% in equity investments (Standard & Poor's Large Cap Index Funds, Small Cap Equity, Mid Cap Equity, and International Equity) and approximately 45% in fixed-income investments (U.S. bond funds and domestic fixed income). In accordance with the policy, the Retirement Plan assets are monitored and the investments rebalanced quarterly if there was more than 5% deviation from target allocation for the Retirement Plan. The Retirement Plan's assets consist of pooled or collective investment funds that have more than one investor. The Retirement Plan estimates the fair value of its interest in such funds at a net asset value ("NAV") per unit reported by the trustee. The NAV per unit is the result of accumulated values of the underlying investments held by the fund, which are valued daily. NAV is utilized by the Company as a practical expedient as of the consolidated balance sheet date. No adjustments were made to the NAV of the funds. The Retirement Plan's assets may be redeemed at the NAV per unit with no restrictions.

The Retirement Plan's assets at fair value as of December 31, 2018 and 2017, are as follows (in thousands):

Asset Category	2018	2017
Pooled and/or collective funds:		
Equity funds:		
Large cap	$ 5,777	$ 6,068
Mid cap	1,101	1,197
Small cap	1,579	1,777
International	1,654	2,060
Fixed-income funds—U.S. bonds and short term	6,784	7,727
Total	$ 16,895	$ 18,829

The Company's funding policy is to contribute amounts sufficient to meet minimum requirements but not more than the maximum tax-deductible amount. The Company does not expect to have a minimum required contribution in 2019 and expects future benefit payments to be paid as follows (in thousands):

2019	1,008
2020	2,211
2021	999
2022	1,563
2023	1,433
2024-2028	10,223
	$ 17,437

Employee Savings Plan—The Company has an employee savings plan under Section 401(k) of the Internal Revenue Code, which is available to all eligible associates. Certain associate contributions may be supplemented by the Company. The Company's contributions were $0.6 million, $0.7 million and $0.2 million for the years ended December 31, 2018, 2017 and 2016, respectively.

18. INCOME TAXES

The Company accounts for income taxes in accordance with ASC 740, which requires an asset and liability approach for measuring deferred taxes based on temporary differences between the financial statements and tax bases of assets and liabilities existing at each balance sheet date using enacted tax rates for the years in which taxes are expected to be paid or recovered.

Upon formation, the Holding Company elected to be treated as a corporation for U.S. federal, state, and local tax purposes. All operations are carried on through the Holding Company's subsidiaries, the majority of which are pass-through entities that are generally not subject to federal or state income taxation, as all of the taxable income, gains, losses, deductions, and credits are passed through to the partners. The Holding Company is responsible for income taxes on its allocable share of the Operating Company's income or gain.

The (expense) benefit for income taxes for the years ended December 31, 2018, 2017 and 2016 was as follows (in thousands):

	2018	2017	2016
Deferred income tax (expense) benefit:			
Federal	$ 5,066	$ (28,643)	$ 13,021
State	2,340	(6,501)	3,826
Total deferred income tax benefit (expense)	7,406	(35,144)	16,847
(Increase) decrease in valuation allowance	(16,585)	35,146	(8,901)
Expiration of unused loss carryforwards	(4)	(2)	(58)
(Expense) benefit for income taxes	$ (9,183)	$ —	$ 7,888

Limitations on the utilization of net operating losses included in the Tax Act caused us to increase our valuation allowance giving rise to a $9.2 million federal tax provision and no state income tax provision for the year ended December 31, 2018. Due to the Holding Company generating federal and state tax losses, the Holding Company had no current federal or state income tax provision for the years ended December 31, 2017 and 2016.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The tax effects of significant temporary differences are as follows (in thousands):

	2018	2017
Deferred tax assets		
Net operating loss carryforward	$ 102,026	$ 91,742
Tax receivable agreement	47,435	42,668
Other	1,382	1,043
Valuation allowance	(23,207)	(7,891)
Total deferred tax assets	127,636	127,562
Deferred tax liabilities-investments in subsidiaries	(136,819)	(127,562)
Deferred tax liability, net	$ (9,183)	$ —

A reduction of the carrying amounts of deferred tax assets by a valuation allowance is required, if based on the available evidence; it is more likely than not that such assets will not be realized. In the continual assessment of the requirement for a valuation allowance, appropriate consideration is given to all positive and negative evidence related to the realization of the deferred tax assets. This assessment considers, among other matters, the nature, frequency, and severity of current and cumulative losses; forecasts of future profitability; the duration of statutory carryforward periods; the Holding Company's experience with loss carryforwards not expiring unused; and tax-planning alternatives. The amount of the valuation allowance recorded against the deferred tax asset could be adjusted if there are changes to the positive and negative factors discussed above.

