Taylor Morrison Home Corp
Form DEF 14A
April 12, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material pursuant to § 240.14a-12

TAYLOR MORRISON HOME CORPORATION

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form,Schedule or Registration Statement No.:

(3) FilingParty:

(4) DateFiled:

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Scottsdale, Arizona

April 12, 2016

Dear Stockholders:

You are cordially invited to attend the Taylor Morrison Home Corporation 2016 Annual Meeting of Stockholders on Wednesday, May 25, 2016 at 9:00 a.m. local time. The meeting will be held at 4800 N. Scottsdale Road, Theater G2, Scottsdale, Arizona 85251. Our board of directors has fixed the close of business on March 31, 2016 as the record date for determining those holders of our Class A common stock and Class B common stock entitled to notice of, and to vote at, the Annual Meeting of Stockholders and any adjournments or postponements of the Annual Meeting of Stockholders.

The Notice of Annual Meeting of Stockholders and Proxy Statement, both of which accompany this letter, provide details regarding the business to be conducted at the meeting, including proposals for the election of directors (Proposal 1), an advisory resolution to approve the compensation of our named executive officers (Proposal 2), the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016 (Proposal 3) and the approval of the amendment and restatement of the Taylor Morrison Home Corporation 2013 Omnibus Equity Award Plan (Proposal 4).

Our board of directors recommends that you vote **FOR** each of Proposals 1, 2, 3 and 4. Each proposal is described in more detail in this Proxy Statement.

Your vote is very important. Please vote your shares promptly, whether or not you expect to attend the meeting in person. You may vote over the Internet, as well as by telephone, or, if you requested to receive printed proxy materials, by mailing a proxy or voting instruction card. If you attend the Annual Meeting of Stockholders, you may vote in person if you wish, even though you have previously submitted your vote.

Sincerely,

Sheryl D. Palmer

President and Chief Executive Officer

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TAYLOR MORRISON HOME CORPORATION

4900 N. Scottsdale Road, Suite 2000

Scottsdale, Arizona 85251

Notice of Annual Meeting of Stockholders

To be Held on May 25, 2016

The 2016 Annual Meeting of Stockholders of Taylor Morrison Home Corporation (the Annual Meeting) will be held on Wednesday, May 25, 2016 at 9:00 a.m. local time at 4800 N. Scottsdale Road, Theater G2, Scottsdale, Arizona 85251 for the following purposes:

1. To elect four Class III directors nominated by our board of directors to serve until the 2019 Annual Meeting of Stockholders;

2. To conduct an advisory vote to approve the compensation of our named executive officers;

3. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016;

4. To approve the amendment and restatement of the Taylor Morrison Home Corporation 2013 Omnibus Equity Award Plan (the Amended and Restated Plan); and

5. To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements of the Annual Meeting.

Only holders of record of our Class A common stock and Class B common stock (collectively, our common stock) at the close of business on March 31, 2016 (the Record Date) will be entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements of the Annual Meeting.

This Notice of Annual Meeting of Stockholders and Proxy Statement are first being distributed or made available, as the case may be, on or about April 12, 2016.

Our stockholders and persons holding proxies from stockholders may attend the Annual Meeting. If your shares are registered in your name, you must bring a form of identification to the Annual Meeting. If your shares are held in the name of a bank, broker or other nominee, you must bring proof of ownership that confirms you are the beneficial owner of those shares.

By order of the board of directors,

Darrell C. Sherman

Executive Vice President, Chief Legal Officer

and Secretary

Scottsdale, Arizona

April 12, 2016

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 25, 2016

THIS PROXY STATEMENT AND OUR ANNUAL REPORT ON FORM 10-K ARE AVAILABLE AT: WWW.PROXYVOTE.COM

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Proxy Statement Summary

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should review all of the information contained in the Proxy Statement before voting.

Annual Meeting of Stockholders

Date:	Wednesday, May 25, 2016
Time:	9:00 a.m., local time
Location:	4800 N. Scottsdale Road, Theater G2, Scottsdale, Arizona 85251
Record Date:	March 31, 2016
Voting:	Stockholders as of the record date are entitled to vote. Each share of Class A common stock and Class B common stock is entitled to one vote per share.

Proposals and Voting Recommendations

	Board Recommendation	Page
Election of Directors		
Kelvin Davis	For	**5**
James Henry	For	**5**
Anne L. Mariucci	For	**5**
Rajath Shourie	For	**5**
Advisory vote on the compensation of our named executive officers	For	**45**
Ratification of our independent auditor	For	**46**
Approval of the Amendment and Restatement of our 2013 Omnibus Equity Award Plan	For	**49**

Voting Methods

You can vote in one of four ways:

Visit www.proxyvote.com to vote VIA THE INTERNET

Call 1-800-690-6903 to vote BY TELEPHONE

If you received printed proxy materials, sign, date and return your proxy card in the prepaid enclosed envelope to vote BY MAIL

Attend the meeting to vote IN PERSON

To reduce our administrative and postage costs and the environmental impact of the Annual Meeting, we encourage stockholders to vote via the Internet or by telephone, both of which are available 24 hours a day, seven days a week, until 11:59 p.m. Eastern Time on May 24, 2016. Stockholders may revoke their proxies at the times and in the manners described on page 3 of this Proxy Statement.

If your shares are held in street name through a bank, broker or other nominee, you will receive voting instructions from the holder of record that you must follow in order for your shares to be voted. If you wish to vote in person at the meeting, you must obtain a legal proxy from the bank, broker or other nominee that holds your shares.

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TAYLOR MORRISON HOME CORPORATION

4900 N. Scottsdale Road, Suite 2000

Scottsdale, Arizona 85251

Proxy Statement

For the 2016 Annual Meeting of Stockholders

General Information Concerning Proxies and Voting at the Annual Meeting

Why did I receive these proxy materials?

We are providing these proxy materials in connection with the solicitation by the board of directors of Taylor Morrison Home Corporation (the Company, TMHC, we, us, or our), a Delaware corporation, of proxies to be voted at our 2016 annual meeting of stockholders (the A Meeting) and at any adjournment or postponement of the Annual Meeting. In accordance with rules of the Securities and Exchange Commission (SEC), on or about April 12, 2016, we sent a Notice of Internet Availability of Proxy Materials (or, upon your request, will deliver printed versions of these proxy materials) and made available our proxy materials over the Internet to the holders of our common stock as of the close of business on the Record Date.

When and where will the Annual Meeting be held?

The Annual Meeting will be held at 4800 N. Scottsdale Road, Theater G2, Scottsdale, Arizona 85251, on Wednesday, May 25, 2016 at 9:00 a.m. local time. For directions, please contact our Investor Relations department at 480-734-2060.

What information is included in this Proxy Statement?

The information in this Proxy Statement relates to the proposals to be voted on at the Annual Meeting, the voting process, our board of directors and board committees, corporate governance, the compensation of current directors and certain executive officers for the year ended December 31, 2015, and other information.

Who is entitled to vote?

Holders of our Class A common stock and Class B common stock (collectively, our common stock) at the close of business on March 31, 2016 (the Record Date) are entitled to vote at the Annual Meeting. As of the close of business on the Record Date, there were 31,886,661 shares of our Class A common stock outstanding and entitled to vote and 89,106,748 shares of our Class B common stock outstanding and entitled to vote.

How many votes do I have?

On any matter that is submitted to a vote of our stockholders, the holders of our common stock are entitled to one vote per share of Class A common stock and Class B common stock held by them on the Record Date. Holders of Class A common stock and Class B common stock will vote together as a single class on all matters submitted to stockholders for a vote in this Proxy Statement and such other matters as may properly come before the Annual Meeting and any adjournments or postponements of the Annual Meeting. Holders of our common stock are not entitled to cumulative voting in the election of directors.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Most stockholders hold their shares through a bank, broker or other nominee rather than directly in their own name.

If, on the Record Date, your shares were registered directly in your name with our transfer agent, Computershare Limited, then you are a stockholder of record. As a stockholder of record, you may vote in person at the Annual Meeting or vote by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to vote over the Internet, by telephone or by filling out and returning a proxy card to ensure your vote is counted.

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GENERAL INFORMATION

If, on the Record Date, your shares were held in an account at a brokerage firm, bank, dealer or other similar organization, then you are the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker or other agent on how to vote the shares in your account. You are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid legal proxy from your broker or other agent.

What am I voting on?

We are asking you to vote on the following matters in connection with the Annual Meeting:

1. The election of four Class III directors nominated by our board of directors to serve until the 2019 Annual Meeting of Stockholders;

2. An advisory vote to approve the compensation of our named executive officers;

3. Ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016; and

4. Approval of our Amended and Restated Plan.

We will also consider any other business that may properly come before the Annual Meeting. At the date of this Proxy Statement, we know of no business that will be brought before the Annual Meeting other than the matters set forth above.

How do I vote?

Vote by Internet

Stockholders of record may submit proxies over the Internet by following the instructions on the Notice of Internet Availability of Proxy Materials or, if printed copies of the proxy materials were requested, the instructions on the printed proxy card. Most beneficial stockholders may vote by accessing the website specified on the voting instructions forms provided by their banks, brokers or other nominees. Please check your voting instruction form for Internet voting availability.

Vote by Telephone

Stockholders of record may submit proxies using any touch-tone telephone from within the United States by following the instructions on the Notice of Internet Availability of Proxy Materials or, if printed copies of the proxy materials were requested, the instructions on the printed proxy card. Most beneficial owners may vote using any touch-tone telephone from within the United States by calling the number specified on the voting instruction forms provided by their banks, brokers or other nominees.

Vote by Mail

Stockholders of record may submit proxies by mail by requesting a printed proxy card and completing, signing and dating the printed proxy card and mailing it in the pre-addressed envelopes that will accompany the printed proxy materials. Beneficial owners may vote by completing, signing and dating the voting instruction forms provided by their banks, brokers or other nominees and mailing them in the pre-addressed envelopes accompanying the voting instruction forms.

If you are a stockholder of record and you return your signed proxy card but do not indicate your voting preferences, the persons named in the proxy card will vote the shares represented by that proxy as recommended by the board of directors. If you are a beneficial owner and you return your signed voting instruction form but do not indicate your voting preferences, please see What are broker non-votes ? regarding whether your bank, broker or other nominee may vote your uninstructed shares on a particular proposal.

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Vote in Person at the Annual Meeting

All stockholders as of the close of business on the Record Date can vote in person at the Annual Meeting. You can also be represented by another person at the Annual Meeting by executing a proper proxy designating that person. If you are a beneficial owner, you must obtain a legal proxy from your bank, broker or nominee and present it to the inspector of election with your ballot to be able to vote at the Annual Meeting. Even if you plan to attend the Annual Meeting, we recommend that you also vote either by telephone, by Internet or by mail so that your vote will be counted if you decide not to attend.

What does it mean if I receive more than one set of materials?

If you receive more than one set of materials, it means that your shares are registered in more than one name or are registered in different accounts. In order to vote all the shares you own, you must either sign and return all of the proxy cards or follow the instructions for any alternative voting procedures on each of the proxy cards or Notices of Internet Availability of Proxy Materials you receive.

What can I do if I change my mind after I vote?

If you are a stockholder of record, you may revoke your proxy at any time before it is exercised at the Annual Meeting by (a) delivering written notice stating that the proxy is revoked, bearing a date later than the proxy to Taylor Morrison Home Corporation, 4900 N. Scottsdale Road, Suite 2000, Scottsdale, Arizona 85251, Attn: Chief Legal Officer and Secretary, (b) submitting a later-dated proxy relating to the same shares by mail, telephone or the Internet prior to the vote at the Annual Meeting or (c) attending the Annual Meeting and voting in person. Stockholders of record may send a request for a new proxy card via e-mail to *sendmaterial@proxyvote.com*, or follow the instructions provided on the Notice of Internet Availability of Proxy Materials and proxy card to submit a new proxy by telephone or via the Internet. Stockholders of record may also request a new proxy card by calling 1-800-579-1639. If you are a beneficial stockholder, you may revoke your proxy or change your vote only by following the separate instructions provided by your bank, broker or other nominee.

What constitutes a quorum at the Annual Meeting?

Transaction of business at the Annual Meeting may occur only if a quorum is present. A quorum will be present if at least a majority of votes represented by the holders of our outstanding Class A common stock and Class B common stock, treated as a single class, are present in person or represented by proxy. If a quorum is not present, it is expected that the Annual Meeting will be adjourned or postponed in order to permit additional time for soliciting and obtaining additional proxies or votes, and, at any subsequent reconvening of the Annual Meeting, all proxies will be voted in the same manner as such proxies would have been voted at the original convening of the Annual Meeting, except for any proxies that have been effectively revoked or withdrawn, as discussed above under the heading What can I do if I change my mind after I vote?

Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum.

What are the voting requirements to elect directors and approve each of the other proposals described in this Proxy Statement?

With respect to Proposal 1, the election of directors, the four Class III director nominees receiving the largest number of votes cast will be elected. With respect to Proposals 2, 3 and 4, the affirmative vote of a majority of the shares of common stock present in person or by proxy at the Annual Meeting and entitled to vote is required for the proposal to be approved. With respect to Proposals 2, 3 and 4, abstentions will have the effect of voting against these proposals, and, with respect to Proposals 2 and 4, broker non-votes will have no effect on the outcome of these proposals. With respect to Proposal 1, abstentions and broker non-votes will have no effect on the outcome of this proposal. Brokers may vote shares with respect to Proposal 3 in the absence of client instructions and, thus, there will be no broker non-votes with respect to Proposal 3.

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GENERAL INFORMATION

What are broker non-votes ?

A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote the shares on a proposal because the nominee does not have discretionary voting power for a particular item and has not received instructions from the beneficial owner regarding voting. Brokers who hold shares for the accounts of their clients have discretionary authority to vote shares if specific instructions are not given with respect to routine items. If your shares are held by a bank, broker or other nominee on your behalf and you do not instruct the bank, broker or nominee as to how to vote your shares on Proposals 1, 2 or 4, the bank, broker or other nominee may not exercise discretion to vote for or against those proposals because these proposals are considered non-routine by the NYSE. With respect to Proposal 3, the ratification of the appointment of our independent registered public accounting firm, the bank, broker or other nominee may exercise its discretion to vote for or against that proposal in the absence of your instructions.

Who will count the votes?

Representatives of the Company will act as inspectors of election. Representatives of Broadridge Financial Solutions, Inc. will tabulate the votes.

Who will pay for the cost of this proxy solicitation?

We will bear the cost of the solicitation of proxies from our stockholders. In addition to solicitation by mail, our directors, officers and employees, without additional compensation, may solicit proxies from stockholders by telephone, by email, by letter, by facsimile, in person or otherwise. Following the original circulation of the proxies and other soliciting materials, we will request banks, brokers or other nominees to forward copies of the proxy and other soliciting materials to persons for whom they hold shares of our common stock and to request authority for the exercise of proxies. In such cases, we, upon the request of the banks, brokers and other nominees, will reimburse such holders for their reasonable expenses. We will also bear the cost of retaining any proxy solicitation firm, should we choose to retain one. We would expect the expenses associated with retaining any such proxy solicitation firm would not exceed $25,000.

Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?

Pursuant to rules adopted by the SEC, we have elected to provide access to our proxy materials over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials to each of our stockholders (other than those who have previously requested a printed copy of proxy materials) who held our common stock as of the Record Date. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice of Internet Availability of Proxy Materials or proxy card and request to receive an electronic copy or printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request an electronic copy or printed copy may be found in the Notice of Internet Availability of Proxy Materials and in the proxy card. In addition, stockholders may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis. We encourage stockholders to take advantage of the availability of the proxy materials on the Internet to help reduce the costs and environmental impact of the Annual Meeting.

When will we announce the results of the voting?

We expect to announce the final voting results by filing a Current Report on Form 8-K within four business days after the Annual Meeting. If the final voting results are unavailable at that time, we will file an amended Current Report on Form 8-K within four business days of the day the final results are available.

What are the requirements for admission to the Annual Meeting?

Only stockholders and persons holding proxies from stockholders may attend the Annual Meeting. If your shares are registered in your name, you must bring a form of identification to the Annual Meeting. If your shares are held in the name of a bank, broker or other nominee that holds your shares, you must bring proof of ownership, such as a bank or brokerage statement, that confirms you are the beneficial owner of those shares. Attendance at the Annual Meeting without voting or revoking a previously submitted proxy in accordance with the voting procedures will not in and of itself revoke a proxy.

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Proposal 1: Election of Directors

Board Composition

The number of directors is currently fixed at 13, which, pursuant to the terms of the Stockholder Agreement (as defined below), includes one vacancy that the board of directors does not currently plan to fill and 12 members, divided into three classes as follows:

- Class I directors: Sheryl D. Palmer, Timothy R. Eller, Jason Keller and Peter Lane, whose current terms will expire at our annual meeting of stockholders to be held in 2017;
- Class II directors: John Brady, Joe S. Houssian, David Merritt and James Sholem, whose current terms will expire at our annual meeting of stockholders to be held in 2018; and
- Class III directors: Kelvin Davis, James Henry, Anne L. Mariucci and Rajath Shourie, whose current terms expire at the Annual Meeting and who have been nominated by our board of directors for election to our board for a term that will expire at our annual meeting of stockholders to be held in 2019.

For more information on the composition of the board of directors, see Corporate Governance Information About Our Board of Directors Process for Identifying and Nominating Directors and Corporate Governance Board Structure and Operations Composition of our Board of Directors.

Upon recommendation of our nominating and corporate governance committee, our board of directors has nominated Ms. Mariucci and Messrs. Davis, Henry and Shourie for election as members of our board of directors. Each of Ms. Mariucci and Messrs. Davis, Henry and Shourie is currently serving as a director and, if elected at the Annual Meeting, Ms. Mariucci and Messrs. Davis, Henry and Shourie will serve as directors until the 2019 Annual Meeting of stockholders or until their respective successor is duly elected and qualified, or until their earlier resignation, removal or retirement. Proxies will be voted in favor of Ms. Mariucci and Messrs. Davis, Henry and Shourie unless the stockholder indicates otherwise on the proxy. Ms. Mariucci and Messrs. Davis, Henry and Shourie have consented to being named as nominees in this Proxy Statement and have agreed to serve if elected. If any nominee becomes unable to serve at the time the election occurs, proxies will be voted for another nominee designated by the board of directors unless the board chooses to reduce the number of directors serving on the board. The board of directors has no reason to believe that any of the nominees will be unable or unwilling to serve as a director if elected.

In connection with our April 2013 initial public offering (IPO), we entered into a Stockholders Agreement, dated as of April 9, 2013 (and as subsequently amended on March 6, 2014), by and among Taylor Morrison Home Corporation and the stockholders of Taylor Morrison Home Corporation named therein (as amended, the Stockholders Agreement), which include our Principal Equityholders, as described below. The Stockholders Agreement contains provisions related to the composition of our board of directors and its committees. Among other things, the Stockholders Agreement gives an affiliate of TPG Global, LLC (the TPG Holding Vehicle), an affiliate of Oaktree Capital Management, L.P. (the Oaktree Holding Vehicle) and JHI Holding Limited Partnership (JHI and together with the TPG Holding Vehicle and the Oaktree Holding Vehicle, the Principal Equityholders) the right to nominate a majority of the members of our board of directors. The TPG Holding Vehicle has nominated Kelvin Davis, Peter Lane and James Sholem to serve on our board of directors, the Oaktree Holding Vehicle has nominated John Brady, Jason Keller and Rajath Shourie to serve on our board of directors and JHI has nominated Joe S. Houssian to serve on our board of directors.

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PROPOSAL 1: ELECTION OF DIRECTORS

Class III Directors for Election to a Three-Year Term Expiring at the 2019 Annual Meeting of Stockholders

KELVIN DAVIS
AGE 52

Mr. Davis has served as a director since July 2011. Mr. Davis is a TPG Senior Partner and co-heads TPG s Real Estate Group. Prior to 2012, he was also head of TPG s North American Buyouts Group, incorporating investments in all non-technology industry sectors. Prior to joining TPG in 2000, Mr. Davis was President and Chief Operating Officer of Colony Capital, Inc., which he co-founded in 1991. Prior to the formation of Colony, Mr. Davis was a principal of RMB Realty, Inc., the real estate investment vehicle of Robert M. Bass. Prior to his affiliation with RMB Realty, he worked at Goldman, Sachs & Co., an investment bank, in New York City and with Trammell Crow Company, a real estate developer, in Dallas and Los Angeles. Mr. Davis is a Director of AV Homes, Inc., a public homebuilder, Caesars Entertainment Corporation, a casino and resort developer and Parkway Properties, Inc., a public real estate investment trust. He is also a long-time Director (and one-time Chairman) of Los Angeles Team Mentoring, Inc. (a charitable mentoring organization), is a member of the Board of Trustees of the Los Angeles County Museum of Art, and is on the Board of Overseers of the Huntington Library, Art Collections, and Botanical Gardens. Mr. Davis holds a B.A. in Economics from Stanford University and an M.B.A. from Harvard University. Mr. Davis was nominated by the TPG Holding Vehicle.

Mr. Davis brings extensive experience in real estate, management, finance and corporate governance to our board of directors. For these reasons, we believe he is well qualified to serve on our board of directors.

JAMES HENRY
AGE 69

Mr. Henry has served as a director since March 2013. Mr. Henry has held various positions at Bank of the West, a financial services company, most recently serving as Vice Chairman and Chief Risk Officer from 2006 until his retirement in 2007. For most of his tenure at Bank of the West, Mr. Henry was responsible for operating and growing the bank s specialty lending groups. Mr. Henry is a Director of Wedgewood, Inc., a privately held, large real estate foreclosure company, and Chief Enterprises, Inc., a privately held auto and heavy equipment supplier, and is a former director and currently serves on the investment committee of the board of directors of the John Muir Health System, a not-for-profit healthcare provider. He holds a B.S. in Business Administration from the University of Dayton and an M.B.A. from DePaul University.

We believe Mr. Henry s long experience in finance, banking and extensive knowledge of lending practices make him well qualified to serve on our board of directors.

ANNE L. MARIUCCI
AGE 58

Ms. Mariucci has served as a director since March 2014. Ms. Mariucci has over 30 years of experience in homebuilding and real estate. Prior to 2003, Ms. Mariucci held a number of executive senior management roles with Del Webb Corporation, a homebuilder, and was responsible for its large-scale community development and homebuilding business. She also served as President of Del Webb Corporation following its merger with Pulte Homes, Inc. She presently serves on the board of Banner Health, a national nonprofit health care provider. She also serves as a director of Corrections Corporation of America, a publicly traded corrections company, Southwest Gas Company, a publicly traded utility company, Arizona State University Foundation and the Fresh Start Women s Foundation. Since 2003, she has been affiliated with the private equity firms Hawkeye Partners (Austin, Texas), serving as a member of the Board of Advisors, and Glencoe Capital (Chicago, Illinois). She is a past director of the Arizona State Retirement System, Action Performance Companies, the Arizona Board of Regents where she was its immediate past chairman and the University of Arizona Health Network, as well as a past Trustee of the Urban Land Institute. Ms. Mariucci received her undergraduate degree in accounting and finance from the University of Arizona and completed the corporate finance program at the Stanford University Graduate School of Business.

Ms. Mariucci brings extensive experience in real estate, homebuilding and corporate governance. For these reasons, we believe she is well qualified to serve on our board of directors.

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RAJATH SHOURIE
AGE 42

Mr. Shourie has served as a director since July 2011. Mr. Shourie is a Managing Director in Oaktree Capital Management L.P. s (Oaktree) Distressed Debt Group. Mr. Shourie contributes to the analysis, portfolio construction and management of Oaktree s Distressed Opportunities, Value Opportunities and Strategic Credit strategies. Since joining Oaktree in 2002, Mr. Shourie has spent his time investing in distressed debt. He has invested in the airline/aircraft industry for a number of years, and led the firm s investments in financial institutions during the global financial crisis. Mr. Shourie has worked with a number of Oaktree s portfolio companies, and currently serves on the board of STORE Capital, a specialty real estate investment trust. He has been an active on a number of creditors committees, including the steering committee in the restructuring of CIT Group. Prior to joining Oaktree, he was an Associate in the Principal Investment area at Goldman, Sachs & Co., and a management consultant at McKinsey & Co. Mr. Shourie earned his B.A. in Economics from Harvard College, where he was elected to Phi Beta Kappa. He then went on to receive an M.B.A. from Harvard Business School, where he was a Baker Scholar. Mr. Shourie was nominated by the Oaktree Holding Vehicle.

Mr. Shourie brings extensive experience in real estate, finance and corporate governance to our board of directors. For these reasons, we believe he is well qualified to serve on our board of directors.

In the vote on the election of Class III director nominees, stockholders may:

vote **FOR** all nominees;

WITHHOLD votes for all nominees; or

WITHHOLD votes as to specific nominees.

Unless you elect to vote differently by so indicating on your signed proxy, your shares will be voted **FOR** the board of directors nominees. The four Class III director nominees receiving the largest number of votes cast at the Annual Meeting will be elected. Proxies marked withhold or broker non-votes will have no effect on the outcome of the proposal.

The Board of Directors Recommends a Vote FOR Each of the Above-Named Director Nominees.

Class I Directors Continuing in Office Until the 2017 Annual Meeting of Stockholders

SHERYL D. PALMER
AGE 54

Ms. Palmer became President and Chief Executive Officer in August 2007 after previously serving as Executive Vice President for the West Region of Morrison Homes. Her previous experience includes senior leadership roles at Blackhawk Corp and most recently Pulte Homes/Del Webb Corporation, each homebuilders and developers of retirement communities, where she last held the title of Nevada Area President at Pulte/Del Webb Corporation. Ms. Palmer brings 30 years of experience to her position, including leadership in land acquisition, sales and marketing, development and operations management. In addition to her employment with the Company, Ms. Palmer currently serves as a member of the board and compensation committee of Interface, Inc., a leading global manufacturer of modular carpet.

We believe Ms. Palmer s 30 years of industry experience make her a valuable member of our board of directors. In addition, as our President and Chief Executive Officer, the directors believe it is appropriate for her to be a member of our board.

TIMOTHY R. ELLER
AGE 67

Mr. Eller has served as a director since June 2012 and as Chairman of the board of directors since November 2012. Mr. Eller is a principal of Cordalla Capital, LLC, a private equity firm he founded in 2009, where he directs major investments in real estate and related businesses. He is also Chief Executive Officer of Cambridge Homes, LLC, Cordalla s homebuilding entity, a subsidiary of Cordalla engaged in homebuilding in Texas. Prior to founding Cordalla Capital, Mr. Eller served in various industry roles, including President and CEO of Centex Homes, a public homebuilder; Chairman, President and CEO of Centex Corporation; and board Vice Chairman of Pulte Group, Inc. Mr. Eller is currently a member of the Advisory Board of the Encore Housing Opportunity Fund, a private equity fund.

We believe Mr. Eller contributes extensive experience in leadership, real estate investment and corporate governance to our board of directors, which makes him well qualified to serve as Chairman of our board of directors.

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PROPOSAL 1: ELECTION OF DIRECTORS

JASON KELLER
AGE 46

Mr. Keller has served as a director since July 2011. Mr. Keller is a Managing Director of Oaktree and previously served as Senior Vice President since he joined the firm in July 2007. Mr. Keller oversees the Oaktree real estate group s land, residential and homebuilding investments. Mr. Keller previously worked as a Vice President in the Real Estate Private Equity division of DLJ/Credit Suisse, an investment bank. Prior to joining DLJ, Mr. Keller worked in real estate finance at Salomon Brothers and CIBC Oppenheimer, financial services providers, advising numerous public and private companies, REITs, and financial institutions with respect to the acquisition, disposition and recapitalization of their real estate portfolios. He also worked as a real estate manager and developer for D-Street Investments, a boutique private equity firm. Mr. Keller holds a B.A. in Finance from Utah State University and an M.B.A. in Finance and Real Estate from the Wharton School at the University of Pennsylvania. Mr. Keller was nominated by the Oaktree Holding Vehicle.

We believe Mr. Keller s extensive background in real estate, corporate strategy and corporate finance make him well qualified to serve on our board of directors.

PETER LANE
AGE 51

Mr. Lane has served as a director since June 2012. Mr. Lane has served since 2010 as Chief Executive Officer of AXIP Energy Services (formerly known as Valerus Compression Services, AXIP), an oilfield services company headquartered in Houston, Texas. Prior to joining AXIP, Mr. Lane was a TPG Operating Partner from 2009 to 2011. Before TPG, Mr. Lane spent 12 years at Bain & Company, a global consulting firm, where he led the Dallas and Mexico City offices as well as its oil and gas practice. He became a Partner at Bain in 2003. Mr. Lane currently serves on the boards of AXIP and Petro Harvester, an oil and gas company. Mr. Lane holds a B.S. in physics from the University of Birmingham in the United Kingdom and an M.B.A. from the Wharton School at the University of Pennsylvania. Mr. Lane was nominated by the TPG Holding Vehicle.

Mr. Lane brings extensive experience in business operations, finance and corporate governance to our board of directors. For these reasons, we believe he is well qualified to serve on our board of directors.

Class II Directors Continuing in Office Until the 2018 Annual Meeting of Stockholders

JOHN BRADY
AGE 52

Mr. Brady has served as a director since July 2011. Mr. Brady joined Oaktree in 2007 as Managing Director and Head of the global real estate group. From 2003 to 2007, Mr. Brady was Principal and Head of the North American acquisitions business (excluding gaming) at Colony Capital, LLC, a private international real estate-related investment firm in Los Angeles. In 2000, he co-founded The Destination Group, LLC, a private equity investment firm in Los Angeles targeting opportunities in travel and leisure. From 1991 to 2000, Mr. Brady focused on distressed investments for Colony Capital and led Colony s expansion into Asia in 1998. He holds a B.A. in English from Dartmouth College and an M.B.A. with concentrations in corporate finance and real estate from the University of California at Los Angeles. Mr. Brady was nominated by the Oaktree Holding Vehicle.

Mr. Brady brings to our board of directors extensive experience across a range of real estate investments and property types, including distressed loan portfolio acquisitions and asset management, loan restructurings and workouts, and direct real estate and real estate related acquisitions and financings. For these reasons, we believe he is well qualified to serve on our board of directors.

JOE S. HOUSSIAN
AGE 67

Mr. Houssian has served as a director since July 2011. Mr. Houssian founded JH Investments Inc., his personal investment and holding company, in 2007 and has served as its Chairman since. Mr. Houssian began his career in 1973 at Xerox, a multinational document management corporation, before founding Intrawest in 1976. Intrawest grew from an urban residential real estate business into an internationally renowned resort and real estate development company responsible for the success of such pre-eminent ski resorts as Whistler Blackcomb as well as dozens of award winning golf courses, resort

villages and developments around the world. Mr. Houssian served as Chairman of Intrawest until his departure in 2006 when the firm was sold to Fortress Investments Group, a private equity firm. Mr. Houssian is also the co-founder of Intracorp a North American urban real estate developer and the co-founder of Versacold Cold Storage, a Canadian refrigeration services provider. More recently, Mr. Houssian co-founded Replay Resorts, an integrated hospitality company, as well as Elemental Energy, an alternative energy development company with operations in the United States and Canada. Mr. Houssian holds an M.B.A. from the University of British Columbia. Mr. Houssian was nominated by JHI.

We believe that Mr. Houssian s extensive experience in the real estate industry as well as in organizational leadership, corporate governance and finance make him well qualified to serve on our board of directors.

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DAVID MERRITT
AGE 61

Mr. Merritt has served as a director since June 2013. From March 2009 through December 2013, he was the president of BC Partners, Inc., a financial advisory firm. From October 2007 to March 2009, Mr. Merritt served as Senior Vice President and Chief Financial Officer of iCRETE, LLC. Mr. Merritt is a director of Charter Communications, Inc. and of Calpine Corporation and currently serves as Chairman of the Audit Committee of each company. From 1975 to 1999, Mr. Merritt was an audit and consulting partner of KPMG serving in a variety of capacities during his years with the firm, including national partner in charge of the media and entertainment practice. Mr. Merritt holds a B.S. degree in Business and Accounting from California State University Northridge.

As a seasoned director and audit committee chair with extensive accounting experience, Mr. Merritt brings a strong background in leadership, governance and corporate finance to our board of directors and audit committee. For these reasons, we believe he is well qualified to serve on our board of directors.

JAMES SHOLEM
AGE 31

Mr. Sholem has served as a director since January 2015. Mr. Sholem is a Principal at TPG Real Estate and is based in New York City. Prior to joining TPG Real Estate in 2011, Mr. Sholem spent his entire career in the Real Estate Principal Investment Area of Goldman, Sachs & Co., an investment bank, focusing on real estate private equity investing in North America. Mr. Sholem has completed over $8 billion of transactions across various real estate asset classes. Mr. Sholem received a B.A., Magna Cum Laude, from Brown University. Mr. Sholem also serves on the Board of Directors of LifeStorage, MWest Properties and the Governing Board of New York Needs You, a non-profit focused on high-potential first-generation college students in the New York City area. Mr. Sholem was nominated by the TPG Holding Vehicle.

Mr. Sholem brings considerable experience in real estate, private equity and corporate finance to our board of directors. For these reasons, we believe he is well qualified to serve on our board of directors.

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Corporate Governance

We believe that effective corporate governance is critical to our ability to create long-term value for our stockholders. We have adopted and implemented charters, policies, procedures and controls that we believe promote and enhance corporate governance, accountability and responsibility and create a culture of honesty and integrity at our company. Our Corporate Governance Guidelines, Code of Conduct and Ethics, various other governance-related information and board committee charters are available on the Investor Relations page of our corporate website at www.taylormorrison.com under the category Corporate Governance.

Controlled Company

For purposes of New York Stock Exchange (NYSE) rules, we are a controlled company. Controlled companies under those rules are companies of which more than 50% of the voting power for the election of directors is held by an individual, a group or another company. Together, the Principal Equityholders control more than 50% of the combined voting power of our common stock and are able to elect a majority of our board of directors. Accordingly, we are eligible for certain exemptions from the NYSE rules. Specifically, as a controlled company under NYSE rules, we are not required to have (1) a majority of independent directors, (2) a nominating and corporate governance committee nor, if we have such a committee, that it be composed entirely of independent directors or (3) a compensation committee nor, if we have such a committee, that it be composed entirely of independent directors. We avail ourselves of all of these exemptions.

Information About Our Board of Directors

Director Independence

Our board of directors consults with our legal counsel to ensure that the board s independence determinations are consistent with all relevant securities and other laws and regulations regarding director independence. To assist in the board s independence determinations, each director completes materials designed to identify any relationships that could affect the director s independence. In addition, through discussions among our directors, an analysis of independence is undertaken by the nominating and corporate governance committee and an affirmative determination is made by the board of directors. The board of directors has determined that Ms. Mariucci and Messrs. Eller, Henry and Merritt are independent, as such term is defined by the applicable rules and regulations of the NYSE. Additionally, each of these directors meets the categorical standards for independence established by our board of directors, as set forth in our Corporate Governance Guidelines.

Director Qualifications

The board of directors has delegated to the nominating and corporate governance committee the responsibility of reviewing and recommending nominees for membership of the board of directors. Though we have no formal policy addressing diversity, the nominating and corporate governance committee seeks candidates from diverse professional and personal backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. The assessment of these candidates includes, among other factors, an individual s independence, which determination is based upon applicable NYSE rules, applicable SEC rules and regulations, our Corporate Governance Guidelines and the input from legal counsel, if necessary, as well as consideration of age, skills, character and experience, and a policy of promoting diversity, in the context of the needs of the Company. Other characteristics, including, but not limited to, the director nominee s material relationships with us, time availability, service on other boards of directors and their committees or any other characteristics which may prove relevant at any given time are also reviewed by the nominating and corporate governance committee for purposes of determining a director nominee s qualification.

In the case of incumbent directors whose terms of office are set to expire, the nominating and corporate governance committee reviews such directors overall service to our Company during their respective term, including the number of meetings attended, level of participation, quality of performance and any relationships and transactions that might impair such directors independence.

To date, the nominating and corporate governance committee has not paid a fee to any third party to assist in the process of identifying or evaluating director candidates.

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Process for Identifying and Nominating Directors

Pursuant to the Stockholders Agreement to which we are a party, along with the TPG Holding Vehicle, the Oaktree Holding Vehicle and JHI, each of the Principal Equityholders have certain director nomination rights. For so long as the TPG or Oaktree Holding Vehicles owns at least 50% of the shares of our common stock held by it immediately following our IPO and the application of net proceeds therefrom, such holding vehicle will be entitled to nominate three directors to serve on our board of directors. When such holding vehicle owns less than 50% but at least 10% of the shares of common stock held by it immediately following our IPO and the application of net proceeds therefrom, such holding vehicle will be entitled to nominate two directors. Thereafter, such holding vehicle will be entitled to nominate one director so long as it owns at least 5% of the shares of common stock held by it immediately following our IPO and the application of net proceeds therefrom. To the extent permitted under applicable laws and regulations of the NYSE, for so long as the TPG Holding Vehicle or the Oaktree Holding Vehicle has the right to nominate one director, such holding vehicle shall be entitled to have one of its nominees serve on each committee of our board of directors. In addition, for so long as JHI owns 50% of its interest in the TPG and Oaktree Holding Vehicles and such holding vehicles in the aggregate own at least 50% of the shares of our common stock held by such holding vehicles immediately following our IPO and the application of net proceeds therefrom, JHI will be entitled to nominate one director to our board of directors. The TPG Holding Vehicle nominated Kelvin Davis, Peter Lane and James Sholem, the Oaktree Holding Vehicle nominated John Brady, Jason Keller and Rajath Shourie and JHI nominated Joe S. Houssian to serve on our board of directors.

