

Risk Factors Comparison 2023-05-19 to 2022-05-31 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text** Section

The Company's business involves a number of risks and uncertainties. You should carefully consider the following risks, together with the information provided elsewhere in this Annual Report. The items described below are not the only risks we face. Additional risks that are currently unknown to us or that are currently considered to be immaterial may also impair the business or adversely affect our financial condition or results of operations.

Business and Operational Risks The impact of local or national emergencies, ~~including the COVID-19 pandemic,~~ can adversely affect our financial results, condition and prospects, including such impacts from state and federal regulatory action that ~~restricts~~ **restrict** our ability to operate our business in the ordinary course and impacts on (i) customer demand and the availability of financing for our products, (ii) our supply chain and the availability of raw materials for the manufacture of our products, (iii) the availability of labor and the health and safety of our workforce and (iv) our liquidity and access to the capital markets. Severe weather conditions, natural disasters, hostilities and social unrest, terrorist activities, health epidemics or pandemics, **concerns about the stability and solvency of financial institutions (such as liquidity concerns raised by the recent closures of Silicon Valley Bank, Signature Bank and First Republic Bank),** or other local or national emergencies (both ones quickly resolved and ones that endure over long periods of time) can adversely affect consumer spending and confidence levels, **the ability to obtain financing** and supply availability and costs, as well as local operations in impacted markets, all of which can affect our financial results, condition and prospects.

Our sales of affordable homes are largely dependent on the ability of consumers to obtain financing for the purchase of a home. Consumer financing is dependent on a number of economic factors, including the employment status of borrowers, which may be adversely affected by local or national emergencies. Consumer confidence is also an important factor to support home purchases and is subject to the adverse effects of an emergency situation. Our products are produced in a manner that is considered labor-intensive and requires a consistent and available workforce, which may be adversely affected by a large-scale decline in public health conditions or other emergencies. ~~As it relates to the COVID-19 pandemic, our normal operations were constrained by actions we took to maintain a safe working environment for our employees, including compliance with mandated social distancing and other governmental requirements. Factory capacity utilization levels fell accordingly as the result of increased employee absenteeism and the pandemic impacts to our supply chain. Our primary suppliers are domestic, while also depending on materials originating from overseas. The ability of suppliers to fulfill orders on our behalf under pre-existing terms is dependent upon their particular circumstances, including those related to the COVID-19 pandemic. The magnitude of the COVID-19 pandemic, including the extent of any continuing impact on our business, financial position, results of operations or liquidity, which could be material, cannot be reasonably estimated at this time because of the continuing fluidity of the situation. It will depend on the duration and evolution of the pandemic, potential business disruptions and the overall impact on the national economy and consumer behavior. National emergencies like the COVID-19 pandemic may also have the effect of heightening many of the other risks described below in this Item 1A or elsewhere in this Annual Report, such as: risks related to the successful completion of our growth and expansion goals; risks related to the ability of borrowers to make payments on their mortgages or loans and our ability to exercise remedies in such cases, including as a result of government restrictions on the exercise of such remedies; risks related to economic downturns, declining consumer confidence and other market forces and reduced demand for our products or buyers' ability to get financing for the purchase of our products; risks related to depressed home prices and elevated unemployment; risks related to the availability of labor and the pricing and availability of raw materials; risks related to our ability to remain in compliance with increasing levels of government regulation while maintaining economic and profitable operations; risks related to our ability to maintain adequate internal controls; and risks related to stock price fluctuations.~~ The Company's results of operations can be adversely affected by labor shortages and the pricing and availability of transportation or raw materials. The homebuilding industry has from time ~~-~~ to ~~time~~ experienced labor shortages and other labor related issues. A number of factors may adversely affect the labor force available to us and our subcontractors in one or more of our markets. This includes high employment levels, construction market conditions and government regulation, which include laws and regulations related to workers' health and safety, wage and hour practices and immigration patterns or restrictions. An overall labor shortage or a lack of skilled or unskilled labor could cause significant increases in costs or delays in construction of homes, which could have a material adverse effect upon our revenue and results of operations. ~~As our homes are transported by independent third-party transportation companies, shortages~~ **Shortages** or increased transportation costs from rising fuel prices could have an adverse impact to our operations. Our results of operations can also be affected by the pricing and availability of raw materials. Key building materials include wood and wood products, gypsum wallboard, steel, windows, appliances, insulation and other petroleum-based products. There can be no assurance that sufficient supplies of these and other raw materials will continue to be available to us. Sudden increases in price or lack of availability of raw materials can be caused by natural disaster, regulation or other market forces, as has occurred in recent years. We have experienced production halts from shortages of primary building materials in the past, and although we attempt to increase the sales prices of our homes in response to higher materials costs, such increases may lag behind the escalation of material costs. **Shutdowns or delays at the United States / Mexico border could affect the Company's ability to ship materials to and receive finished goods from our Mexico production facilities** We have two production lines in Mexico which are dependent upon receiving materials from our facility in Presidio, Texas. Shutdown or delays at the United States / Mexico border could impact production at those facilities and our ability to receive the finished goods from those facilities, each of which could adversely affect our results of operations. Excessive health and safety incidents relating to our operations could be costly to