At December 31, 2016, the Holding Company had a valuation allowance against its deferred tax assets. During the year ended December 31, 2017, the valuation allowance decreased by $29.8 million and $5.3 million as a result of operating income and a decrease in deferred taxes attributable to federal tax rate reductions enacted as part of the Tax Act, respectively. Also during 2017, the valuation allowance increased by $27.3 million as a result of deferred taxes established through adjustments to contributed capital principally associated with increases in the payable pursuant to the tax receivable agreement. The net decrease in the valuation allowance for the year ended December 31, 2017 was $7.8 million.

During the year ended December 31, 2018, the valuation allowance increased by $16.6 million as a result of operating losses. Also during 2018, the valuation allowance decreased by $1.3 million as a result of deferred taxes established through adjustments to contributed capital principally associated with increases in the payable pursuant to the tax receivable agreement. The net increase in the valuation allowance for the year ended December 31, 2018 was $15.3 million.

With the enactment of the Tax Act, the corporate federal income tax rate dropped from 35% to a flat 21% rate effective January 1, 2018. The SEC staff issued the Staff Accounting Bulletin 118 ("SAB 118"), which provides guidance on accounting for the tax effects of the Tax Act and provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

We applied the guidance in SAB 118 when accounting for the enactment-date effects of the Tax Act in 2017 and throughout 2018. As of December 31, 2017, we had completed the majority of our accounting for the tax effects of the Tax Act. As a result of the rate change, the Company was required to revalue its deferred tax asset at December 31, 2017 and recorded a provisional adjustment to reduce its value by $5.3 million, which is included in

the tax provision for 2017. Due to the Company's valuation allowance, the $5.3 million was offset with a valuation allowance. As of December 31, 2018, we have now completed our accounting for all of the enactment-date income tax effects of the Tax Act. As part of our final analysis of the Tax Act, we recognized an adjustment of $9.2 million to the provisional amounts recorded at December 31, 2017 and included this adjustment as a component of income tax expense from continuing operations. The change relates to adjustments to the Company's valuation allowance as a result of the limitation for post-2017 net operating losses to offset only 80% of tax income. The change to the net operating loss utilization limitation requires additional valuation allowance to account for the limitation.

At December 31, 2018, the Holding Company had federal tax effected net operating loss ("NOL") carryforwards totaling $78.4 million, and state tax effected NOL carryforwards, net of federal income tax benefit, totaling $23.6 million. Federal NOLs incurred prior to 2018 and California NOLs may be carried forward up to 20 years to offset future taxable income and begin to expire in 2029. Federal NOLs incurred in 2018 and forward do not expire.

The Internal Revenue Code generally limits the availability of NOLs if an ownership change occurs within any three-year period under Section 382. If the Holding Company were to experience an ownership change of more than 50%, the use of all NOLs (and potentially other built-in losses) would generally be subject to a limitation equal to the value of the Holding Company's equity before the ownership change, multiplied by the long-term tax-exempt rate. The Holding Company estimates that after giving effect to various transactions by members who hold a 5% or greater interest in the Holding Company, it has not experienced an ownership change as computed in accordance with Section 382. In the event of an ownership change, the Holding Company's use of the NOLs may be limited and not fully available for realization.

With regard to the TRA (see Note 12), the Holding Company has established a liability for the payments considered probable and estimable that would be required under the TRA based upon, among other things, the book value of its assets. This liability is not currently recognized for tax purposes and will give rise to tax deductions as payments are made. Accordingly, a deferred tax asset has been reflected for the net effect of this temporary difference.

A reconciliation of the statutory rate and the effective tax rate for 2018, 2017 and 2016 is as follows:

	2018	2017	2016
Statutory rate	21.00 %	35.00%	35.00%
State income taxes-net of federal income tax benefit	6.98	5.75	5.75
Statutory federal tax rate change	—	21.30	—
Noncontrolling interests	(15.83)	82.58	(24.63)
Other	0.06	0.67	—
Valuation allowance related to the Tax Act	(15.63)	—	—
Deferred tax asset valuation allowance	(12.20)	(145.31)	(8.51)
Expiration of unused loss carryforwards	(0.01)	0.01	(0.06)
Effective rate	(15.63)%	—%	7.55%

At December 31, 2018 and 2017, the Holding Company did not have any gross unrecognized tax benefits, and did not require an accrual for interest or penalties.

For the year ended December 31, 2018, the Company recorded income tax expense of $9.2 million on a pre-tax loss of $58.8 million. For the year ended December 31, 2017, the Company recorded no benefit for income taxes (after application of a $35.1 million decrease in the Company's valuation allowance). For the year ended December 31, 2016, the Company recorded a benefit for income taxes of $7.9 million due to the Holding Company generating federal and state tax losses. The effective tax rates for the years ended December 31, 2018, 2017 and

2016, differ from the 21% and 35% federal statutory and applicable state statutory tax rates primarily due to the Company's valuation allowance on its book losses and to the pre-tax portion of income and losses that are passed through to the other partners of the Operating Company and the San Francisco Venture and from the change in the statutory federal tax rate in 2017.