The Stockholders Agreement also provides that, for so long as each of the TPG Holding Vehicle and the Oaktree Holding Vehicle owns at least 50% of the shares of our common stock held by it following our IPO and the application of net proceeds therefrom, we have agreed to maintain a vacancy on our board of directors until such time as the TPG Holding Vehicle and Oaktree Holding Vehicle jointly designate a director to fill this vacancy. However, if at any time either of the TPG Holding Vehicle or Oaktree Holding Vehicle certifies to us that they cannot agree on a joint designee for our board of directors, we will take necessary action to expand the board of directors from 13 to 14 directors and permit each of the TPG Holding Vehicle and Oaktree Holding Vehicle to designate an additional director to serve on our board of directors.

Each of the TPG Holding Vehicle and Oaktree Holding Vehicle has agreed to vote its shares in favor of the directors nominated by the other and by JHI in accordance with the terms of the Stockholders Agreement. To the extent that either group of our Principal Equityholders is no longer entitled to nominate a board member, our board of directors (upon the recommendation of the nominating and corporate governance committee) will nominate a director in its place.

The remaining nominees for our board of directors are recommended by the nominating and corporate governance committee, which may utilize a variety of methods for identifying nominees for director. Candidates may come to the attention of the nominating and corporate governance committee through current board members, management, professional search firms, stockholders or other persons. Each of Ms. Mariucci and Mr. Henry were recommended as nominees to our board of directors by members of management and by our Principal Equityholders.

The nominating and corporate governance committee will consider nominees proposed by our stockholders in accordance with the provisions contained in our by-laws. Each notice of nomination submitted in this manner must contain the information specified in our by-laws, including, but not limited to, information with respect to the beneficial ownership of our common stock or derivative securities that have a value associated with our common stock held by the proposing stockholder and its associates and any voting or similar agreement the proposing stockholder has entered into with respect to our common stock. To be timely, the notice must be received at our corporate headquarters not less than 90 days nor more than 120 days prior to the first anniversary of the date of the prior year s annual meeting of stockholders. If the annual meeting of stockholders is advanced by more than 30 days, or delayed by more than 60 days, from the anniversary of the preceding year s annual meeting of stockholders, or if no annual meeting of stockholders was held in the preceding year, notice by the stockholder, to be timely, must be received no earlier than the 120th day prior to the annual meeting of stockholders and no later than the later of (1) the 90th day prior to the annual meeting of stockholders and (2) the tenth day following the day on which we notify stockholders of the date of the annual meeting of stockholders, either by mail or other public disclosure.

The foregoing description of our Stockholders Agreement and the advance notice provisions of our by-laws is a summary and is qualified in its entirety by reference to the full text of the Stockholders Agreement and by-laws. Accordingly, we advise you to review our Stockholders Agreement and by-laws for additional stipulations relating to the

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process for identifying and nominating directors, including advance notice of director nominations and stockholder proposals. See also Additional Information Submission of Stockholder Proposals for Inclusion in Next Year s Proxy Statement.

Board Structure and Operations

Composition of our Board of Directors

Our amended and restated certificate of incorporation provides that our board of directors will consist of no less than three and not more than 15 members, with the exact number of members to be determined from time to time by the board of directors.

The number of directors on our board is currently fixed at 13, which, pursuant to the terms of the Stockholder Agreement, includes one vacancy that the board of directors does not currently plan to fill and 12 members. In accordance with our amended and restated certificate of incorporation and our amended and restated bylaws, the number of directors on our board will be determined from time to time by our board of directors and may be increased to 14 members as provided in the Stockholders Agreement as described under Information About Our Board of Directors Process for Identifying and Nominating Directors. Only a majority of the board of directors may fix the number of directors, provided that Requisite Investor Approval (as defined in the Stockholders Agreement) is required to increase the size of the board of directors further beyond 14, except if such increase is to provide for the minimum number of directors required for us to comply with applicable law and the regulations of the NYSE. For purposes of the Stockholders Agreement, Requisite Investor Approval means, in addition to the approval of a majority vote of our board of directors, the approval of a director nominated by the TPG Holding Vehicle so long as it owns at least 50% of our common stock held by it immediately following our IPO and the application of net proceeds therefrom and the approval of a director nominated by the Oaktree Holding Vehicle so long as it owns at least 50% of our common stock held by it immediately following our IPO and the application of net proceeds therefrom.

Each director is to hold office until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal. Vacancies and newly created directorships on the board of directors may be filled at any time by the remaining directors.

Until the Triggering Event (which is the point in time at which the TPG and Oaktree Holding Vehicles no longer collectively beneficially own shares representing 50% or more of the combined voting power of our common stock), any director may be removed with or without cause by holders of a majority of our outstanding shares of common stock. Thereafter, directors may only be removed for cause by the affirmative vote of the holders of at least three-fourths of our outstanding shares of common stock. At any meeting of our board of directors, except as otherwise required by law, a majority of the total number of directors then in office will constitute a quorum for all purposes, provided that, until the Triggering Event, a quorum will require the attendance of one director nominated by each holding vehicle that has the right to designate at least one director for election to the board of directors.

Pursuant to our amended and restated certificate of incorporation, our board of directors is divided into three classes, with staggered three-year terms, with the classes to be as nearly as equal in number as possible. The composition of the board of directors of our indirect subsidiaries Taylor Morrison Holdings, the parent company of our U.S. business, and Taylor Morrison Holdings II, Inc. (formerly known as Monarch Communities Inc.) (Holdings II), the parent company of our Canadian business until we sold it in January 2015, is identical to the current composition of our board of directors. Pursuant to governance agreements entered into by us in connection with the IPO, we contractually control the composition of the boards of directors of Taylor Morrison Holdings and Holdings II and their respective committees. As a result, all directors elected to our board of directors also serve on the boards of Taylor Morrison Holdings and Holdings II. Holdings II no longer has any material business operations. See Certain Relationships and Related Person Transactions Governance Agreements.

Our board of directors and its committees have supervisory authority over Taylor Morrison Home Corporation, which, through its indirect control of its subsidiary holding partnerships, TMM Holdings Limited Partnership (TMM) and TMM Holdings II Limited Partnership (New TMM), exercises stewardship over the business and affairs of Taylor Morrison Holdings and its subsidiaries and Holdings II and its subsidiaries. Taylor Morrison Home Corporation, New TMM and TMM do not conduct any activities other than direct or indirect ownership and stewardship over Taylor Morrison Holdings and Holdings II and their respective subsidiaries. The board of directors of Taylor Morrison Holdings and its committees have supervisory authority over Taylor Morrison Holdings and its subsidiaries and exercise control

over the operations and businesses of Taylor Morrison Holdings and its subsidiaries. The board of directors of Holdings II and its committees have supervisory authority over Holdings II and its subsidiaries and exercise control over Holdings II and its subsidiaries.

Board Leadership Structure

Our board of directors does not currently have a policy as to whether the role of Chairman of the board of directors and the Chief Executive Officer, or CEO, should be separate. Our board of directors believes that the Company and its stockholders are best served by maintaining the flexibility to determine whether the Chairman and CEO positions should be separated or combined at a given point in time in order to provide appropriate leadership for us at that time. The board of directors believes that its current leadership structure, with Mr. Eller, an independent director, serving as Chairman, and Ms. Palmer serving as CEO, is appropriate at this time.

In addition, our Corporate Governance Guidelines provide that, in order to maintain the independent integrity of our board of directors, if the Chairman is not an independent director, the board of directors will appoint an independent director as Lead Director.

Board s Role in Risk Oversight

Our board of directors exercises oversight of risk management consistent with its duties to the Company and its subsidiaries. The audit committee is responsible for discussing with management our major financial, credit, liquidity and other risk exposures, as well as our risk assessment and risk management policies. The audit committee works directly with members of senior management and our internal audit staff to review and assess our risk management initiatives, including our compliance programs and cybersecurity initiatives, and reports as appropriate to the board. In addition, the audit committee meets as appropriate (1) as a committee to discuss our risk management guidelines, policies and exposures and (2) with our independent auditors to review our internal control environment and other risk exposures. The compensation committee oversees the management of risks relating to our executive compensation programs and employee benefit plans. In the fulfillment of its duties, the compensation committee reviews at least annually our executive compensation programs, meets regularly with management to understand the financial, human resources and stockholder implications of compensation decisions and reports as appropriate to the board.

The board of directors as a whole also engages in the oversight of risk in various ways.

During the course of each year, the board of directors reviews the structure and operation of various departments and functions of our company, including its risk management and internal audit functions. In these reviews, the board of directors discusses with management the risks affecting those departments and functions and management s approaches to mitigating those risks.

The board of directors reviews and approves each year s management operating plan. These reviews cover risks that could affect the management operating plan and measures to cope with those risks.

In its review and approval of annual reports on Form 10-K, the board of directors reviews our business and related risks, including as described in the Business, Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations sections of the document. The audit committee updates this review quarterly in connection with the preparation of our quarterly reports on Form 10-Q.

Management must obtain the approval of the board of directors, acting through an investment committee of the board of directors, before proceeding with any land acquisition above a pre-established threshold. When the board of directors reviews particular transactions and initiatives that require board approval, or that otherwise merit the board of directors involvement, the board of directors generally includes related risk analysis and mitigation plans among the matters addressed with management.

The day-to-day identification and management of risk is the responsibility of our management. As the market environment, industry practices, regulatory requirements and our business evolve, management and the board of directors intends to respond with appropriate adaptations to risk management and oversight.

Meetings of our Board of Directors

Our board of directors and its committees meet periodically during the year, hold special meetings as needed and act by written consent from time to time as deemed appropriate. During 2015, our board of directors met eight times.

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CORPORATE GOVERNANCE

During 2015, no director attended fewer than 75% of the aggregate of (a) the total number of meetings of the board of directors and (b) the total number of meetings held by all committees of the board of directors on which such director served. Each of our directors is strongly encouraged, but is not required, to attend our annual meetings of stockholders. Six of our directors attended our 2015 annual meeting of stockholders.

Executive Sessions of our Board of Directors

Generally, an executive session of non-management directors is held in conjunction with each regularly scheduled board meeting and at other times as deemed appropriate. Our Chairman presides over each executive session. In addition, because the board of directors includes non-management directors who are not independent as defined by the NYSE rules, the independent directors meet in executive session at least once each fiscal year. The non-management directors met in executive session four times during 2015, and the independent directors met in executive session once during 2015. Each committee of the board of directors also generally conducts an executive session in conjunction with each regularly scheduled committee meeting and at other times as deemed appropriate.

Committees of Our Board of Directors

Our board of directors has three standing committees: an audit committee, a compensation committee and a nominating and corporate governance committee. Each of the standing committees operates pursuant to a written charter, which is available on the Investor Relations page of our corporate website at www.taylormorrison.com on the Investor Relations page under the category Corporate Governance. The following is a brief description of our committees, including their membership and responsibilities.

Pursuant to the Stockholders Agreement, for so long as the TPG and Oaktree Holding Vehicles are entitled to nominate directors for appointment to our board of directors, the TPG and Oaktree Holding Vehicles will each have the right to appoint a member to each committee of our board of directors, subject to applicable rules and regulations of the NYSE.

Audit Committee

Our audit committee assists the board in fulfilling its responsibilities by overseeing, among other things, (1) the integrity of financial information and other information provided to stockholders, investors and others; (2) the performance of our internal audit function and systems of internal controls; and (3) our compliance with legal and regulatory requirements. The audit committee also has direct responsibility for the appointment, compensation, retention (including termination) and oversight of our independent auditors and is responsible for the preparation of an audit committee report to be included in our annual proxy statement as required by the SEC. The audit committee also reviews and approves related person transactions in accordance with our Related Person Transaction Policy. See Certain Relationships and Related Person Transactions Related Person Transaction Policy. During 2015, the audit committee met eight times.

Our audit committee currently is comprised of Mr. Henry (chairman), Ms. Mariucci and Mr. Merritt. Under NYSE rules and SEC requirements and pursuant to the Stockholders Agreement, our audit committee must be comprised entirely of independent directors. Our board of directors has determined that each member of our audit committee has the financial literacy required by NYSE rules and is independent as defined under the independence requirements of the NYSE and the SEC applicable to audit committee members. In addition, the board of directors has determined that Mr. Henry qualifies as an audit committee financial expert as that term is defined under SEC rules. Information about Mr. Henry s background that qualifies him as an audit committee financial expert is included in Proposal 1: Election of Directors Class III Directors for Election to a Three-Year Term Expiring at the 2019 Annual Meeting of Stockholders.

Compensation Committee

Our compensation committee, among other things, reviews and recommends policies and plans relating to compensation and benefits of our directors, employees and certain other persons providing services to our Company, and is responsible for approving the compensation of our CEO and other executive officers. Our compensation committee also administers our omnibus equity incentive plan, our annual bonus plan and other benefit programs. The compensation committee has delegated authority to our CEO to issue equity awards to employees other than to executive officers and certain other senior members of our management. In addition, to the extent the compensation committee intends to qualify any compensation as performance-based compensation for purposes of

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), all such compensation shall be established, administered and approved by the compensation committee or, if required, a subcommittee of the compensation committee consisting of two or more members, each of whom shall qualify as an outside director under Section 162(m) of the Code. If at any time the compensation committee includes a member who is not a non-employee director within the meaning of Rule 16b-3 under the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), and the rules and regulations promulgated thereunder, then either a subcommittee comprised entirely of individuals who are non-employee directors or the board of directors will approve any grants of equity-based compensation made to any individual who is subject to Section 16 of the Exchange Act. The compensation committee has the sole authority to retain and terminate any compensation consultant to assist in the evaluation of employee compensation and to approve the consultant s fees and other terms and conditions of the consultant s retention. During 2015, the compensation committee met five times.

Our compensation committee currently is comprised of Messrs. Shourie (chairman), Houssian and Davis. Because we are a controlled company under the rules of the NYSE, our compensation committee is not required to be fully independent. If such rules change in the future or we no longer meet the definition of a controlled company under the NYSE s rules, we will adjust the composition of the compensation committee accordingly in order to comply with such rules. Mr. Shourie was nominated to the committee by the Oaktree Holding Vehicle and Mr. Davis was nominated to the committee by the TPG Holding Vehicle in accordance with the Stockholders Agreement.

For additional discussion of the processes and procedures the compensation committee has used for the consideration and determination of executive officer and director compensation, please see Compensation Discussion and Analysis.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee, among other things, provides assistance to the board of directors in identifying and recommending individuals qualified to serve as directors of our Company, reviews the composition of the board of directors and periodically evaluates the performance of the board of directors and its committees. The nominating and corporate governance committee also recommends our various committee memberships based upon, among other considerations, a director s available time commitment, background and/or the skill set it deems appropriate to adequately perform the responsibilities of the applicable committee. In addition, the nominating and corporate governance committee develops and recommends corporate governance policies and procedures for us, including our Corporate Governance Guidelines and monitors and reviews compliance with those policies. During 2015, the nominating and corporate governance committee met three times.

Our nominating and corporate governance committee currently is comprised of Messrs. Lane (chairman), Brady and Eller. Because we are a controlled company under the rules of the NYSE, our nominating and corporate governance committee is not required to be fully independent. If such rules change in the future or we no longer meet the definition of a controlled company under the NYSE s rules, we will adjust the composition of the nominating and corporate governance committee accordingly in order to comply with such rules. Mr. Brady was nominated to the committee by the Oaktree Holding Vehicle and Mr. Lane was nominated to the committee by the TPG Holding Vehicle in accordance with the Stockholders Agreement.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee in 2015 was, at any time during 2015 or at any other time, an officer or employee of the Company, and, except as described in the section entitled Certain Relationships and Related Person Transactions, none had or has any relationships with us that are required to be disclosed under Item 404 of Regulation S-K. None of our executive officers has served as a member of the board of directors, or as a member of the compensation or similar committee, of any entity that has one or more executive officers who served on our board of directors or compensation committee during 2015.

Corporate Governance Guidelines and Code of Conduct and Ethics

Our board of directors has adopted Corporate Governance Guidelines and a Code of Conduct and Ethics that is applicable to all members of our board of directors, executive officers and employees. We have posted these documents on the Investor Relations page of our corporate website at www.taylormorrison.com under the category

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CORPORATE GOVERNANCE

Corporate Governance. We intend to post amendments to or waivers from, if any, certain provisions of our Code of Conduct and Ethics (to the extent applicable to our directors; our executive officers, including our principal executive officer and principal financial officer; or our principal accounting officer or controller, or persons performing similar functions) at this location on our website.

Anti-Hedging Policy

We have a securities trading policy that sets forth guidelines and restrictions on transactions involving our stock, which are applicable to our employees, including our executive officers, and our directors. Our policy prohibits hedging, including, among other things, purchases of stock on margin, calls or similar options on Company stock or from selling our stock short. These types of transactions would allow employees to own Company stock without the full risks and rewards of ownership. When that occurs, employees or directors may no longer have the same objectives as our other stockholders and, therefore, such transactions involving our stock are prohibited.

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Director Compensation

Annual Retainer Fees

Directors who are our employees or are employed by our Principal Equityholders are not separately compensated by us for their service on our board of directors. For our other directors, referred to collectively herein as non-employee directors, we pay an annual cash retainer for their service on our board. The annual cash retainer is paid to such directors in quarterly installments in arrears. The amount of the annual retainer depends on whether the director is the Chairman of the board of directors or if the director is also a member of one of our committees.

In early 2015, the compensation committee engaged Exequity LLP, its independent compensation consultant, to conduct a board of directors pay study, with the goal of maintaining a non-employee director compensation program that comports with market norms and aligns the interests of non-employee directors with those of our stockholders. After reviewing the study and consulting with its independent compensation consultant, the compensation committee determined that it was appropriate to make certain adjustments to our director compensation program.

For 2015, the base annual cash retainer was increased from $40,000 to $50,000, and the annual cash retainer for the Chairman of the board of directors was increased from $80,000 to $100,000. In addition, for 2015, members of our audit committee received an additional annual cash retainer equal to $20,000 (previously, members of the audit committee did not receive an additional cash retainer), and for the chairman of the audit committee such additional retainer was increased from $20,000 to $45,000. We also reimburse our directors for reasonable travel and other related expenses to attend board and committee meetings.

In addition to cash retainers and expense reimbursement, our board of directors and compensation committee have determined that it is important to include an equity component in director compensation because they believe it is important for our directors who receive compensation from us to build and maintain a long-term ownership position in our business, to further align their financial interests with those of our stockholders and to encourage the creation of long-term value. In furtherance of this objective, each non-employee director receives an annual equity award of restricted stock units (RSUs). For 2015, the RSU aggregate grant date fair value was increased from $50,000 to $130,000. The number of shares subject to the RSU grant is determined by dividing the aggregate grant date fair value by the closing price of our Class A common stock on the grant date. The annual RSU award vests in full on the first anniversary of the grant date. As part of the 2015 normalization of our director compensation program, the compensation committee also eliminated the sign on option grant for new non-employee directors and the additional annual $25,000 RSU award for the chairman of the audit committee.

Deferred Compensation Plan

Pursuant to the Taylor Morrison Home Corporation Non-Employee Director Deferred Compensation Plan (the Director Plan), non-employee directors may, for any calendar year, irrevocably elect to defer (i) receipt of shares of our Class A common stock the director would have received upon vesting of RSUs granted as an annual equity award and (ii) receipt of all or a portion of their cash compensation earned for their service on our board of directors, in each case, in the form of unfunded deferred stock units (DSUs) under our 2013 Omnibus Equity Award Plan (the 2013 Equity Plan). The purpose of the Director Plan is to enhance our ability to attract and retain non-employee directors with training, experience and ability who will promote our interests and to directly align the interests of such non-employee directors with the interests of our stockholders.

Stock Retention Policy

Our board of directors has adopted a stock retention policy that requires non-employee directors to own shares of our Class A common stock having an aggregate value no less than three times such director s annual cash retainer. Generally, non-employee directors must achieve the required minimum retention level within three years from the date of their election to our board of directors; however, with respect to our non-employee directors who were serving as of August 27, 2015, such directors will have until August 27, 2018 to achieve the required minimum retention level.

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DIRECTOR COMPENSATION

2015 Director Compensation Table

The following table summarizes the compensation earned by, or awarded or paid to, those of our directors who, for the year ended December 31, 2015, were compensated for their service as directors. None of our other directors (i.e., those not in the table) earned, were awarded or were paid any compensation from us for the year ended December 31, 2015, for their service as directors.

Name[3]	Fees Earned or Paid in Cash ($)[1]	Stock Awards ($)	Total ($)
Timothy R. Eller, Chairman	100,000		100,000
James Henry	95,000	130,007[2]	225,007
Peter Lane	50,000		50,000
Anne L. Mariucci	70,000	130,007[2]	200,007
David Merritt	70,000	130,007[2]	200,007

(1) Mr. Eller, as Chairman of the board of directors, received an annual retainer fee of $100,000. All other non-employee directors received an annual retainer fee of $50,000. Mr. Henry received an additional annual retainer fee of $45,000 for his service as the chair of our audit committee and Ms. Mariucci and Mr. Merritt each received an additional annual retainer fee of $20,000 for their audit committee service. Mr. Lane elected to defer all of his cash retainer under the Director Plan for 2015 and received awards of DSUs in June 2015, September 2015 and December 2015 covering, in the aggregate, 2,065 shares of our Class A common stock (which number of DSUs represents, in the aggregate, each quarterly cash payment of the annual retainer fee divided by the closing price of our Class A common stock reported in the NYSE on such payment date). The value of these DSUs is included in this column. These DSUs are not reflected in a separate column in the table.

(2) On May 27, 2015, each of Mr. Henry and Ms. Mariucci received an annual equity grant of 6,667 RSUs valued at $19.50 per share, which was the closing sale price of our Class A common stock on the date of grant; the amount in this column reflects the aggregate grant date fair value of the award calculated in accordance with FASB ASC Topic 718. Mr. Merritt elected to defer all of his annual RSU award under the Director Plan and instead received an annual equity grant of 6,667 DSUs valued at $19.50 per share, which was the closing sale price of our Class A common stock on the date of grant; the amount in this column reflects the aggregate grant date fair value of the award calculated in accordance with FASB ASC 718. Mr. Merritt s DSUs are subject to the same vesting conditions as the annual RSUs described above, but are paid (settled) upon the earlier of his separation from service or a change in control.

(3) As of December 31, 2015, the aggregate number of options, RSUs, DSUs and New TMM Units (and a corresponding number of shares of our Class B common stock), in each case as described below, subject to awards outstanding for each of our non-employee directors were as set forth in the table below.

Name	Options (#)	RSUs (#)	DSUs (#)	New TMM Units (#)
Timothy R. Eller[a]		6,334		63,695
James Henry	11,364	6,667		
Peter Lane[b]		3,167	2,065	31,848
Anne L. Mariucci	9,960	6,667		
David Merritt	12,525		6,667	

(a) Prior to our IPO, Mr. Eller held equity in our business that was subject to service-based vesting conditions, under which Mr. Eller vests in 20% of his award on June 29 of each of 2013-2017. As part of the reorganization transactions that occurred in our IPO, he received New TMM Units. The New TMM Units figure in the table represents the total number of New TMM Units (and a corresponding number of shares of our Class B common stock) held by Mr. Eller. As of December 31, 2015, 38,217 of these New TMM Units (and a corresponding number of shares of our Class B common stock) were vested. Subject to Mr. Eller s continued service with us through the applicable vesting date, Mr. Eller will vest in 12,739 New TMM Units (and a

corresponding number of shares of our Class B common stock) on each of June 29, 2016 and 2017. On April 12, 2013, in connection with the IPO, Mr. Eller received an equity grant of 6,334 shares of Class A common stock represented by unvested RSUs. The RSUs granted to Mr. Eller were subject to both service-based and performance-based vesting conditions. In February 2016, the compensation committee of our board of directors determined that the performance-based vesting condition was not satisfied as of December 31, 2015, and, as a result, all of the RSUs were forfeited in accordance with their terms.

(b) Prior to our IPO, Mr. Lane held equity in our business that was subject to service-based vesting conditions, under which Mr. Lane vests in 20% of his award on June 29 of each of 2013-2017. As part of the reorganization transactions that occurred in our IPO, he received New TMM Units. The New TMM Units figure in the table represents the total number of New TMM Units (and a corresponding number of shares of our Class B common stock) held by Mr. Lane. As of December 31, 2015, 19,110 of these New

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TMM Units (and a corresponding number of shares of our Class B common stock) were vested. Subject to Mr. Lane s continued service with us through the applicable vesting date, Mr. Lane will vest in 6,369 New TMM Units (and a corresponding number of shares of our Class B common stock) on each of June 29, 2016 and 2017. On April 12, 2013, in connection with the IPO, Mr. Lane received an equity grant of 3,167 shares of Class A common stock represented by unvested RSUs. The RSUs granted to Mr. Lane were subject to both service-based and performance-based vesting conditions. The compensation committee of our board of directors determined that the performance-based vesting condition was not satisfied as of December 31, 2015, and, as a result, all of the RSUs were forfeited in accordance with their terms.

Looking Ahead 2016 Director Compensation

For 2016, following consultation with Exequity LLP, our compensation committee decided to implement the following changes to our director compensation program in 2016 in order to ensure that our director compensation program is competitive:

Annual Retainer Fees. For 2016, the base annual cash retainer for all non-employee directors was increased from $50,000 to $65,000. In the case of the Chairman of the board of directors, his base annual cash retainer was decreased from $100,000 to $65,000. However, the compensation committee approved an additional annual retainer for the Chairman of the board of directors of $50,000 representing an overall increase in the Chairman s annual cash retainer of $15,000, from $100,000 to $115,000. The additional annual retainer for the chairman of the audit committee was decreased from $45,000 to $40,000, and the additional annual retainer for members of our audit committee (other than the chairman) was decreased from $20,000 to $10,000. The compensation committee also approved an additional annual retainer of $10,000 for the chair of our nominating and governance committee.

Annual RSU Grants. For 2016, each non-employee director will receive an RSU grant with a grant date fair value of $130,000, consistent with RSU awards that were granted in 2015; however, the Chairman of the board of directors will receive RSUs with a grant date fair value of $145,000. Prior to 2015, neither Mr. Eller nor Mr. Lane received an annual grant of RSUs due to their ownership of previously granted New TMM Units, as described above.

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EXECUTIVE OFFICERS

Executive Officers

The executive officers of the Company as of the date hereof are listed below.

Name	Age	Position
Sheryl D. Palmer	54	President, Chief Executive Officer and Director
C. David Cone	44	Executive Vice President and Chief Financial Officer
Darrell C. Sherman	51	Executive Vice President, Chief Legal Officer and Secretary

SHERYL D. PALMER

Ms. Palmer became President and Chief Executive Officer in August 2007 after previously serving as Executive Vice President for the West Region of Morrison Homes. Her previous experience includes senior leadership roles at Blackhawk Corp and most recently Pulte Homes/Del Webb Corporation, each homebuilders and developers of retirement communities, where she last held the title of Nevada Area President at Pulte/Del Webb Corporation. Ms. Palmer brings 30 years of experience to her position, including leadership in land acquisition, sales and marketing, development and operations management. In addition to her employment with the Company, Ms. Palmer currently serves as a member of the board and compensation committee of Interface, Inc., a leading global manufacturer of modular carpet.

C. DAVID CONE

Mr. Cone has served as our Vice President and Chief Financial Officer since October 2012, and his title was changed to Executive Vice President and Chief Financial Officer effective in January 2016. During the nine years prior to joining Taylor Morrison, Mr. Cone held various positions at PetSmart, Inc., a pet supply and service company, serving as Vice President of Financial Planning and Analysis in 2012, Vice President of Investor Relations and Treasury from 2008 to 2011, and Vice President of Finance from 2007 to 2008. Prior to his tenure at PetSmart, Mr. Cone was employed at AdvancePCS, a prescription benefit plan administrator, and PricewaterhouseCoopers, an accounting firm. Mr. Cone holds a degree in business economics from the University of California at Santa Barbara.

DARRELL C. SHERMAN

Mr. Sherman has served as our Vice President, General Counsel and Secretary since June 2009, and his title was changed to Executive Vice President, Chief Legal Officer and Secretary effective in January 2016. Mr. Sherman has twenty years of experience in the homebuilding industry, having served in senior legal roles at Centex Homes and Pulte Homes/Del Webb Corporation. Prior to joining the homebuilding industry, Mr. Sherman was a finance and real estate lawyer at Snell & Wilmer L.L.P., a law firm headquartered in Phoenix, Arizona. He holds a B.A. in Economics with university honors and a J.D., both from Brigham Young University, where he was a member of the BYU Law Review. He is a member of the State Bar of Arizona and the American Bar Association and admitted to the Arizona and U.S. Supreme Courts.

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Compensation Discussion and Analysis

This compensation discussion and analysis discusses our executive compensation programs for our named executive officers for our fiscal year ending December 31, 2015 and includes a discussion of our compensation objectives and philosophy and the material elements of compensation earned by, or awarded or paid to, our named executive officers in the year. This section also describes processes we use in reaching compensation decisions and is intended to provide context for understanding the amounts in the tabular disclosure that follows. We have also highlighted our corporate results in 2015 and how these results led to the executive compensation we paid for the year. In addition, we highlight key attributes of our compensation programs for our named executive officers.

Executive Summary

We delivered solid results in 2015, as evidenced by:

- Our completed acquisition of three divisions of Orleans Homes, Inc. and JEH Homes, an Atlanta-based homebuilder;
- Our completed sale of Monarch Corporation, our former Canadian business;
- Community count increased 26% to 259 communities;
- Net sales orders increased 17% to 6,681;
- Cancellations as a percentage of gross sales orders remained steady at 13.9% compared to 13.2% in the prior year;
- Homes closed increased 12% to 6,311, with an average selling price of $458,000; and
- Mortgage operations reported gross profit of $17.5 million on revenue of $43.1 million.

Consistent with the pay-for-performance and stockholder alignment focuses of our compensation objectives and philosophy, which are discussed in further detail below in this compensation discussion and analysis, our compensation programs for 2015 have the following attributes:

- A balanced mix of short-term cash compensation and long-term equity-based compensation;
- Forfeiture of equity awards upon violation of certain post-employment restrictive covenants;

Use of multiple performance measures with no guaranteed incentive payouts;

Limitations on the amount of awards that can be made under our equity incentive plans;

Consideration of external market data and use of an independent compensation consultant when designing compensation programs;

An anti-hedging policy applicable to all employees (including our executive officers and directors) that prohibits purchases of our stock on margin, calls or similar options on our stock, or selling our stock short;

An appropriate level of severance protection to ensure continuity of service;

No single-trigger change in control parachute payment features in any of our programs;

No gross ups for any excise or other penalty taxes related to compensation paid;

Clawback of certain cash and equity incentive compensation; and

A modest use of perquisites, which do not make up a material portion of the compensation and benefits provided to our named executive officers.

Prior Year s Annual Meeting of Stockholders Advisory Vote to Approve the Compensation of our Named Executive Officers

At our 2015 annual meeting of stockholders, more than 99% of the shares voted (including those of our Principal Equityholders and our other stockholders) were cast in favor of the 2014 compensation of our named executive officers and our compensation philosophy, policies and practices. We were pleased to receive this strong support and took it into account as part of our annual analysis of the effectiveness of our compensation program for our named executive officers.

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COMPENSATION DISCUSSION AND ANALYSIS

We recognize that the business and executive compensation environments continue to evolve, and we are committed to having compensation programs and practices that support our business objectives, promote good corporate governance and align executive pay with our performance. The compensation committee will continue to consider the results from this year s and future advisory stockholder votes regarding our executive compensation programs. See Proposal 2: Advisory Vote to Approve the Compensation of our Named Executive Officers (Say on Pay) for additional information.

Overview of Contents

In this compensation discussion and analysis, the following topics will be discussed:

Our Named Executive Officers for 2015

Compensation Objectives and Philosophy

Establishing and Evaluating Executive Compensation

Key Elements of Executive Compensation Program

Other Program Attributes

Looking Ahead 2016 Compensation

Our Named Executive Officers for 2015

Our named executive officers for 2015 are[(1)]:

President and Chief Executive Officer	**Sheryl D. Palmer**
Executive Vice President and Chief Financial Officer	**C. David Cone**
Executive Vice President, Chief Legal Officer and Secretary	**Darrell C. Sherman**

(1) Our business is conducted through several operating companies indirectly held by TMHC. Our named executive officers hold officer positions at these operating companies as well as at TMHC. The partnerships through which TMHC owns the operating companies, TMM Holdings II Limited Partnership (New TMM) and TMM Holdings Limited Partnership (TMM), generally do not have executive officers.

Compensation Objectives and Philosophy

Our compensation program reflects our philosophy to pay all of our executives, including our named executive officers, in ways that support our primary objectives of:

Encouraging a results-driven culture through a pay-for-performance structure;

- Balancing long-term and short-term compensation and cash and equity-based compensation to ensure our executives are focused on the appropriate short-term financial budget goals and long-term strategic objectives;

- Aligning executives interests with stockholder interests in creating long-term value for our stockholders;

- Attracting, retaining and motivating key talent; and

- Aligning total compensation levels with those paid by our direct competitors in the homebuilding sector as well as companies of comparable size and scope in other industries.

Our compensation structure is centered on a pay-for-performance philosophy, and this pay-for-performance focus is designed to align the interests of our executives, our Principal Equityholders and our other stockholders, motivate our executives to achieve our targeted financial and other performance objectives and reward them for their achievements when those objectives are met. To help achieve these objectives, a significant portion of our executive officers compensation is at-risk and provided in the form of variable or performance-based compensation with upside potential for strong performance, as well as downside exposure for underperformance. We believe this is appropriate given our executive officers ability to influence our overall performance.

We recognize the need for both short- and long-term incentives to retain talent and encourage both short- and long-term performance. To that end, we seek to provide a balance between short-term and long-term incentives as well as

between cash compensation and equity-based compensation, which encourages a focus on long-term strategic objectives by linking compensation to the satisfaction of our long-term performance goals. Having a long-term compensation component is also consistent with the long-term horizon inherent in the homebuilding industry for the realization of revenue from any specific development project. In light of such objectives, we have determined that a significant portion of total compensation would be delivered in the form of long-term equity-based compensation.

The overall level of total compensation for our executive officers is intended to be reasonable in relation to and competitive with the compensation paid by similarly situated peer leaders in the homebuilding industry, subject to variation for factors such as the individual s experience, performance, duties, scope of responsibility, prior contributions and future potential contributions to our business. With these principles in mind, we structure our compensation program as a competitive total pay package, which we believe allows us to attract, retain and motivate executives with the skill and knowledge we require and ensure the stability of our management team, which is vital to the success of our business. However, in setting named executive officer compensation levels, we do not have a policy of setting compensation levels within a fixed range of benchmarks of our peer companies.

Establishing and Evaluating Executive Compensation

Role of the Independent Compensation Consultant

In March 2015, the compensation committee retained Exequity LLP, which provides the compensation committee with market data on executive compensation levels and practices at our selected competitors and also advises on trends and best practices in the areas of executive compensation and governance, assists the compensation committee in its review and evaluation of our compensation policies and practices, reviews our compensation discussion and analysis, and also provides independent advice on director compensation (including a comparative study of director pay in 2015). Exequity LLP is a nationally recognized independent provider of executive compensation advisory services. Exequity LLP does not provide other services to us or to our management, except at the direction of the compensation committee. We do not have any other relationships with Exequity LLP, and the compensation committee has determined that Exequity LLP is independent and has no conflicts of interest with us. The compensation committee has the sole authority to retain or terminate advisors to the compensation committee that assist in the evaluation of the compensation to our named executive officers and directors.

Prior to March 2015, the compensation committee retained Pearl Meyer & Partners (Pearl Meyer) as its independent compensation consultant. Pearl Meyer provided the compensation committee with market data on executive compensation levels and practices at our selected competitors and also advised on trends and best practices in the areas of executive compensation and governance, assisted the compensation committee in its review and evaluation of our compensation policies and practices and also provided independent advice on director compensation. Pearl Meyer did not provide, and was prohibited by compensation committee policy from providing, other services to us or to our management, except at the direction of the compensation committee. We did not have any other relationships with Pearl Meyer, and the compensation committee determined that Pearl Meyer was independent and had no conflicts of interest with us.

Process Role of Officers and Compensation Committee

The compensation committee is responsible for all compensation decisions for our named executive officers. Our Chief Human Resources Officer works with Ms. Palmer to establish compensation committee meeting agendas and provide various types of information, including interim progress against performance targets, information about other homebuilding companies or other topics requested by the compensation committee to assist the compensation committee in making its decisions.

The compensation committee, after consultation with Ms. Palmer as to officers other than herself, reviews and determines base salary, annual cash incentive bonuses and long-term incentive compensation levels for each executive officer. Ms. Palmer recommends to the compensation committee annual cash incentive bonus performance targets and evaluates actual performance relative to those targets, excluding any targets or performance evaluation applicable to her own compensation. The compensation committee, after taking into account Ms. Palmer s recommendations, reviews and approves annual base salaries, annual bonus performance targets and the amount of annual bonuses payable to each named executive officer based on achievement of annual performance targets, and long-term incentive compensation awards. Ms. Palmer s compensation levels are established by the compensation committee in its sole discretion. Ms. Palmer does not have any formal role or authority in the determination of her compensation.