the Company Home construction is inherently dangerous. While safety is a top priority, any failure in health and safety performance may result in additional health and workers' compensation costs or penalties for non-compliance with relevant regulatory requirements, which may result in difficulty attracting labor or a negative impact to our reputation of credit. **Casualty loss losses associated with the Company's transportation operations may be large**, which could adversely impact **our financial performance**. In the ordinary course of business, we may incur property or casualty losses during the transportation of raw materials or finished homes. Although we maintain general liability insurance, estimating the number and severity of claims, as well as related judgment or settlement amounts, ~~its~~ **is liquidity inherently difficult**, and claims may ultimately prove to be more severe than our estimates. This, along with legal expenses, incurred but not reported claims, and other uncertainties can cause unfavorable differences between actual costs and our reserve estimates. Accordingly, ultimate results of operations We are exposed to risks associated with the creditworthiness of certain independent distributors, builders, developers, community owners, inventory financing partners and home buyers, many ~~may differ materially from our estimates, which~~ **of whom may be adversely affected by the volatile conditions in the economy and financial markets**. These conditions could result in financial instability or other adverse effects, the consequences of which could include delinquencies by customers who purchase our products under special financing initiatives and the deterioration of collateral values. In addition, losses **and materially** may be incurred if the collateral cannot be recovered or is liquidated at prices insufficient to recover recorded commercial loan notes receivable balances. The realization of any of these factors may adversely affect our cash flow, profitability and financial condition **and results of operations**. The Company's results of operations could be adversely affected by significant warranty and construction defect claims on factory-built housing. In the ordinary course of business, we are subject to home warranty and construction defect claims. We record a reserve for estimated future warranty costs relating to homes sold based upon an assessment of historical claim experience. Construction defect claims may arise significantly after product completion. Although we maintain general liability insurance and reserves for such claims, there can be no assurance that warranty and construction defect claims will remain at current levels or that such reserves will continue to be adequate. Additionally, the cost of insurance has increased significantly in recent years. If we are not able to maintain current levels of coverage, or if warranty and construction defect claims exceed current levels, our results of operations or financial condition could be adversely ~~effected~~ **affected**. Some of the Company's manufacturing production employees are represented by unions, and failure to negotiate reasonable collective bargaining agreements may result in strikes, work stoppages or substantially higher ongoing labor costs. Certain manufacturing production employees (approximately 7.6% of our total employees) are represented by unions and are covered by collective bargaining agreements, which expire in ~~April 2023 and February 2024~~ **and May 2026**. Wages, health and welfare benefits, work rules and other issues have historically been negotiated in a reasonable amount of time and have previously not resulted in any extended work stoppages. However, if we are unable to negotiate acceptable new agreements, it could result in worker strikes, loss of business, disruption of operations and increased operating costs as a result of higher wages or benefits paid to union members, which would have an adverse effect on our business and results of operations ~~adversely effected~~. Products supplied to the Company or work done by subcontractors can expose the Company to risks that could adversely affect its business. We sometimes rely on subcontractors to perform certain processes such as home setup or warranty work. In some cases, subcontractors may use improper processes or defective materials, which could result in the need for us to perform repairs on homes. In addition, although we expect all of our employees, officers and directors to comply at all times with all applicable laws, rules and regulations, there may be instances in which subcontractors or others through whom we do business engage in practices that do not comply with applicable laws, regulations or governmental guidelines. When we learn of practices that do not comply with applicable laws, regulations or guidelines, we move ~~actively~~ **proactively** to stop the non-complying practices as soon as possible. However, regardless of the steps we take after we learn of improper practices, we can in some instances be subject to fines or other governmental penalties and our reputation can be injured due to the practices having **taken place**. Increases in the rate of cancellations of home sales orders could have an adverse effect on the Company's business. Our backlog reflects home sales orders with our distributors and home buyers for homes that have not yet been delivered. Distributors and home buyers may cancel orders prior to production without penalty. If there is a downturn in the housing market, or if financing becomes less available or more expensive to obtain with higher interest rates, more distributors and homebuyers may cancel their agreements of sale with us, which would have an adverse effect on our business and results of operations. The Company may not be able to successfully integrate past or future acquisitions to attain the anticipated benefits and such acquisitions may adversely impact the Company's liquidity. We have acquired industry competitors in the past and may consider additional strategic acquisitions if such opportunities arise. Prior acquisitions and any other acquisitions that may be considered in the future involve a number of risks, including the diversion of our management's attention from the existing business for those transactions that we complete, or possible adverse effects on our operating results and liquidity during the integration process. In addition, we may not be able to successfully or profitably integrate, operate, maintain and manage the operations or employees of past or future acquisitions. During the integration stage of an acquisition, we also may not be able to maintain uniform standards, controls, procedures and policies, which may lead to financial losses. The Company's involvement in vertically integrated lines of business, including manufactured housing consumer finance, commercial finance and insurance, exposes the Company to certain risks. We offer conforming mortgages, non-conforming mortgages and home-only loans to purchasers of factory-built homes sold by Company-owned retail stores and independent distributors, builders, communities and developers through our subsidiary, CountryPlace. Most loans we originate are sold to investors. We also provide various loan servicing functions for non-affiliated entities under contract. If customers are unable to repay their loans, we may be adversely affected. We make loans to borrowers that we believe are creditworthy based on underwriting guidelines. However, the ability of these customers to repay their loans may be affected by a number of factors, including, but not limited to: national, regional and local economic conditions; changes or weakness in specific industry segments; natural hazard risks affecting the region in which the borrower resides; and employment, financial or