The Holding Company files income tax returns in the U.S. federal jurisdiction and in the state of California. As a result of tax net operating losses incurred by the Holding Company for the years ended December 31, 2009 through December 31, 2017, the Holding Company is subject to U.S. federal, state, and local examinations by tax authorities for the years beginning 2009 through 2017. The Company is not currently under examination by any tax authority. The Company classifies any interest and penalties related to income taxes assessed by jurisdiction as part of income tax expense. The Company has concluded that there were no significant uncertain tax positions requiring recognition in its financial statements, nor has the Company been assessed interest or penalties by any major tax jurisdictions related to any open tax periods.

19. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS AND DISCLOSURES

At each reporting period, the Company evaluates the fair value of its financial instruments. Other than notes payable, net, the carrying amount of the Company's financial instruments, which includes cash and cash equivalents, restricted cash and certificates of deposit, certain related party assets and liabilities, and accounts payable and other liabilities, approximated the Company's estimates of fair value at both December 31, 2018 and 2017.

The fair value of the Company's notes payable, net, are estimated based on quoted market prices or discounting the expected cash flows based on rates available to the Company (level 2). At December 31, 2018, the estimated fair value of notes payable, net was $550.1 million compared to a carrying value of $557.0 million. At December 31, 2017, the estimated fair value of notes payable, net was $568.1 million compared to a carrying value of $560.6 million. During the years ended December 31, 2018 and 2017, the Company had no assets that were measured at fair value on a nonrecurring basis.

Contingent consideration is carried at fair value and is remeasured on a recurring basis. The Company uses level 3 inputs to measure the estimated fair value of the contingent consideration arrangement based on the expected cash flows considering the use of the underlying property subject to the arrangement. The estimated cash flows are affected by assumptions about a market participant's estimates and assumptions related to development costs, retail rents, occupancy rates, continuing operating expenses and expected contingency outcomes. Other than contingent consideration (see Note 10), the Company had no other assets or liabilities that are required to be remeasured at fair value on a recurring basis at both December 31, 2018 and 2017.

20. EARNINGS PER SHARE

The Company uses the two-class method in its computation of earnings per share. Pursuant to the terms of the Five Point Holdings, LLC Agreement, the Class A common shares and the Class B common shares are entitled to receive distributions at different rates, with each Class B common share receiving 0.03% of the distributions paid on each Class A common share. Under the two-class method, the Company's net income available to common shareholders is allocated between the two classes of common shares on a fully-distributed basis and reflects residual net income after amounts attributed to noncontrolling interests. In the event of a net loss, the Company determined that both classes of common shares share in the Company's losses, and they share in the losses using the same mechanism as the distributions. For the years ended December 31, 2018 and 2017, the Company is operating in a net loss and net income position, respectively. No distributions were declared for either periods, as such, net losses and income attributable to the parent were allocated to the Class A common shares and Class B common shares at an amount per Class B common share equal to 0.03% multiplied by the amount per Class A common share. Basic income or loss per Class A common share is determined by dividing net income or loss allocated to Class A Common shareholders by the weighted average number of Class A common shares outstanding for the period. Basic income or loss per Class B common share is determined by dividing net income or loss allocated to the Class B common shares by the weighted average number of Class B common shares outstanding during the period.

Diluted income or loss per share calculations for both Class A common shares and Class B common shares contemplate adjustments to the numerator and the denominator under the if-converted method for the convertible Class B common shares, the exchangeable Class A Units of the San Francisco Venture and Class A Common Units of the Operating Company, and the treasury stock method for RSUs and restricted shares, and are included in the calculation if determined to be dilutive.

The following table summarizes the basic and diluted earnings per share/unit calculations for the years ended December 31, 2018, 2017 and 2016 (in thousands, except unit/shares and per unit/share amounts):