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COMPENSATION DISCUSSION AND ANALYSIS

Process Factors Considered in Setting Compensation

The compensation committee believes that compensation decisions for our named executive officers are complex and require consideration of many factors, including the overall competitive market environment, industry compensation levels, the officer s individual performance and our performance.

Market Data (Competitors and General Industry). As mentioned above, the compensation committee does not set compensation levels for our named executive officers within a fixed range of benchmarks of our peer companies and only reviews such peer company information and market data to better assess the range of compensation needed to attract, retain and motivate executive talent in our highly competitive industry. Nevertheless, in establishing compensation packages for our named executive officers, the compensation committee reviews and considers the compensation levels of executives at public homebuilding companies as a factor, amongst other factors, in establishing targeted compensation. This review covers compensation data for a group of our competitors within the homebuilding industry (as available in such companies public filings) and the most directly-relevant published survey sources available with respect to all direct pay elements, including salary, cash incentives and equity.

In connection with setting compensation, the compensation committee reviews data from the annual proxy statements of publicly traded homebuilders, as well as data from other published compensation survey sources, including FMI and Equilar, for compensation levels and trends as well as data on pay for executives and uses such information to guide our decisions. Additionally, in 2015 the compensation committee reviewed compensation data at the following 13 publicly-traded homebuilding companies in connection with setting compensation for Ms. Palmer and Messrs. Cone and Sherman:

PulteGroup Inc.	Toll Brothers, Inc.	Meritage Homes Corporation
D.R. Horton, Inc.	KB Home	M.D.C. Holdings Inc.
Lennar Corporation	Hovnanian Enterprises, Inc.	Beazer Homes USA Inc.
NVR, Inc.	The Ryland Group, Inc.	M/I Homes, Inc.
Standard Pacific Corp.		

In 2015, two of the companies in our peer group, The Ryland Group, Inc. and Standard Pacific Corp., completed a merger with the surviving company being renamed CalAtlantic Group, Inc. As a result of this merger, our peer group was reduced from thirteen publicly-traded homebuilding companies to twelve.

Individual Performance. As mentioned above, in addition to considering market data, the compensation committee considers each executive officer s individual performance in determining executive compensation levels, including the nature and scope of the executive s responsibilities and the executive s prior performance and expected future contributions. The compensation committee s review of individual performance is general and subjective in nature specific individual performance goals (such as goals tied to an officer s job function, role or personal performance) are not systematically established or measured.

Company Performance. The compensation committee also considers our performance, financial plans and budget in setting officer compensation levels for any given year taking into account general economic challenges as well as any specific challenges facing our business.

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Key Elements of Executive Compensation Program

The primary elements of our compensation structure are base salary, annual cash incentive bonuses, long-term equity-based incentive awards and certain employee benefits and perquisites. A brief description of, objectives of, and any changes in 2015 to each principal element of our executive compensation program for 2015 are summarized in the following table and described in more detail below.

Key Compensation Program Elements Overview

Compensation Element	Brief Description	Objectives	Changes in 2015
Base Salary	Fixed compensation	Provide a competitive, fixed level of cash compensation to attract and retain talented and skilled executives	Base salary increases effective as of April 5, 2015 were provided to our named executive officers as follows: Ms. Palmer approximately 11.1%, Mr. Cone approximately 8.7%, and Mr. Sherman approximately 3.1%.
Annual Cash Incentive Bonuses	Variable, performance-based cash compensation earned based on achieving pre-established annual goals	Motivate executives to achieve or exceed our current-year financial goals and reward them for their achievements	There were no changes to the bonus targets as a percentage of base salary for our named executive officers for 2015. Performance goals were updated in light of our short-term and long-term strategic objectives as discussed below.
		Aid in retention of key executives in a highly competitive market for talent	
Long-Term Incentives Equity Based	Variable, equity-based compensation to promote achievement of longer-term goals	Align executives and Principal Equityholders interests by linking rewards with achievement of return to our Principal Equityholders based on our long-term growth plan	In 2015, for the first time since our IPO, we granted our executive officers an annual equity award. The equity mix for our executive officers was as follows: 25% service-based vesting stock options, 25% service-based vesting RSUs and 50% performance-based vesting RSUs.
		Align executives interests with those of our other public stockholders and encourage executive decision-making that maximizes value creation over the long-term	
		Aid in retention of key executives and ensure continuity of management in a highly competitive market for talent	
Employee Benefits and Perquisites (discussed below under Other Program Attributes)	Participation in all broad-based employee health and welfare programs and retirement plans	Aid in retention of key executives in a highly competitive market for talent by providing overall benefits package competitive with industry peers	Employee benefits vary based on individual elections; auto allowance and certain commuting expense reimbursements are the only perquisites provided to our named executive officers.

Base Salary

The base salary component of executive officer compensation is intended to provide a competitive, stable level of minimum compensation to each officer commensurate with the executive s role, experience and duties. The compensation committee annually reviews and approves base salaries for our executive officers based on several factors, including the individual s experience, responsibilities, performance, expected future contribution, our expected financial performance and salaries of similarly situated executives of our public peers in the homebuilding industry and in the general industry.

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COMPENSATION DISCUSSION AND ANALYSIS

Based on an evaluation of the foregoing factors, our desire to reward and retain the key executives who we believe are instrumental to our success, and the competitiveness of base salaries against peer and market data, the compensation committee, in consultation with Ms. Palmer (except as to her own compensation), determined that named executive officer base salaries would increase effective as of April 5, 2015, as follows:

Name	2014 Annual Base Salary	2015 Annual Base Salary	Percentage Increase
Sheryl D. Palmer	$ 900,000	$ 1,000,000	11.1%
C. David Cone	$ 460,000	$ 500,000	8.7%
Darrell C. Sherman	$ 397,500	$ 410,000	3.1%

With respect to Ms. Palmer and Mr. Cone, the compensation committee determined that, following a review of peer data, it was necessary to adjust their base salaries to remain competitive with industry standards. In addition, Ms. Palmer s and Mr. Cone s salaries were increased in recognition of their continued strong performance in driving business results. Specially, Ms. Palmer s increase recognizes her leadership, responsibility, and performance as our President and Chief Executive Officer, as well as her significant contributions in developing our strategic vision and direction and, with respect to Mr. Cone, his increase acknowledges his contribution to the leadership and growth of our financial reporting and financial management resources, contributions in working with our business units to improve efficiency and responsibility for other business management operations of the Company. Mr. Sherman s salary was increased as part of our annual review and reflects our belief that Mr. Sherman s performance and experience merited a salary increase.

Annual Cash Incentive Bonuses

The second component of executive officer compensation is annual cash incentive bonuses based on Company performance. Tying a portion of total compensation to annual Company performance permits us to adjust the performance measures each year to reflect changing objectives and those that may be of special importance for a particular year. Through this program, we seek to provide an appropriate amount of pre-established short-term cash compensation that is at-risk and tied to the achievement of certain short-term performance goals.

Target Amounts. Target annual cash incentive bonus opportunities for 2015 for each of our named executive officers remain unchanged from 2014. For 2015, the target annual cash incentive bonuses set by the compensation committee for each of our named executive officers were as follows:

Name	2015 Target Annual Bonus as a Percentage of Base Salary
Sheryl D. Palmer	150%
C. David Cone	125%
Darrell C. Sherman	125%

The actual 2015 annual cash incentive bonus amounts was calculated based on a combination of objective performance measures and using the following formula:

Annual Salary	x	Target Bonus Percentage	x	Actual Attainment Percentage	=	Bonus Payout

Our Actual Attainment Percentage is an aggregated measure of the attainment of specific financial and operational performance goals for the Company as a whole expressed in the table below as a percentage. These performance goals are based on corporate and business objectives and are not tied to individual performance. To determine the Actual Attainment Percentage, specific criteria and corresponding goals are set for each

officer. Each goal (1) has an associated threshold and target percentage attainment level and includes a stretch percentage attainment level, with straight-line interpolation for attainment between levels, and (2) is weighted to reflect the compensation committee s assessment of the goal s importance in relation to our overall business objectives. Specifically, the percentage attainment of each goal is applied to the weighting factor (itself a percentage), and these numbers are totaled to set the Actual Attainment Percentage.

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Establishing Performance Goals for 2015 Annual Bonus Plan. The compensation committee established bonus plan goals for 2015. The target payout level was designed to be achievable with strong management performance and the stretch level was designed to encourage and reward our named executive officers for outstanding performance.

The approach to goal setting for 2015 bonuses involved a process of reviewing, among other things, our prior year s financial performance and our short-term and long-term strategic objectives. We also took into account the need for setting goals that are challenging yet reasonably achievable so as to provide a competitive pay package necessary for the retention of our talent.

Achievement of Corporate Performance Goals. The 2015 bonus program performance goals applicable to Ms. Palmer, Mr. Cone and Mr. Sherman were based 100% on total company performance. The applicable corporate performance goals were as follows:

Corporate Performance ($ in thousands)						
Performance Goals	**Weight**	**Threshold**	**Target**	**Stretch**	**Actual Attainment**	**Actual Attainment Percentage**
Attainment level percentage		50%	100%	150%		
Earnings Before Interest and Taxes (EBIT)	20%	$450,000	$500,000	$550,000	$466,238	66.24%
Attainment level percentage		50%	100%	150%		
Order Book Goals	20%	8,500	8,700	9,000	9,243	150.0%
Attainment level percentage		50%	75%	100%		
Adjusted Homebuilding Gross Margin	15%	18.0%	18.6%	19.0%	18.4%	65.79%
Attainment level percentage		50%	75%	100%		
Mortgage Capture	10%	70%	74%	78%	79%	100%
Attainment level percentage		50%	75%	100%		
Net Operating Cash	15%	$450,000	$515,000	$545,000	$260,694	0%
Attainment level percentage		25%	75%	100%		
Customer Satisfaction	20%	80%	84%	88%	84.4%	77.59%
Total (Actual Attainment Percentage)	100%					78.63%

We selected each performance goal in order to target performance across multiple levels of our business. An EBIT target encourages our executives to drive our Company-wide earnings, while a net operating cash target encourages an efficient use of capital and enhanced discipline as to the timing and appropriateness of capital expenditures. Order book goals and adjusted homebuilding gross margin goals encourage our executives to balance the price of our homes with the pace at which we construct them and with the quantity we construct. A mortgage capture target incentivizes behavior that appropriately balances risks and rewards in a changing regulatory environment. Finally, customer satisfaction, which we measure based on the average of 30-day and 10-month survey results from an H2Insight Customer Satisfaction Report, encourages our executives to focus both on short-term and long-term satisfaction of our customers.

The actual cash incentive bonuses approved for our named executive officers for 2015 were as follows: Ms. Palmer $1,179,450, Mr. Cone $491,438, and Mr. Sherman $402,979 (each of which are reflected in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table, below).

Long-Term Incentives Equity Based

Philosophy. As mentioned above, we believe that equity awards are an important component of our executive compensation program. Equity compensation aligns our executives , our Principal Equityholders and our other public stockholders interests by linking rewards with achievement of return to our Principal Equityholders and other public stockholders based on our long-term growth plan. Our equity compensation program is designed to foster a long-term commitment to us by our named executive officers, provide a balance to the short-term cash components of our compensation program and reinforce our pay-for-performance structure.

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COMPENSATION DISCUSSION AND ANALYSIS

Overview. Equity-based compensation awards to our named executive officers in 2015 consisted of the following:

- Options to purchase our Class A common stock, upon satisfaction of service-based vesting conditions, granted under the 2013 Equity Plan;
- Restricted stock units, each representing the right to receive, upon satisfaction of service-based vesting conditions, one share of our Class A common stock, granted under the 2013 Equity Plan;
- Performance-based restricted stock units, each representing the right to receive, upon satisfaction of vesting and performance conditions, one share of our Class A common stock, granted under the 2013 Equity Plan;
- New TMM Units (and a corresponding number of shares of our Class B common stock) that are subject to time-based vesting conditions, which were converted from profits interests in TMM granted before the IPO, with the original vesting schedule continuing to apply;
- Profits interests in the TPG Holding Vehicle, which vest based on the return received by such vehicle in respect of the New TMM Units it holds and were converted from profits interests in TMM granted before the IPO, with the original vesting terms continuing to apply; and
- Profits interests in the Oaktree Holding Vehicle, which vest based on the return received by such vehicle in respect of the New TMM Units it holds and were converted from profits interests in TMM granted before the IPO, with the original vesting terms continuing to apply. (In this Proxy Statement, we collectively refer to the performance-vesting profits interests of the TPG and Oaktree Holding Vehicles as Holding Vehicle Performance Units.)

A more detailed discussion of the terms of these interests follows.

Equity Awards

All equity awards issued to our named executive officers since our IPO have been made pursuant to the terms of the 2013 Equity Plan. Awards granted under the 2013 Equity Plan are subject to the terms and conditions established by the compensation committee in the applicable award agreement and need not be the same for each participant. To date, all stock options granted under the 2013 Equity Plan have a term of ten years. Generally, equity awards will be granted to our eligible employees, including our named executive officers, during the annual award process. Equity awards shall be made in accordance with our Policy and Procedures for the Granting of Equity-Based Compensation Awards (Granting Policy). In February 2015, the compensation committee amended our Granting Policy to provide that annual equity awards to our executive officers and senior corporate management team would be made in the first quarter of the year, shortly following the public release of our annual earnings, rather than on the date of the annual stockholder meeting, to align the timing of the annual grant of equity awards with the compensation committee s annual review cycle of base salaries and target bonus opportunities for our employees, including our named executive officers.

2015 Equity Awards

2015 is the first year since our IPO that we provided an annual equity grant to our named executive officers. Our compensation committee determined that the annual equity grant for 2015 should include a mix of options and RSUs, a portion of which are subject to service-based vesting conditions and a portion of which are subject to performance-based vesting conditions.

In February 2015, the compensation committee approved annual equity awards for our employees, including our named executive officers. Based on recommendations from Pearl Meyer, the compensation committee s independent compensation consultant at that time, reviewing compensation best practices of public companies generally, reviewing compensation practices of our peer group, and the consideration of other

factors deemed appropriate, the compensation committee decided to award long-term incentive equity awards for 2015 as follows: 50% of the annual grant was awarded in the form of performance-based vesting RSUs (Performance RSUs), half of which vest based on the Company s earnings per share, or EPS, and half of which vest based on the Company s relative total shareholder return, or TSR, each as described below; 25% of the annual grant was awarded in the form of service-based vesting RSUs (Service-based RSUs); and 25% of the annual grant was awarded in the form of service-based vesting nonqualified stock options. In making its determination, our compensation committee acknowledged that, while the mix of equity awards remains highly performance based, at the same time the mix also provides retention strength.

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The Performance RSUs will be earned based on performance over a three-year period, and will be payable (or settled) in shares of our Class A common stock as soon as practicable following the date that the compensation committee determines and certifies the applicable level of performance achieved, subject to continued employment through such date. Dividend equivalents on the Performance RSUs accrue based on dividends declared and paid on our Class A common stock during the performance period, if any, which vest and are payable only on the number of shares actually earned at the end of the performance period.

Performance RSUs that vest based on an EPS goal will be earned based upon our achievement of a cumulative EPS goal of reported EPS, subject to adjustments as described below, for periods in the three-year performance period beginning on the date of grant, February 9, 2015, and ending on February 8, 2018, subject to the named executive officer s continued employment through the last date of the performance period and the date that the compensation committee determines and certifies the applicable level of performance achieved. The levels of EPS performance that will result in an award of the threshold, target or maximum number of shares under these Performance RSUs are as shown in the following table, with linear interpolation used in the event that the actual results do not fall directly on one of the performance levels. If the Company does not meet the EPS threshold set forth below, no shares would be eligible to vest on the date that the compensation committee determines and certifies the applicable level of performance achieved. In calculating whether an EPS performance goal has been achieved, the Company s reported EPS is adjusted to account for, among other things, non-cash, non-routine events, transaction expenses related to acquisitions, and net changes in fair value of acquisition-related contingent liabilities.

Performance Level	Three-Year Company Cumulative EPS Performance Goals	Attainment Percentage[1]
Threshold	$ 6.00	50%
Target	$ 6.50	75%
Maximum	$ 7.00	100%

(1) Number of shares earned is calculated by multiplying the attainment percentage by the product of the target number of shares subject to award multiplied by $^4/_3$.

Our compensation committee selected EPS over a three-year period as a performance measure in order to provide an element of incentive compensation based on a long-term company performance goal focused on profitability of the Company and to encourage our executives to achieve our business plan objectives. The Performance RSUs that vest based on our EPS will be payable in shares of our Class A common stock to further align the compensation of the named executive officers with the interests of our stockholders.

Performance RSUs that vest based on a TSR performance goal will be earned based upon our achievement of a TSR that compares favorably against a peer group of companies (e.g., other publicly traded homebuilders selected by the compensation committee) over a three-year performance period beginning on the date of grant, February 9, 2015, and ending on February 8, 2018, subject to the named executive officer s continued employment through the date that the compensation committee determines and certifies the applicable level of performance achieved. The levels of relative TSR performance that will result in an award of the threshold, target or maximum number of shares under these Performance RSUs are as shown in the following table. (Not shown in the table is that, if the relative TSR performance falls within the 63rd to 75th Percentile, shares are earned at 125% of target.) If relative TSR performance is below the threshold, no shares would be eligible to vest on the date that the compensation committee determines and certifies the applicable level of performance achieved. The maximum performance level is limited to 100% of target if the TSR for the performance period is negative.

Performance Level	Three-Year Relative TSR Performance Goals	Attainment Percentage[1]
Threshold	33rd to 49th Percentile	50%
Target	50th to 62nd Percentile	100%
Maximum	Greater than 75th Percentile	150%

(1) Number of shares earned is calculated by multiplying the attainment percentage by the target number of shares subject to award.

The compensation committee selected relative TSR as a performance measure to align the compensation of the executive officers with the interests of our stockholders, and to encourage our executives and our Company s performance regardless of the trajectory of our peer group and the general market. The Performance RSUs that vest based on our relative TSR will be payable in shares of our Class A common stock to further align the compensation of the named executive officers with the interests of our stockholders.

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COMPENSATION DISCUSSION AND ANALYSIS

The compensation committee selected these two performance measures, EPS and relative TSR, for our 2015 long-term incentive program as it believes they best align with our current stockholder interests of strong returns and increased profitability per share. Additionally, the two metrics are assessed from both relative and absolute measurement approaches, thereby providing an internal and external performance perspective. Finally, the measures assess performance on a cumulative basis over three years, linking compensation opportunity to performance over an extended period.

The Service-based RSUs granted as part of the 2015 long-term incentive compensation program vest over a four-year period, with 33 1/3% of the grant vesting on each of the second, third and fourth anniversaries of the grant date, subject to continued employment through the applicable vesting date, and will be payable in shares of our Class A common stock. Dividend equivalents accrue on Service-based RSUs based on dividends declared and paid on our Class A common stock during the vesting period, if any, which vest and are payable in accordance with the vesting and payment of the underlying Service-based RSU award.

The nonqualified stock options granted as part of the 2015 long-term incentive compensation program vest over a four-year period, with 25% of the grant vesting on each of the first, second, third and fourth anniversaries of the grant date, subject to continued employment through the applicable vesting date. Stock options are granted at an exercise price equal to the fair market value (the closing price on the NYSE) of our Class A common stock on the grant date and have a term of ten years.

The table below shows the long-term incentive award opportunities established by the compensation committee relating to the 2015 long-term incentive compensation program:

Award Opportunity Under 2015 Long-Term Incentive Program

Name	Base Salary as of 2/9/15[1]	Target as % of Base Salary	Target Long-Term Incentive Opportunity
Sheryl D. Palmer	$ 900,000	350%	$ 3,150,000
C. David Cone	$ 460,000	150%	$ 690,000
Darrell C. Sherman	$ 397,500	125%	$ 496,875

(1) Base salary is measured as of the first day of the performance period.

For further information on the 2015 long-term incentive awards granted to our named executive officers, see the Grants of Plan-Based Awards table.

New TMM Units and Holding Vehicle Performance Units

Certain of our directors and executive officers hold time-based vesting New TMM Units and Holding Vehicle Performance Units as a result of the conversion of certain profits interests in TMM in connection with our IPO. The New TMM Units and Holding Vehicle Performance Units retained the vesting schedule of, and relevant performance conditions applicable to, the outstanding profits interests they replaced. Both the vested and unvested New TMM Units and Holding Vehicle Performance Units are entitled to receive distributions, if any, from New TMM and/or the TPG and Oaktree Holding Vehicles, as applicable, but distributions (other than tax distributions) in respect of unvested New TMM Units are only delivered to the holder when, as, and if such units ultimately vest. The vesting and other terms applicable to the New TMM Units and Holding Vehicle Performance Units are contained in individual rollover award agreements and subject to the terms of the applicable plan documents.

Individuals who received New TMM Units in connection with our IPO also received a number of shares of our Class B common stock equal to the number of New TMM Units they received. Each share of Class B common stock paired with a New TMM Unit will be vested or unvested to the same extent as the New TMM Unit with which it is paired. There are no voting rights associated with the New TMM Units, whether vested or unvested, but each share of Class B common stock carries one vote, including both vested and unvested shares of Class B common stock. Management may exchange vested New TMM Units and the corresponding number of shares of our Class B common stock for shares of our Class A common stock on a one-for-one basis.

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Other Program Attributes

Equity Ownership; Anti-Hedging Policy

The compensation committee believes it is important for key members of our senior management team and directors to build and maintain a long-term ownership position in our Company, to further align their financial interests with those of our stockholders and to encourage the creation of long-term value. Our compensation structure for these individuals provides for a significant percentage of compensation to be equity-based, which places a substantial portion of compensation at risk over a long-term period. At this time, we do not have specific requirements or mandated levels of equity ownership for our executive officers because, in our view, our equity-based compensation programs and previously offered investment opportunities have to date resulted in management having a desirable level of direct ownership in our business. However, as noted above, we have an anti-hedging policy in place that is applicable to all employees (including our executive officers and directors), prohibiting purchases of our stock on margin, calls or similar options on our stock, or selling our stock short. See Director Compensation Stock Retention Policy for additional information relating to our equity ownership policy for non-employee directors.

Clawback Policies

Our equity-based awards provide that all vested equity-based awards will be forfeited by our executives automatically upon a breach by them of any of the post-employment restrictive covenants (e.g. non-competes) to which they are subject. The executive would also be responsible for damages suffered by us in connection with any such breach. We view this recovery of awards feature as a necessary element of our equity-based program as it deters competitive activities that would likely cause significant harm to our business.

In addition, if an equity plan participant receives an amount in excess of what should have been received under the terms of the award due to material noncompliance by the Company with any financial reporting requirement under the U.S. securities laws, any mistake in calculations or other administrative error, then the award will be cancelled with respect to any excess value, and the individual must promptly repay to us any such amount already received.

Under our bonus clawback policy, we may recover all or part of any incentive annual cash bonus compensation awarded or paid to these employees in the event that we determine that our financial results must be restated to correct an accounting error due to material financial restatement, where our board of directors determines that fraud or misconduct led to the need for such restatement and where cash bonuses paid for the years subject to restatement would have been materially lower.

In addition, we reserve the right to adopt any additional clawback policies as may be necessary to protect our compensation policies and objectives and as may be required by law, including mandates required by the Dodd-Frank Act.

Employee Benefits and Perquisites

We provide a number of benefit plans to all eligible employees, including our named executive officers. These benefits include programs such as medical, dental, life insurance, business travel accident insurance, short-and long-term disability coverage, a 401(k) defined contribution plan and home purchase rebate program providing employees with a 5% rebate on purchases of homes built by us.

Employees who have been with us since on or before December 31, 2010, including certain of our named executive officers, were eligible to accrue pension benefits under a cash balance pension plan, which was frozen to new accruals and participants as of December 31, 2010. Under this plan, prior to 2011, our predecessor contributed a specified percentage of each employee s salary each quarter (generally based on the participant s age) to the participant s account balance, and employees vested in their accounts after five years of service. For further information on pension benefits for our named executive officers, see the Pension Benefits table.

Perquisites for our named executive officers are limited to monthly auto allowances and, solely for Ms. Palmer, certain commuting expenses for her travel from her residence in Las Vegas, Nevada to our offices in Scottsdale, Arizona. Auto allowances may be available to our other employees either in an executive role or those employees whose positions require regular driving for business as an essential job function. While perquisites help to provide competitive total

compensation packages to the named executive officers in a cost-efficient manner by providing a benefit with a high perceived value at a relatively low cost, we do not generally view perquisites as a material component of our executive compensation program. In the future, we may provide additional or different perquisites or other personal benefits in limited circumstances, such as where we believe doing so is appropriate to assist an individual in the performance of his or her duties, to make our executive officers more efficient and effective and for recruitment, motivation and/or retention purposes.

Employment Agreements, Severance Protection and Restrictive Covenant Agreements

Each of our named executive officers is party to an employment agreement with us, which specifies the terms of the individual s employment including certain compensation levels and is intended to assure us of the executive s continued employment and provide stability in our senior management team.

Each of the employment agreements between us and Messrs. Cone and Sherman provides that their employment under their respective agreements will continue in effect until terminated by us or by the named executive officer. The term of Ms. Palmer s employment agreement (dated July 13, 2011, and amended as of May 17, 2012), continued for three years through July 13, 2014, subject to automatic successive one-year extensions thereafter unless either party gives at least 90 days prior notice that the term will not be extended, and under the terms of the employment agreement such term was automatically extended on July 13 of each of 2014 and 2015.

Ms. Palmer (subject also to the additional considerations described below) and Messrs. Cone and Sherman are each party to a restrictive covenant agreement, which includes an 18-month post-employment non-compete and non-solicit of customers and employees in connection with certain terminations of employment; however, for Messrs. Cone and Sherman, if termination is without cause by us or the executive resigns for good reason, the covenants apply only through the duration of the period in which the executive is receiving severance.

Pursuant to the employment agreements, we provide salary continuation and other benefits in the event of certain terminations of employment. A portion of the New TMM Units held by our named executive officers is also subject to accelerated vesting upon certain terminations of employment following a sale of New TMM (generally, a transaction where (1) more than 80% of the common units are acquired by a third party that is unrelated to the partnership, (2) the buyer acquires the right to replace the general partner of New TMM, or (3) all or substantially all of the assets are sold (including due to the sale of more than 80% of the equity of the subsidiaries holding such assets)). All options and RSUs held by our named executive officers are subject to accelerated vesting upon certain terminations of employment that occur within the 24-month period following a change in control of the Company. These payments and benefits are designed to provide financial security in the event of certain corporate transactions and/or termination of employment, as well as consideration for the executive s compliance with certain post-employment restrictive covenants. We believe these provisions help retain our executives who are critical to the success and operation of our business while also protecting important business objectives through restrictive covenants. See Potential Payments upon Termination of Employment or Change in Control for a discussion of severance and change in control payments payable to our named executive officers pursuant to their employment agreements.

In May 2012, we amended Ms. Palmer s employment agreement to provide her with an opportunity to receive a special retirement bonus of $1,000,000 if she voluntarily terminates her employment with us after May 15, 2013 and does not resume employment in the homebuilding industry in any capacity for five years. If Ms. Palmer resumes employment in the homebuilding industry within five years of such voluntary termination, she will be required to repay the bonus to us. The purpose of providing this bonus was twofold: to retain Ms. Palmer s services through at least May 15, 2013 and to incentivize her not to directly compete with us, which could cause significant harm to our business.

In February 2016, our compensation committee determined that it was appropriate to amend each of the employment agreements of our leadership team, including our named executive officers, to conform the definition of change in control contained therein to the change in control definition contained in the 2013 Equity Plan (or any successor plan thereto). This allows the compensation committee to apply a uniform definition of change in control to both the employment agreements and the 2013 Equity Plan.

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Accounting Matters

Each element of the compensation paid to our executives is expensed in our financial statements as required by U.S. generally accepted accounting principles. The financial statement impact of various compensation awards is an important factor that the compensation committee considers in determining the amount, form and design of each pay component for our named executive officers, but it is only one of many factors considered in setting such compensation.

Certain Tax Matters

Our compensation committee s general policy is that compensation should qualify as tax deductible to us for federal income tax purposes whenever possible, to the extent consistent with our overall compensation goals. Under Section 162(m) of the U.S. tax code, compensation paid to certain of our named executive officers (other than our chief financial officer) in excess of $1 million per year is generally not deductible unless the compensation is performance-based as described in the regulations under Section 162(m). As a company that recently became public, we are permitted a transition period before the provisions of Section 162(m) become applicable to us (this transition period could last until the first meeting at which directors are elected that occurs following December 31, 2016), although in general we have structured our compensation programs in a manner intended to comply with Section 162(m). We believe it is important that our compensation committee retain flexibility and authority to adjust compensation as needed to address particular circumstances, or unexpected, unusual or non-recurring events, or to attract and retain key executive talent, even if this results in the payment of non-deductible compensation. Accordingly, our compensation committee may make payments that are not deductible if, in its judgment, such payments are necessary to achieve our compensation objectives and in the best interests of the Company and its stockholders.

Looking Ahead 2016 Compensation

At its February 2016 meeting, our compensation committee took the following actions with respect to 2016 compensation matters:

Base Salary. The compensation committee approved 2016 base salaries for the named executive officers. Ms. Palmer s base salary did not change, while Messrs. Cone s and Sherman s base salaries will increase to $525,000 and $425,000, respectively, effective April 2016.

Annual Cash Incentive Bonuses. The compensation committee approved the performance measures, consisting of EPS, Homebuilding Gross Margin, Backlog and Closings, and Customer Satisfaction, and the 2016 target annual bonus opportunities under our annual cash incentive bonus program. The target annual bonus opportunities did not change for Ms. Palmer or Mr. Sherman compared to their 2015 targets, while Mr. Cone s target bonus increased to 145% of base salary.

Long-Term Incentive Awards. The compensation committee determined that, like 2015, the annual equity grant to our named executive officers for 2016 should include a mix of options, Service-based RSUs and Performance RSUs in the same proportions as granted in 2015. Service-based RSUs and nonqualified stock options awarded as part of the 2016 long-term incentive program will vest over a four-year period in the same proportions as those granted in 2015, while Performance RSUs will vest over a three-year period subject to meeting various cumulative EPS and relative TSR goals similar to those established in connection with the 2015 grant. The 2016 target award opportunities under our long-term incentive program did not change compared to 2015 for the named executive officers other than for Mr. Cone. Mr. Cone s target award opportunity increased from 150% of base salary to 200% of base salary.

Our compensation committee s decision to increase the compensation of Messrs. Cone and Sherman reflects its consideration of each executive s overall performance, compensation, and its desire to reward and retain key members of our leadership team by maintaining a level of compensation that is competitive.

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COMPENSATION DISCUSSION AND ANALYSIS

Compensation Committee Report

The compensation committee reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement with our management. Based on our reviews and discussion with management, the compensation committee recommended to the board of directors, and the board of directors approved, that the Compensation Discussion and Analysis be included in this Proxy Statement for the Taylor Morrison Home Corporation 2016 Annual Meeting of Stockholders and incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2015.

COMPENSATION COMMITTEE

Rajath Shourie (Chairman)
Kelvin Davis
Joe S. Houssian

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Summary Compensation Table

The following table summarizes the compensation earned by, or awarded or paid to, each of our named executive officers for the years ended December 31, 2015, 2014 and 2013. As 2014 was the first year Mr. Sherman was a named executive officer, only his 2015 and 2014 compensation is reported.

Name and Principal Position	Year	Salary ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)(5)	Total ($)
Sheryl D. Palmer	2015	978,077	2,122,331	787,505	1,179,450	1,389	41,724	5,110,476
President and Chief Executive Officer	2014	850,000			2,149,845	12,848	36,892	3,049,585
	2013	700,000	1,170,750	2,312,000	1,417,418		36,135	5,636,303
C. David Cone	2015	491,615	464,907	172,505	491,438		35,619	1,656,084
Executive Vice President and Chief Financial	2014	445,000			768,453		19,024	1,232,477
Officer	2013	400,000	261,104	2,023,000	539,969		18,734	3,242,807
Darrell C. Sherman	2015	408,356	334,802	124,222	402,979	178	17,791	1,288,328
Executive Vice President, Chief Legal Officer	2014	394,737			779,804	3,167	19,024	1,196,732
and Secretary								

(1) The amounts shown in this column are the aggregate grant date fair values, assuming no risk of forfeiture, calculated in accordance with FASB ASC Topic 718 for Performance RSUs and Service-based RSUs granted during the applicable year.

The grant date fair value of the Performance RSUs to be earned based on EPS performance over three years was calculated using the fair market value on the date of grant multiplied by the target number of shares that may be earned. The amount reported for Performance RSUs in the table represents the grant date fair value as calculated in accordance with accounting guidance and assumes target performance. The following amounts represent the maximum potential EPS Performance RSU value by individual for 2015, determined at the time of grant (100% of the maximum EPS): Ms. Palmer $787,503, Mr. Cone $172,522 and Mr. Sherman $124,236.

The grant date fair value of the Performance RSUs to be earned based on three-year relative TSR performance was calculated using a Monte Carlo simulation fair value on the date of grant multiplied by the target number of shares that may be earned. The amount reported for Performance RSUs in the table represents the grant date fair value as calculated in accordance with accounting guidance and assumes target performance. The following amounts represent the maximum potential TSR Performance RSU value by individual for 2015, determined at the time of grant (150% of the target award): Ms. Palmer $1,116,295, Mr. Cone $244,526 and Mr. Sherman $176,106.

The grant date fair value of the Service-based RSU awards was calculated using the closing price of our Class A common stock on the date of grant multiplied by the number of shares underlying the Service-based RSU award.

The assumptions used in the valuation of stock-based awards are discussed in Note 15 to our Audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2015.

(2) The stock-based compensation amounts shown in this column reflect the aggregate grant date fair value, assuming no risk of forfeiture, of stock option awards granted during 2015 and 2013 calculated in accordance with FASB ASC 718. We use the Black-Scholes option pricing model to estimate the fair value of stock options granted, which requires the input of both subjective and objective assumptions. The assumptions used in the valuation of stock-based awards are discussed in Note 15 to our Audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended

December 31, 2015.

(3) The amounts reported in this column were earned under our annual cash incentive bonus program for the applicable year, which is described above, see Compensation Discussion and Analysis Key Elements of Executive Compensation Program Annual Cash Incentive Bonuses. The amounts reported in this column for 2014 also include amounts earned under the 2012 long-term cash incentive plan.

(4) These amounts do not represent realized compensation; rather, they represent an actuarial adjustment to the present value of accumulated benefits under our Taylor Morrison Cash Balance Pension Plan, from the pension plan measurement date used for financial statement reporting purposes with respect to our audited financial statements for the applicable fiscal year, to the pension plan measurement date used for financial statement reporting purposes with respect to our audited financial statements for the applicable fiscal year. See below under the heading Pension Benefits for additional details.

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COMPENSATION DISCUSSION AND ANALYSIS

(5) For each of our named executive officers, All Other Compensation consists of the payments for 2015 that are shown in the table below:

Name	401(k) Company Match ($)	Company Paid Life Insurance Premiums ($)	Auto Allowance ($)	Commuting Expenses ($)[a]	Other ($)[b]	Total ($)
Sheryl D. Palmer	9,275	1,288	14,455	16,706		41,724
C. David Cone	9,275	1,288	7,228		17,828	35,619
Darrell C. Sherman	9,275	1,288	7,228			17,791

(a) We pay the commuting expense of Ms. Palmer s flights from her residence in Las Vegas, Nevada to our corporate headquarters in Scottsdale, Arizona.
(b) This amount represents the value of the rebate Mr. Cone received in connection with his purchase of a Taylor Morrison home pursuant to the Taylor Morrison Home Purchase Rebate Program.

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Grants of Plan-Based Awards

The following table summarizes awards under our annual cash incentive bonus program and awards granted under 2013 Equity Plan as part of our 2015 long-term incentive plan to each of our named executive officers in the year ended December 31, 2015.

Name and Type of Award	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards[1]			Estimated Possible Payouts Under Equity Incentive Plan Awards[2]			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options(#)	Exercise of Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards[3] ($)
		Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)				
Sheryl D. Palmer											
2015 Bonus Program		75,000	1,275,000	1,800,000							
Options[4]	02/09/15								102,198	18.73	787,505
Service-based RSUs[4]	02/09/15							42,045			787,503
Performance RSUs[4][5]	02/09/15				21,023	31,534	42,045				590,632
Performance RSUs[4][6]	02/09/15				21,023	42,045	63,068				744,197
C. David Cone											
2015 Bonus Program		31,250	531,250	750,000							
Options[4]	02/09/15								22,386	18.73	172,505
Service-based RSUs[4]	02/09/15							9,210			172,503
Performance RSUs[4][5]	02/09/15				4,605	6,908	9,211				129,387
Performance RSUs[4][6]	02/09/15				4,605	9,210	13,815				163,017
Darrell C. Sherman											
2015 Bonus Program		25,625	435,625	615,000							
Options[4]	02/09/15								16,121	18.73	124,222
Service-based RSUs[4]	02/09/15							6,632			124,217
Performance RSUs[4][5]	02/09/15				3,317	4,975	6,633				93,182
Performance RSUs[4][6]	02/09/15				3,317	6,633	9,950				117,404

(1) Under our annual cash incentive bonus program, each named executive officer is eligible to receive an annual cash incentive bonus for the fiscal year, the amount of which will vary depending on the degree of attainment of certain performance goals, as described in Compensation Discussion and Analysis Key Elements of Executive Compensation Program Annual Cash Incentive Bonuses. This column shows the potential amount of the bonus if performance goals were attained at certain threshold, target or stretch (maximum) levels.

(2) Amounts reflect the Performance RSUs granted under our 2015 long-term incentive program. Performance RSUs will be eligible to vest at the end of the three-year performance period, based upon the company s performance against its cumulative EPS goals and relative TSR goals, subject to the named executive officer s continued employment through the performance period and the date that the compensation committee determines and certifies the applicable level of performance achieved. The threshold amounts shown reflect the number of shares which would be delivered assuming that threshold attainment was met for the performance goals. The maximum amounts shown assume maximum attainment against performance goals. Performance RSUs accrue dividend equivalent units, but these equivalents are ultimately delivered to the recipient only to the extent that the underlying awards vest based upon performance. Please refer to the Compensation Discussion and Analysis Key Elements of Executive Compensation Program Long-Term Incentives Equity Based 2015 Equity Awards for additional information.

(3) Amounts in this column show the grant date fair value of the stock options, Service-based RSU awards and Performance RSU awards granted to our named executive officers. Please refer to footnotes (1) and (2) under the Summary Compensation Table for additional information.

(4) Amounts represent grants of stock options, Service-based RSUs and Performance RSUs with respect to our annual long-term incentive plan.

(5) Performance RSUs which vest subject to our EPS.

(6) Performance RSUs which vest subject to our relative TSR.

See Compensation Discussion and Analysis Other Program Attributes Employment Agreements, Severance Protection and Restrictive Covenant Agreements for additional details regarding the employment agreements with our named executive officers, see Compensation Discussion and Analysis Key Elements of Executive Compensation Program Annual Cash Incentive Bonuses for additional details regarding the annual cash bonus program for our named executive officers, and see Compensation Discussion and Analysis Key Elements of Executive Compensation Program Long-Term Incentives Equity-Based for a discussion of the material terms of the equity awards reflected in the Summary Compensation Table and the Grants of Plan-Based Awards table.

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Outstanding Equity and Equity-Based Awards at Fiscal Year-End

The following table provides information concerning the unexercised stock options outstanding and unvested equity and stock awards for each of our named executive officers as of the end of 2015.

	Option Awards				Equity or Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of New TMM Units and Holding Vehicle Performance Units That Have Not Vested (#)	Market Value of New TMM Units and Holding Vehicle Performance Units That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned RSUs (#)	Equity Incentive Plan Awards: Market Value of Unearned RSUs ($)[1]
Sheryl D. Palmer	50,000	150,000[2]	22.00	04/12/23				
		102,198[3]	18.73	02/09/25				
							48,179[4]	770,864
							42,045[5]	672,720
							73,579[6]	1,177,264
					113,310[7]	1,812,960[8]		
					2,485,714[9]	3,349,721[10]		
C. David Cone	43,750	131,250[2]	22.00	04/12/23				
		22,386[3]	18.73	02/09/25				
							10,745[4]	171,920
							9,210[5]	147,360
							16,118[6]	257,888
					38,482[7]	615,712[8]		
					542,857[9]	591,486[10]		
Darrell C. Sherman	16,875	50,625[2]	22.00	04/12/23				
		16,121[3]	18.73	02/09/25				
							13,074[4]	209,184
							6,632[5]	106,112
							11,608[6]	185,728
					30,602[7]	489,632[8]		
					650,000[9]	874,049[10]		

(1) Calculated using the NYSE closing price of $16.00 per share of our Class A common stock on December 31, 2015, the last business day of 2015.

(2) The remaining unvested portion of these stock options vest and become exercisable ratably in three equal installments on each of April 12, 2016, 2017 and 2018, subject to continued employment on the applicable vesting date.

(3) These stock options vest and become exercisable ratably in four equal installments of 25% on each of the first, second, third and fourth anniversaries of February 9, 2015, subject to continued employment on the applicable vesting date.

(4) Includes the number of shares of our Class A common stock represented by unvested RSUs granted in connection with our IPO. These RSUs are subject to both time-based and performance-based vesting conditions. They generally vest in four equal installments of 25% on each of the first, second, third and fourth anniversaries of April 12, 2013, subject to continued employment on the applicable vesting date and satisfaction of the performance condition. The performance condition is satisfied only if the weighted average price (after reduction for underwriting discount and commissions) at which the Principal Equityholders have actually sold their New TMM Units or shares of Class A common stock, exceeds the gross price per share of the Class A common stock sold in our IPO, it being understood that (i) all sales by the Principal Equityholders through December 31, 2015 will be included (including sales of New TMM Units as part of the synthetic secondary component of the IPO) and (ii) the performance condition will be satisfied the first time prior to December 31, 2015 that the weighted-average price per New TMM Unit (or share of Class A common stock) actually sold by the Principal Equityholders, after reduction for

underwriting discount and commissions, exceeds the applicable threshold. We have assumed for purposes of this disclosure that the performance condition would have been satisfied if the Principal Equityholders sold their New TMM Units or shares of Class A common stock as of December 31, 2015. However, as noted above, the performance condition was not in fact satisfied and all of these RSUs were forfeited as of December 31, 2015. For a description of the material terms of these awards, see Compensation Discussion and Analysis Key Elements of Executive Compensation Program Long-Term Incentives Equity-Based New TMM Units and Holding Vehicle Performance Units.

(5) Service-based RSUs will vest ratably in three substantially equal installments of 33 1/3% on each of the second, third and fourth anniversaries of February 9, 2015, subject to continued employment on the applicable vesting date.

(6) Performance RSUs are tied to achievement of three-year performance goals for the February 9, 2015 through February 8, 2018 performance period. Amounts reflect the target number of shares that could vest as of the end of the performance period. Assuming the performance conditions are satisfied and certified, Performance RSUs will vest and will be paid (or settled) as soon as practicable after the compensation committee certifies the achievement of the performance goal.

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(7) Ms. Palmer s New TMM Units vest as follows, subject to her continued employment through the applicable vesting date: (i) approximately 11,374 New TMM Units on each of June 29, 2016 and 2017 and (ii) approximately 90,562 New TMM Units on July 13, 2016. Mr. Cone s New TMM Units vest as follows, subject to his continued employment through the applicable vesting date: (i) approximately 15,600 New TMM Units on each of October 15, 2016 and 2017 and (ii) approximately 3,641 New TMM Units on each of December 7, 2016 and 2017. Mr. Sherman s New TMM Units vest as follows, subject to his continued employment through the applicable vesting date: (i) approximately 3,981 New TMM Units on each of June 29, 2016 and 2017 and (ii) approximately 22,640 New TMM Units on July 13, 2016.

(8) The value of the unvested New TMM Units is calculated using the NYSE closing price of $16.00 per share of our Class A common stock on December 31, 2015.

(9) Represents the aggregate number of unvested Holding Vehicle Performance Units granted. Holding Vehicle Performance Units will vest in full or partially vest based on the cash return received by the Principal Equityholders as of the date of determination, subject to and conditioned on the holder s continuous employment through the applicable vesting date.

(10) There was no public market for the Holding Vehicle Performance Units as of December 31, 2015. The value of the unvested Holding Vehicle Performance Units is calculated using the NYSE closing price of $16.00 per share of our Class A common stock on December 31, 2015 (the last business day of 2015 on which there were sales of shares) and assumes that the Principal Equityholders sold their remaining equity interests in the Company without any transaction costs or offering discount.

Option Exercises and Stock Vested Table

The following table provides information concerning the vesting of equity awards during 2015 on an aggregated basis for each of our named executive officers. While our named executive officers vested in New TMM Units during 2015, the value realized on vesting is an approximate value determined as of the date of vesting, however, no amounts were actually realized by our named executive officers as each such individual continues to hold the New TMM Units as they are not currently transferrable. None of the stock options or RSUs that were granted to our named executive officers in 2013 were exercised or vested and paid (settled), respectively, in 2015.

	New TMM Units	
Name	Number of New TMM Units Vested (#)	Value Realized on Vesting ($)[1]
Sheryl D. Palmer[2]	101,936	2,103,281
C. David Cone[3]	19,241	361,401
Darrell C. Sherman[4]	26,621	549,311

(1) Where a vesting date falls on a date on which the NYSE markets were not open for trading, then the closing price of a share of our Class A common stock for the immediately preceding trading date was used in computing the value realized on vesting.

(2) 90,562 New TMM Units vested as of July 13, 2015, and 11,374 New TMM Units vested as of June 29, 2015. The value realized on vesting is based on the closing price of a share of our Class A common stock as of the applicable vesting date, $20.63 and $20.66, respectively.

(3) 15,600 New TMM Units vested as of October 15, 2015, and 3,641 New TMM Units vested as of December 7, 2015. The value realized on vesting is based on the closing price of a share of our Class A common stock as of the applicable vesting date, $19.22 and $16.91, respectively.

(4) 22,640 New TMM Units vested as of July 13, 2015, and 3,981 New TMM Units vested as of June 29, 2015. The value realized on vesting is based on the closing price of a share of our Class A common stock as of the applicable vesting date, $20.63 and $20.66, respectively.

Pension Benefits

Name	Plan Name	Number of Years Credited Service (#)[1]	Present Value of Accumulated Benefit	Payments During Last Fiscal Year

			($)	($)
Sheryl D. Palmer	Taylor Morrison Cash Balance Pension Plan	10.0	89,203[2]	
Darrell C. Sherman	Taylor Morrison Cash Balance Pension Plan	7.0	18,872[2]	

(1) As of December 31, 2015, each participating named executive officer is fully vested in his or her respective retirement plan benefit. Pursuant to the terms of the Taylor Morrison Cash Balance Pension Plan, a year of service is credited once a participant has worked 1,000 hours in that year. Mr. Cone does not participate in the Taylor Morrison Cash Balance Pension Plan as he began employment with us on October 15, 2012 and the plan was frozen as of December 31, 2010.

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(2) These amounts represent the actuarial present value of the total retirement benefit that would be payable to each respective named executive officer under the Taylor Morrison Cash Balance Pension Plan as of December 31, 2015. The following key actuarial assumptions and methodologies were used to calculate the present value of accumulated benefits under the Taylor Morrison Cash Balance Pension Plan: a discount rate of 4.15% and RP-2014 Mortality Tables with MP-2015 projection scale.

Pension benefits are provided to our named executive officers under the following plan, The Taylor Morrison Cash Balance Pension Plan (the Pension Plan). Effective December 31, 2010, the Pension Plan was frozen as to new participants and future accruals. Ms. Palmer was the only named executive officer eligible for early retirement under the Pension Plan for 2015.

The following table is an overview of the current terms and provisions of the frozen Pension Plan.

	Pension Plan
Purpose	To provide a retirement benefit for eligible employees in recognition of their contributions to the overall success of our business.
Eligibility	U.S. salaried and hourly employees, including the named executive officers. The Pension Plan was frozen effective December 31, 2010. Employees hired January 1, 2011 or later are not eligible to participate in the Pension Plan.
Retirement Date & Early Retirement Date	*Normal Retirement:* The first day of the month coinciding with or next following the participant s 65th birthday, or if later the participant s fifth anniversary of joining the Pension Plan. *Early Retirement:* The first day of the month coinciding with or next following the date that participant attains age 50, and has completed at least five years of service with us.
Pension Formula	*Normal Retirement:* Quarterly credits based on the employee s age and eligible compensation (including regular compensation for services, commissions, bonuses, leave cash-outs, deferred compensation, but excluding separation payments), with the size of our contributions increasing based on the participant s age. Our contributions range from 2% to 4% of eligible compensation, plus 1% of eligible compensation over the social security wage base. As of December 31, 2010, the Pension Plan was frozen with regard to pay credits. *Early Retirement:* Same as normal retirement, however, if the participant elects to receive payments as of the early retirement date, the benefit will be equal to the actuarial equivalent of the normal retirement benefit.
Form of Benefit	*Normal Retirement*: Paid as a monthly pension commencing on the participant s retirement date and continuing for the participant s life, with survivor benefits following the participant s death continuing to the participant s spouse during the spouse s life at a rate equal to 50% of the rate at which such benefits were payable to the participant (i.e., a joint and 50% survivor annuity). A participant who is unmarried at the time benefits become payable under the Pension Plan shall be entitled to a monthly pension continuing for the participant s life. However, the form of distribution of such benefit shall be determined pursuant to the provisions of the pension plan (i.e., one lump-sum cash payment, monthly pension payable over the life of the participant, etc.). *Early Retirement:* Same as normal retirement.

Potential Payments Upon Termination of Employment or Change in Control

The following summaries and tables describe and quantify the potential payments and benefits that we would provide to our named executive officers in connection with termination of employment and/or change in control. In determining amounts payable, we have assumed in all cases that the termination of employment and/or change in control occurred on December 31, 2015. The amounts that would actually be paid to our executive officers upon a termination of employment will depend on the circumstances and timing of termination or change in control.

Severance Benefits

Ms. Palmer. If Ms. Palmer resigns for good reason or if we terminate her employment without cause (including our election not to renew her employment agreement), Ms. Palmer will be entitled to receive the following payments and benefits, subject to her execution of a release of claims against us and her continued compliance with her post-employment restrictive covenants:

- cash severance equal to two and a half times her base salary, payable in equal installments over a thirty-month period in accordance with our standard payroll practices;
- a prorated annual bonus for the fiscal year in which her employment terminates, payable in a lump sum and based on actual performance for the year (determined by the board of directors of Taylor Morrison Holdings following completion of the performance year and paid at the same time as other executives participating in the applicable plan); and
- the employer s portion of Ms. Palmer s COBRA premiums for up to thirty months following her date of termination of employment or such shorter period if she becomes eligible to receive comparable coverage under another employer plan.

Solely in the event that a qualifying termination occurs within the twenty-four month period following a change in control, in addition to the severance payments and benefits described above, Ms. Palmer will be entitled to receive a cash payment equal to two and a half times her target bonus for the then current fiscal year payable in equal installments over the thirty-month period.

In 2012, we also amended Ms. Palmer s employment agreement to provide her with an opportunity to receive a special retirement bonus in the amount of $1,000,000, if, after May 15, 2013, she voluntarily terminates her employment from the homebuilding industry and does not resume employment in the industry in any capacity for a period of five years following such departure. The special retirement bonus is payable in equal installments over the period that the first $1,000,000 in cash severance would have otherwise been payable if Ms. Palmer resigned for good reason or if we had terminated her employment without cause. In the event that Ms. Palmer resumes employment in the homebuilding industry within such five-year period, she will be required to repay the special retirement bonus to us. The purpose of providing Ms. Palmer this retirement bonus is twofold: retention of her services through at least May 15, 2013 and to deter her from directly competing with us for a period of five years following any such departure which could cause significant harm to our business.

Termination of Ms. Palmer for cause generally means (i) a material breach by Ms. Palmer of her employment agreement, any equity agreement or any of our policies (subject to up to a 15-day period to cure such breach or failure if reasonably susceptible to cure); (ii) Ms. Palmer s gross negligence or willful misconduct, which is injurious to us; or (iii) Ms. Palmer s commission of a felony or other crime involving dishonesty, fraud, breach of any fiduciary obligation to the board of directors or any equity holder, or unethical business conduct.

Resignation by Ms. Palmer for good reason generally means (i) any material diminution in the nature or status of Ms. Palmer s duties and responsibilities, (ii) any material diminution in Ms. Palmer s base salary or bonus opportunity, other than a decrease in base salary or bonus opportunity that applies to a similarly situated class of employees, or (iii) a change of Ms. Palmer s principal place of business to a location more than 50 miles from its then present location; provided, that Ms. Palmer provides us with written notice of any fact or circumstance believed by her to constitute good reason within 90 days of the occurrence of such fact or circumstance, and subject to a 30-day period to cure such fact or circumstance.

Prior to amendment in February 2016, a change in control generally included: an acquisition in excess of 80% of the stock of Taylor Morrison, Inc. (which includes a merger and sale or transfer of equity interests), an acquisition in excess of 80% of the equity interests in Taylor Morrison, Inc. s subsidiaries, the acquisition of the power to replace a majority of the members of the board of directors, or the sale of all or substantially all of Taylor Morrison, Inc. s and its subsidiaries assets.

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After the February 2016 amendment, change in control has the same meaning contained in the 2013 Equity Plan (or any successor plan thereto).

Ms. Palmer is also subject to a restrictive covenants agreement in which she has agreed, among other things, not to compete with us for 18 months following (i) a termination of employment by us (other than for cause) or by Ms. Palmer for good reason, (ii) upon voluntary termination of employment or (iii) termination by us for cause.

Messrs. Cone and Sherman. The employment of Messrs. Cone and Sherman may be terminated by us or by the executive at any time, with or without cause. Pursuant to each such executive s employment agreement, the executive is entitled to receive severance benefits upon termination by us without cause at any time or upon resignation for good reason following a change in control. Upon an eligible termination, the terminated executive will be entitled to continued payment of base salary for 12 months, payable in 26 equal installments in accordance with our standard payroll practices, a prorated annual bonus for the year of termination payable in a lump sum at the same time as annual bonuses are otherwise paid to our other employees, and company-paid COBRA premiums for continued participation in our welfare plans for up to one year or such shorter period if the executive becomes eligible for coverage under another group program. The executive s entitlement to these severance payments and benefits is generally conditioned on continued compliance with obligations not to solicit our employees, customers or suppliers and execution of a general release of all claims against us.

Resignation for good reason includes a change in control combined with either: (i) a material and adverse change in the executive s level, scope of duties and responsibilities or total compensation; or (ii) a relocation of more than 50 miles of the executive s principal place of employment; provided that, in each case, notice of resignation is delivered to us within 30 days of such occurrence in the case of Mr. Sherman or 20 days in the case of Mr. Cone.

Termination for cause generally includes any of the following actions by the executive: (i) conviction, guilty plea or confession to any felony, act of fraud, theft or embezzlement; (ii) malfeasance, negligence or intentional failure to perform duties that is not cured after 5 days of receipt of notice from us; or (iii) failure to comply with our employment policies, a failure to comply with the executive s agreement, or deviation from any of our employee policies or directives of the board of directors.

Prior to the amendment in February 2016, a change in control for Mr. Sherman generally included: the sale of all of the assets of Taylor Morrison, Inc.; sale of over 50% of the voting stock in Taylor Morrison, Inc. or any parent entity that controls Taylor Morrison, Inc.; or merger of Taylor Morrison, Inc. or its controlling parent entity.

Prior to the amendment in February 2016, a change in control for Mr. Cone generally included: an acquisition in excess of 80% of the stock of TMM (which includes a merger and sale or transfer of equity interests), an acquisition in excess of 80% of the equity interests in TMM s subsidiaries, the acquisition of the power to replace a majority of the members of the general partner of TMM Holdings Limited Partnership or the sale of all or substantially all of TMM and its subsidiaries assets.

Following the amendment in February 2016, a change in control for both Mr. Sherman and Mr. Cone has the same meaning contained in the 2013 Equity Plan (or any successor plan thereto).

Each of Messrs. Cone and Sherman is also subject to a restrictive covenants agreement in which he has agreed, among other things, not to compete with us for 18 months following (i) a termination of employment by us (other than for cause) or by the executive for good reason, provided that we are paying the executive severance, (ii) upon voluntary termination of employment or (iii) termination by us for cause.

Treatment of Equity Awards upon Termination (Not in Connection with a Change in Control). Under the terms of our 2013 Equity Plan and the award agreements for awards issued thereunder, upon any termination of employment, whether with or without cause or good reason, or by reason of an employee s death or disability, unvested options and RSUs (both Service-based RSUs and Performance-based RSUs) are forfeited for no consideration. Vested options may be exercised for a period of 90 days following a termination without cause or for good reason, and for a period of one year following a termination by reason of death or disability. If an employee is terminated for cause, all of the employee s options, whether vested or unvested, expire immediately upon termination. Under the terms of the applicable plan document and award agreements, upon any termination of employment, whether with or without cause or good reason, or by reason of an employee s death or disability, unvested New TMM Units and unvested Holding Vehicle Performance Units are forfeited for no consideration, and if terminated for cause all such units, whether vested or unvested, are forfeited for no consideration.

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Change in Control Benefits

We do not provide our named executive officers with any single-trigger change in control payments or benefits. If a change in control were to have occurred on December 31, 2015, and our named executive officers remained employed by us, there would have been no payments due to our named executive officers under any of our plans. Each named executive officer s Holding Vehicle Performance Units will only vest (in full or in part) based on the cash return received by the Principal Equityholders as of the date of determination, subject to and conditioned on such named executive officer s continued employment through the applicable vesting date, whether or not in connection with a change in control.

Each named executive officer s New TMM Units that are subject only to time-based vesting conditions will become 100% vested in connection with any termination by us without cause or by the executive for good reason (excluding, for the avoidance of doubt, a termination by reason of death or disability) (each as defined in the relevant award agreement) that occurs within 24 months following a change in control. For purposes of the vesting of New TMM Units, a change in control is generally defined as: (i) a sale of 80% or more of the equity of New TMM or a subsidiary if such subsidiary holds substantially all of the assets of New TMM and its subsidiaries; (ii) a sale of substantially all of the assets of New TMM and its subsidiaries; or (iii) a transfer pursuant to which the acquirer has power to replace New TMM s general partner.

Each named executive officer s outstanding stock options shall become immediately vested and exercisable and outstanding Service-based RSU awards will become 100% vested in connection with a termination by us without cause or by the executive for good reason (excluding, for the avoidance of doubt, a termination by reason of death or disability) (each as defined in the relevant award agreement) that occurs within 24 months following a change in control (as defined in the 2013 Equity Plan). For RSU awards subject to a performance condition, the performance period is deemed to end on the date of the change in control and the compensation committee may, in its discretion, determine to what extent any applicable performance goals have been met and/or cause the award to be paid in full or in part.

No named executive officer has any right to receive a gross up for any excise tax imposed by Section 4999 of the U.S. Internal Revenue Code, or any other U.S. federal, state and local income tax.

Calculations of Benefits to Which Executives Would be Entitled

Assuming no change in control had occurred and termination of employment occurred on December 31, 2015, the dollar value of the payments and other benefits to be provided to each of the named executive officers are estimated to be as follows:

Estimated Payments and Benefits upon Termination without Cause Assuming No Change in Control had Occurred

Name	Salary Continuation	Prorated Bonus[3]	Continued Benefits[4]	Other Compensation	TOTAL
Sheryl D. Palmer[1]	$ 2,500,000[2]	$ 1,179,450	$ 36,719		$ 3,716,169
C. David Cone	$ 500,000[5]	$ 491,438	$ 22,374		$ 1,013,812
Darrell C. Sherman	$ 410,000[5]	$ 402,979	$ 22,374		$ 835,353

(1) In the case of Ms. Palmer, these amounts are payable also if she terminates her employment with us for good reason.

(2) If Ms. Palmer s employment would have been terminated without cause or she had resigned for good reason, her base severance amount is two and a half times her base salary ($1,000,000). In the event Ms. Palmer voluntarily terminates employment in connection with her retirement from the homebuilding industry, in lieu of the salary continuation, prorated bonus and continued benefits payments set forth above, we will pay her a special retirement bonus equal to $1,000,000, which is payable in equal installments.

(3) Pursuant to their respective employment agreements, each of our named executive officers is entitled to a prorated annual bonus for the fiscal year in which employment terminates. For purposes of this table, we have calculated the bonuses assuming that each named executive officer would have received his or her annual bonus based on the actual performance results under our 2015 annual bonus program. We have assumed that the financial targets in the 2015 annual bonus program were able to be determined as of December 31, 2015. The annual target bonus percentages for 2015 for the named executive officers

were as follows: Ms. Palmer 150%, Mr. Cone 125%, and Mr. Sherman 125%.

(4) These amounts reflect the estimated COBRA premiums for the executives and their respective eligible dependents enrolled (if any) in any then existing group health plans for one year (or in the case of Ms. Palmer, 30 months) as required by their respective employment agreements and assumes that the executive does not become eligible for other health coverage.

(5) Pursuant to their respective employment agreements, each of Messrs. Cone and Sherman is entitled to an amount equal to one times his respective base salary.

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Assuming a change in control and termination of employment occurred on December 31, 2015, the dollar value of the payments and other benefits to be provided to each of the named executive officers are estimated to be as follows:

Estimated Payments and Benefits upon Termination without Cause or for Good Reason in Connection with a Change in Control

Name	Salary Continuation	Prorated Bonus[1]	Continued Benefits[2]	Other Compensation	Equity Value[3]	Vesting of Options & RSU Awards[4]	TOTAL
Sheryl D. Palmer	$ 2,500,000[5]	$ 1,179,450	$ 36,719	$ 3,750,000[6]	$ 5,162,681	$ 2,620,848	$ 15,249,698
C. David Cone	$ 500,000[7]	$ 491,438	$ 22,374		$ 1,207,198	$ 577,168	$ 2,798,178
Darrell C. Sherman	$ 410,000[7]	$ 402,979	$ 22,374		$ 1,363,681	$ 501,024	$ 2,700,058

(1) Pursuant to their respective employment agreements, each of our named executive officers is entitled to a prorated annual bonus for the fiscal year in which employment terminates. For purposes of this table, we have calculated the bonuses assuming that each named executive officer would have received his or her annual bonus based on the actual performance results under our 2015 annual bonus program. We have assumed that the financial targets in the 2015 annual bonus program were able to be determined as of December 31, 2015. The annual target bonus percentages for 2015 for the named executive officers were as follows: Ms. Palmer 150%, Mr. Cone 125%, and Mr. Sherman 125%.

(2) These amounts reflect the estimated COBRA premiums for the executives and their respective eligible dependents enrolled (if any) in any then existing group health plans for one year (or in the case of Ms. Palmer, 30 months) as required by their respective employment agreements.

(3) Values in this column reflect values relating to both the New TMM Units and the Holding Vehicle Performance Units, and have been calculated using the NYSE closing price of our Class A common stock on December 31, 2015, which was $16.00. In accordance with the terms of the New TMM Unit awards, the vesting of all of the individual s New TMM Units (and corresponding shares of our Class B common stock that have voting, but not economic rights) subject only to time-based vesting conditions would have accelerated and become vested as of the date of termination of employment and change in control. The value of our named executive officers unvested New TMM Units included in the figures reported in this column are as follows: Ms. Palmer $1,812,960, Mr. Cone $615,712, and Mr. Sherman $489,632. To calculate the values of the Holding Vehicle Performance Units, we have assumed that the Principal Equityholders sold their remaining equity interests in us without any transaction costs or offering discount as of December 31, 2015. The value of our named executive officers Holding Vehicle Performance Units represented by the figures in this column are as follows: Ms. Palmer $3,349,721, Mr. Cone $591,486, and Mr. Sherman $874,049.

(4) Represents the in-the-money value of unvested stock options and unvested RSUs associated with the acceleration of the vesting of equity awards. In the case of RSUs, the value was based on the NYSE closing price of our Class A common stock on December 31, 2015, which was $16.00 and, in the case of options, was based on the difference between such closing price and the exercise price of the option. For performance-based RSUs we have assumed that the target performance goal was achieved and certified. We have assumed for purposes of this disclosure that return to our Principal Equityholders in connection with any such change in control would have been sufficient to satisfy the RSUs performance condition, although the RSUs granted in connection with our IPO were ultimately forfeited. The value of each named executive officers unvested stock options included in the figures in this column is $0, because the options held by each named executive officer had no intrinsic value as of December 31, 2015, because the exercise price of their options exceeded the closing market price of our Class A common stock on such date.

(5) If Ms. Palmer s employment would have been terminated without cause or she had resigned for good reason within the 24-month period following a change in control, her base severance amount is two and a half times her base salary ($1,000,000). However, in the event Ms. Palmer voluntarily terminates employment in connection with her retirement from the homebuilding industry (whether in connection with a change in control or otherwise), she would not be entitled to the salary continuation, prorated bonus and continued benefits payments as set forth in the chart above, and instead we will pay her a special retirement bonus equal to $1,000,000 which is payable in equal installments. None of Ms. Palmer s unvested equity awards by their terms would vest upon her retirement from the homebuilding industry following a change in control.

(6) This amount reflects two and a half times the product of Ms. Palmer s target annual bonus percentage (150%) multiplied by Ms. Palmer s base salary ($1,000,000), as payable pursuant to her employment agreement, to the extent she would have been terminated either by us without cause or she had resigned for good reason during the 24-month period following a change in control. This amount would be payable in equal installments over a 30-month period.

(7) Pursuant to their respective employment agreements, Messrs. Cone and Sherman are entitled to an amount equal to one times the named executive officer s base salary.

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Proposal 2: Advisory Vote to Approve the Compensation of our Named Executive Officers (Say on Pay)

Pursuant to Section 14A of the Exchange Act, we are asking our stockholders to vote to approve, on a nonbinding, advisory basis, the compensation of our named executive officers, commonly referred to as the say-on-pay vote. In accordance with the requirements of the SEC, we are providing our stockholders with an opportunity to express their views on our named executive officers compensation. Although this advisory vote is nonbinding, our board of directors and compensation committee will review and consider the voting results when making future decisions regarding our named executive officer compensation and related executive compensation programs.

As described in more detail in the Compensation Discussion and Analysis, our executive compensation program is designed to have the following attributes:

A balanced mix of short-term cash compensation and long-term equity-based compensation;

Forfeiture of equity awards upon violation of certain post-employment restrictive covenants;

Use of multiple performance measures with no guaranteed incentive payouts;

Limitations on the amount of awards that can be made under our equity incentive plans;

Consideration of external market data and use of an independent compensation consultant when designing compensation programs;

An anti-hedging policy applicable to all employees (including our executive officers and directors) that prohibits purchases of our stock on margin, calls or similar options on our stock, or selling our stock short;

An appropriate level of severance protection to ensure continuity of service;

No single-trigger change in control parachute payment features in any of our programs;

No gross ups for any excise or other penalty taxes related to compensation paid;

Clawback of certain cash and equity incentive compensation; and

A modest use of perquisites, which do not make up a material portion of the compensation and benefits provided to our named executive officers.

We encourage stockholders to read the Compensation Discussion and Analysis in this Proxy Statement, which describes the processes our compensation committee used to determine the structure and amounts of the compensation of our named executive officers in 2015 and how our executive compensation philosophy, policies and procedures operate and are designed to achieve our compensation objectives. The compensation committee and our board of directors believe that our executive compensation strikes the appropriate balance between utilizing responsible, measured pay practices and effectively incentivizing our named executive officers to dedicate themselves fully to value creation for our stockholders. We intend to conduct future advisory votes on the compensation of our named executive officers every year.

Accordingly, we ask our stockholders to vote FOR the following resolution at the Annual Meeting:

RESOLVED, that the stockholders approve, on an advisory basis, the compensation of our named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, the compensation tables and any other related disclosure in this Proxy Statement.

The proposal will be approved by the affirmative vote of a majority of the shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote. Abstentions will have the effect of voting against the proposal, and broker non-votes will have no effect on the outcome of the proposal.

The Board of Directors Recommends a Vote FOR the Advisory Resolution to Approve the Compensation of our Named Executive Officers.

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Proposal 3: Ratification of the Appointment of Deloitte & Touche LLP as our Independent Registered Public Accounting Firm

The audit committee has appointed Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016. Deloitte & Touche LLP has served as our independent public accounting firm, and the accounting firm of our accounting predecessors, since 2007. We expect that representatives of Deloitte & Touche LLP will be present at the Annual Meeting, will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Our board of directors is submitting the appointment of Deloitte & Touche LLP to our stockholders for ratification as a matter of corporate practice. If our stockholders fail to ratify the appointment, the audit committee may reconsider whether to retain Deloitte & Touche LLP. Even if the appointment is ratified, the audit committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of us and our stockholders.

The following table provides information regarding the fees billed by Deloitte & Touche LLP for the fiscal years ended December 31, 2015 and 2014. All fees described below paid to Deloitte & Touche LLP were pre-approved by the audit committee.

	2015	2014
Audit Fees	$ 1,626,300	$ 1,837,382
Audit-Related Fees	305,000	526,913
Tax Fees	1,050,118	675,716
All Other Fees	2,000	2,000
Total	$ 2,983,418	$ 3,042,011

Audit Fees

This category includes the aggregate fees during 2015 and 2014 for audit services provided by the independent registered public accounting firm or its affiliates, including for the audits of our annual consolidated financial statements, reviews of each of the quarterly financial statements included in our Quarterly Reports on Form 10-Q and foreign statutory audits.

Audit-Related Fees

This category includes the aggregate fees during 2015 and 2014 for services related to the performance of the audits and reviews described in the preceding paragraph that are not included in the Audit Fees category, including fees associated with (i) assistance in undertaking and applying financial accounting and reporting standards, (ii) accounting assistance with regard to proposed transactions, (iii) services rendered in connection with registration statements and (iv) the preparation and review of documents related to our securities offerings.

Tax Fees

This category includes the aggregate fees during 2015 and 2014 for professional tax services provided by the independent registered public accounting firm or its affiliates, including for tax compliance and tax advice.

All Other Fees

Other fees include fees to the independent registered public accounting firm or its affiliates for annual subscriptions to online accounting and tax research software applications and data.

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PROPOSAL 3: RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Audit Committee Review and Pre-Approval of Independent Registered Public Accounting Firm s Services

Our audit committee s policy is to pre-approve all audit and non-audit services (including the fees and terms thereof) to be performed by our independent registered public accounting firm. The audit committee s authority to pre-approve such services is set forth in the charter of the audit committee, which is available on the Investor Relations page of our corporate website, www.taylormorrison.com, under the category Corporate Governance. The audit committee considered whether the non-audit services rendered by and fees paid to Deloitte & Touche LLP were compatible with maintaining Deloitte & Touche LLP s independence as the independent registered public accounting firm of our financial statements and concluded that they were.

The proposal will be approved by the affirmative vote of the majority of the shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote. Abstentions will have the effect of voting against the proposal. Brokers may vote shares with respect to this proposal in the absence of client instructions and, thus, there will be no broker non-votes with respect to this proposal.

The Board of Directors Recommends a Vote FOR the Ratification of the Appointment of Deloitte & Touche LLP as our Independent Registered Public Accounting Firm for the Fiscal Year Ending December 31, 2016.

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Audit Committee Report

The audit committee has reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2015 with our management and Deloitte & Touche LLP, our independent registered public accounting firm. Management is responsible for the preparation, presentation and integrity of the financial statements, accounting and financial reporting principles and internal control over financial reporting. Deloitte & Touche LLP is responsible for performing an independent audit of the financial statements in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB), for expressing opinions on the conformity of the financial statements with accounting principles generally accepted in the United States and for expressing opinions on our internal controls over financial reporting.

The audit committee has discussed with Deloitte & Touche LLP the matters required to be discussed by PCAOB AS No. 1301, Communications with Audit Committees, and has received the written disclosures and the letter from Deloitte & Touche LLP required by applicable requirements of the PCAOB regarding the independent auditor s communications with the audit committee concerning independence. The audit committee has also discussed with Deloitte & Touche LLP their independence.

Based on its reviews and discussions referred to above, the audit committee recommended to the board of directors that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 for filing with the SEC.

AUDIT COMMITTEE

James Henry (Chairman)

Anne L. Mariucci

David Merritt

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Proposal 4: Approval of the Amendment and Restatement of the Taylor Morrison Home Corporation 2013 Omnibus Equity Award Plan

General

At the Annual Meeting, our stockholders will be asked to approve the amendment and restatement of the Taylor Morrison Home Corporation 2013 Omnibus Equity Award Plan (the 2013 Plan, and when referred to herein as proposed to be amended and restated, the Amended Plan).

On April 7, 2016, our Board adopted, subject to stockholder approval, the Amended Plan. A copy of the Amended Plan is attached to this proxy statement as Appendix A.

We are seeking stockholder approval of the performance criteria and other performance-based provisions under the Amended Plan, so that compensation in respect of awards made under the Amended Plan based on the performance criteria set forth in the Amended Plan that are intended to qualify as performance-based compensation may be deductible by the Company. The performance criteria under the Amended Plan are generally consistent with the performance criteria under the current 2013 Plan, but have been modified to include a few additional performance-related measures.

The Amended Plan permits certain equity and other performance-based awards (including cash awards) that may be granted to be considered qualified performance-based compensation as defined under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). Section 162(m) of the Code limits the deductibility of compensation in excess of $1 million paid by a publicly traded corporation to certain covered employees unless it is qualified performance-based compensation. Under Section 162(m) of the Code, the grant by a committee of outside directors of stock options and stock appreciation rights at a price no less than fair market value on the grant date under a stockholder-approved plan that expressly limits the amount of such grants that can be made to any individual employee over a specified period of time is considered qualified performance-based compensation. Additionally, grants of other performance-based awards are deemed qualified performance-based compensation if at least three conditions are satisfied: (i) the compensation must be payable on account of the attainment of one or more pre-established, objective performance goals; (ii) the material terms of the compensation and the performance goals must be disclosed to and approved by stockholders before payment; and (iii) a committee of the Board that is comprised solely of two or more outside directors must certify that the performance goals have been satisfied before payment. As a company that recently became public, we are permitted a transition period before the provisions of Section 162(m) of the Code become applicable to us (this transition period could last until the first meeting at which directors are elected that occurs following December 31, 2016), although in general we have structured our compensation programs in a manner intended to comply with Section 162(m) of the Code and are seeking shareholder approval of the material terms of the performance-based compensation and performance goals in accordance with Section 162(m) of the Code. Notwithstanding the adoption of the Amended Plan and its submission to stockholders, we reserve the right to pay our employees, including recipients of awards under the Amended Plan, amounts which may or may not be deductible under Section 162(m) or other provisions of the Code, and there can be no guarantee that performance-based awards will be treated as qualified performance-based compensation under Section 162(m) of the Code. We believe it is important that our Compensation Committee of the Board (the Compensation Committee) retain flexibility and authority to adjust compensation as needed to address particular circumstances, or unexpected, unusual or non-recurring events, or to attract and retain key executive talent, even if this results in the payment of non-deductible compensation.