	2018	2017	2016
Numerator:			
Net (loss) income attributable to the Company	$ (34,714)	$ 73,235	$ (33,266)
Adjustments to net (loss) income attributable to the Company	221	(750)	(505)
Net (loss) income attributable to common shareholders	$ (34,493)	$ 72,485	$ (33,771)
Numerator—basic common shares:			
Net (loss) income attributable to common shareholders	$ (34,493)	$ 72,485	$ (33,771)
Net income (loss) allocable to participating securities	$ —	$ (506)	$ —
Allocation of net (loss) income among common shareholders	$ (34,493)	$ 71,979	$ (33,771)
Numerator for basic net (loss) income available to Class A Common Shareholders/Unitholders	$ (34,480)	$ 71,947	$ (33,755)
Numerator for basic net (loss) income available to Class B Common Shareholders	$ (13)	$ 32	(16)
Numerator—diluted common shares:			
Net (loss) income attributable to common shareholders	$ (34,493)	$ 72,485	$ (33,771)
Reallocation of (loss) income to Company upon assumed exchange of common units	$ —	$ (48,289)	$ —
Net (loss) income allocated to participating securities	$ —	$ (69)	$ —
Allocation of net (loss) income among common shareholders	$ (34,493)	$ 24,127	$ (33,771)
Numerator for diluted net (loss) income available to Class A Common Shareholders/Unitholders	$ (34,480)	$ 24,123	$ (33,755)
Numerator for diluted net (loss) income available to Class B Common Shareholders	$ (13)	$ 4	$ (16)
Denominator:			
Basic weighted average Class A common shares outstanding	65,002,387	54,006,954	37,795,447
Diluted weighted average Class A common shares outstanding	65,002,387	133,007,828	37,795,447
Basic and diluted weighted average Class B common shares outstanding	79,859,730	78,821,553	49,547,050
Basic (loss) earnings per share/unit:			
Class A common shares/Unit	$ (0.53)	$ 1.33	$ (0.89)
Class B common shares	$ (0.00)	$ 0.00	$ (0.00)
Diluted (loss) earnings per share/unit:			
Class A common shares/Unit	$ (0.53)	$ 0.18	$ (0.89)
Class B common shares	$ (0.00)	$ 0.00	$ (0.00)
Anti-dilutive potential RSUs	72,579	—	1,304,804
Anti-dilutive potential restricted shares (weighted average)	1,817,020	—	—
Anti-dilutive potential Class A common shares/Units (weighted average)	79,883,687	—	53,826,230

In January 2019, the Company granted 2.3 million restricted shares and RSUs to employees and non-employee directors (see Note 16). With the termination of the Retail Project in early 2019 (see Note 10), the Company issued 436,498 Class A Units of the San Francisco Venture to affiliates of Lennar and Castlelake.

21. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss attributable to the Company consists of unamortized defined benefit pension plan net actuarial losses that totaled $3.4 million and $2.5 million at December 31, 2018 and 2017, net of tax benefits of $0.9 million and $0.7 million, respectively. At December 31, 2018 and 2017, the Company held a full valuation allowance related to the accumulated tax benefits, respectively. Accumulated other comprehensive loss of $2.1 million and $1.8 million is included in noncontrolling interests at December 31, 2018 and 2017, respectively. Net actuarial gains or losses are re-determined annually or upon remeasurement events and principally arise from changes in the rate used to discount benefit obligations and differences between expected and actual returns on plan assets. Reclassifications from accumulated other comprehensive loss to net loss related to amortization of net actuarial losses were approximately $55,000, $64,000 and $33,000, net of taxes, and are included in selling, general, and administrative expenses on the accompanying consolidated statements of operations for the years ended December 31, 2018, 2017 and 2016, respectively.

22. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	2018 Quarterly Periods *(in thousands, except per share amounts)*			
	First	**Second**	**Third**	**Fourth**
Revenues	$ 14,967	$ 13,090	$ 12,988	$ 7,945
Loss before income tax	(14,297)	(11,303)	(21,939)	(11,223)
Net loss attributable to the Company	(5,232)	(5,160)	(10,019)	(14,303)
Net loss attributable to the Company per Class A Share (Basic)	(0.08)	(0.08)	(0.15)	(0.22)
Net loss attributable to the Company per Class A Share (Diluted)	(0.10)	(0.08)	(0.15)	(0.22)
Net loss attributable to the Company per Class B Share (Basic and diluted)	(0.00)	(0.00)	(0.00)	(0.00)

	2017 Quarterly Periods *(in thousands, except per share amounts)*			
	First	**Second**	**Third**	**Fourth [1]**
Revenues	$ 92,303	$ 13,246	$ 11,619	$ 22,263
(Loss) income before income tax	(23,124)	(24,289)	(10,311)	81,920
Net (loss) income attributable to the Company	(7,842)	(9,783)	(4,467)	95,327
Net (loss) income attributable to the Company per Class A Share (Basic)	(0.20)	(0.19)	(0.07)	1.50
Net (loss) income attributable to the Company per Class A Share (Diluted)	(0.20)	(0.19)	(0.07)	0.56
Net (loss) income attributable to the Company per Class B Share (Basic and diluted)	(0.00)	(0.00)	(0.00)	0.00

(1) Included in the quarterly financial results for the fourth quarter of 2017 is other income of $105.6 million related to a reduction in the Company's payable pursuant to tax receivable agreement, primarily as a result of the Tax Act's reduction in the corporate tax rate.

ITEM 9. Changes in and Disagreements with Accountants and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures, as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer as appropriate, to allow timely decisions regarding required disclosure. Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2018. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2018.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2018 based on the framework established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission (2013 Framework). Based on this framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2018.

This annual report on Form 10-K does not include an attestation report regarding our internal control over financial reporting by our independent registered public accounting firm, because as an "emerging growth company" under the JOBS Act our independent registered public accounting firm is not required to issue such an attestation report.

Changes in Internal Control over Financial Reporting

During the quarter ended December 31, 2018, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. Other Information

Not Applicable.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be included in the Proxy Statement for our 2019 Annual Meeting of Shareholders to be filed by the Company with the Securities and Exchange Commission no later than 120 days after the close of our fiscal year ended December 31, 2018 (the “Proxy Statement”). The information in the Proxy Statement relevant to this item is incorporated herein by reference.

Item 11. Executive Compensation

The information in the Proxy Statement relevant to this item is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information in the Proxy Statement relevant to this item is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information in the Proxy Statement relevant to this item is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information in the Proxy Statement relevant to this item is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed as part of this Report.

1. The following financial statements are contained in Item 8.

Financial Statements	Page in this Report
Report of Independent Registered Public Accounting Firm	72
Consolidated Balance Sheets as of December 31, 2018 and 2017	73
Consolidated Statements of Operations for the Years ended December 31, 2018, 2017 and 2016	74
Consolidated Statements of Comprehensive Income (Loss) for the Years ended December 31, 2018, 2017 and 2016	75
Consolidated Statements of Capital for the Years ended December 31, 2018, 2017 and 2016	76
Consolidated Statements of Cash Flows for the Years ended December 31, 2018, 2017 and 2016	77
Notes to the Consolidated Financial Statements	78

2. The following financial statement schedule is included in this Report:

Financial Statement Schedule	Page in this Report
Schedule III—Real Estate and Accumulated Depreciation	138

Information required by other schedules has either been incorporated in the consolidated financial statements and accompanying notes or is not applicable to us.

3. The following exhibits are filed with this Report or incorporated by reference:

Exhibit	Exhibit Description
3.1	Certificate of Formation of Registrant, as amended (Exhibit 3.1 to Registrant's Registration Statement on Form S-11 filed April 7, 2017 is incorporated herein by this reference)
3.2	Second Amended and Restated Limited Liability Company Agreement of Five Point Holdings, LLC (Exhibit 3.1 to Registrant's Current Report on Form 8-K dated May 15, 2017 is incorporated herein by this reference)
10.1	Limited Partnership Agreement of Five Point Operating Company, LP, dated as of October 1, 2017 (Exhibit 10.1 to the Current Report on Form 8-K filed on October 2, 2017 is incorporated herein by this reference)