As of the Record Date, there were a total of 4,041,631 shares of our Class A common stock subject to outstanding awards under the 2013 Plan and 3,902,734 remaining shares of our Class A common stock reserved for issuance under the 2013 Plan. We are seeking stockholder approval of the Amended Plan to allow for the tax deductibility of awards granted under Amended Plan pursuant to Section 162(m) of the Code. If our stockholders approve the Amended Plan, the Amended Plan will be effective as of May 25, 2016. If our stockholders do not approve the Amended Plan, the 2013 Plan will remain in effect in its current form.

A copy of the Amended Plan is attached to this proxy statement as Appendix A.

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PROPOSAL 4: APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE TAYLOR MORRISON HOME CORPORATION 2013 OMNIBUS EQUITY AWARD PLAN

Reasons Why You Should Vote in Favor of this Proposal

Our Board recommends a vote **FOR** the approval of the Amended Plan because it believes that the Amended Plan is in the best interests of the Company and its stockholders for the following reasons:

Performance based. The Amended Plan enables us to provide performance-based compensation awards that are intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Code.

Attracts and retains talent. Talented executives and employees are essential to executing our business strategies. The purpose of the Amended Plan is to promote the success of the Company by giving the Company a competitive edge in attracting, retaining and motivating key personnel and providing participants with a plan that provides incentives directly related to increases in the value of the Company.

Aligns director, employee and stockholder interests. We currently provide long-term incentives primarily by (i) compensating participants with equity awards, including incentive compensation awards measured by reference to the value of the Company s equity, (ii) rewarding such participants for the achievement of performance targets with respect to a specified performance period and (iii) motivating such participants by giving them opportunities to receive awards directly related to such performance.

If this proposal is not approved by our stockholders the performance-based award feature described above enabling the Company to grant awards to executive officers of the Company and obtain tax deductions with respect to compensation attributable to such awards without regard to the limitations of Section 162(m) of the Code will not be available.

Summary of Sound Governance Features of the Amended Plan

Our Board and Compensation Committee believe the Amended Plan contains several features that are consistent with the interests of our stockholders and sound corporate governance practices, including the following:

Is not excessively dilutive to our stockholders. The maximum number of shares of our Class A common stock authorized and reserved for issuance under the Amended Plan has not increased.

No *evergreen provision*. The number of shares of our Class A common stock available for issuance under the Amended Plan is fixed and does not adjust based upon the number of shares outstanding.

No liberal change in control definition. The change in control definition in the Amended Plan is not a liberal definition and, for example, would not be achieved merely upon stockholder approval of a transaction. A change in control (or the approval of a plan of complete dissolution or liquidation) must actually occur in order for the change in control provisions in the Amended Plan to be triggered.

No dividends on unearned awards. The Amended Plan prohibits the current payment of dividends or dividend equivalent rights on unearned awards subject to performance-based vesting.

No repricing without stockholder approval. The Amended Plan prohibits the repricing of outstanding stock options or stock appreciation rights (SARs) without stockholder approval.

Clawback provision. The Amended Plan contains a provision that subjects awards to clawback or forfeiture to the extent called for by applicable law or Company policy.

No discounted stock options or SARs. The Amended Plan includes a provision requiring that all stock options and SARs are to be granted at a price not less than fair market value on the date of grant.

Equity Compensation Plan Information

The following table provides information as of December 31, 2015 with respect to the 2013 Equity Plan under which our equity securities are authorized for issuance.

Equity Compensation Plan Information			
Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)**	**Weighted-average exercise price of outstanding options, warrants and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a) (c)**
Equity compensation plans approved by security holders[1]	1,949,061	$ 21.07[2]	5,992,621[3]
Equity compensation plans not approved by security holders			

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PROPOSAL 4: APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE TAYLOR MORRISON HOME CORPORATION 2013 OMNIBUS EQUITY AWARD PLAN

(1) Equity compensation plans approved by security holders consist of the 2013 Plan. The 2013 Plan is currently our only compensation plan pursuant to which our equity is awarded. This figure does not include the 1,312,874 New TMM Units (and the corresponding shares of our Class B common stock) that can be exchanged on a one-for-one basis for shares of our Class A common stock. The New TMM Units were issued pursuant to the TMM Holdings II Limited Partnership 2013 Common Unit Plan and were not made pursuant to any equity compensation plan.
(2) Column (a) includes 441,296 shares of our Class A common stock underlying outstanding restricted stock units. Because there is no exercise price associated with restricted stock units, such equity awards are not include in the weighted-average exercise price calculation in column (b).
(3) A total of 7,956,955 shares of our Class A common stock have been authorized for issuance pursuant to the terms of the 2013 Plan.

Summary of the Taylor Morrison Home Corporation 2013 Omnibus Equity Award Plan, as amended and restated

The following description of the Amended Plan is a summary of certain provisions of the Amended Plan and is qualified in its entirety by the text of the Taylor Morrison Home Corporation 2013 Omnibus Equity Award Plan, as amended and restated, a copy of which is attached as Appendix A, and should be read in conjunction with the following summary.

Purpose. The purpose of our Amended Plan is to give us a competitive edge in attracting, retaining and motivating employees, directors and consultants and to provide us with a stock plan providing incentives directly related to increases in our stockholder value.

Administration. Pursuant to the Amended Plan, our Compensation Committee (or subcommittee of delegated directors or officers) will have authority to grant awards under the plan, determine the types of awards to be granted, the recipients of awards, and the terms and conditions of awards (including the number of shares of our Class A common stock (or dollar value) subject thereto, the vesting schedule and term, and to what extent and when awards may be settled in cash, shares of common stock, restricted shares or other property) and to establish rules relating to the plan and interpret the plan and awards.

Eligibility. The Compensation Committee may grant awards of stock options, share appreciation rights, restricted stock, restricted stock units, other stock-based awards, cash-based awards or any combination of the foregoing to our non-employee directors and employees, consultants or advisors selected by the Compensation Committee. As of the Record Date, approximately 1,600 employees and five non-employee directors were eligible to be selected by the Compensation Committee for awards under the 2013 Plan.

Number of Shares Authorized.

We are not seeking to authorize additional shares for issuance under the Amended Plan. Subject to adjustment in connection with changes in capitalization and other corporate or non-recurring events, as of the Record Date, there was an aggregate of 3,902,734 shares of our Class A common stock remaining available for future grants of awards under the 2013 Plan.

No more than 3,903,748 shares of Class A common stock may be issued in respect of incentive stock options under the Amended Plan. No more than 1,951,739 shares of Class A common stock may be granted under the Amended Plan with respect to performance compensation awards to any participant in any one year. The maximum amount payable to any participant under the Amended Plan for any single fiscal year during a performance period for a cash-denominated award is $3,150,000.

If any award is forfeited, or if any option or stock appreciation right terminates, expires or lapses without being settled or exercised or any share is surrendered or tendered to the Company in payment of the exercise price of any taxes required to be withheld, shares of our Class A common stock subject to such award surrendered or tendered will again be available for future grant. If there is any change in our corporate capitalization, our Compensation Committee shall make any equitable substitutions or adjustments it deems necessary or appropriate in its sole discretion to the number of shares reserved for issuance under the Amended Plan, the number of shares covered by awards then outstanding under the Amended Plan, the limitations on awards under the Amended Plan, the exercise price of outstanding options and such other adjustments as it may determine appropriate.

The 2013 Plan had an initial term of ten years, which will expire on April 8, 2023. The Amended Plan does not extend the initial term. No further awards may be granted under the Amended Plan after April 8, 2023 unless the term of the Amended Plan is extended by the Company s stockholders.

Awards Available for Grant. The Compensation Committee may grant awards of nonqualified stock options, incentive (qualified) stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance compensation awards (including cash-based awards), other stock-based awards or any combination of the foregoing.

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PROPOSAL 4: APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE TAYLOR MORRISON HOME CORPORATION 2013 OMNIBUS EQUITY AWARD PLAN

Options. The Compensation Committee will be authorized to grant options to purchase shares of Class A common stock that are either qualified, meaning they satisfy the requirements of Section 422 of the Code for incentive stock options, or nonqualified, meaning they are not intended to satisfy the requirements of Section 422 of the Code. These options will be subject to the terms and conditions established by the Compensation Committee. Under the terms of our Amended Plan, the exercise price of the options will not be less than the fair market value of our Class A common stock at the time of grant. Options granted under the Amended Plan will be subject to such terms, including the exercise price and the conditions and timing of exercise, as may be determined by the Compensation Committee and specified in the applicable award agreement. The maximum term of an option granted under the Amended Plan will be ten years from the date of grant (or five years in the case of a qualified option granted to a stockholder that holds 10% or more of the Company s voting power). Payment in respect of the exercise of an option may be made in cash, check, by surrender of shares of Class A common stock, or by such other method as the Compensation Committee may permit in its sole discretion.

SARs. The Compensation Committee is authorized to award SARs under the Amended Plan. SARs will be subject to the terms and conditions established by the Compensation Committee. A SAR is a contractual right that allows a participant to receive, either in the form of cash, shares or any combination of cash and shares, the appreciation, if any, in the value of a share over a certain period of time less applicable withholding (in the case of cash-settled SARs). An option granted under the Amended Plan may include SARs, and the Compensation Committee may also award SARs to a participant independent of the grant of an option. SARs granted in connection with an option shall be subject to terms similar to the option corresponding to such SARs. The terms of SARs granted independent of options shall be subject to terms established by the Compensation Committee and reflected in the award agreement.

Restricted Stock. The Compensation Committee will be authorized to award restricted stock under the Amended Plan. Awards of restricted stock will be subject to the terms and conditions established by the Compensation Committee. Restricted stock is Class A common stock that generally is non-transferable and is subject to other restrictions determined by the Compensation Committee for a specified period. Unless the Compensation Committee determines otherwise, or specifies otherwise in an award agreement, if the participant terminates employment during the restricted period, any then unvested restricted stock will be forfeited. Subject to any restrictions set forth in the applicable award agreement, holders of restricted stock shall generally be entitled to vote and receive dividends with respect to such restricted stock, however, dividends shall only be payable to the holder following the date on which the restrictions on such restricted stock lapse.

Restricted Stock Unit Awards. The Compensation Committee will be authorized to award restricted stock units. Restricted stock unit awards, or RSUs, will be subject to the terms and conditions established by the Compensation Committee. Unless the Compensation Committee determines otherwise, or specifies otherwise in an award agreement, if the participant terminates employment or services during the period of time over which all or a portion of the restricted stock units are to be earned, any then unvested restricted stock units will be forfeited. At the election of the Compensation Committee, the participant will receive a number of shares of Class A common stock equal to the number of units earned or an amount in cash equal to the fair market value of that number of shares, at the expiration of the period over which the units are to be earned, or at a later date set forth in the applicable award agreement, less any taxes required to be withheld. The holder of any restricted stock units may be entitled to be credited with dividend equivalent payments upon the payment by us of dividends on our Class A common stock, in the form of shares or cash and payable at the same time and under the same restrictions as the underlying restricted stock units.

Stock-Based Awards. The Compensation Committee is authorized to grant awards of unrestricted shares, either alone or in tandem with other awards, under such terms and conditions as the Compensation Committee may determine.

Performance Compensation Awards. The Compensation Committee may grant any award under the Amended Plan in the form of a performance compensation award by conditioning the vesting of the award on the satisfaction of certain performance goals. In addition, the Compensation Committee may denominate an award in cash or shares of Class A common stock to any participant and designate such award as a performance award intended to qualify as performance-based compensation under Section 162(m). If the Compensation Committee determines that any performance-based award is intended to be subject to Section 162(m), the Compensation Committee shall establish performance criteria based on one or more of the following:

basic or diluted earnings per share (before or after taxes);

pre- or after-tax income (before or after allocation of corporate overhead and bonus);

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operating income (before or after taxes);

revenue, net revenue, net revenue growth or product revenue growth;

gross profit or gross profit growth;

net operating profit (before or after taxes);

earnings, including earnings before or after interest, depreciation and/or taxes;

return measures (including, but not limited to, return on assets, net assets, capital, total capital, tangible capital, invested capital, equity, sales, or total shareholder return);

cash flow (including, but not limited to, operating cash flow, free cash flow, cash flow return on capital, cash flow return on investment, and cash flow per share (before or after dividends));

margins, gross or operating margins, or cash margin;

operating efficiency;

productivity ratios;

share price (including, but not limited to, growth measures and total shareholder return);

expense targets or cost reduction goals;

general administrative expense savings;

objective measures of client or customer satisfaction;

working capital targets;

measures of economic value added, or economic value-added models or equivalent metrics;

inventory control;

enterprise value;

net sales;

appreciation in and/or maintenance of the price of our Company s Common Stock;

market share;

comparisons with various stock market indices;

reductions in costs;

improvement in or attainment of expense levels or working capital levels;

year-end cash;

debt reductions;

shareholder equity;

regulatory achievements;

implementation, completion or attainment of measurable objectives with respect to strategy, research, development, products or projects, production volume levels, acquisitions, divestitures, reorganizations or other corporate transactions or capital raising transactions, expansion of specific business operations, meeting divisional proposal budgets, and recruiting and maintaining personnel;

customer or client retention;

employee retention;

comparisons of continuing operations to other operations; or

any combination of the foregoing.

Any one or more of the performance criterion may be used to measure the performance of the Company and/or an affiliate as a whole or a business unit or division of the Company and/or an affiliate or any combination thereof, as the

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PROPOSAL 4: APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE TAYLOR MORRISON HOME CORPORATION 2013 OMNIBUS EQUITY AWARD PLAN

Compensation Committee may deem appropriate, or any of the above performance criteria as compared to the performance of a group of comparator companies, or published or special index that the Compensation Committee, in its sole discretion, deems appropriate, or the Company may select the share price performance criteria as compared to various stock market indices. The Compensation Committee also has the authority to provide for accelerated vesting of any award based on the achievement of performance goals pursuant to the performance criteria specified in this paragraph. To the extent required under Section 162(m) of the Code, the Committee shall, within the first 90 days of a performance period (or, if longer, within the maximum period allowed under Section 162(m) of the Code), define in an objective fashion the manner of calculating the performance criteria it selects to use for such performance period. In the event that applicable tax and/or securities laws change to permit Compensation Committee discretion to alter the governing performance criteria without obtaining stockholder approval of such changes, the Compensation Committee shall have sole discretion to make such changes without obtaining stockholder approval.

Effect of a Change in Control. Unless otherwise provided in an award agreement, the Compensation Committee has the right to provide for, in the event of a change in control of our company or certain other significant corporate transactions, as described in the Amended Plan: (i) an adjustment of the number and class of shares subject to the award and/or the exercise price or grant price of a stock option or SAR, as applicable; (ii) cancellation and cash-out of outstanding awards, including cancellation of options and SARs without payment if the fair market value of one share of Class A common stock on the date of the change in control is less than the per share option exercise price or SAR grant price; and (iii) substitution and assumption of awards. In addition, unless otherwise provided in an award agreement, if a participant s employment terminates within 24 months following a change in control of our company: (i) outstanding options and SARs will immediately vest and be fully exercisable, (ii) the restrictions, limitations and other conditions applicable to outstanding restricted shares and restricted stock units will lapse, and restricted shares and restricted stock units will be free of all restrictions, limitations and conditions (including, without limitation, a waiver of applicable performance goals); and (iii) any deferred awards will be settled as soon as possible in a manner intended to be consistent with Section 409A of the Code.

Transferability. In general, no awards or shares may be assigned, transferred, sold, pledged or encumbered, other than by will or the laws of descent and distribution. Awards may be exercised only by the participant or the participant s guardian, executor, administrator or legal representative. However, awards other than incentive stock options may, with the approval of and subject to terms set by the Compensation Committee, be transferred to certain family members and estate planning vehicles, as set out in the Amended Plan.

Amendment. Our Board may amend, suspend or terminate our Amended Plan at any time; however, stockholder approval may be necessary if the law so requires. No amendment, suspension or termination will materially and adversely impair the rights of any participant or recipient of any award without the consent of the participant or recipient.

Term of Amended Plan. No awards may be made under the Amended Plan after April 8, 2023, the tenth anniversary of the date that the 2013 Plan was initially approved by our stockholders in 2013.

Clawback/Forfeiture. In the Compensation Committee s discretion, an award agreement may provide for cancellation of an award without payment if the participant violates a non-compete, non-solicit, non-disparagement, or non-disclosure agreement or otherwise engages in activity in conflict with or adverse to the interests of our company or any subsidiary, as determined by the Compensation Committee in its sole discretion. The Compensation Committee may also provide that in such circumstances the participant or any person to whom any payment has been made will forfeit any compensation, gain or other value realized thereafter on the vesting, exercise or settlement of an award, the sale or transfer of an award or the sale of the Class A common stock acquired in respect of an award, and must promptly repay such amounts to us. The Compensation Committee may also provide in an award agreement that if the participant receives an amount in excess of what the participant should have received under the terms of the award due to material noncompliance by our Company with any financial reporting requirement under the U.S. securities laws or any mistake in calculations or other administrative error, then the award will be cancelled and the participant must promptly repay any excess value to us. To the extent required by applicable law and/or the rules and regulations of any U.S. national securities exchange or inter-dealer quotation system on which shares are listed or quoted, or pursuant to a written company policy, awards shall be subject (including on a retroactive basis) to clawback, forfeiture or other similar action.

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U.S. federal income tax consequences

The following is a general summary of the material U.S. federal income tax consequences of the grant, exercise and vesting of awards under the Amended Plan and the disposition of shares acquired pursuant to the exercise or settlement of such awards and is intended to reflect the current provisions of the Code and the regulations thereunder. This summary is not intended to be a complete statement of applicable law, nor does it address foreign, state, local and payroll tax considerations. This summary assumes that all awards described in the summary are exempt from, or comply with, the requirements of Section 409A of the Code. Moreover, the U.S. federal income tax consequences to any particular participant may differ from those described herein by reason of, among other things, the particular circumstances of such participant.

Options-Qualified and nonqualified. The Code requires that, for favorable tax treatment of a qualified option (an incentive stock option), shares of our Class A common stock acquired through the exercise of a qualified option cannot be disposed of on or before the later of (i) two years from the date of grant of the option or (ii) one year from the date of exercise. Holders of qualified options will generally incur no U.S. federal income tax liability at the time of grant or upon exercise of those options. However, the difference between the exercise price and fair market value of one share will be an item of tax preference, which may give rise to alternative minimum tax liability for the taxable year in which the exercise occurs. If the holder does not dispose of the shares on or before two years following the date of grant and one year following the date of exercise, the difference between the exercise price and the amount realized upon disposition of the shares will constitute long-term capital gain or loss, as the case may be. Assuming both holding periods are satisfied, no deduction will be allowed to us for U.S. federal income tax purposes in connection with the grant or exercise of the qualified option. If, within two years following the date of grant or within one year following the date of exercise, the holder of shares acquired through the exercise of a qualified option disposes of those shares, the participant will generally realize ordinary compensation income at the time of such disposition equal to the difference between the exercise price and the lesser of the fair market value of the shares on the date of exercise or the amount realized on the subsequent disposition of the shares, and that amount will generally be deductible by us for U.S. federal income tax purposes, subject to the possible limitations on deductibility under Sections 280G and 162(m) of the Code for compensation paid to executives designated in those Sections. Finally, if an otherwise qualified option becomes first exercisable in any one year for shares having an aggregate value in excess of $100,000 (based on the grant date value), the portion of the qualified option covenant or warranty in the junior indenture after:

we are given written notice by the debenture trustee; or

the holders of at least 25% in aggregate principal amount of the outstanding securities of that series give written notice to us and the debenture trustee;

our bankruptcy, insolvency or reorganization; or

any other event of default provided for with respect to junior subordinated debentures of that series.

The holders of a majority in aggregate outstanding principal amount of junior subordinated debentures of each series affected have the right to direct the time, method and place of conducting any proceeding for any remedy available to the debenture trustee. The debenture trustee or the holders of at least 25% in aggregate outstanding principal amount of junior subordinated debentures of each series affected may declare the principal (or, if the junior subordinated debentures of such series are discount securities, the portion of the principal amount specified in the applicable prospectus supplement) due and payable immediately upon a debenture event of default. In the case of corresponding junior subordinated debentures, should the debenture trustee or the property trustee fail to make this declaration, the holders of at least 25% in aggregate liquidation amount of the related capital securities will have the right to make this declaration. The property trustee may annul the declaration and waive the default, provided all defaults have been cured and all payment obligations have been made current. In the case of corresponding junior subordinated debentures, should the property trustee fail to annul the declaration and waive the default, the holders of a majority in aggregate liquidation amount of the related capital securities will have the right to do so. In the event of our bankruptcy, insolvency or reorganization, junior subordinated debentures holders claims would fall under the broad equity power of a federal bankruptcy court, and to that court s determination of the nature of those holders rights.

The holders of a majority in aggregate outstanding principal amount of each series of junior subordinated debentures affected may, on behalf of the holders of all the junior subordinated debentures of that series, waive any default, except a default in the payment of principal or interest including any additional interest, unless the default has been cured and a sum sufficient to pay all matured installments of interest including any additional interest and principal due otherwise than by acceleration has been deposited with the debenture trustee, or a default in respect of a covenant or provision which under the junior indenture cannot be modified or amended without the consent of the holder of each outstanding junior subordinated debenture of that series. In the case of corresponding junior subordinated debentures, should the holders of such corresponding junior subordinated debentures fail to waive the default, the holders of a majority in aggregate liquidation amount of the related capital securities will have the right to do so. We are required to file annually with the debenture trustee a certificate as to whether or not we are in compliance with all the conditions and covenants applicable to us under the junior indenture.

In case a debenture event of default has occurred and is continuing as to a series of corresponding junior subordinated debentures, the property trustee will have the right to declare the principal of and the interest on the corresponding junior subordinated debentures, and any other amounts payable under the junior indenture, to be immediately due and payable and to enforce its other rights as a creditor with respect to the corresponding junior subordinated debentures.

Enforcement of Certain Rights by Holders of Capital Securities

If a debenture event of default with respect to a series of corresponding junior subordinated debentures has occurred and is continuing and the event is attributable to our failure to pay interest or principal on the corresponding junior subordinated debentures on the date the interest or principal is due and payable, a holder of the related capital securities may institute a legal proceeding directly against us for enforcement of payment to that holder of the principal of or interest (including any additional interest) on corresponding junior subordinated

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debentures having a principal amount equal to the aggregate liquidation amount of the related capital securities of that holder. We refer to this proceeding in this document as a direct action. We may not amend the junior indenture to remove this right to bring a direct action without the prior written consent of the holders of all of the related capital securities outstanding. If the right to bring a direct action is removed, the applicable Issuer Trust may become subject to reporting obligations under the Exchange Act. We will have the right under the junior indenture to set-off any payment made to the holder of the related capital securities by us in connection with a direct action.

The holders of related capital securities will not be able to exercise directly any remedies other than those set forth in the preceding paragraph available to the holders of the junior subordinated debentures unless there has occurred an event of default under the trust agreement. See Description of Capital Securities and Related Instruments Events of Default; Notice.

Consolidation, Merger, Sale of Assets and Other Transactions

The junior indenture provides that we may not consolidate with or merge into another corporation or transfer our properties and assets substantially as an entirety to another person unless:

- if we are not the successor entity, the entity formed by the consolidation or into which we merge, or to which we transfer our properties and assets (1) is a corporation, partnership or trust organized and existing under the laws of the United States, any state of the United States or the District of Columbia and (2) expressly assumes by supplemental indenture the payment of any principal, premium or interest on the junior subordinated debentures, and the performance of our other covenants under the junior indenture;

- immediately after giving effect to this transaction, no debenture event of default, and no event which, after notice or lapse of time or both, would become a debenture event of default, will have occurred and be continuing under the relevant indenture; and

- an officer s certificate and legal opinion relating to these conditions must be delivered to the debenture trustee.

The general provisions of the junior indenture do not afford holders of the junior subordinated debentures protection in the event of a highly leveraged or other transaction involving us that may adversely affect holders of the junior subordinated debentures.

Satisfaction and Discharge

The junior indenture provides that when, among other things, all junior subordinated debentures not previously delivered to the debenture trustee for cancellation:

- have become due and payable;

- will become due and payable at their stated maturity within one year; or

- are to be called for redemption within one year under arrangements satisfactory to the debenture trustee for the giving of notice of redemption by the debenture trustee;

and we deposit or cause to be deposited with the debenture trustee funds, in trust, for the purpose and in an amount sufficient to pay and discharge the entire indebtedness on the junior subordinated debentures not previously delivered to the debenture trustee for cancellation, for the principal, premium, if any, and interest, including any additional interest, to the date of the deposit or to the stated maturity, as the case may be, then the junior indenture will cease to be of further effect (except as to our obligations to pay all other sums due under the junior indenture and to provide the officers certificates and opinions of counsel described therein), and we will be deemed to have satisfied and discharged the junior indenture.

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Conversion or Exchange

If and to the extent indicated in the applicable prospectus supplement, a series of junior subordinated debentures may be convertible or exchangeable into junior subordinated debentures of another series or into capital securities of another series. The specific terms on which series may be converted or exchanged will be described in the applicable prospectus supplement. These terms may include provisions for conversion or exchange, whether mandatory, at the holder s option, or at our option, in which case the number of shares of capital securities or other securities the junior subordinated debenture holder would receive would be calculated at the time and manner described in the applicable prospectus supplement.

Subordination of Junior Subordinated Debentures

The junior subordinated debentures will be subordinate in right of payment, to the extent set forth in the junior indenture, to all our senior indebtedness, which we define below. If we default in the payment of any principal, premium, if any, or interest, if any, or any other amount payable on any senior indebtedness when it becomes due and payable, whether at maturity or at a date fixed for redemption or by declaration of acceleration or otherwise, then, unless and until the default has been cured or waived or has ceased to exist or all senior indebtedness has been paid, no direct or indirect payment (in cash, property, securities, by set-off or otherwise) may be made or agreed to be made on the junior subordinated debentures, or in respect of any redemption, repayment, retirement, purchase or other acquisition of any of the junior subordinated debentures.

As used in this prospectus, the term senior indebtedness means (1) our senior debt and (2) the allocable amounts of our senior subordinated debt. Each of these terms is defined as follows. The term senior debt means any obligation of ours to our creditors, whether now outstanding or subsequently incurred, other than any obligation as to which, in the instrument creating or evidencing the obligation or pursuant to which the obligation is outstanding, it is provided that such obligation is not senior in right of payment to the junior subordinated debentures. Senior debt does not include:

- any of our indebtedness that, when incurred and without respect to any election under section 1111(b) of the Bankruptcy Reform Act of 1978, was without recourse to us;
- any of our indebtedness to any of our subsidiaries;
- any of our indebtedness to any of our employees;
- any other junior subordinated debentures issued pursuant to the junior indenture;
- any of our trade accounts payable;
- any accrued liabilities arising in the ordinary course of our business; and
- our senior subordinated debt (to the extent such debt is not considered an allocable amount).

The term senior subordinated debt means any obligation of ours to our creditors, whether now outstanding or subsequently incurred, where the instrument creating or evidencing the obligation or pursuant to which it is outstanding, provides that it is subordinate and junior in right of payment to senior debt pursuant to subordination provisions substantially similar to those contained in the indenture governing our outstanding senior subordinated debt. Senior subordinated debt includes our outstanding securities titled as senior subordinated debt securities and any senior subordinated debt securities issued in the future with substantially similar subordination terms, but does not include our obligations related to Zions Capital Trust B s 8.0% Capital Securities due September 1, 2032, Stockmen s Statutory Trust II s Floating Rate Capital Securities due March 26, 2033, and Stockmen s Statutory Trust III s Floating Rate Capital Securities due March 17, 2034 or junior subordinated debentures of

any series or any junior subordinated debentures issued in the future with subordination terms substantially similar to those of the junior subordinated debentures. Finally, the term allocable amounts, when used with

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respect to any senior subordinated debt, means the amount necessary to pay all principal, any premium and any interest on that senior subordinated debt in full less, if applicable, any portion of those amounts which would have been paid to, and retained by, the holders of senior subordinated debt, whether from us or any holder of or trustee for debt subordinated to that senior subordinated debt, but for the fact that such senior subordinated debt is subordinate or junior in right of payment to trade accounts payable or accrued liabilities arising in the ordinary course of business.

Senior indebtedness includes certain of our obligations with respect to our outstanding senior securities titled as subordinated debt securities and any subordinated debt securities issued in the future with substantially similar subordination terms, but does not include the junior subordinated debentures of any series or any junior subordinated debentures issued in the future with subordination terms substantially similar to those of the junior subordinated debentures.

In the event of:

- any insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to us, our creditors or our property;
- any proceeding for the liquidation, dissolution or other winding up of us, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings;
- any assignment by us for the benefit of creditors; or
- any other marshaling of our assets,

then all senior indebtedness, including any interest accruing after the commencement of any of the proceedings described above, must first be paid in full before any payment or distribution, whether in cash, securities or other property, may be made on account of the junior subordinated debentures. Any payment or distribution on account of the junior subordinated debentures, whether in cash, securities or other property, that would otherwise but for the subordination provisions be payable or deliverable in respect of the junior subordinated debentures will be paid or delivered directly to the holders of senior indebtedness in accordance with the priorities then existing among those holders until all senior indebtedness, including any interest accruing after the commencement of any such proceedings, has been paid in full.

In the event of any of the proceedings described above, after payment in full of all senior indebtedness, the holders of junior subordinated debentures, together with the holders of any of our obligations ranking on a parity with the junior subordinated debentures, which for this purpose includes the allocable amounts of subordinated debt, will be entitled to be paid from our remaining assets the amounts at the time due and owing on the junior subordinated debentures and the other obligations before any payment or other distribution, whether in cash, property or otherwise, will be made on account of any of our capital stock or obligations ranking junior to the junior subordinated debentures. If any payment or distribution on account of the junior subordinated debentures of any character or any security, whether in cash, securities or other property, is received by any holder of any junior subordinated debentures in contravention of any of the terms described above and before all the senior indebtedness has been paid in full, that payment or distribution or security will be received in trust for the benefit of, and must be paid over or delivered and transferred to, the holders of the senior indebtedness at the time outstanding in accordance with the priorities then existing among those holders for application to the payment of all senior indebtedness remaining unpaid to the extent necessary to pay all senior indebtedness in full. Because of this subordination, in the event of our insolvency, holders of senior indebtedness may receive more, ratably, and holders of the junior subordinated debentures may receive less, ratably, than our other creditors. Such subordination will not prevent the occurrence of any event of default under the junior indenture.

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Trust Expenses

Pursuant to the expense agreement for each series of corresponding junior subordinated debentures, we, as holder of the trust common securities, will irrevocably and unconditionally agree with each Issuer Trust that holds junior subordinated debentures that we will pay to the Issuer Trust, and reimburse the Issuer Trust for, the full amounts of any costs, expenses or liabilities of the Issuer Trust, other than obligations of the Issuer Trust to pay to the holders of any capital securities or other similar interests in the Issuer Trust the amounts due such holders pursuant to the terms of the capital securities or such other similar interests, as the case may be. This payment obligation will include any costs, expenses or liabilities of the Issuer Trust that are required by applicable law to be satisfied in connection with a dissolution of the Issuer Trust.

Governing Law

The junior indenture is, and the junior subordinated debentures will be, governed by and construed in accordance with the laws of the State of New York.

Information Concerning the Debenture Trustee

The debenture trustee will have, and be subject to, all the duties and responsibilities specified with respect to an indenture trustee under the Trust Indenture Act. Subject to these provisions, the debenture trustee is under no obligation to exercise any of the powers vested in it by the junior indenture at the request of any holder of junior subordinated debentures, unless offered reasonable indemnity by that holder against the costs, expenses and liabilities which might be incurred thereby. The debenture trustee is not required to expend or risk its own funds or otherwise incur personal financial liability in the performance of its duties.

Corresponding Junior Subordinated Debentures

The corresponding junior subordinated debentures may be issued in one or more series of junior subordinated debentures under the junior indenture with terms corresponding to the terms of a series of related capital securities. In that event, concurrently with the issuance of each Issuer Trust s capital securities, the Issuer Trust will invest the proceeds thereof and the consideration paid by us for the trust common securities of the Issuer Trust in such series of corresponding junior subordinated debentures issued by us to the Issuer Trust. Each series of corresponding junior subordinated debentures will be in the principal amount equal to the aggregate stated liquidation amount of the related capital securities and trust common securities of the Issuer Trust and will rank on a parity with all other series of junior subordinated debentures. Holders of the related capital securities for a series of corresponding junior subordinated debentures will have the rights in connection with modifications to the junior indenture or upon occurrence of debenture events of default, as described under Modification of the Junior Indenture and Events of Default, unless provided otherwise in the prospectus supplement for such related capital securities.

Unless otherwise specified in the applicable prospectus supplement, if a tax event or a capital treatment event in respect of an Issuer Trust has occurred and is continuing, we may, at our option and subject to prior approval of the Federal Reserve Board if then required under applicable capital guidelines or policies, redeem the corresponding junior subordinated debentures at any time within 90 days of the occurrence of such tax event or capital treatment event, in whole but not in part, subject to the provisions of the junior indenture and whether or not the corresponding junior subordinated debentures are then otherwise redeemable at our option. Unless provided otherwise in the applicable prospectus supplement, the redemption price for any corresponding junior subordinated debentures will be equal to 100% of the principal amount of the corresponding junior subordinated debentures then outstanding plus accrued and unpaid interest to the date fixed for redemption. For so long as the

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applicable Issuer Trust is the holder of all the outstanding corresponding junior subordinated debentures, the proceeds of any redemption will be used by the Issuer Trust to redeem the corresponding trust securities in accordance with their terms. We also have the right at any time to dissolve the applicable Issuer Trust and to distribute the corresponding junior subordinated debentures to the holders of the related series of trust securities in liquidation of the Issuer Trust. See Description of Capital Securities and Related Instruments Redemption or Exchange Distribution of Corresponding Junior Subordinated Debentures for a more detailed discussion. We may not redeem a series of corresponding junior subordinated debentures in part unless all accrued and unpaid interest has been paid in full on all outstanding corresponding junior subordinated debentures of that series for all interest periods terminating on or prior to the redemption date.

We have agreed in the junior indenture, as to each series of corresponding junior subordinated debentures, that if and so long as:

- the Issuer Trust of the related series of trust securities is the holder of all the corresponding junior subordinated debentures;
- a tax event in respect of such Issuer Trust has occurred and is continuing; and
- we elect, and do not revoke that election, to pay additional sums in respect of the trust securities,

we will pay to the Issuer Trust these additional sums (as defined under Description of Capital Securities and Related Instruments Redemption or Exchange). We also have agreed, as to each series of corresponding junior subordinated debentures:

- to maintain directly or indirectly 100% ownership of the trust common securities of the Issuer Trust to which the corresponding junior subordinated debentures have been issued, *provided* that certain successors which are permitted under the junior indenture may succeed to our ownership of the trust common securities;
- not to voluntarily dissolve, wind-up or liquidate any Issuer Trust, except:
  - in connection with a distribution of corresponding junior subordinated debentures to the holders of the capital securities in exchange for their capital securities upon liquidation of the Issuer Trust; or
  - in connection with certain mergers, consolidations or amalgamations permitted by the related trust agreement,

in either such case, if specified in the applicable prospectus supplement, upon prior approval of the Federal Reserve Board, if then required under applicable Federal Reserve Board capital guidelines or policies; and

- to use reasonable efforts, consistent with the terms and provisions of the related trust agreement, to cause the Issuer Trust to be classified as a grantor trust and not as an association taxable as a corporation for U.S. federal income tax purposes.

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DESCRIPTION OF GUARANTEES

Please note that in this section entitled Description of Guarantees, references to Zions, we, our and us refer only to Zions Bancorporation and not to its consolidated subsidiaries. Also, in this section, references to holders mean those who own capital securities registered in their own names, on the books that we or the guarantee trustee maintain for this purpose, and not those who own beneficial interests in the capital securities registered in street name or in capital securities issued in book-entry form through one or more depositaries. Owners of beneficial interests in the capital securities should also read the section entitled Legal Ownership and Book-Entry Issuance.

The following description summarizes the material provisions of the guarantees and the agreements as to expenses and liabilities. This description is not complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of each guarantee and each expense agreement, including the definitions therein, and the Trust Indenture Act. The forms of the guarantee and the expense agreement have been filed as an exhibit to the registration statement of which this prospectus forms a part. Reference in this summary to capital securities means the capital securities issued by the related Issuer Trust to which a guarantee or expense agreement relates. Whenever particular defined terms of the guarantees or expense agreements are referred to in this prospectus or in a prospectus supplement, those defined terms are incorporated in this prospectus or the prospectus supplement by reference.

General

A guarantee will be executed and delivered by us at the same time each Issuer Trust issues its capital securities. Each guarantee is for the benefit of the holders from time to time of the capital securities. The Bank of New York Mellon Trust Company, N.A. will act as indenture trustee (referred to below as the guarantee trustee) under each guarantee for the purposes of compliance with the Trust Indenture Act and each guarantee will be qualified as an indenture under the Trust Indenture Act. The guarantee trustee will hold each guarantee for the benefit of the holders of the related Issuer Trust s capital securities.

We will irrevocably and unconditionally agree to pay in full on a subordinated basis, to the extent described below, the guarantee payments (as defined below) to the holders of the capital securities, as and when due, regardless of any defense, right of set-off or counterclaim that the Issuer Trust may have or assert other than the defense of payment. The following payments or distributions with respect to the capital securities, to the extent not paid by or on behalf of the related Issuer Trust (referred to as the guarantee payments), will be subject to the related guarantee:

- any accumulated and unpaid distributions required to be paid on the capital securities, to the extent that the Issuer Trust has funds on hand available for the distributions;
- the redemption price with respect to any capital securities called for redemption, to the extent that the Issuer Trust has funds on hand available for the redemptions; or
- upon a voluntary or involuntary dissolution, winding up or liquidation of the Issuer Trust (unless the corresponding junior subordinated debentures are distributed to holders of such capital securities in exchange for their capital securities), the lesser of:
  - the liquidation distribution; and
  - the amount of assets of the Issuer Trust remaining available for distribution to holders of capital securities after satisfaction of liabilities to creditors of the Issuer Trust as required by applicable law.

Our obligation to make a guarantee payment may be satisfied by direct payment of the required amounts by us to the holders of the applicable capital securities or by causing the Issuer Trust to pay these amounts to the holders.

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Each guarantee will be an irrevocable and unconditional guarantee on a subordinated basis of the related Issuer Trust s obligations under the capital securities, but will apply only to the extent that the related Issuer Trust has funds sufficient to make such payments, and is not a guarantee of collection. See Status of the Guarantees.

If we do not make interest payments on the corresponding junior subordinated debentures held by the Issuer Trust, the Issuer Trust will not be able to pay distributions on the capital securities and will not have funds legally available for the distributions. Each guarantee constitutes an unsecured obligation of ours and will rank subordinate and junior in right of payment to all of our senior indebtedness. See Status of the Guarantees.

The junior subordinated debentures and, in the case of junior subordinated debentures in bearer form, any related interest coupons, will constitute part of our junior subordinated debt, will be issued under the junior indenture and will be subordinate and junior in right of payment to all of our senior indebtedness, as defined in the junior indenture. In addition, the junior subordinated debentures will be structurally subordinated to all indebtedness and other liabilities, including trade payables and lease obligations, of each of our subsidiaries, except to the extent we may be a creditor of that subsidiary with recognized senior claims. This is because we are a holding company and a legal entity separate and distinct from our subsidiaries, and our right to participate in any distribution of assets of any subsidiary upon its liquidation, reorganization or otherwise, and the ability of holders of debt securities to benefit indirectly from such distribution, is subject to superior claims. Claims on our subsidiary banks by creditors other than us include long-term debt, including subordinated and junior subordinated debt issued by our subsidiary, Amegy Corporation, and substantial obligations with respect to deposit liabilities and federal funds purchased, securities sold under repurchase agreements, other short-term borrowings and various other financial obligations. If we are entitled to participate in any assets of any of our subsidiaries upon the liquidation or reorganization of the subsidiary, the rights of holders of the junior subordinated debentures and senior indebtedness with respect to those assets will be subject to the contractual subordination of the junior subordinated debentures.

Except as otherwise provided in the applicable prospectus supplement, the guarantees do not limit the incurrence or issuance of other secured or unsecured debt of ours, including senior indebtedness, whether under the junior indenture, any other existing indenture or any other indenture that we may enter into in the future or otherwise. See the applicable prospectus supplement relating to any offering of capital securities.

We have, through the applicable guarantee, the applicable trust agreement, the applicable series of corresponding junior subordinated debentures, the junior indenture and the applicable expense agreement, taken together, fully, irrevocably and unconditionally guaranteed all of the Issuer Trust s obligations under the related capital securities. No single document standing alone or operating in conjunction with fewer than all of the other documents constitutes a guarantee. It is only the combined operation of these documents that has the effect of providing a full, irrevocable and unconditional guarantee of an Issuer Trust s obligations under its related capital securities. See Relationship Among the Capital Securities and the Related Instruments.

Status of the Guarantees

Each guarantee will constitute an unsecured obligation of ours and will rank subordinate and junior in right of payment to all of our senior indebtedness in the same manner as corresponding junior subordinated debentures.

Each guarantee will rank equally with all other similar guarantees issued by us on behalf of the holders of capital securities issued by any issuer trust. Each guarantee will constitute a guarantee of payment and not of collection (i.e., the guaranteed party may institute a legal proceeding directly against us to enforce its rights under the guarantee without first instituting a legal proceeding against any other person or entity). Each guarantee will be held for the benefit of the holders of the related capital securities. Each guarantee will not be discharged

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except by payment of the guarantee payments in full to the extent not paid by the Issuer Trust or upon distribution to the holders of the capital securities of the corresponding junior subordinated debentures. None of the guarantees places a limitation on the amount of additional senior indebtedness that may be incurred by us. We expect from time to time to incur additional indebtedness constituting senior indebtedness.

Amendments and Assignment

Except with respect to any changes which do not materially adversely affect the material rights of holders of the related capital securities (in which case no vote of the holders will be required), no guarantee may be amended without the prior approval of the holders of at least a majority of the aggregate liquidation amount of the related outstanding capital securities. The manner of obtaining any such approval will be as described under Description of Capital Securities and Related Instruments Voting Rights; Amendment of Each Trust Agreement. All guarantees and agreements contained in each guarantee will bind our successors, assigns, receivers, trustees and representatives and will inure to the benefit of the holders of the related capital securities then outstanding. We may not assign our obligations under the guarantees except in connection with a consolidation, merger or sale involving us that is permitted under the terms of the junior indenture and then only if any such successor or assignee agrees in writing to perform our obligations under the guarantees.

Events of Default

An event of default under each guarantee will occur upon our failure to perform any of our payment obligations under the guarantee or to perform any non-payment obligations if this non-payment default remains unremedied for 30 days. The holders of at least a majority in aggregate liquidation amount of the related capital securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the guarantee trustee in respect of the guarantee or to direct the exercise of any trust or power conferred upon the guarantee trustee under the guarantee.

The holders of at least a majority in aggregate liquidation amount of the related capital securities have the right, by vote, to waive any past events of default and its consequences under each guarantee. If such a waiver occurs, any event of default will cease to exist and be deemed to have been cured under the terms of the guarantee.

Any holder of the capital securities may, to the extent permissible under applicable law, institute a legal proceeding directly against us to enforce its rights under the guarantee without first instituting a legal proceeding against the Issuer Trust, the guarantee trustee or any other person or entity.

We, as guarantor, are required to file annually with the guarantee trustee a certificate as to whether or not we are in compliance with all the conditions and covenants applicable to us under the guarantee.

Information Concerning the Guarantee Trustee

The guarantee trustee, other than during the occurrence and continuance of a default by us in performance of any guarantee, undertakes to perform only those duties specifically set forth in each guarantee and, after default with respect to any guarantee, must exercise the same degree of care and skill as a prudent person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the guarantee trustee is under no obligation to exercise any of the powers vested in it by any guarantee at the request of any holder of any capital securities unless it is offered reasonable indemnity against the costs, expenses and liabilities that might be incurred as a result. However, such a requirement does not relieve the guarantee trustee of its obligations to exercise its rights and powers under the guarantee upon the occurrence of an event of default.

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Termination of the Guarantees

Each guarantee will terminate and be of no further force and effect upon:

- full payment of the redemption price of the related capital securities;
- full payment of the amounts payable upon liquidation of the related Issuer Trust; or
- the distribution of corresponding junior subordinated debentures to the holders of the related capital securities in exchange for their capital securities.

Each guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of the related capital securities must restore payment of any sums paid under the capital securities or the guarantee.

Governing Law

Each guarantee will be governed by and construed in accordance with the laws of the State of New York.

The Expense Agreement

Pursuant to the expense agreement that will be entered into by us under each trust agreement, we will irrevocably and unconditionally guarantee to each person or entity to whom the Issuer Trust becomes indebted or liable, the full payment of any costs, expenses or liabilities of the Issuer Trust, other than obligations of the Issuer Trust to pay to the holders of any capital securities or other similar interests in the Issuer Trust of the amounts owed to holders pursuant to the terms of the capital securities or other similar interests, as the case may be. The expense agreement will be enforceable by third parties.

Our obligations under each expense agreement will be subordinated in right of payment to the same extent as the related junior subordinated debentures.

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RELATIONSHIP AMONG THE CAPITAL SECURITIES

AND THE RELATED INSTRUMENTS

Please note that in this section entitled Relationship Among the Capital Securities and the Related Instruments, references to Zions, we, our and us refer only to Zions Bancorporation and not to its consolidated subsidiaries. Also, in this section, references to holders mean those who own capital securities registered in their own names, on the books that we or the guarantee trustee maintain for this purpose, and not those who own beneficial interests in the capital securities registered in street name or in capital securities issued in book-entry form through one or more depositaries. Owners of beneficial interests in the capital securities should also read the section entitled Legal Ownership and Book-Entry Issuance.

The following description of the relationship among the capital securities, the corresponding junior subordinated debentures, the relevant expense agreement and the relevant guarantee is not complete and is subject to, and is qualified in its entirety by reference to, each trust agreement, the junior indenture and the form of guarantee, each of which is incorporated as an exhibit to the registration statement of which this prospectus forms a part, and the Trust Indenture Act.

Full and Unconditional Guarantee

Payments of distributions and other amounts due on the capital securities (to the extent the related Issuer Trust has funds available for the payment of such distributions) are irrevocably guaranteed by us as described above under Description of Guarantees. Taken together, our obligations under each series of corresponding junior subordinated debentures, the junior indenture, the related trust agreement, the related expense agreement, and the related guarantee provide, in the aggregate, a full, irrevocable and unconditional guarantee of payments of distributions and other amounts due on the related capital securities. No single document standing alone or operating in conjunction with fewer than all of the other documents constitutes such guarantee. It is only the combined operation of these documents that has the effect of providing a full, irrevocable and unconditional guarantee of the Issuer Trust s obligations under the related capital securities. If and to the extent that we do not make payments on any series of corresponding junior subordinated debentures, the Issuer Trust will not pay distributions or other amounts due on its related capital securities. The guarantees do not cover payment of distributions when the related Issuer Trust does not have sufficient funds to pay such distributions. In such an event, the remedy of a holder of any capital securities is to institute a legal proceeding directly against us pursuant to the terms of the junior indenture for enforcement of payment of amounts of such distributions to such holder. Our obligations under each guarantee are subordinate and junior in right of payment to all of our senior indebtedness.

If we make payment on the corresponding subordinated junior subordinated debentures and the relevant Issuer Trust has funds available to make payments on its related capital securities but fails to do so, a holder of such capital securities may begin a legal proceeding against us to enforce our obligations under the related guarantee to make these payments or to cause the Issuer Trust to make these payments. In the event an Issuer Trust receives payments on the corresponding subordinated junior debentures, but these funds are available for payment on the related capital securities only after claims made by creditors of the trust are paid, we would be obligated under the related expense agreement to pay those claims.

Sufficiency of Payments

As long as payments of interest and other payments are made when due on each series of corresponding junior subordinated debentures, such payments will be sufficient to cover distributions and other payments due on the related capital securities, primarily because:

- the aggregate principal amount of each series of corresponding junior subordinated debentures will be equal to the sum of the aggregate stated liquidation amount of the related capital securities and related trust common securities;

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the interest rate and interest and other payment dates on each series of corresponding junior subordinated debentures will match the distribution rate and distribution and other payment dates for the related capital securities;

we will pay, under the related expense agreement, for all and any costs, expenses and liabilities of the Issuer Trust except the Issuer Trust s obligations to holders of its capital securities under the capital securities; and

each trust agreement provides that the Issuer Trust will not engage in any activity that is inconsistent with the limited purposes of such Issuer Trust.

Notwithstanding anything to the contrary in the junior indenture, we have the right to set-off any payment we are otherwise required to make under the junior indenture with a payment we make under the related guarantee.

Enforcement Rights of Holders of Capital Securities

A holder of any related capital security may, to the extent permissible under applicable law, institute a legal proceeding directly against us to enforce its rights under the related guarantee without first instituting a legal proceeding against the guarantee trustee, the related Issuer Trust or any other person or entity.

A default or event of default under any of our senior indebtedness would not constitute a default or event of default under the junior indenture. However, in the event of payment defaults under, or acceleration of, our senior indebtedness, the subordination provisions of the junior indenture provide that no payments may be made in respect of the corresponding junior subordinated debentures until the senior indebtedness has been paid in full or any payment default has been cured or waived. Failure to make required payments on any series of corresponding junior subordinated debentures would constitute an event of default under the junior indenture.

Limited Purpose of Issuer Trusts

Each Issuer Trust s capital securities evidence a preferred and undivided beneficial interest in the assets of the Issuer Trust, and each Issuer Trust exists for the sole purpose of issuing its capital securities and trust common securities and investing the proceeds thereof in corresponding junior subordinated debentures and engaging in only those other activities necessary or incidental thereto. A principal difference between the rights of a holder of a capital security and a holder of a corresponding junior subordinated debenture is that a holder of a corresponding junior subordinated debenture is entitled to receive from us the principal amount of and interest accrued on corresponding junior subordinated debentures held, while a holder of capital securities is entitled to receive distributions from the Issuer Trust (or from us under the applicable guarantee) if and to the extent the Issuer Trust has funds available for the payment of such distributions.

Rights Upon Dissolution

Upon any voluntary or involuntary dissolution of any Issuer Trust involving our liquidation, the holders of the related capital securities will be entitled to receive, out of the assets held by such Issuer Trust, the liquidation distribution in cash. See Description of Capital Securities and Related Instruments Liquidation Distribution Upon Dissolution. Upon any voluntary or involuntary liquidation or bankruptcy of ours, the property trustee, as holder of the corresponding junior subordinated debentures, would be a subordinated creditor of ours, subordinated in right of payment to all senior indebtedness as set forth in the junior indenture, but entitled to receive payment in full of principal and interest, before any shareholder of ours receives payments or distributions. Since we are the guarantor under each guarantee and have agreed, under the related expense

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agreement, to pay for all costs, expenses and liabilities of each Issuer Trust (other than the Issuer Trust s obligations to the holders of its capital securities), the positions of a holder of such capital securities and a holder of such corresponding junior subordinated debentures relative to other creditors and to our shareholders in the event of our liquidation or bankruptcy are expected to be substantially the same.

Notices

Notices to be given to holders of a global capital security will be given only to the depositary, in accordance with its applicable policies as in effect from time to time. Notices to be given to holders of any capital securities not in global form will be sent by mail to the respective addresses of the holders as they appear in the trustee s records, and will be deemed given when mailed. Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive notices.

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LEGAL OWNERSHIP AND BOOK-ENTRY ISSUANCE

In this section, we describe special considerations that will apply to registered securities issued in global i.e., book-entry form. First we describe the difference between legal ownership and indirect ownership of registered securities. Then we describe special provisions that apply to global securities.

Who Is the Legal Owner of a Registered Security?

Each security in registered form will be represented either by a certificate issued in definitive form to a particular investor or by one or more global securities representing the entire issuance of securities. We refer to those who have securities registered in their own names, on the books that we or the trustee, warrant agent or other agent maintain for this purpose, as the holders of those securities. These persons are the legal holders of the securities. We refer to those who, indirectly through others, own beneficial interests in securities that are not registered in their own names as indirect owners of those securities. As we discuss below, indirect owners are not legal holders, and investors in securities issued in book-entry form or in street name will be indirect owners.

Book-Entry Owners

We or the Issuer Trusts, as applicable, will issue each security in book-entry form only, unless we specify otherwise in the applicable prospectus supplement. This means securities will be represented by one or more global securities registered in the name of a financial institution that holds them as depositary on behalf of other financial institutions that participate in the depositary s book-entry system. These participating institutions, in turn, hold beneficial interests in the securities on behalf of themselves or their customers.

Under each indenture, agreement or other instrument relating to a security, only the person in whose name a security is registered is recognized as the holder of that security. Consequently, for securities issued in global form, we or the Issuer Trusts will recognize only the depositary as the holder of the securities and we or the Issuer Trusts will make all payments on the securities, including deliveries of any property other than cash, to the depositary. The depositary passes along the payments it receives to its participants, which in turn pass the payments along to their customers who are the beneficial owners. The depositary and its participants do so under agreements they have made with one another or with their customers. They are not obligated to do so under the terms of the securities.

As a result, investors will not own securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the depositary s book-entry system or holds an interest through a participant. As long as the securities are issued in global form, investors will be indirect owners, and not holders, of the securities.

Street Name Owners

In the future we or the Issuer Trusts, as applicable, may terminate a global security or issue securities initially in non-global form. In these cases, investors may choose to hold their securities in their own names or in street name. Securities held by an investor in street name would be registered in the name of a bank, broker or other financial institution that the investor chooses, and the investor would hold only a beneficial interest in those securities through an account he or she maintains at that institution.

For securities held in street name, we or the Issuer Trusts, as applicable, will recognize only the intermediary banks, brokers and other financial institutions in whose names the securities are registered as the holders of those securities and we or the Issuer Trusts, as applicable, will make all payments on those securities, including deliveries of any property other than cash, to them. These institutions pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold securities in street name will be indirect owners, not holders, of those securities.

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Legal Holders

Our obligations, the obligations of the Issuer Trusts, as well as the obligations of the trustee under any indenture and the obligations, if any, of any warrant agents, unit agents, or other agents and any other third parties employed by us, the trustee or any of those agents, run only to the holders of the securities. Neither we nor the Issuer Trusts have obligations to investors who hold beneficial interests in global securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect owner of a security or has no choice because we or the Issuer Trusts, as applicable, are issuing the securities only in global form.

For example, once we or the Issuer Trusts, as applicable, make a payment or give a notice to the holder, we or the Issuer Trusts, as applicable, have no further responsibility for that payment or notice even if that holder is required, under agreements with depositary participants or customers or by law, to pass it along to the indirect owners but does not do so. Similarly, if we or the Issuer Trusts want to obtain the approval of the holders for any purpose e.g., to amend the indenture for a series of debt securities or warrants or the warrant agreement for a series of warrants or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of an indenture we or the Issuer Trusts would seek the approval only from the holders, and not the indirect owners, of the relevant securities. Whether and how the holders contact the indirect owners is up to the holders.

When we refer to you in this prospectus, we mean those who invest in the securities being offered by this prospectus, whether they are the holders or only indirect owners of those securities. When we refer to your securities in this prospectus, we mean the securities in which you will hold a direct or indirect interest.

Special Considerations for Indirect Owners

If you hold securities through a bank, broker or other financial institution, either in book-entry form or in street name, you should check with your own institution to find out:

- how it handles securities payments and notices;
- whether it imposes fees or charges;
- whether and how you can instruct it to exercise any rights to purchase or sell warrant property under a warrant or purchase contract property under a purchase contract or to exchange or convert a security for or into other property;
- how it would handle a request for the holders consent, if ever required;
- whether and how you can instruct it to send you securities registered in your own name so you can be a holder, if that is permitted in the future;
- how it would exercise rights under the securities if there were a default or other event triggering the need for holders to act to protect their interests; and
- if the securities are in book-entry form, how the depositary s rules and procedures will affect these matters.

What Is a Global Security?

We or the Issuer Trusts, as applicable, will issue each security in book-entry form only, unless we specify otherwise in the applicable prospectus supplement. Each security issued in book-entry form will be represented by a global security that we or the Issuer Trusts deposit with and register in the name of one or more financial institutions or clearing systems, or their nominees, which we select. A financial institution or

clearing system that we or the Issuer Trusts select for any security for this purpose is called the depositary for that security. A security will usually have only one depositary but it may have more.

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Each series of securities will have one or more of the following as the depositaries:

- The Depository Trust Company, New York, New York, which is known as DTC;
- a financial institution holding the securities on behalf of Euroclear Bank SA/NV, which is known as Euroclear;
- a financial institution holding the securities on behalf of Clearstream Banking, société anonyme, which is known as Clearstream; and
- any other clearing system or financial institution named in the applicable prospectus supplement.

The depositaries named above may also be participants in one another s clearing systems. Thus, for example, if DTC is the depositary for a global security, investors may hold beneficial interests in that security through Euroclear or Clearstream, as DTC participants. The depositary or depositaries for your securities will be named in your prospectus supplement; if none is named, the depositary will be DTC.

A global security may represent one or any other number of individual securities. Generally, all securities represented by the same global security will have the same terms. We or the Issuer Trusts may, however, issue a global security that represents multiple securities of the same kind, such as debt securities, that have different terms and are issued at different times. We call this kind of global security a master global security. Your prospectus supplement will not indicate whether your securities are represented by a master global security.

A global security may not be transferred to or registered in the name of anyone other than the depositary or its nominee, unless special termination situations arise. We describe those situations below under Holder s Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated. As a result of these arrangements, the depositary, or its nominee, will be the sole registered owner and holder of all securities represented by a global security, and investors will be permitted to own only indirect interests in a global security. Indirect interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depositary or with another institution that does. Thus, an investor whose security is represented by a global security will not be a holder of the security, but only an indirect owner of an interest in the global security.

If the prospectus supplement for a particular security indicates that the security will be issued in global form only, then the security will be represented by a global security at all times unless and until the global security is terminated. We describe the situations in which this can occur below under Holder s Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated. If termination occurs, we or the Issuer Trusts, as applicable, may issue the securities through another book-entry clearing system or decide that the securities may no longer be held through any book-entry clearing system.

Special Considerations for Global Securities

As an indirect owner, an investor s rights relating to a global security will be governed by the account rules of the depositary and those of the investor s financial institution or other intermediary through which it holds its interest (e.g., Euroclear or Clearstream, if DTC is the depositary), as well as general laws relating to securities transfers. We or the Issuer Trusts, as applicable, do not recognize this type of investor or any intermediary as a holder of securities and instead deal only with the depositary that holds the global security.

If securities are issued only in the form of a global security, an investor should be aware of the following:

- an investor cannot cause the securities to be registered in his or her own name, and cannot obtain non-global certificates for his or her interest in the securities, except in the special situations we describe below;

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an investor will be an indirect holder and must look to his or her own bank or broker for payments on the securities and protection of his or her legal rights relating to the securities, as we describe above under Who Is the Legal Owner of a Registered Security Legal Holders above;

an investor may not be able to sell interests in the securities to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form;

an investor may not be able to pledge his or her interest in a global security in circumstances where certificates representing the securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective;

the depositary s policies, will govern payments, deliveries, transfers, exchanges, notices and other matters relating to an investor s interest in a global security, and those policies may change from time to time. We, the Issuer Trusts, the trustee and any warrant agents and unit agents will have no responsibility for any aspect of the depositary s policies, actions or records of ownership interests in a global security. We, the Issuer Trusts, the trustee and any warrant agents, unit agents or other agents also do not supervise the depositary in any way;

the depositary will require that those who purchase and sell interests in a global security within its book-entry system use immediately available funds and your broker or bank may require you to do so as well; and

financial institutions that participate in the depositary s book-entry system and through which an investor holds its interest in the global securities, directly or indirectly (including Euroclear and Clearstream, if you hold through them when the depositary is DTC), may also have their own policies affecting payments, deliveries, transfers, exchanges, notices and other matters relating to the securities, and those policies may change from time to time. For example, if you hold an interest in a global security through Euroclear or Clearstream, when DTC is the depositary, Euroclear or Clearstream, as applicable, will require those who purchase and sell interests in that security through them to use immediately available funds and comply with other policies and procedures, including deadlines for giving instructions as to transactions that are to be effected on a particular day. There may be more than one financial intermediary in the chain of ownership for an investor. We or the Issuer Trusts, as applicable, do not monitor and are not responsible for the policies or actions or records of ownership interests of any of those intermediaries.

Holder s Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated

If we or the Issuer Trusts, as applicable, issue any series of securities in book-entry form but we choose to give the beneficial owners of that series the right to obtain non-global securities, any beneficial owner entitled to obtain non-global securities may do so by following the applicable procedures of the depositary, any transfer agent or registrar for that series and that owner s bank, broker or other financial institution through which that owner holds its beneficial interest in the securities.

In addition, in a few special situations described below, a global security will be terminated and interests in it will be exchanged for certificates in non-global form representing the securities it represented. After that exchange, the choice of whether to hold the securities directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders. We have described the rights of holders and street name investors above under Who Is the Legal Owner of a Registered Security.

The special situations for termination of a global security are as follows:

the depositary notifies us or the Issuer Trusts that it is unwilling, unable or no longer qualified to continue as depositary for that global security and we do not appoint another institution to act as depositary within 60 days;

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we or the Issuer Trusts order in our sole discretion that such global security will be transferable, registrable, and exchangeable; or

in the case of a global security representing debt securities or warrants issued under an indenture, an event of default has occurred with regard to that global security and is continuing.

None of we, any Issuer Trust, the trustee for any debt securities, the warrant agent for any warrants, the unit agent for any units or any other applicable agent will be responsible for maintaining any records of ownership interests in a global security. If a global security is terminated, only the depositary, and not we, any Issuer Trust, the trustee for any debt securities, the warrant agent for any warrants, the unit agent for any units or any other applicable agent, is responsible for following the depositary s procedures to determine the names of the institutions in whose names the securities represented by the global security will be registered and, therefore, who will be the holders of those securities.

Considerations Relating to Euroclear and Clearstream

Euroclear and Clearstream are securities clearing systems in Europe. Both systems clear and settle securities transactions between their participants through electronic, book-entry delivery of securities against payment.

As long as any global security is held by Euroclear or Clearstream, as depositary, you may hold an interest in the global security only through an organization that participates, directly or indirectly, in Euroclear or Clearstream. If you are a participant in either of those clearing systems, you may hold your interest directly in that clearing system. If you are not a participant, you may hold your interest indirectly through organizations that are participants in that clearing system.

If Euroclear or Clearstream is the depositary for a global security and there is no depositary in the United States, you will not be able to hold interests in that global security through any securities clearance system in the United States.

If Euroclear or Clearstream is the depositary for a global security, or if DTC is the depositary for a global security and Euroclear and Clearstream hold interests in the global security as participants in DTC, then Euroclear and Clearstream will hold interests in the global security on behalf of the participants in their systems.

Payments, deliveries, transfers, exchanges, notices and other matters relating to the securities made through Euroclear or Clearstream must comply with the rules and procedures of those systems. Those clearing systems could change their rules and procedures at any time. Neither we nor the Issuer Trusts have control over those systems or their participants, and neither we nor the Issuer Trusts take responsibility for their activities. Transactions between participants in Euroclear or Clearstream on one hand, and participants in DTC, on the other hand, when DTC is the depositary, would also be subject to DTC s rules and procedures.

Special Timing Considerations for Transactions in Euroclear and Clearstream

Investors will be able to make and receive through Euroclear and Clearstream payments, deliveries, transfers, exchanges, notices and other transactions involving any securities held through those clearing systems only on days when those systems are open for business. These clearing systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, U.S. investors who hold their interests in the securities through these clearing systems and wish to transfer their interests, or to receive or make a payment or delivery or exercise any other right with respect to their interests, on a particular day may find that the transaction will not be effected until the next business day in Luxembourg or Brussels, as applicable. Thus, investors who wish to exercise rights that expire on a particular day may need to act before the expiration date. In addition, investors who hold their interests through both DTC and Euroclear or Clearstream may need to make special arrangements to finance any purchases or sales of their interests between the U.S. and European clearing systems, and those transactions may settle later than would be the case for transactions within one clearing system.

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SECURITIES ISSUED IN BEARER FORM

We or the Issuer Trusts, as applicable, may issue securities in bearer, rather than registered, form. If we do, those securities will be subject to special provisions described in this section. This section primarily describes provisions relating to debt securities issued in bearer form. Other provisions may apply to securities of other kinds issued in bearer form. To the extent the provisions described in this section are inconsistent with those described elsewhere in this prospectus, they supersede those described elsewhere with regard to any bearer securities. Otherwise, the relevant provisions described elsewhere in this prospectus will apply to bearer securities.

Temporary and Permanent Bearer Global Securities

If we or the Issuer Trusts, as applicable, issue securities in bearer form, all securities of the same series and kind will initially be represented by a temporary bearer global security, which we or the Issuer Trusts will deposit with a common depositary for Euroclear and Clearstream. Euroclear and Clearstream will credit the account of each of their subscribers with the amount of securities the subscriber purchases. We or the Issuer Trusts will promise to exchange the temporary bearer global security for a permanent bearer global security, which we will deliver to the common depositary upon the later of the following two dates:

- the date that is 40 days after the later of (a) the completion of the distribution of the securities as determined by the underwriter, dealer or agent and (b) the closing date for the sale of the securities by us; we may extend this date as described below under Extensions for Further Issuances; and
- the date on which Euroclear and Clearstream provide us or our agent with the necessary tax certificates described below under U.S. Tax Certificate Required.

Unless we or the Issuer Trusts say otherwise in the applicable prospectus supplement, owners of beneficial interests in a permanent bearer global security will be able to exchange those interests at their option, in whole but not in part, for:

- non-global securities in bearer form with interest coupons attached, if applicable; or
- non-global securities in registered form without coupons attached.

A beneficial owner will be able to make this exchange by giving us or our designated agent 60 days prior written notice in accordance with the terms of the securities.

Extensions for Further Issuances

Without the consent of the trustee, any holders or any other person, we or the Issuer Trusts, as applicable, may issue additional securities identical to a prior issue from time to time. If we issue additional securities before the date on which we would otherwise be required to exchange the temporary bearer global security representing the prior issue for a permanent bearer global security as described above, that date will be extended until the 40th day after the completion of the distribution and the closing, whichever is later, for the additional securities. Extensions of this kind may be repeated if we or the Issuer Trusts sell additional identical securities. As a result of these extensions, beneficial interests in the temporary bearer global security may not be exchanged for interests in a permanent bearer global security until the 40th day after the additional securities have been distributed and sold.

U.S. Tax Certificate Required

We or the Issuer Trusts, as applicable, will not pay or deliver interest or other amounts in respect of any portion of a temporary bearer global security unless and until Euroclear or Clearstream delivers to us, the Issuer

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Trusts or our agent a tax certificate with regard to the owners of the beneficial interests in that portion of the global security. Also, neither we nor any Issuer Trust will exchange any portion of a temporary bearer global security for a permanent bearer global security unless and until we or the Issuer Trusts receive from Euroclear or Clearstream a tax certificate with regard to the owners of the beneficial interests in the portion to be exchanged. In each case, this tax certificate must state that each of the relevant owners:

- is not a United States person, as defined below under Limitations on Issuance of Bearer Debt Securities;
- is a foreign branch of a United States financial institution, as defined in applicable U.S. Treasury Regulations, purchasing for its own account or for resale, or is a United States person who acquired the security through a financial institution of this kind and who holds the security through that financial institution on the date of certification, provided in either case that the financial institution provides a certificate to us or the distributor selling the security to it stating that it agrees to comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the U.S. Internal Revenue Code and the U.S. Treasury Regulations under that Section; or
- is a financial institution holding for purposes of resale during the restricted period, as defined in U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7). A financial institution of this kind, whether or not it is also described in either of the two preceding bullet points, must certify that it has not acquired the security for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

The tax certificate must be signed by an authorized person satisfactory to us.

No one who owns an interest in a temporary bearer global security will receive payment or delivery of any amount or property in respect of its interest, and will not be permitted to exchange its interest for an interest in a permanent bearer global security or a security in any other form, unless and until we, the Issuer Trusts or our agent have received the required tax certificate on its behalf.

Special requirements and restrictions imposed by United States federal tax laws and regulations will apply to bearer debt securities. We describe these below under Limitations on Issuance of Bearer Debt Securities.

Legal Ownership of Bearer Securities

Securities in bearer form are not registered in any name. Whoever is the bearer of the certificate representing a security in bearer form is the legal owner of that security. Legal title and ownership of bearer securities will pass by delivery of the certificates representing the securities. Thus, when we use the term holder in this prospectus with regard to bearer securities, we mean the bearer of those securities.

The common depositary for Euroclear and Clearstream will be the bearer, and thus the holder and legal owner, of both the temporary and permanent bearer global securities described above. Investors in those securities will own beneficial interests in the securities represented by those global securities; they will be only indirect owners, not holders or legal owners, of the securities.

As long as the common depositary is the bearer of any bearer security in global form, the common depositary will be considered the sole legal owner and holder of the securities represented by the bearer security in global form. Ownership of beneficial interests in any bearer security in global form will be shown on records maintained by Euroclear or Clearstream, as applicable, or by the common depositary on their behalf, and by the direct and indirect participants in their clearing systems, and ownership interests can be held and transferred only through those records. We or the Issuer Trusts, as applicable, will pay any amounts owing with respect to a bearer global security only to the common depositary.

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None of we, the Issuer Trusts, the trustee or any agent will recognize any owner of indirect interests as a holder or legal owner. Nor will we, the Issuer Trusts, the trustee or any agent have any responsibility for the ownership records or practices of Euroclear or Clearstream, the common depositary or any direct or indirect participants in those systems or for any payments, transfers, deliveries, notices or other transactions within those systems, all of which will be subject to the rules and procedures of those systems and participants. If you own a beneficial interest in a bearer global security, you must look only to the common depositary for Euroclear or Clearstream, and to their direct and indirect participants through which you hold your interest, for your ownership rights. You should read the section above entitled Legal Ownership and Book-Entry Issuance for more information about holding interests through Euroclear and Clearstream.

Payment and Exchange of Non-Global Bearer Securities

Payments and deliveries owing on non-global bearer securities will be made, in the case of interest payments, only to the holder of the relevant coupon after the coupon is surrendered to the paying agent. In all other cases, payments and deliveries will be made only to the holder of the certificate representing the relevant security after the certificate is surrendered to the paying agent.

Non-global bearer securities, with all unmatured coupons relating to the securities, if any, may be exchanged for a like aggregate amount of non-global bearer or registered securities of like kind. Non-global registered securities may be exchanged for a like aggregate amount of non-global registered securities of like kind, as described above in the sections on the different types of securities we may offer. However, neither we nor the Issuer Trusts will issue bearer securities in exchange for any registered securities.

Replacement certificates and coupons for non-global bearer securities will not be issued in lieu of any lost, stolen or destroyed certificates and coupons unless we or the Issuer Trusts, and our transfer agent receive evidence of the loss, theft or destruction, and an indemnity against liabilities, satisfactory to us and our agent. Upon redemption or any other settlement before the stated maturity or expiration, as well as upon any exchange, of a non-global bearer security, the holder will be required to surrender all unmatured coupons to us, the Issuer Trusts or our designated agent. If any unmatured coupons are not surrendered, we, the Issuer Trusts or our agent may deduct the amount of interest relating to those coupons from the amount otherwise payable or deliverable or we, the Issuer Trusts or our agent may demand an indemnity against liabilities satisfactory to us and our agent.

We and the Issuer Trusts may make payments, deliveries and exchanges in respect of bearer securities in global form in any manner acceptable to us and the depositary.

Notices

If we or the Issuer Trusts are required to give notice to the holders of bearer securities, we or the Issuer Trusts will do so by publication in a daily newspaper of general circulation in a city in Western Europe. The term daily newspaper means a newspaper that is published on each day, other than a Saturday, Sunday or holiday, in the relevant city. If these bearer securities are listed on the Luxembourg Stock Exchange and its rules so require, that city will be Luxembourg and we expect that newspaper to be the *d Wort*. If publication in Luxembourg is impractical, the publication will be made elsewhere in Western Europe. A notice of this kind will be presumed to have been received on the date it is first published. If we or the Issuer Trusts, as applicable, cannot give notice as described in this paragraph because the publication of any newspaper is suspended or it is otherwise impractical to publish the notice, then we or the Issuer Trusts will give notice in another form. That alternate form of notice will be deemed to be sufficient notice to each holder. Neither the failure to give notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

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We or the Issuer Trusts may give any required notice with regard to bearer securities in global form to the common depositary for the securities, in accordance with its applicable procedures. If these provisions do not require that notice be given by publication in a newspaper, we or the Issuer Trusts may omit giving notice by publication.

Limitations on Issuance of Bearer Debt Securities

In compliance with United States federal income tax laws and regulations, bearer debt securities, including bearer debt securities in global form, will not be offered, sold, resold or delivered, directly or indirectly, in the United States or its possessions or to United States persons, as defined below, except as otherwise permitted by U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D). Any underwriters, dealers or agents participating in the offerings of bearer debt securities, directly or indirectly, must agree that they will not, in connection with the original issuance of any bearer debt securities or during the restricted period applicable under the U.S. Treasury Regulations cited earlier, offer, sell, resell or deliver, directly or indirectly, any bearer debt securities in the United States or its possessions or to United States persons, other than as permitted by the applicable Treasury Regulations described above.

In addition, any underwriters, dealers or agents must have procedures reasonably designed to ensure that their employees or agents who are directly engaged in selling bearer debt securities are aware of the above restrictions on the offering, sale, resale or delivery of bearer debt securities.