10.2	Fourth Amended and Restated Limited Liability Company Agreement of Heritage Fields LLC, dated as of April 21, 2017, by and among Five Point Heritage Fields, LLC, Heritage Fields Capital Co-Investor Member LLC, MSD Heritage Fields, LLC, LenFive, LLC, LNR HF II, LLC, and FPC-HF Venture I, LLC (Exhibit 10.17 to Amendment No. 1 to Registrant's Registration Statement on Form S-11 filed April 24, 2017 is incorporated herein by this reference)
10.3	Second Amended and Restated Operating Agreement of The Shipyard Communities, LLC (Exhibit 10.2 to Registrant's Registration Statement on Form S-11 filed April 7, 2017 is incorporated herein by this reference)
10.4	First Amendment to the Second Amended and Restated Limited Liability Company Agreement of The Shipyard Communities, LLC**
10.5	Limited Liability Company Agreement of Five Point Office Venture Holdings I, LLC, dated as of August 4, 2017 (Exhibit 10.1 to the Current Report on Form 8-K filed on August 10, 2017 is incorporated herein by this reference)
10.6	Registration Rights Agreement, dated as of May 2, 2016, by and among the Registrant and the persons named therein (Exhibit 10.3 to Registrant's Registration Statement on Form S-11 filed April 7, 2017 is incorporated herein by this reference)
10.7	Amended and Restated Voting and Standstill Agreement, dated as of May 2, 2016, by and among the Registrant, Five Point Holdings, Inc., and the persons named on Exhibit A thereto (Exhibit 10.19 to Registrant's Registration Statement on Form S-11 filed April 7, 2017 is incorporated herein by this reference)
10.8	Amended and Restated Securities Purchase Agreement, dated as of April 3, 2017, by and among the Registrant, Five Point Operating Company, LLC, LenFive, LLC and Lennar Homes of California, Inc. (Exhibit 10.20 to Registrant's Registration Statement on Form S-11 filed April 7, 2017 is incorporated herein by this reference)
10.9	Tax Receivable Agreement, dated as of May 2, 2016, by and among the Registrant and the other parties named therein (Exhibit 10.5 to Registrant's Registration Statement on Form S-11 filed April 7, 2017 is incorporated herein by this reference)
10.10*	Incentive Award Plan (Exhibit 10.6 to Registrant's Registration Statement on Form S-11 filed April 7, 2017 is incorporated herein by this reference)
10.11*	Five Point Holdings, LLC Senior Management Severance and Change in Control Plan**
10.12	Form of Indemnification Agreement by and between the Registrant and each of its Directors and Executive Officers (Exhibit 10.7 to Registrant's Registration Statement on Form S-11 filed April 7, 2017 is incorporated herein by this reference)
10.13	Second Amended and Restated Contribution and Sale Agreement, dated as of July 2, 2015, and amended and restated as of May 2, 2016, by and among the Registrant, Five Point Holdings, Inc., Newhall Intermediary Holding Company, LLC, Newhall Land Development, LLC, The Shipyard Communities, LLC, Heritage Fields LLC, Five Point Communities Management, Inc., Five Point Communities, LP and the other parties named therein (Exhibit 10.4 to Registrant's Registration Statement on Form S-11 filed April 7, 2017 is incorporated herein by this reference)
10.14	Transition Services Agreement, dated as of May 2, 2016, by and between the Registrant and Lennar (Exhibit 10.8 to Registrant's Registration Statement on Form S-11 filed April 7, 2017 is incorporated herein by this reference)
10.15	Disposition and Development Agreement (Candlestick Point and Phase 2 of the Hunters Point Shipyard), dated June 3, 2010, by and between the Redevelopment Agency of the City and County of San Francisco and CP Development Co., LP (Exhibit 10.9 to Registrant's Registration Statement on Form S-11 filed April 7, 2017 is incorporated herein by this reference)

10.16	First Amendment to Disposition and Development Agreement (Candlestick Point and Phase 2 of the Hunters Point Shipyard), dated December 19, 2012, by and between the Successor Agency to the Redevelopment Agency of the City and County of San Francisco and CP Development Co., LP (Exhibit 10.10 to Registrant's Registration Statement on Form S-11 filed April 7, 2017 is incorporated herein by this reference)
10.17	Second Amendment to Disposition and Development Agreement (Candlestick Point and Phase 2 of the Hunters Point Shipyard), dated December 1, 2014, by and between the Successor Agency to the Redevelopment Agency of the City and County of San Francisco and CP Development Co., LP (Exhibit 10.11 to Registrant's Registration Statement on Form S-11 filed April 7, 2017 is incorporated herein by this reference)
10.18	Third Amendment to Disposition and Development Agreement (Candlestick Point and Phase 2 of the Hunters Point Shipyard), dated as of August 10, 2018, by and between CP Development Co., LLC and the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Exhibit 10.1 to the Current Report on Form 8-K filed on August 16, 2018 is incorporated herein by this reference).
10.19	Interim Lease, dated as of December 3, 2004, by and between the Redevelopment Agency of the City and County of San Francisco and Lennar/BVHP, LLC (Exhibit 10.12 to Registrant's Registration Statement on Form S-11 filed April 7, 2017 is incorporated herein by this reference)
10.20	First Amendment to the Interim Lease, dated as of October 16, 2008, by and between Redevelopment Agency of the City and County of San Francisco and HPS Development Co., LP (Exhibit 10.13 to Registrant's Registration Statement on Form S-11 filed April 7, 2017 is incorporated herein by this reference)
10.21	Second Amendment to the Interim Lease, dated as of May 31, 2011, by and between Redevelopment Agency of the City and County of San Francisco and HPS Development Co., LP (Exhibit 10.14 to Registrant's Registration Statement on Form S-11 filed April 7, 2017 is incorporated herein by this reference)
10.22	Third Amendment to the Interim Lease, dated as of November 8, 2013, by and between the Successor Agency to the Redevelopment Agency of the City and County of San Francisco and HPS Development Co., LP (Exhibit 10.15 to Registrant's Registration Statement on Form S-11 filed April 7, 2017 is incorporated herein by this reference)
10.23	Fourth Amendment to the Interim Lease, dated as of September 1, 2015, by and among the Successor Agency to the Redevelopment Agency of the City and County of San Francisco, HPS Development Co., LP and CP Development Co., LP (Exhibit 10.16 to Registrant’s Registration Statement on Form S-11 filed April 7, 2017 is incorporated herein by this reference)
10.24	Fifth Amendment to the Interim Lease, effective as of March 1, 2017, by and among The Successor Agency to the Redevelopment Agency of the City and County of San Francisco, HPS Development Co., LP and CP Development Co., LLC (Exhibit 10.1 to Registrant's Current Report on Form 8-K dated May 15, 2017 is incorporated herein by this reference)
10.25	Entitlement Transfer Agreement, dated as of December 6, 2016, by and between CPHP Development Co., LLC and The Shipyard Communities, LLC (Exhibit 10.28 to Amendment No. 1 to Registrant's Registration Statement on Form S-11 filed April 24, 2017 is incorporated herein by this reference)
10.26	Second Amended and Restated Development and Management Agreement, dated as of April 21, 2017, by and among Heritage Fields El Toro, LLC, Five Point Communities Management, Inc., Five Point Operating Company, LLC and Five Point Communities, LP (Exhibit 10.32 to Amendment No. 1 to Registrant's Registration Statement on Form S-11 filed April 24, 2017 is incorporated herein by this reference)
10.27	Termination of Development Management Agreement (Candlestick Point Mixed-Use Project)**