We and the Issuer Trusts will not issue bearer debt securities under which the holder has a right to purchase bearer debt securities in non-global form. Upon the holder s purchase of any underlying bearer debt securities, those bearer debt securities will be issued in temporary global bearer form and will be subject to the provisions described above relating to bearer global securities.

We and the Issuer Trusts will make payments on bearer debt securities only outside the United States and its possessions except as permitted by the applicable U.S. Treasury Regulations described above.

Bearer debt securities and any coupons will bear the following legend:

Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code.

The sections referred to in this legend provide that, with exceptions, a United States person will not be permitted to deduct any loss, and will not be eligible for capital gain treatment with respect to any gain, realized on the sale, exchange or redemption of that bearer debt security or coupon.

As used in this subsection entitled Limitations on Issuance of Bearer Debt Securities, the term bearer debt securities includes bearer debt securities that are part of units.

As used in this section entitled Securities Issued in Bearer Form, United States person means:

- a citizen or resident of the United States for United States federal income tax purposes;
- a corporation or partnership, including an entity treated as a corporation or partnership for United States federal income tax purposes, created or organized in or under the laws of the United States, any state of the United States or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or

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a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

United States means the United States of America, including the States and the District of Columbia, and possessions of the United States include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands. In addition, some trusts treated as United States persons before August 20, 1996 may elect to continue to be so treated to the extent provided in the U.S. Treasury Regulations.

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CONSIDERATIONS RELATING TO INDEXED SECURITIES

We use the term indexed securities to mean any of the securities described in this prospectus, or any units that include securities, whose value is linked to an underlying asset or index or another property (including one or more securities or indices of securities). Indexed securities may present a high level of risk, and investors in certain indexed securities may lose their entire investment. In addition, the treatment of indexed securities for U.S. federal income tax purposes is often unclear due to the absence of any authority specifically addressing the issues presented by any particular indexed security. Thus, if you propose to invest in indexed securities, you should independently evaluate the federal income tax consequences of purchasing an indexed security that apply in your particular circumstances. You should also read United States Taxation below for a discussion of U.S. tax matters.

Investors in Indexed Securities Could Lose Their Investment

The amount of principal and/or interest payable on an indexed debt security, the cash value or physical settlement value of a physically settled debt security and the cash value or physical settlement value of an indexed warrant or purchase contract will be determined by reference to the price, value or level of one or more securities, currencies, commodities or other properties, any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance, one or more indices and/or one or more baskets of any of these items. We refer to each of these as an index. The direction and magnitude of the change in the price, value or level of the relevant index will determine the amount of principal and/or interest payable on an indexed debt security, the cash value or physical settlement value of a physically settled debt security and the cash value or physical settlement value of an indexed warrant or purchase contract. The terms of a particular indexed debt security may or may not include a guaranteed return of a percentage of the principal amount at maturity or a minimum interest rate. An indexed warrant or purchase contract generally will not provide for any guaranteed minimum settlement value. Thus, if you purchase an indexed security that does not guarantee the return of 100% of the principal or other amount you invest, you may lose all or a portion of the principal or other amount you invest and may receive no interest on your investment.

The Return on Indexed Securities May Be Below the Return on Similar Securities

Depending on the terms of an indexed security, as specified in the applicable pricing supplement, you may not receive any periodic interest payments or receive only very low payments on such indexed security. As a result, the overall return on such indexed security may be less than the amount you would have earned by investing the principal or other amount you invest in such indexed security in a non-indexed debt security that bears interest at a prevailing market fixed or floating rate.

The Issuer of a Security or Currency That Serves as an Index Could Take Actions That May Adversely Affect an Indexed Security

The issuer of a security that serves as an index or part of an index for an indexed security will have no involvement in the offer and sale of the indexed security and no obligations to the holder of the indexed security. The issuer may take actions, such as a merger or sale of assets, without regard to the interests of the holder. Any of these actions could adversely affect the value of a security indexed to that security or to an index of which that security is a component.

If the index for an indexed security includes a non-U.S. dollar currency or other asset denominated in a non-U.S. dollar currency, the government that issues that currency will also have no involvement in the offer and sale of the indexed security and no obligations to the holder of the indexed security. That government may take actions that could adversely affect the value of the security.

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An Indexed Security May Be Linked to a Volatile Index, Which May Adversely Affect Your Investment

Some indices are highly volatile, which means that their value may change significantly, up or down, over a short period of time. It is impossible to predict the future performance of an index based on its historical performance. The amount of principal or interest that can be expected to become payable on an indexed debt security or the expected settlement value of an indexed warrant or purchase contract may vary substantially from time to time. Because the amounts payable with respect to an indexed security are generally calculated based on the price, value or level of the relevant index on a specified date or over a limited period of time, volatility in the index increases the risk that the return on the indexed security may be adversely affected by a fluctuation in the level of the relevant index.

The volatility of an index may be affected by financial, political, military or economic events, including governmental actions, or by the activities of participants in the relevant markets. Any of these events or activities could adversely affect the value of an indexed security.

An Index to Which a Security Is Linked Could Be Changed or Become Unavailable

Some indices compiled by us or our affiliates or third parties may consist of or refer to several or many different securities, commodities or currencies or other instruments or measures. The index sponsor of such an index typically reserves the right to alter the composition of the index and the manner in which the value or level of the index is calculated. Changes to the composition of an index may result in a decrease in the value of or return on an indexed security that is linked to such index. The indices for our indexed securities may include published indices of this kind or customized indices developed by us or our affiliates in connection with particular issues of indexed securities.

A published index may become unavailable, or a customized index may become impossible to calculate in the normal manner, due to events such as war, natural disasters, cessation of publication of the index or a suspension or disruption of trading in one or more securities, commodities or currencies or other instruments or measures on which the index is based. If an index becomes unavailable or impossible to calculate in the normal manner, the terms of a particular indexed security may allow us to delay determining the amount payable as principal or interest on an indexed debt security or the settlement value of an indexed warrant or purchase contract, or we may use an alternative method to determine the value of the unavailable index. Alternative methods of valuation are generally intended to produce a value similar to the value resulting from reference to the relevant index. However, it is unlikely that any alternative method of valuation we use will produce a value identical to the value that the actual index would produce. If we use an alternative method of valuation for a security linked to an index of this kind, the value of the security, or the rate of return on it, may be lower than it otherwise would be.

Some indexed securities are linked to indices that are not commonly used or that have been developed only recently. The lack of a trading history may make it difficult to anticipate the volatility or other risks associated with an indexed security of this kind. In addition, trading in these indices or their underlying stocks, commodities or currencies or other instruments or measures, or options or futures contracts on these stocks, commodities or currencies or other instruments or measures, may be limited, which could increase their volatility and decrease the value of the related indexed securities or the rates of return on them.

We May Engage in Hedging Activities that Could Adversely Affect an Indexed Security

In order to hedge an exposure on a particular indexed security, we may, directly or through our affiliates, enter into transactions involving the securities, commodities or currencies or other instruments or measures that underlie the index for that security, or derivative instruments, such as swaps, options or futures, on the index or any of its component items. By engaging in transactions of this kind, we could adversely affect the value of an indexed security. It is possible that we could achieve substantial returns from our hedging transactions while the value of the indexed security may decline.

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Information About an Index or Indices May Not Be Indicative of Future Performance

If we issue an indexed security, we may include historical information about the relevant index or indices in the applicable prospectus supplement. Any information about indices that we may provide will be furnished as a matter of information only, and you should not regard the information as indicative of the range of, or trends in, fluctuations in the relevant index or indices that may occur in the future.

We May Have Conflicts of Interest Regarding an Indexed Security

Zions Direct, Inc., Amegy Investments, Inc. and our other affiliates may have conflicts of interest with respect to some indexed securities. Zions Direct, Inc., Amegy Investments, Inc. and our other affiliates may engage in trading, including trading for hedging purposes, for their proprietary accounts or for other accounts under their management, in indexed securities and in the securities, commodities or currencies or other instruments or measures on which the index is based or in other derivative instruments related to the index or its component items. These trading activities could adversely affect the value of indexed securities. We and our affiliates may also issue or underwrite securities or derivative instruments that are linked to the same index as one or more indexed securities. By introducing competing products into the marketplace in this manner, we could adversely affect the value of an indexed security.

Zions Direct, Inc. or another of our affiliates may serve as calculation agent for the indexed securities and may have considerable discretion in calculating the amounts payable in respect of the securities. To the extent that Zions Direct, Inc. or another of our affiliates calculates or compiles a particular index, it may also have considerable discretion in performing the calculation or compilation of the index. Exercising discretion in this manner could adversely affect the value of an indexed security based on the index or the rate of return on the security.

If You Purchase an Indexed Security, You Will Have No Rights with Respect to any Underlying Index to which Such Indexed Security is Linked

Investing in an indexed security will not make you a holder of the underlying asset or index or other property. As a result, you will not have any voting rights, any right to receive dividends or other distributions or any other rights with respect to any of the index components.

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UNITED STATES TAXATION

This section describes the material United States federal income tax consequences of owning certain of the debt securities, preferred stock, depositary shares we are offering and the capital securities that the Issuer Trusts are offering. The material United States federal income tax consequences of owning the debt securities described below under Taxation of Debt Securities United States Holders Indexed and Other Debt Securities, of owning preferred stock that may be convertible into or exercisable or exchangeable for securities or other property, of owning capital securities that contain, or that represent any subordinated debt security that contains, any material term not described in this prospectus or of owning employee stock option rights units, warrants, purchase contracts and units will be described in the applicable prospectus supplement. This section is the opinion of Sullivan & Cromwell LLP, United States tax counsel to Zions. It applies to you only if you hold your securities as capital assets for tax purposes. This section does not apply to you if you are a member of a class of holders subject to special rules, such as:

a dealer in securities or currencies;

a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;

a bank;

an insurance company;

a thrift institution;

a regulated investment company;

a tax-exempt organization;

a person that owns debt securities that are a hedge or that are hedged against interest rate or currency risks;

a person that owns debt securities as part of a straddle or conversion transaction for tax purposes; or

a United States holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

This section is based on the U.S. Internal Revenue Code of 1986, as amended (the Internal Revenue Code), its legislative history, existing and proposed regulations under the Internal Revenue Code, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

If a partnership holds the debt securities, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the debt securities should consult its tax advisor with regard to the United States federal income tax treatment of an investment in the debt securities.

Please consult your own tax advisor concerning the consequences of owning these securities in your particular circumstances under the Internal Revenue Code and the laws of any other taxing jurisdiction.

Taxation of Debt Securities

This subsection describes the material United States federal income tax consequences of owning, selling and disposing of the debt securities we are offering, other than the debt securities described below under United States Holders Indexed and Other Debt Securities, which will be described in the applicable prospectus supplement. It deals only with debt securities that are due to mature 30 years or less from the date on which they are issued. The United States federal income tax consequences of owning debt securities that are due to mature more than 30 years from their date of issue will be discussed in the applicable prospectus supplement.

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United States Holders

This subsection describes the tax consequences to a United States holder. You are a United States holder if you are a beneficial owner of a debt security and you are:

- a citizen or resident of the United States;
- a domestic corporation;
- an estate whose income is subject to United States federal income tax regardless of its source; or
- a trust if a United States court can exercise primary supervision over the trust s administration and one or more United States persons are authorized to control all substantial decisions of the trust.

If you are not a United States holder, this section does not apply to you and you should refer to United States Alien Holders below.

Payments of Interest

Except as described below in the case of interest on an original issue discount debt security that is not qualified stated interest, each as defined below under Original Issue Discount, you will be taxed on any interest on your debt security, whether payable in U.S. dollars or a non-U.S. dollar currency, including a composite currency or basket of currencies other than U.S. dollars, as ordinary income at the time you receive the interest or when it accrues, depending on your method of accounting for tax purposes.

Cash Basis Taxpayers

If you are a taxpayer that uses the cash receipts and disbursements method of accounting for tax purposes and you receive an interest payment that is denominated in, or determined by reference to, a non-U.S. dollar currency, you must recognize income equal to the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether you actually convert the payment into U.S. dollars.

Accrual Basis Taxpayers

If you are a taxpayer that uses an accrual method of accounting for tax purposes, you may determine the amount of income that you recognize with respect to an interest payment denominated in, or determined by reference to, a non-U.S. dollar currency by using one of two methods. Under the first method, you will determine the amount of income accrued based on the average exchange rate in effect during the interest accrual period or, with respect to an accrual period that spans two taxable years, that part of the period within the taxable year.

If you elect the second method, you would determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period, or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, under this second method, if you receive a payment of interest within five business days of the last day of your accrual period or taxable year, you may instead translate the interest accrued into U.S. dollars at the exchange rate in effect on the day that you actually receive the interest payment. If you elect the second method, it will apply to all debt instruments that you hold at the beginning of the first taxable year to which the election applies and to all debt instruments that you subsequently acquire. You may not revoke this election without the consent of the United States Internal Revenue Service.

When you actually receive an interest payment, including a payment attributable to accrued but unpaid interest upon the sale or retirement of your debt security, denominated in, or determined by reference to, a

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non-U.S. dollar currency for which you accrued an amount of income, you will recognize ordinary income or loss measured by the difference, if any, between the exchange rate that you used to accrue interest income and the exchange rate in effect on the date of receipt, regardless of whether you actually convert the payment into U.S. dollars.

Original Issue Discount

If you own a debt security, other than a short-term debt security with a term of one year or less, it will be treated as an original issue discount debt security if the amount by which the debt security s stated redemption price at maturity exceeds its issue price is more than a de minimis amount. Generally, a debt security s issue price will be the first price at which a substantial amount of debt securities included in the issue of which the debt security is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. A debt security s stated redemption price at maturity is the total of all payments provided by the debt security that are not payments of qualified stated interest. Generally, an interest payment on a debt security is qualified stated interest if it is one of a series of stated interest payments on a debt security that are unconditionally payable at least annually at a single fixed rate, with certain exceptions for lower rates paid during some periods, applied to the outstanding principal amount of the debt security. There are special rules for variable rate debt securities that are discussed below under Variable Rate Debt Securities.

In general, your debt security is not an original issue discount debt security if the amount by which its stated redemption price at maturity exceeds its issue price is less than the de minimis amount of 0.25 percent of its stated redemption price at maturity multiplied by the number of complete years to its maturity. Your debt security will have de minimis original issue discount if the amount of the excess is less than the de minimis amount. If your debt security has de minimis original issue discount, you must include the de minimis amount in income as stated principal payments are made on the debt security, unless you make the election described below under Election to Treat All Interest as Original Issue Discount. You can determine the includible amount with respect to each such payment by multiplying the total amount of your debt security s de minimis original issue discount by a fraction equal to:

the amount of the principal payment made divided by:

the stated principal amount of the debt security.

Generally, if your original issue discount debt security matures more than one year from its date of issue, you must include original issue discount in income before you receive cash attributable to that income. The amount of original issue discount that you must include in income is calculated using a constant-yield method, and generally you will include increasingly greater amounts of original issue discount in income over the life of your debt security. More specifically, you can calculate the amount of original issue discount that you must include in income by adding the daily portions of original issue discount with respect to your original issue discount debt security for each day during the taxable year or portion of the taxable year that you hold your original issue discount debt security. You can determine the daily portion by allocating to each day in any accrual period a pro rata portion of the original issue discount allocable to that accrual period. You may select an accrual period of any length with respect to your original issue discount debt security and you may vary the length of each accrual period over the term of your original issue discount debt security. However, no accrual period may be longer than one year and each scheduled payment of interest or principal on the original issue discount debt security must occur on either the first or final day of an accrual period.

You can determine the amount of original issue discount allocable to an accrual period by:

multiplying your original issue discount debt security s adjusted issue price at the beginning of the accrual period by your debt security s yield to maturity; and then

subtracting from this figure the sum of the payments of qualified stated interest on your debt security allocable to the accrual period.

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You must determine the original issue discount debt security s yield to maturity on the basis of compounding at the close of each accrual period and adjusting for the length of each accrual period. The yield to maturity of a debt security is the discount rate that causes the present value of all payments on the debt security as of its original issue date to equal the issue price of such debt security. Further, you determine your original issue discount debt security s adjusted issue price at the beginning of any accrual period by:

- adding your original issue discount debt security s issue price and any accrued original issue discount for each prior accrual period; and then
- subtracting any payments previously made on your original issue discount debt security that were not qualified stated interest payments.

If an interval between payments of qualified stated interest on your original issue discount debt security contains more than one accrual period, then, when you determine the amount of original issue discount allocable to an accrual period, you must allocate the amount of qualified stated interest payable at the end of the interval, including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval, pro rata to each accrual period in the interval based on their relative lengths. In addition, you must increase the adjusted issue price at the beginning of each accrual period in the interval by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. You may compute the amount of original issue discount allocable to an initial short accrual period by using any reasonable method if all other accrual periods, other than a final short accrual period, are of equal length.

The amount of original issue discount allocable to the final accrual period is equal to the difference between:

- the amount payable at the maturity of your debt security, other than any payment of qualified stated interest; and
- your debt security s adjusted issue price as of the beginning of the final accrual period.

Acquisition Premium

If you purchase your debt security for an amount that is less than or equal to the sum of all amounts, other than qualified stated interest, payable on your debt security after the purchase date but is greater than the amount of your debt security s adjusted issue price, as determined above, the excess is acquisition premium. If you do not make the election described below under Election to Treat All Interest as Original Issue Discount, then you must reduce the daily portions of original issue discount by a fraction equal to:

- the excess of your adjusted basis in the debt security immediately after purchase over the adjusted issue price of the debt security divided by:
- the excess of the sum of all amounts payable, other than qualified stated interest, on the debt security after the purchase date over the debt security s adjusted issue price.

Pre-Issuance Accrued Interest

An election may be made to decrease the issue price of your debt security by the amount of pre-issuance accrued interest if:

- a portion of the initial purchase price of your debt security is attributable to pre-issuance accrued interest;

the first stated interest payment on your debt security is to be made within one year of your debt security s issue date; and

the payment will equal or exceed the amount of pre-issuance accrued interest.

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If this election is made, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on your debt security.

Debt Securities Subject to Contingencies Including Optional Redemption

Your debt security is subject to a contingency if it provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies, other than a remote or incidental contingency, whether such contingency relates to payments of interest or of principal. In such a case, you must determine the yield and maturity of your debt security by assuming that the payments will be made according to the payment schedule most likely to occur if:

- the timing and amounts of the payments that comprise each payment schedule are known as of the issue date; and
- one of such schedules is significantly more likely than not to occur.

If there is no single payment schedule that is significantly more likely than not to occur, other than because of a mandatory sinking fund, you must include income on your debt security in accordance with the general rules that govern contingent payment obligations. These rules will be discussed in the applicable prospectus supplement.

Notwithstanding the general rules for determining yield and maturity, if your debt security is subject to contingencies, and either you or we have an unconditional option or options that, if exercised, would require payments to be made on the debt security under an alternative payment schedule or schedules, then:

- in the case of an option or options that we may exercise, we will be deemed to exercise or not exercise an option or combination of options in the manner that minimizes the yield on your debt security; and
- in the case of an option or options that you may exercise, you will be deemed to exercise or not exercise an option or combination of options in the manner that maximizes the yield on your debt security.

If both you and we hold options described in the preceding sentence, those rules will apply to each option in the order in which they may be exercised. You may determine the yield on your debt security for the purposes of those calculations by using any date on which your debt security may be redeemed or repurchased as the maturity date and the amount payable on the date that you chose in accordance with the terms of your debt security as the principal amount payable at maturity.

If a contingency, including the exercise of an option, actually occurs or does not occur contrary to an assumption made according to the above rules then, except to the extent that a portion of your debt security is repaid as a result of this change in circumstances and solely to determine the amount and accrual of original issue discount, you must redetermine the yield and maturity of your debt security by treating your debt security as having been retired and reissued on the date of the change in circumstances for an amount equal to your debt security s adjusted issue price on that date.

Election to Treat All Interest as Original Issue Discount

You may elect to include in gross income all interest that accrues on your debt security using the constant-yield method described above, with the modifications described below. For purposes of this election, interest will include stated interest, original issue discount, de minimis original issue discount, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium, described below under Debt Securities Purchased at a Premium, or acquisition premium.

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If you make this election for your debt security, then, when you apply the constant-yield method:

- the issue price of your debt security will equal your cost;
- the issue date of your debt security will be the date you acquired it; and
- no payments on your debt security will be treated as payments of qualified stated interest.

Generally, this election will apply only to the debt security for which you make it; however, if the debt security has amortizable bond premium, you will be deemed to have made an election to apply amortizable bond premium against interest for all debt instruments with amortizable bond premium, other than debt instruments the interest on which is excludible from gross income, that you hold as of the beginning of the taxable year to which the election applies or any taxable year thereafter. Additionally, if you make this election for a market discount debt security, you will be treated as having made the election discussed below under Market Discount to include market discount in income currently over the life of all debt instruments that you currently own or later acquire. You may not revoke any election to apply the constant-yield method to all interest on a debt security or the deemed elections with respect to amortizable bond premium or market discount debt securities without the consent of the United States Internal Revenue Service.

Variable Rate Debt Securities

Your debt security will be a variable rate debt security if:

- your debt security s issue price does not exceed the total noncontingent principal payments by more than the lesser of:
  - .015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date; or
  - 15 percent of the total noncontingent principal payments; and
- your debt security provides for stated interest, compounded or paid at least annually, only at:
  - one or more qualified floating rates;
  - a single fixed rate and one or more qualified floating rates;
  - a single objective rate; or
  - a single fixed rate and a single objective rate that is a qualified inverse floating rate.

Your debt security will have a variable rate that is a qualified floating rate if:

variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which your debt security is denominated; or

the rate is equal to such a rate multiplied by either:

a fixed multiple that is greater than 0.65 but not more than 1.35; or

a fixed multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate; and

the value of the rate on any date during the term of your debt security is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If your debt security provides for two or more qualified floating rates that are within 0.25 percentage points of each other on the issue date or can reasonably be expected to have approximately the same values throughout the term of the debt security, the qualified floating rates together constitute a single qualified floating rate.

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Your debt security will not have a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of the debt security or are not reasonably expected to significantly affect the yield on the debt security.

Your debt security will have a variable rate that is a single objective rate if:

- the rate is not a qualified floating rate;
- the rate is determined using a single, fixed formula that is based on objective financial or economic information that is not within the control of or unique to the circumstances of the issuer or a related party; and
- the value of the rate on any date during the term of your debt security is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

Your debt security will not have a variable rate that is an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of your debt security s term will be either significantly less than or significantly greater than the average value of the rate during the final half of your debt security s term.

An objective rate as described above is a qualified inverse floating rate if:

- the rate is equal to a fixed rate minus a qualified floating rate; and
- the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds.

Your debt security will also have a single qualified floating rate or an objective rate if interest on your debt security is stated at a fixed rate for an initial period of one year or less followed by either a qualified floating rate or an objective rate for a subsequent period, and either:

- the fixed rate and the qualified floating rate or objective rate have values on the issue date of the debt security that do not differ by more than 0.25 percentage points; or
- the value of the qualified floating rate or objective rate is intended to approximate the fixed rate.

In general, if your variable rate debt security provides for stated interest at a single qualified floating rate or objective rate, or one of those rates after a single fixed rate for an initial period, all stated interest on your debt security is qualified stated interest. In this case, the amount of original issue discount, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate, a fixed rate that reflects the yield reasonably expected for your debt security.

If your variable rate debt security does not provide for stated interest at a single qualified floating rate or a single objective rate, and also does not provide for interest payable at a fixed rate other than a single fixed rate for an initial period, you generally must determine the interest and original issue discount accruals on your debt security by:

- determining a fixed rate substitute for each variable rate provided under your variable rate debt security;

constructing the equivalent fixed rate debt instrument, using the fixed rate substitute described above;

determining the amount of qualified stated interest and original issue discount with respect to the equivalent fixed rate debt instrument; and

adjusting for actual variable rates during the applicable accrual period.

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When you determine the fixed rate substitute for each variable rate provided under the variable rate debt security, you generally will use the value of each variable rate as of the issue date or, for an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on your debt security.

If your variable rate debt security provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate, and also provides for stated interest at a single fixed rate other than at a single fixed rate for an initial period, you generally must determine interest and original issue discount accruals by using the method described in the previous paragraph. However, your variable rate debt security will be treated, for purposes of the first three steps of the determination, as if your debt security had provided for a qualified floating rate, or a qualified inverse floating rate, rather than the fixed rate. The qualified floating rate, or qualified inverse floating rate, that replaces the fixed rate must be such that the fair market value of your variable rate debt security as of the issue date approximates the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate, or qualified inverse floating rate, rather than the fixed rate.

Short-Term Debt Securities

In general, if you are an individual or other cash basis United States holder of a short-term debt security, you are not required to accrue original issue discount, as specially defined below for the purposes of this paragraph, for United States federal income tax purposes unless you elect to do so (although it is possible that you may be required to include any stated interest in income as you receive it). If you are an accrual basis taxpayer, a taxpayer in a special class, including, but not limited to, a regulated investment company, common trust fund, or a certain type of pass-through entity, or a cash basis taxpayer who so elects, you will be required to accrue original issue discount on short-term debt securities on either a straight-line basis or under the constant-yield method, based on daily compounding. If you are not required and do not elect to include original issue discount in income currently, any gain you realize on the sale or retirement of your short-term debt security will be ordinary income to the extent of the accrued original issue discount, which will be determined on a straight-line basis unless you make an election to accrue the original issue discount under the constant-yield method, through the date of sale or retirement. However, if you are not required and do not elect to accrue original issue discount on your short-term debt securities, you will be required to defer deductions for interest on borrowings allocable to your short-term debt securities in an amount not exceeding the deferred income until the deferred income is realized.

When you determine the amount of original issue discount subject to these rules, you must include all interest payments on your short-term debt security, including stated interest, in your short-term debt security s stated redemption price at maturity.

Non-U.S. Dollar Currency Original Issue Discount Debt Securities

If your original issue discount debt security is denominated in, or determined by reference to, a non-U.S. dollar currency, you must determine original issue discount for any accrual period on your original issue discount debt security in the non-U.S. dollar currency and then translate the amount of original issue discount into U.S. dollars in the same manner as stated interest accrued by an accrual basis United States holder, as described above under Payments of Interest. You may recognize ordinary income or loss when you receive an amount attributable to original issue discount in connection with a payment of interest or the sale or retirement of your debt security.

Market Discount

You will be treated as if you purchased your debt security, other than a short-term debt security, at a market discount, and your debt security will be a market discount debt security if:

- you purchase your debt security for less than its issue price as determined above; and
- the difference between the debt security s stated redemption price at maturity or, in the case of an original issue discount debt security, the debt security s revised issue price, and the price you paid for

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your debt security is equal to or greater than 0.25 percent of your debt security s stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the debt security s maturity. To determine the revised issue price of your debt security for these purposes, you generally add any original issue discount that has accrued on your debt security to its issue price.

If your debt security s stated redemption price at maturity or, in the case of an original issue discount debt security, its revised issue price, exceeds the price you paid for the debt security by less than 0.25 percent multiplied by the number of complete years to the debt security s maturity, the excess constitutes de minimis market discount, and the rules discussed below are not applicable to you.

You must treat any gain you recognize on the maturity or disposition of your market discount debt security as ordinary income to the extent of the accrued market discount on your debt security. Alternatively, you may elect to include market discount in income currently over the life of your debt security. If you make this election, it will apply to all debt instruments with market discount that you acquire on or after the first day of the first taxable year to which the election applies. You may not revoke this election without the consent of the United States Internal Revenue Service. If you own a market discount debt security and do not make this election, you will generally be required to defer deductions for interest on borrowings allocable to your debt security in an amount not exceeding the accrued market discount on your debt security until the maturity or disposition of your debt security.

You will accrue market discount on your market discount debt security on a straight-line basis unless you elect to accrue market discount using a constant-yield method. If you make this election, it will apply only to the debt security with respect to which it is made and you may not revoke it.

Debt Securities Purchased at a Premium

If you purchase your debt security for an amount in excess of its principal amount, you may elect to treat the excess as amortizable bond premium. If you make this election, you will reduce the amount required to be included in your income each year with respect to interest on your debt security by the amount of amortizable bond premium allocable to that year, based on your debt security s yield to maturity. If your debt security is denominated in, or determined by reference to, a non-U.S. dollar currency, you will compute your amortizable bond premium in units of the non-U.S. dollar currency and your amortizable bond premium will reduce your interest income in units of the non-U.S. dollar currency. Gain or loss recognized that is attributable to changes in foreign currency exchange rates between the time your amortized bond premium offsets interest income and the time of the acquisition of your debt security is generally taxable as ordinary income or loss. If you make an election to amortize bond premium, it will apply to all debt instruments, other than debt instruments the interest on which is excludible from gross income, that you hold at the beginning of the first taxable year to which the election applies or that you thereafter acquire, and you may not revoke it without the consent of the United States Internal Revenue Service. See also Election to Treat All Interest as Original Issue Discount.

Purchase, Sale and Retirement of the Debt Securities

Your tax basis in your debt security will generally be the U.S. dollar cost, as defined below, of your debt security, adjusted by:

adding any original issue discount, market discount, de minimis original issue discount and de minimis market discount previously included in income with respect to your debt security; and then

subtracting any payments on your debt security that are not qualified stated interest payments and any amortizable bond premium applied to reduce interest on your debt security.

If you purchase your debt security with non-U.S. dollar currency, the U.S. dollar cost of your debt security will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if you are a cash

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basis taxpayer, or an accrual basis taxpayer if you so elect, and your debt security is traded on an established securities market, as defined in the applicable U.S. Treasury regulations, the U.S. dollar cost of your debt security will be the U.S. dollar value of the purchase price on the settlement date of your purchase.

You will generally recognize gain or loss on the sale or retirement of your debt security equal to the difference between the amount you realize on the sale or retirement and your tax basis in your debt security. If your debt security is sold or retired for an amount in non-U.S. dollar currency, the amount you realize will be the U.S. dollar value of such amount on the date the note is disposed of or retired, except that in the case of a note that is traded on an established securities market, as defined in the applicable Treasury regulations, a cash basis taxpayer, or an accrual basis taxpayer that so elects, will determine the amount realized based on the U.S. dollar value of the specified currency on the settlement date of the sale.

You will recognize capital gain or loss when you sell or retire your debt security, except to the extent:

described above under Short-Term Debt Securities or Market Discount;

attributable to accrued but unpaid interest;

the rules governing contingent payment obligations apply; or

attributable to changes in exchange rates as described below.

Capital gain of a noncorporate United States holder that is recognized in taxable years beginning before January 1, 2011 is generally taxed at a maximum rate of 15% where the holder has a holding period greater than one year.

You must treat any portion of the gain or loss that you recognize on the sale or retirement of a debt security as ordinary income or loss to the extent attributable to changes in exchange rates. However, you take exchange gain or loss into account only to the extent of the total gain or loss you realize on the transaction.

Exchange of Amounts in Other Than U.S. Dollars

If you receive non-U.S. dollar currency as interest on your debt security or on the sale or retirement of your debt security, your tax basis in the non-U.S. dollar currency will equal its U.S. dollar value when the interest is received or at the time of the sale or retirement. If you purchase non-U.S. dollar currency, you generally will have a tax basis equal to the U.S. dollar value of the non-U.S. dollar currency on the date of your purchase. If you sell or dispose of a non-U.S. dollar currency, including if you use it to purchase debt securities or exchange it for U.S. dollars, any gain or loss recognized generally will be ordinary income or loss.

Indexed and Other Debt Securities

The applicable prospectus supplement will discuss the material United States federal income tax rules with respect to contingent non-U.S. dollar currency debt securities, debt securities that may be convertible into or exercisable or exchangeable for common or preferred stock or other securities of Zions or debt or equity securities of one or more third parties, debt securities the payments on which are determined by reference to any index and other debt securities that are subject to the rules governing contingent payment obligations which are not subject to the rules governing variable rate debt securities, any renewable and extendible debt securities and any debt securities providing for the periodic payment of principal over the life of the debt security.

United States Alien Holders

This subsection describes the tax consequences to a United States alien holder. You are a United States alien holder if you are the beneficial owner of a debt security and are, for United States federal income tax purposes:

a nonresident alien individual;

a foreign corporation; or

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an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain from a debt security.

If you are a United States holder, this section does not apply to you.

This discussion assumes that the debt security or coupon is not subject to the rules of Section 871(h)(4)(A) of the Internal Revenue Code, relating to interest payments that are determined by reference to the income, profits, changes in the value of property or other attributes of the debtor or a related party.

Under United States federal income and estate tax law, and subject to the discussion of backup withholding below, if you are a United States alien holder of a debt security or coupon:

we and other U.S. payors generally will not be required to deduct United States withholding tax from payments of principal, premium, if any, and interest, including original issue discount, to you if, in the case of payments of interest:

you do not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote;

you are not a controlled foreign corporation that is related to us through stock ownership;

you are not a bank receiving interest on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of your trade or business;

in the case of a debt security other than a bearer debt security, the U.S. payor does not have actual knowledge or reason to know that you are a United States person and:

you have furnished to the U.S. payor an Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, that you are (or, in the case of a United States alien holder that is a partnership or an estate or trust, such forms certifying that each partner in the partnership or beneficiary of the estate or trust is) not a United States person;

in the case of payments made outside the United States to you at an offshore account (generally, an account maintained by you at a bank or other financial institution at any location outside the United States), you have furnished to the U.S. payor documentation that establishes your identity and your status as the beneficial owner of the payment for United States federal income tax purposes and as a person who is not a United States person;

the U.S. payor has received a withholding certificate (furnished on an appropriate Internal Revenue Service Form W-8 or an acceptable substitute form) from a person claiming to be:

a withholding foreign partnership (generally a foreign partnership that has entered into an agreement with the Internal Revenue Service to assume primary withholding responsibility with respect to distributions and guaranteed payments it makes to its partners);

a qualified intermediary (generally a non-United States financial institution or clearing organization or a non-United States branch or office of a United States financial institution or clearing organization that is a party to a withholding agreement with the Internal Revenue Service); or

a U.S. branch of a non-United States bank or of a non-United States insurance company; and

the withholding foreign partnership, qualified intermediary or U.S. branch has received documentation upon which it may rely to treat the payment as made to a person who is not a

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United States person that is, for United States federal income tax purposes, the beneficial owner of the payments on the debt securities in accordance with U.S. Treasury regulations (or, in the case of a qualified intermediary, in accordance with its agreement with the Internal Revenue Service);

the U.S. payor receives a statement from a securities clearing organization, bank or other financial institution that holds customers securities in the ordinary course of its trade or business:

certifying to the U.S. payor under penalties of perjury that an Internal Revenue Service Form W-8BEN or an acceptable substitute form has been received from you by it or by a similar financial institution between it and you; and

to which is attached a copy of the Internal Revenue Service Form W-8BEN or acceptable substitute form; or

the U.S. payor otherwise possesses documentation upon which it may rely to treat the payment as made to a person who is not a United States person that is, for United States federal income tax purposes, the beneficial owner of the payments on the debt securities in accordance with U.S. Treasury regulations; and

in the case of a bearer debt security, the debt security is offered, sold and delivered in compliance with the restrictions described above under Securities Issued in Bearer Form and payments on the debt security are made in accordance with the procedures described above under that section; and

no deduction for any United States federal withholding tax will be made from any gain that you realize on the sale or exchange of your debt security or coupon.

Further, a debt security or coupon held by an individual who at death is not a citizen or resident of the United States will not be includible in the individual s gross estate for United States federal estate tax purposes if:

the decedent did not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote at the time of death; and

the income on the debt security would not have been effectively connected with a U.S. trade or business of the decedent at the same time.

Treasury Regulations Requiring Disclosure of Reportable Transactions

Pursuant to Treasury regulations, United States taxpayers must report certain transactions that give rise to a loss in excess of certain thresholds (a Reportable Transaction). Under these regulations, if the debt securities are denominated in a foreign currency, a United States holder (or a United States alien holder that holds the debt securities in connection with a U.S. trade or business) that recognizes a loss with respect to the debt securities that is characterized as an ordinary loss due to changes in currency exchange rates (under any of the rules discussed above) would be required to report the loss on Internal Revenue Service Form 8886 (Reportable Transaction Statement) if the loss exceeds the thresholds set forth in the regulations. For individuals and trusts, this loss threshold is $50,000 in any single taxable year. For other types of taxpayers and other types of losses, the thresholds are higher. You should consult with your tax advisor regarding any tax filing and reporting obligations that may apply in connection with acquiring, owning and disposing of debt securities.

Backup Withholding and Information Reporting

United States Holders

In general, if you are a noncorporate United States holder, we and other payors are required to report to the United States Internal Revenue Service all payments of principal, any premium and interest on your debt

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security, and the accrual of original issue discount on an original issue discount debt security. In addition, we and other payors are required to report to the United States Internal Revenue Service any payment of proceeds of the sale of your debt security before maturity within the United States. Additionally, backup withholding will apply to any payments, including payments of original issue discount, if you fail to provide an accurate taxpayer identification number, or you are notified by the United States Internal Revenue Service that you have failed to report all interest and dividends required to be shown on your federal income tax returns.