10.28	Indenture, dated as of November 22, 2017, among Five Point Operating Company, LP, Five Point Capital Corp., the Guarantors party thereto and Wells Fargo Bank, National Association, as trustee (Exhibit 4.1 to the Current Report on Form 8-K filed on November 22, 2017 is incorporated herein by this reference).
10.29	First Supplemental Indenture, dated as of November 30, 2017, among Five Point Operating Company, LP, Five Point Capital Corp., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee (Exhibit 4.2 to the Current Report on Form 8-K filed on November 30, 2017 is incorporated herein by this reference).
10.30	Credit Agreement, dated as of April 18, 2017, by and among Five Point Operating Company, LLC, ZB, N.A. dba California Bank & Trust and the lenders party thereto (Exhibit 10.31 to Amendment No. 1 to Registrant's Registration Statement on Form S-11 filed April 24, 2017 is incorporated herein by this reference)
10.31	First Amendment to Credit Agreement, dated as of November 8, 2017, by and among Five Point Operating Company, LP, ZB, N.A., dba California Bank & Trust, Comerica Bank, N.A., JPMorgan Chase Bank, N.A., and Citibank, N.A. (Exhibit 10.5 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 is incorporated herein by this reference)
10.32	Guaranty Agreement, executed as of August 10, 2017, by Five Point Holdings, LLC for the benefit of SPT CA Funding 2, LLC (Exhibit 10.2 to the Current Report on Form 8-K filed on August 10, 2017 is incorporated herein by this reference)
10.33	Mezzanine Guaranty Agreement, executed as of August 10, 2017, by Five Point Holdings, LLC for the benefit of SPT CA Funding 2, LLC (Exhibit 10.3 to the Current Report on Form 8-K filed on August 10, 2017 is incorporated herein by this reference)
21.1	List of Subsidiaries**
23.1	Consent of Independent Registered Public Accounting Firm**
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Management contract or compensatory plan or arrangement

** Filed herewith

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIVE POINT HOLDINGS, LLC

By: /s/ Emile Haddad
Emile Haddad
President and
Chief Executive Officer

Date: March 14, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Principal Executive Officer:

Emile Haddad	/s/ Emile Haddad
Chairman of the Board, President, and Chief Executive Officer	Date: March 14, 2019

Principal Financial and Accounting Officer:

Erik Higgins	/s/ Erik Higgins
Chief Financial Officer and Vice President	Date: March 14, 2019

Directors:

Richard Beckwitt	/s/ Richard Beckwitt	Gary Hunt	/s/ Gary Hunt
	Date: March 14, 2019		Date: March 14, 2019
Kathleen Brown	/s/ Kathleen Brown	Jonathan M. Jaffe	/s/ Jonathan M. Jaffe
	Date: March 14, 2019		Date: March 14, 2019
William Browning	/s/ William Browning	Stuart Miller	/s/ Stuart Miller
	Date: March 14, 2019		Date: March 14, 2019
Evan Carruthers	/s/ Evan Carruthers	Michael Rossi	/s/ Michael Rossi
	Date: March 14, 2019		Date: March 14, 2019
Jonathan Foster	/s/ Jonathan Foster	Michael Winer	/s/ Michael Winer
	Date: March 14, 2019		Date: March 14, 2019

SCHEDULE III—REAL ESTATE AND ACCUMULATED DEPRECIATION

December 31, 2018

($ in thousands)			Initial Cost		Costs Capitalized Subsequent to Acquisition [a]		Gross Amounts at Which Carried at Close of Period [b]						
Description	Location	Encumbrances	Land	Buildings and Improvements	Land	Buildings and Improvements	Land	Buildings and Improvements	Total	Accumulated Depreciation	Date of Construction	Date Acquired / Completed	Depreciation Life
Newhall Ranch-Land under development	Los Angeles County, CA	$ —	$ 111,172	$ —	$444,455	$ —	$ 555,627	$ —	$ 555,627	$ —		2009	N/A
Candlestick Point and The San Francisco Shipyard-Land under development	San Francisco, CA	—	1,038,154	—	98,804	—	1,136,958	—	1,136,958	—		2016	N/A
Agriculture-Operating property	Los Angeles County, CA Ventura County, CA	—	40,634	1,114	(13,477)	1,704	27,157	2,818	29,975 [c]	1,587		2009	[d]
Other Properties	Various	—	3,148	—	351	—	3,499	—	3,499	—		2009	N/A
Total		**$ —**	**$ 1,193,108**	**$ 1,114**	**$530,133**	**$ 1,704**	**$ 1,723,241**	**$ 2,818**	**$ 1,726,059** [e]	**$ 1,587** [e]			

(a) Costs capitalized subsequent to acquisitions are net of land sales for real estate development properties and net of disposals and impairment write-downs for operating properties.

(b) The aggregate cost of land and improvements for federal income tax purposes is approximately $2.2 billion (unaudited). This basis does not reflect the Company's deferred tax assets and liabilities as these amounts are computed based upon the Company's outside basis in their partnership interest.

(c) Included in properties and equipment, net in the consolidated balance sheet.

(d) See Note 2 of the Notes to Consolidated Financial Statements for information related to depreciation.

(e) Reconciliation of "Real Estate and Accumulated Depreciation":

Reconciliation of Real Estate

	2018	2017	2016
		(In thousands)	
Balance at beginning of year	$ 1,461,197	$ 1,395,698	$ 294,777
Improvements and additions [1]	283,836	153,565	1,101,593
Cost of real estate sold [2]	(9,586)	(80,466)	(672)
Reimbursements and disposals [3]	(9,388)	(7,600)	—
Balance at end of year	$ 1,726,059	$ 1,461,197	$ 1,395,698

(1) Improvements and additions include noncash project accruals and capitalized interest.
(2) Includes inventory relief associated with adoption of the new revenue recognition standard in 2018.
(3) Includes disposal of TPC Golf Course in 2018.

Reconciliation of Accumulated Depreciation

	2018	2017	2016
		(In thousands)	
Balance at beginning of year	$ 3,407	$ 2,943	$ 2,442
Additions	187	464	501
Disposals	(2,007)	—	—
Balance at end of year	$ 1,587	$ 3,407	$ 2,943

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a)AND 15d-14(a) UNDERTHE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Emile Haddad, certify that:

1. I have reviewed this annual report on Form 10-K of Five Point Holdings, LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)and 15d-15(e))and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: March 14, 2019

/s/ Emile Haddad

Emile Haddad
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a)AND 15d-14(a) UNDERTHE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Erik Higgins, certify that:

1. I have reviewed this annual report on Form 10-K of Five Point Holdings, LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)and 15d-15(e))and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: March 14, 2019

/s/ Erik Higgins

Erik Higgins
Chief Financial Officer and Vice President
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Annual Report of Five Point Holdings, LLC (the "Company") on Form 10-K for the period ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 14, 2019

/s/ Emile Haddad
Emile Haddad
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement as required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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

In connection with the Annual Report of Five Point Holdings, LLC (the “Company”) on Form 10-K for the period ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 14, 2019

/s/ Erik Higgins

Erik Higgins

Chief Financial Officer and Vice President
(Principal Financial and Accounting Officer)

A signed original of this written statement as required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

[This page intentionally left blank]

[This page intentionally left blank]

FIVE POINT HOLDINGS, LLC

SHAREHOLDER INFORMATION

Corporate Headquarters
15131 Alton Parkway, 4th Floor
Irvine, CA 92618
www.fivepoint.com

Annual Meeting
The Annual Shareholders' Meeting will be held at 1:00 pm PDT on Tuesday, June 6, 2019 at our corporate offices located at
15131 Alton Parkway, Irvine, CA 92618

Registrar and Transfer Agent
Computershare Investor Services
PO Box 505000
Louisville, KY 40233-5000
www.computershare.com/us

Listing
The Class A common shares of Five Point Holdings, LLC are traded on the New York Stock Exchange under the symbol "FPH."

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
555 West 5th Street, Suite 2700
Los Angeles, CA 90013

Investor Relations
investor.relations@fivepoint.com

FORWARD-LOOKING STATEMENTS
Any statements in this Annual Report that are not entirely historical in nature constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. For important information regarding forward-looking statements, please read the "Cautionary Statement Regarding Forward-Looking Statements" in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

15131 Alton Parkway, 4th Floor

Irvine, California 92618

949.349.1000

www.fivepoint.com