United States Alien Holders

In general, if you are a United States alien holder, payments of principal, premium or interest, including original issue discount, made by us and other payors to you will not be subject to backup withholding and information reporting, *provided* that the certification requirements described above under Taxation of Debt Securities United States Alien Holders are satisfied or you otherwise establish an exemption. However, we and other payors are required to report payments of interest on your debt securities on Internal Revenue Service Form 1042-S even if the payments are not otherwise subject to information reporting requirements. In addition, payment of the proceeds from the sale of debt securities effected at a United States office of a broker will not be subject to backup withholding and information reporting *provided* that:

- the broker does not have actual knowledge or reason to know that you are a United States person and you have furnished to the broker:
  - an appropriate Internal Revenue Service Form W-8 or an acceptable substitute form upon which you certify, under penalties of perjury, that you are (or, in the case of a United States alien holder that is a partnership or an estate or trust, such forms certifying that each partner in the partnership or beneficiary of the estate or trust is) not a United States person; or
  - other documentation upon which it may rely to treat the payment as made to a person who is not a United States person that is, for United States federal income tax purposes, the beneficial owner of the payment on the debt securities in accordance with U.S. Treasury regulations; or
- you otherwise establish an exemption.

If you fail to establish an exemption and the broker does not possess adequate documentation of your status as a person who is not a United States person, the payments may be subject to information reporting and backup withholding. However, backup withholding will not apply with respect to payments made outside the United States to an offshore account maintained by you unless the broker has actual knowledge that you are a United States person.

In general, payment of the proceeds from the sale of debt securities effected at a foreign office of a broker will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- the proceeds are transferred to an account maintained by you in the United States;
- the payment of proceeds or the confirmation of the sale is mailed to you at a United States address; or
- the sale has some other specified connection with the United States as provided in U.S. Treasury regulations;

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above (relating to a sale of debt securities effected at a United States office of a broker) are met or you otherwise establish an exemption.

In addition, payment of the proceeds from the sale of debt securities effected at a foreign office of a broker will be subject to information reporting if the broker is:

a United States person;

a controlled foreign corporation for United States tax purposes;

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a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period; or

a foreign partnership, if at any time during its tax year:

one or more of its partners are U.S. persons, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership; or

such foreign partnership is engaged in the conduct of a United States trade or business;

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above (relating to a sale of debt securities effected at a United States office of a broker) are met or you otherwise establish an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person.

Taxation of Preferred Stock and Depositary Shares

This subsection describes the material United States federal income tax consequences of owning, selling and disposing of the preferred stock and depositary shares that we may offer other than preferred stock that may be convertible into or exercisable or exchangeable for securities or other property, which will be described in the applicable prospectus supplement. When we refer to preferred stock in this subsection, we mean both preferred stock and depositary shares.

United States Holders

This subsection describes the tax consequences to a United States holder. You are a United States holder if you are a beneficial owner of a share of preferred stock and you are:

a citizen or resident of the United States;

a domestic corporation;

an estate whose income is subject to United States federal income tax regardless of its source; or

a trust if a United States court can exercise primary supervision over the trust s administration and one or more United States persons are authorized to control all substantial decisions of the trust.

If you are not a United States holder, this subsection does not apply to you and you should refer to United States Alien Holders below.

Distributions on Preferred Stock

You will be taxed on distributions on preferred stock as dividend income to the extent paid out of our current or accumulated earnings and profits for United States federal income tax purposes. If you are a noncorporate United States holder, dividends paid to you in taxable years beginning before January 1, 2011 that constitute qualified dividend income will be taxable to you at a maximum rate of 15%, *provided* that you hold your shares of preferred stock for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date (or, if the dividend is attributable to a period or periods aggregating over 366 days, *provided* that you hold your shares of preferred stock for more than 90 days during the 181-day period beginning 90 days before the ex-dividend date) and meet other holding period requirements. If you are taxed as a corporation, except as described in the next subsection, dividends would be eligible for the 70% dividends-received deduction.

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You generally will not be taxed on any portion of a distribution not paid out of our current or accumulated earnings and profits if your tax basis in the preferred stock is greater than or equal to the amount of the distribution. However, you would be required to reduce your tax basis (but not below zero) in the preferred stock by the amount of the distribution, and would recognize capital gain to the extent that the distribution exceeds your tax basis in the preferred stock. Further, if you are a corporation, you would not be entitled to a dividends-received deduction on this portion of a distribution.

Limitations on Dividends-Received Deduction

Corporate shareholders may not be entitled to take the 70% dividends-received deduction in all circumstances. Prospective corporate investors in preferred stock should consider the effect of:

- Section 246A of the Internal Revenue Code, which reduces the dividends-received deduction allowed to a corporate shareholder that has incurred indebtedness that is directly attributable to an investment in portfolio stock such as preferred stock;
- Section 246(c) of the Internal Revenue Code, which, among other things, disallows the dividends-received deduction in respect of any dividend on a share of stock that is held for less than the minimum holding period (generally at least 46 days during the 90 day period beginning on the date which is 45 days before the date on which such share becomes ex-dividend with respect to such dividend); and
- Section 1059 of the Internal Revenue Code, which, under certain circumstances, reduces the basis of stock for purposes of calculating gain or loss in a subsequent disposition by the portion of any extraordinary dividend (as defined below) that is eligible for the dividends-received deduction.

Extraordinary Dividends

If you are a corporate shareholder, you will be required to reduce your tax basis (but not below zero) in the preferred stock by the nontaxed portion of any extraordinary dividend if you have not held your stock for more than two years before the earliest of the date such dividend is declared, announced, or agreed. Generally, the nontaxed portion of an extraordinary dividend is the amount excluded from income by operation of the dividends-received deduction. An extraordinary dividend on the preferred stock generally would be a dividend that:

- equals or exceeds 5% of the corporate shareholder s adjusted tax basis in the preferred stock, treating all dividends having ex-dividend dates within an 85 day period as one dividend; or
- exceeds 20% of the corporate shareholder s adjusted tax basis in the preferred stock, treating all dividends having ex-dividend dates within a 365 day period as one dividend.

In determining whether a dividend paid on the preferred stock is an extraordinary dividend, a corporate shareholder may elect to substitute the fair market value of the stock for its tax basis for purposes of applying these tests if the fair market value as of the day before the ex-dividend date is established to the satisfaction of the Secretary of the Treasury. An extraordinary dividend also includes any amount treated as a dividend in the case of a redemption that is either non-pro rata as to all stockholders or in partial liquidation of the company, regardless of the stockholder s holding period and regardless of the size of the dividend. Any part of the nontaxed portion of an extraordinary dividend that is not applied to reduce the corporate shareholder s tax basis as a result of the limitation on reducing its basis below zero would be treated as capital gain and would be recognized in the taxable year in which the extraordinary dividend is received.

If you are a corporate shareholder, please consult your tax advisor with respect to the possible application of the extraordinary dividend provisions of the federal income tax law to your ownership or disposition of preferred stock in your particular circumstances.

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Redemption Premium

If we may redeem your preferred stock at a redemption price in excess of its issue price, the entire amount of the excess may constitute an unreasonable redemption premium which will be treated as a constructive dividend. You generally must take this constructive dividend into account each year in the same manner as original issue discount would be taken into account if the preferred stock were treated as an original issue discount debt security for United States federal income tax purposes. See Taxation of Debt Securities United States Holders Original Issue Discount above for a discussion of the special tax rules for original issue discount. A corporate shareholder would be entitled to a dividends-received deduction for any constructive dividends unless the special rules denying a dividends-received deduction described above in Limitations on Dividends-Received Deduction apply. A corporate shareholder would also be required to take these constructive dividends into account when applying the extraordinary dividend rules described above. Thus, a corporate shareholder s receipt of a constructive dividend may cause some or all stated dividends to be treated as extraordinary dividends. The applicable prospectus supplement for preferred stock that is redeemable at a price in excess of its issue price will indicate whether tax counsel believes that a shareholder must include any redemption premium in income.

Sale or Exchange of Preferred Stock Other Than by Redemption

If you sell or otherwise dispose of your preferred stock (other than by redemption), you will generally recognize capital gain or loss equal to the difference between the amount realized upon the disposition and your adjusted tax basis of the preferred stock. Capital gain of a noncorporate United States holder that is recognized in taxable years beginning before January 1, 2011 is generally taxed at a maximum rate of 15% where the holder has a holding period greater than one year.

Redemption of Preferred Stock

If we are permitted to and redeem your preferred stock, it generally would be a taxable event. You would be treated as if you had sold your preferred stock if the redemption:

- results in a complete termination of your stock interest in us;
- is substantially disproportionate with respect to you; or
- is not essentially equivalent to a dividend with respect to you.

In determining whether any of these tests has been met, shares of stock considered to be owned by you by reason of certain constructive ownership rules set forth in Section 318 of the Internal Revenue Code, as well as shares actually owned, must be taken into account.

If we redeem your preferred stock in a redemption that meets one of the tests described above, you generally would recognize taxable gain or loss equal to the sum of the amount of cash and fair market value of property (other than stock of us or a successor to us) received by you less your tax basis in the preferred stock redeemed. This gain or loss would be long-term capital gain or capital loss if you have held the preferred stock for more than one year.

If a redemption does not meet any of the tests described above, you generally would be taxed on the cash and fair market value of the property you receive as a dividend to the extent paid out of our current and accumulated earnings and profits. Any amount in excess of our current or accumulated earnings and profits would first reduce your tax basis in the preferred stock and thereafter would be treated as capital gain. If a redemption of the preferred stock is treated as a distribution that is taxable as a dividend, you should consult with your own tax advisor regarding the allocation and disposition of your basis in the redeemed preferred stock.

Special rules apply if we redeem preferred stock for our debt securities. We will discuss these rules in an applicable prospectus supplement if we have the option to redeem your preferred stock for our debt securities.

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United States Alien Holders

This section summarizes certain United States federal income and estate tax consequences of the ownership and disposition of preferred stock by a United States alien holder. You are a United States alien holder if you are, for United States federal income tax purposes:

- a nonresident alien individual;
- a foreign corporation; or
- an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain from preferred stock.

Dividends

Except as described below, if you are a United States alien holder of preferred stock, dividends paid to you are subject to withholding of United States federal income tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate. Even if you are eligible for a lower treaty rate, we and other payors will generally be required to withhold at a 30% rate (rather than the lower treaty rate) on dividend payments to you, unless you have furnished to us or another payor:

- a valid Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, your status as a person (or, in the case of a United States alien holder that is a partnership or an estate or trust, such forms certifying that each partner in the partnership or beneficiary of the estate or trust is) who is not a United States person and your entitlement to the lower treaty rate with respect to such payments; or
- in the case of payments made outside the United States to an offshore account (generally, an account maintained by you at an office or branch of a bank or other financial institution at any location outside the United States), other documentary evidence establishing your entitlement to the lower treaty rate in accordance with U.S. Treasury regulations.

If you are eligible for a reduced rate of United States withholding tax under a tax treaty, you may obtain a refund of any amounts withheld in excess of that rate by filing a refund claim with the United States Internal Revenue Service.

If dividends paid to you are effectively connected with your conduct of a trade or business within the United States, and, if required by a tax treaty, the dividends are attributable to a permanent establishment that you maintain in the United States, we and other payors generally are not required to withhold tax from the dividends, provided that you have furnished to us or another payor a valid Internal Revenue Service Form W-8ECI or an acceptable substitute form upon which you represent, under penalties of perjury, that:

- you (or, in the case of a United States alien holder that is a partnership or an estate or trust, such forms certifying that each partner in the partnership or beneficiary of the estate or trust is) are not a United States person; and
- the dividends are effectively connected with your conduct of a trade or business within the United States and are includible in your gross income.

Effectively connected dividends are taxed at rates applicable to United States citizens, resident aliens and domestic United States corporations.

If you are a corporate United States alien holder, effectively connected dividends that you receive may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

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Gain on Disposition of Preferred Stock

If you are a United States alien holder, you generally will not be subject to United States federal income tax on gain that you recognize on a disposition of preferred stock unless:

- the gain is effectively connected with your conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment that you maintain in the United States, if that is required by an applicable income tax treaty as a condition for subjecting you to United States taxation on a net income basis;
- you are an individual, you hold the preferred stock as a capital asset, you are present in the United States for 183 or more days in the taxable year of the sale and certain other conditions exist; or
- we are or have been a United States real property holding corporation for federal income tax purposes and you held, directly or indirectly, at any time during the five-year period ending on the date of disposition, more than 5% of the relevant class of preferred stock and you are not eligible for any treaty exemption.

If you are a corporate United States alien holder, effectively connected gains that you recognize may also, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

We have not been, are not and do not anticipate becoming a United States real property holding corporation for United States federal income tax purposes.

Federal Estate Taxes

Preferred stock held by a United States alien holder at the time of death will be included in the holder s gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Backup Withholding and Information Reporting

United States Holders

In general, if you are a non-corporate United States holder, dividend payments, or other taxable distributions, made on your preferred stock, as well as the payment of the proceeds from the sale or redemption of your preferred stock that are made within the United States will be subject to information reporting requirements. Additionally, backup withholding will apply to such payments if you are a non-corporate United States holder and you:

- fail to provide an accurate taxpayer identification number;
- are notified by the United States Internal Revenue Service that you have failed to report all interest or dividends required to be shown on your federal income tax returns; or
- in certain circumstances, fail to comply with applicable certification requirements.

If you sell your preferred stock outside the United States through a non-U.S. office of a non-U.S. broker, and the sales proceeds are paid to you outside the United States, then U.S. backup withholding and information reporting requirements generally will not apply to that payment. However, U.S. information reporting will apply to a payment of sales proceeds, even if that payment is made outside the United States, if you sell your preferred stock through a non-U.S. office of a broker that is:

a United States person;

a controlled foreign corporation for United States tax purposes;

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a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period; or

a foreign partnership, if at any time during its tax year:

one or more of its partners are U.S. persons, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership; or

such foreign partnership is engaged in the conduct of a United States trade or business.

Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person.

You generally may obtain a refund of any amounts withheld under the U.S. backup withholding rules that exceed your income tax liability by filing a refund claim with the United States Internal Revenue Service.

United States Alien Holders

If you are a United States alien holder, you are generally exempt from backup withholding and information reporting requirements with respect to:

dividend payments; and

the payment of the proceeds from the sale of preferred stock effected at a United States office of a broker;

as long as the income associated with such payments is otherwise exempt from United States federal income tax, and:

the payor or broker does not have actual knowledge or reason to know that you are a United States person and you have furnished to the payor or broker:

a valid Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, that you (or, in the case of a United States alien holder that is a partnership or an estate or trust, such forms certifying that each partner in the partnership or beneficiary of the estate or trust is) are not a United States person; or

other documentation upon which it may rely to treat the payments as made to a non-United States person that is, for United States federal income tax purposes, the beneficial owner of the payments in accordance with U.S. Treasury regulations; or

you otherwise establish an exemption.

Payment of the proceeds from the sale of preferred stock effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of preferred stock that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

the proceeds are transferred to an account maintained by you in the United States;

the payment of proceeds or the confirmation of the sale is mailed to you at a United States address; or

the sale has some other specified connection with the United States as provided in U.S. Treasury regulations;

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption.

In addition, a sale of preferred stock will be subject to information reporting if it is effected at a foreign office of a broker that is:

a United States person;

a controlled foreign corporation for United States tax purposes;

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a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period; or

a foreign partnership, if at any time during its tax year:

one or more of its partners are U.S. persons, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership; or

such foreign partnership is engaged in the conduct of a United States trade or business;

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person that is, for United States federal income tax purposes, the beneficial owner of the payments.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the Internal Revenue Service.

Taxation of Capital Securities

The following discussion of the material U.S. federal income tax consequences to the purchase, ownership and disposition of capital securities only addresses the tax consequences to a U.S. holder that acquires capital securities on their original issue date at their original offering price and holds the capital securities as a capital asset for tax purposes. You are a U.S. holder if you are a beneficial owner of a capital security that is:

a citizen or resident of the United States;

a domestic corporation;

an estate whose income is subject to U.S. federal income tax regardless of its source; or

a trust if a U.S. court can exercise primary supervision over the trust s administration and one or more U.S. persons have authority to control all substantial decisions of the trust.

This summary does not apply if the subordinated debt securities or capital securities:

are issued with more than a de minimis amount of original issue discount;

mature 1 year or less than or more than 30 years after the issue date;

are denominated or pay principal, premium, if any, or interest in a currency other than U.S. dollars;

pay principal, premium, if any, or interest based on an index or indices;

allow for deferral of interest for more than 5 years worth of consecutive interest periods;

are issued in bearer form;

contain any obligation or right of us or a holder to convert or exchange the subordinated debt securities into other securities or properties of Zions;

contain any obligation or right of Zions to redeem, purchase or repay the subordinated debt securities (other than a redemption of the outstanding subordinated debt securities at a price equal to (1) 100% of the principal amount of the subordinated debt securities being redeemed, plus (2) accrued but unpaid interest, plus, if applicable, (3) a premium or make-whole amount determined by a quotation agent, equal to the sum of the present value of scheduled payments of principal and interest from the issue date of the subordinated debt securities to their redemption date, discounted at a rate equal to a U.S. treasury rate plus some fixed amount or amounts); or

contain any other material provision described only in the prospectus supplement.

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The material U.S. federal income tax consequences of the purchase, ownership and disposition of capital securities in a trust owning the underlying subordinated debt securities that contain these terms will be described in the applicable prospectus supplement.

The statements of law or legal conclusion set forth in this discussion constitute the opinion of Sullivan & Cromwell LLP, special tax counsel to us and each Issuer Trust. This summary is based upon the U.S. Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations under the Internal Revenue Code, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. The authorities on which this discussion is based are subject to various interpretations, and it is therefore possible that the federal income tax treatment of the purchase, ownership and disposition of capital securities may differ from the treatment described below.

Please consult your own tax advisor concerning the consequences of owning the capital securities in your particular circumstances under the Internal Revenue Code and the laws of any other taxing jurisdiction.

Classification of the Issuer Trusts

Under current law and assuming full compliance with the terms of an amended trust agreement substantially in the form attached to this prospectus as an exhibit and the indenture, each Issuer Trust will not be taxable as a corporation for U.S. federal income tax purposes. As a result, you will be required to include in your gross income your proportional share of the interest income, including original issue discount, paid or accrued on the subordinated debt securities, whether or not the trust actually distributes cash to you.

Interest Income and Original Issue Discount

Under Treasury regulations, an issuer and the Internal Revenue Service will ignore a remote contingency that stated interest will not be timely paid when determining whether a subordinated debt security is issued with original issue discount. On the date of this prospectus, we currently believe that the likelihood of exercising our option to defer interest payments is remote because we would be prohibited from making certain distributions on our capital stock and payments on our indebtedness if we exercise that option. Accordingly, we currently believe that the subordinated debt securities will not be considered to be issued with original issue discount at the time of their original issuance. However, if our belief changes on the date any capital security is issued, we will describe the relevant U.S. federal income tax consequences in the applicable prospectus supplement.

Under these regulations, if we were to exercise our option to defer any payment of interest, the subordinated debt securities would at that time be treated as issued with original issue discount, and all stated interest on the subordinated debt securities would thereafter be treated as original issue discount as long as the subordinated debt securities remained outstanding. In that event, all of your taxable interest income on the subordinated debt securities would be accounted for as original issue discount on an economic accrual basis regardless of your method of tax accounting, and actual distributions of stated interest would not be reported as taxable income. Consequently, you would be required to include original issue discount in gross income even though we would not make any actual cash payments during an extension period.

These regulations have not been addressed in any rulings or other interpretations by the Internal Revenue Service, and it is possible that the Internal Revenue Service could take a position contrary to the interpretation in this prospectus.

Because income on the capital securities will constitute interest or original issue discount, corporate U.S. holders of the capital securities will not be entitled to a dividends-received deduction for any income taken into account on the capital securities.

Moreover, because income on the capital securities will constitute interest or original issue discount, U.S. holders of the capital securities will not be entitled to the preferential tax rate (generally 15%) generally applicable to payments of dividends in taxable years beginning before January 1, 2011.

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In the rest of this discussion, we assume that unless and until we exercise our option to defer any payment of interest, the subordinated debt securities will not be treated as issued with original issue discount, and whenever we use the term interest, it also includes income in the form of original issue discount.

Distribution of Subordinated Debt Securities to Holders of Capital Securities Upon Liquidation of the Issuer Trusts

If the applicable Issuer Trust distributes the subordinated debentures as described above under the caption Description of Capital Securities and Related Instruments Liquidation Distribution Upon Dissolution, you will receive directly your proportional share of the subordinated debt securities previously held indirectly through the trust. Under current law, you will not be taxed on the distribution and your holding period and aggregate tax basis in your subordinated debt securities will be equal to the holding period and aggregate tax basis you had in your capital securities before the distribution. If, however, the trust were to become taxed on the income received or accrued on the subordinated debt securities due to a tax event, the trust might be taxed on a distribution of subordinated debt securities to you, and you might recognize gain or loss as if you had exchanged your capital securities for the subordinated debt securities you received upon the liquidation of the trust. You will include interest in income in respect of subordinated debt securities received from the trust in the manner described above under Taxation of Debt Securities United States Holders Original Issue Discount.

Sale or Redemption of Capital Securities

If you sell your capital securities, including through a redemption for cash, you will recognize gain or loss equal to the difference between your adjusted tax basis in your capital securities and the amount you realize on the sale of your capital securities. Assuming that we do not exercise our option to defer payment of interest on the subordinated debt securities, your adjusted tax basis in your capital securities generally will be the price you paid for your capital securities.

If the subordinated debt securities are deemed to be issued with original issue discount as a result of an actual deferral of interest payments, your adjusted tax basis in your capital securities generally will be the price you paid for your capital securities, increased by original issue discount previously includible in your gross income to the date of disposition and decreased by distributions or other payments you received on your capital securities since and including the date of the first extension period. This gain or loss generally will be capital gain or loss, except to the extent any amount that you realize is treated as a payment of accrued interest on your proportional share of the subordinated debt securities required to be included in income. Capital gain of a non-corporate United States holder that is recognized in taxable years beginning before January 1, 2011 is generally taxed at a maximum rate of 15% where the holder has a holding period greater than one year.

If we exercise our option to defer any payment of interest on the subordinated debt securities, our capital securities may trade at a price that does not accurately reflect the value of accrued but unpaid interest with respect to the underlying subordinated debt securities. If you sell your capital securities before the record date for the payment of distributions, you will not receive payment of a distribution for the period before the sale. However, you will be required to include accrued but unpaid interest on the subordinated debt securities through the date of the sale as ordinary income for U.S. federal income tax purposes and to add the amount of accrued but unpaid interest to your tax basis in the capital securities. Your increased tax basis in the capital securities will increase the amount of any capital loss that you may have otherwise realized on the sale. In general, an individual taxpayer may offset only $3,000 of capital losses against regular income during any year.

Backup Withholding Tax and Information Reporting

We will be required to report the amount of interest income paid and original issue discount accrued on your capital securities to the Internal Revenue Service unless you are a corporation or other exempt U.S. holder.

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Backup withholding will apply to payments of interest to you unless you are an exempt U.S. holder or you furnish your taxpayer identification number in the manner prescribed in applicable regulations, certify that such number is correct, certify as to no loss of exemption from backup withholding and meet certain other conditions.

Payment of the proceeds from the disposition of capital securities to or through the U.S. office of a broker is subject to information reporting and backup withholding unless you establish an exemption from information reporting and backup withholding.

Any amounts withheld from you under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability, provided the required information is furnished to the Internal Revenue Service.

It is anticipated that each Issuer Trust or its paying agent will report income on the capital securities to the Internal Revenue Service and to you on Form 1099 by January 31 following each calendar year.

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PLAN OF DISTRIBUTION

Please note that in this section entitled Plan of Distribution, references to Zions, we, our and us refer only to Zions Bancorporation and not to its consolidated subsidiaries.

Initial Offering and Sale of Securities

We or the Issuer Trusts, as applicable, may offer and sell the securities from time to time as follows:

through agents;

to or through dealers or underwriters;

directly to other purchasers; or

through a combination of any of these methods of sale.

In addition, the securities may be issued as a dividend or distribution or in a subscription rights offering to existing holders of securities. In some cases, we or dealers acting with us or on our behalf may also purchase securities and reoffer them to the public by one or more of the methods described above. This prospectus may be used in connection with any offering of our securities or capital securities of the Issuer Trusts through any of these methods or other methods described in the applicable prospectus supplement.

The securities we distribute by any of these methods may be sold to the public, in one or more transactions, either:

at a fixed price or prices, which may be changed;

at market prices prevailing at the time of sale;

at prices related to prevailing market prices;

at prices determined by an auction process; or

at negotiated prices.

We or the Issuer Trusts, as applicable, may solicit offers to purchase securities directly from the public from time to time. We may also designate agents from time to time to solicit offers to purchase securities from the public on our behalf. If required, the prospectus supplement relating to any particular offering of securities will name any agents designated to solicit offers, and will include information about any commissions we or the Issuer Trusts may pay the agents, in that offering. Agents may be deemed to be underwriters as that term is defined in the Securities Act.

From time to time, we or the Issuer Trusts may sell securities to one or more dealers acting as principals. The dealers, who may be deemed to be underwriters as that term is defined in the Securities Act, may then resell those securities to the public.

We or the Issuer Trusts may sell securities from time to time to one or more underwriters, who would purchase the securities as principal for resale to the public, either on a firm-commitment or best-efforts basis. If we or the Issuer Trusts sell securities to underwriters, we or the Issuer Trusts, as applicable, will execute an underwriting agreement with them at the time of sale and will name them in the applicable prospectus supplement. In connection with those sales, underwriters may be deemed to have received compensation from us in the form of underwriting discounts or commissions and may also receive commissions from purchasers of the securities for whom they may act as agents. Underwriters may resell the securities to or through dealers, and those dealers may receive compensation in the form of discounts, concessions or commissions from the

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underwriters and/or commissions from purchasers for whom they may act as agents. The applicable prospectus supplement will include any required information about any underwriting compensation we pay to underwriters, and any discounts, concessions or commissions underwriters allow to participating dealers, in connection with an offering of securities.

If we offer securities in a subscription rights offering to our existing security holders, we may enter into a standby underwriting agreement with dealers, acting as standby underwriters. We may pay the standby underwriters a commitment fee for the securities they commit to purchase on a standby basis. Additionally, before the expiration date for the subscription rights, the standby underwriters may offer the securities, including securities they may acquire through the purchase and exercise of subscription rights, on a when-issued basis at prices set from time to time by them. After the expiration date, the standby underwriters may offer the securities, whether acquired under the standby underwriting agreement, on exercise of subscription rights or by purchase in the market, to the public at prices to be determined by them. Thus, standby underwriters may realize profits or losses independent of the underwriting discounts or commissions we may pay them. If we do not enter into a standby underwriting arrangement, we may retain a dealer-manager to manage a subscription rights offering for us. Any dealer-manager we retain may acquire securities by purchasing and exercising the subscription rights and resell the securities to the public at prices it determines. As a result, a dealer manager may realize profits or losses independent of any dealer-manager fee paid by us.

We or the Issuer Trusts, as applicable, may authorize underwriters, dealers and agents to solicit from third parties offers to purchase securities under contracts providing for payment and delivery on future dates. The third parties with whom we or the Issuer Trusts may enter into contracts of this kind may include banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others. The applicable prospectus supplement will describe the material terms of these contracts, including any conditions to the purchasers obligations, and will include any required information about commissions we or the Issuer Trusts may pay for soliciting these contracts.

Underwriters, dealers, agents and other persons may be entitled, under agreements that they may enter into with us or the Issuer Trusts, to indemnification by us or the Issuer Trusts, as applicable, against certain liabilities, including liabilities under the Securities Act.

In connection with an offering, the underwriters may purchase and sell securities in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of securities than they are required to purchase in an offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the securities while an offering is in progress.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriting syndicate a portion of the underwriting discount received by it because the underwriting syndicate has repurchased securities sold by or for the account of that underwriter in stabilizing or short-covering transactions.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the securities. As a result, the price of the securities may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected on an exchange or automated quotation system, if the securities are listed on that exchange or admitted for trading on that automated quotation system, or in the over-the-counter market or otherwise.

The underwriters, dealers and agents, as well as their associates, may be customers of or lenders to, and may engage in transactions with and perform services for, Zions, its subsidiaries and the Issuer Trusts in the ordinary course of business. In addition, we expect to offer the securities to or through our affiliates, as underwriters,

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dealers or agents. Among our affiliates, Zions Direct, Inc. or Amegy Investments, Inc. may offer the securities for sale in the United States. Our affiliates may also offer the securities in other markets through one or more selling agents, including one another.

In compliance with guidelines of the Financial Industry Regulatory Authority, Inc., or FINRA, the maximum commission or discount to be received by any FINRA member or independent broker dealer may not exceed 8% of the aggregate principal amount of the securities offered pursuant to this prospectus. It is anticipated that the maximum commission or discount to be received in any particular offering of securities will be significantly less than this amount.

Zions Direct, Inc. and Amegy Investments, Inc. are indirect wholly-owned subsidiaries of Zions. Rule 2720 of the FINRA Conduct Rules imposes certain requirements when a FINRA member such as Zions Direct, Inc. or Amegy Investments, Inc. distributes an affiliated company s securities. Zions Direct, Inc. and Amegy Investments, Inc. have advised Zions that each particular offering of debt securities will comply with the applicable requirements of Rule 2720. In any offerings subject to Rule 2720, the underwriters will not confirm initial sales to accounts over which it exercises discretionary authority without the prior written approval of the customer.

Furthermore, offering of capital securities by each of the Issuer Trusts will be conducted in accordance with the requirements of NASD Rule 2810.

Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. The applicable prospectus supplement may provide that the original issue date for your securities may be more or less than three scheduled business days after the trade date for your securities.

Market-Making Resales by Affiliates

This prospectus may be used by Zions Direct, Inc. and Amegy Investments, Inc. in connection with offers and sales of the securities in market-making transactions. In a market-making transaction, Zions Direct, Inc. or Amegy Investments, Inc. may resell a security it acquires from other holders, after the original offering and sale of the security. Resales of this kind may occur in the open market or may be privately negotiated, at prevailing market prices at the time of resale or at related or negotiated prices. In these transactions, Zions Direct, Inc. or Amegy Investments, Inc., as applicable, may act as principal or agent, including as agent for the counterparty in a transaction in which Zions Direct, Inc. or Amegy Investments, Inc. acts as principal or as agent for both counterparties in a transaction in which Zions Direct, Inc. or Amegy Investments Inc. does not act as principal. Zions Direct, Inc. or Amegy Investments, Inc., as applicable, may receive compensation in the form of discounts and commissions, including from both counterparties in some cases. Other affiliates of Zions may also engage in transactions of this kind and may use this prospectus for this purpose.

The securities to be sold in market-making transactions include securities to be issued after the date of this prospectus, as well as securities previously issued.

We do not expect to receive any proceeds from market-making transactions. We do not expect that Zions Direct, Inc., Amegy Investments, Inc. or any other affiliate that engages in these transactions will pay any proceeds from its market-making resales to us.

A market-making transaction will have a settlement date later than the original issue date of the security. Information about the trade and settlement dates, as well as the purchase price, for a market-making transaction will be provided to the purchaser in a separate confirmation of sale.

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Unless you are informed in your confirmation of sale that your security is being purchased in its original offering and sale, you may assume that you are purchasing your security in a market-making transaction.

Matters Relating to Initial Offering and Market-Making Resales

Each series of securities will be a new issue, and there will be no established trading market for any security prior to its original issue date. We or the Issuer Trusts, if applicable, may not choose to list any particular series of securities on a securities exchange or quotation system. Zions Direct, Inc., Amegy Investments, Inc. and any underwriters to whom we or the Issuer Trusts sell securities for public offering may make a market in those securities. However, none of Zions Direct, Inc., Amegy Investments, Inc. or any underwriter that makes a market is obligated to do so, and any of them may stop doing so at any time without notice. No assurance can be given as to the liquidity or trading market for any of the securities.

Unless otherwise indicated in the applicable prospectus supplement or confirmation of sale, the purchase price of the securities will be required to be paid in immediately available funds in New York City.

In this prospectus, an offering of securities refers to the initial offering of the securities made in connection with their original issuance, and does not refer to any subsequent resales of securities in market-making transactions.

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BENEFIT PLAN INVESTOR CONSIDERATIONS

A fiduciary of a pension, profit-sharing or other employee benefit plan subject to the U.S. Employee Retirement Income Security Act of 1974, as amended (ERISA) (each, a Plan), should consider the fiduciary standards of ERISA in the context of the Plan s particular circumstances before authorizing an investment in the securities. Among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan, and whether the investment would involve a prohibited transaction under ERISA or the Internal Revenue Code.

Section 406 of ERISA and Section 4975 of the Code prohibit Plans, as well as individual retirement accounts, Keogh plans and any other plans that are subject to Section 4975 of the Internal Revenue Code (also Plans), from engaging in certain transactions involving plan assets with persons who are parties in interest under ERISA or disqualified persons under the Internal Revenue Code with respect to the Plan. A violation of these prohibited transaction rules may result in excise tax or other liabilities under ERISA or the Internal Revenue Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) (Non-ERISA Arrangements) are not subject to the requirements of Section 406 of ERISA or Section 4975 of the Internal Revenue Code but may be subject to similar provisions under applicable federal, state, local, non-U.S or other laws (Similar Laws).

The acquisition or conversion of the securities by a Plan or any entity whose underlying assets include plan assets by reason of any Plan s investment in the entity (a Plan Asset Entity) with respect to which we or certain of our affiliates is or becomes a party in interest or disqualified person may result in a prohibited transaction under ERISA or Section 4975 of the Internal Revenue Code, unless the securities are acquired pursuant to an applicable exemption. The U.S. Department of Labor has issued five prohibited transaction class exemptions, or PTCEs , that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of securities. These exemptions are PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers), PTCE 90-1 (for certain transactions involving insurance company pooled separate accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 95-60 (for transactions involving certain insurance company general accounts), and PTCE 96-23 (for transactions managed by in-house asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Internal Revenue Code provide an exemption for the purchase and sale of securities offered hereby, *provided* that neither the issuer of securities offered hereby nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction, and *provided further* that the Plan pays no more and receives no less than adequate consideration in connection with the transaction (the service provider exemption). There can be no assurance that all of the conditions of any such exemptions will be satisfied.

Any purchaser or holder of securities or any interest therein will be deemed to have represented by its purchase and holding of the securities offered hereby that it either (1) is not a Plan, a Plan Asset Entity or a Non-ERISA Arrangement and is not purchasing, holding or converting the securities on behalf of or with the assets of any Plan, a Plan Asset Entity or Non-ERISA Arrangement or (2) the purchase, holding and conversion of the securities will not constitute a non-exempt prohibited transaction or a similar violation under any applicable Similar Laws.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing the securities on behalf of or with the assets of any Plan, a Plan Asset Entity or Non-ERISA Arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above, the service provider exemption or the potential consequences of any purchase, holding or converting securities under Similar

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Laws, as applicable. Purchasers of the securities have exclusive responsibility for ensuring that their purchase, holding and conversion of the securities do not violate the fiduciary or prohibited transaction rules of ERISA or the Internal Revenue Code or any similar provisions of Similar Laws. The sale of any of the securities to a Plan, Plan Asset Entity or Non-ERISA Arrangement is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by any such Plans, Plan Asset Entities or Non-ERISA Arrangements generally or any particular Plan, Plan Asset Entity or Non-ERISA Arrangement or that such investment is appropriate for such Plans, Plan Asset Entities or Non-ERISA Arrangements generally or any particular Plan, Plan Asset Entity or Non-ERISA Arrangement.

Securities may be subject to additional restrictions under ERISA, the Internal Revenue Code or Similar Laws if indicated in the applicable prospectus supplement.

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VALIDITY OF THE SECURITIES

In connection with particular offerings of the securities in the future, and if stated in the applicable prospectus supplements, the validity of those securities, other than capital securities, may be passed upon for us by Callister Nebeker & McCullough, a Professional Corporation, Salt Lake City, Utah, and Sullivan & Cromwell, Los Angeles, California, and for any underwriters or agents by Sullivan & Cromwell LLP or other counsel named in the applicable prospectus supplement. Sullivan & Cromwell LLP will rely upon the opinion of Callister Nebeker & McCullough as to matters of Utah law and Callister Nebeker & McCullough will rely upon the opinion of Sullivan & Cromwell LLP as to matters of New York law. In connection with particular offerings of capital securities in the future, and if stated in the applicable prospectus supplement, the validity of the capital securities may be passed upon for us and the Issuer Trusts by Richards, Layton & Finger, P.A., Wilmington, Delaware. The opinions of Callister Nebeker & McCullough and Sullivan & Cromwell LLP will be conditioned upon, and subject to certain assumptions regarding, future action to be taken by Zions and its board of directors in connection with the issuance and sale of any particular series of securities, the specific terms of the securities and other matters which may affect the validity of securities but which cannot be ascertained on the date of such opinions. Sullivan & Cromwell LLP and Callister Nebeker & McCullough regularly perform legal services for Zions.

EXPERTS

Ernst & Young LLP, independent registered public accounting firm, has audited our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2008 and the effectiveness of our internal control over financial reporting as of December 31, 2008, as set forth in their reports, which are incorporated in this prospectus by reference. Our consolidated financial statements and our management s assessment of the effectiveness of internal control over financial reporting as of December 31, 2008 are incorporated by reference in reliance on Ernst & Young LLP s reports, given on their authority as experts in accounting and auditing.

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$200,000,000

ZIONS BANCORPORATION

Common Stock

PROSPECTUS SUPPLEMENT

Deutsche Bank Securities **Goldman, Sachs & Co.**