unexpected life circumstances. If customers do not repay their loans, we may repossess or foreclose on the secured property in order to liquidate the loan collateral and minimize losses. The homes and land securing the loans are subject to fluctuating market values and proceeds realized from liquidating repossessed or foreclosed property are highly susceptible to adverse movements in collateral values. Home price depreciation and elevated levels of unemployment may result in additional defaults and ~~exacerbate actual~~ **increase the severity of** loss ~~severities~~ upon collateral liquidation. Some of the loans we originate, or may originate in the future, may not have a liquid market, or the market may contract rapidly **and causing** the loans **may-to** become illiquid. Although we offer loan products and price our loans at levels that we believe are marketable at the time of credit application approval, market conditions for such loans may deteriorate rapidly and significantly. Our ability to respond to changing market conditions is affected by credit approval and funding commitments we make in advance of loan completion. In this environment, it is difficult to predict the types of loan products and characteristics that may be susceptible to future market curtailments and tailor loan offerings accordingly. As a result, no assurances can be given that the market value of our loans will not decline in the future, or that a market will continue to exist for loan products. We sell loans through GSE- related programs and to whole- loan purchasers and also finance certain loans with long- term credit facilities secured by the respective loans. In connection with these activities, we provide to GSEs, whole- loan purchasers and lenders, as the case may be, representations and warranties related to the loans sold or financed. These representations and warranties generally relate to the ownership of the loans, the validity of the liens securing the loans, the loans' compliance with the criteria for inclusion in the transactions, including compliance with underwriting standards or loan criteria established by buyers or lenders and our ability to deliver documentation in compliance with applicable laws. Generally, representations and warranties may be enforced at any time over the life of the loan. Upon a breach of a representation, we may be required to repurchase the loan or to indemnify a party for incurred losses. Although we maintain reserves for these contingent repurchase and indemnification obligations, these reserves may not be ultimately sufficient for incurred losses, which could have a material adverse effect on our operational results or financial condition. Standard Casualty specializes in homeowner property and casualty insurance products for the manufactured housing industry, primarily serving the Texas, Arizona, New Mexico and Nevada markets. Property and casualty insurance companies are subject to certain risk- based capital requirements usually in accordance with model rules as specified by the National Association of Insurance Commissioners. Under these requirements, the amount of capital and surplus maintained by a property and casualty insurance company is determined based on its various risk factors. Certain of our premiums and benefits are assumed from and ceded to other insurance companies under various reinsurance agreements. The ceded reinsurance agreements provide us with increased capacity to write larger risks. We remain obligated for amounts ceded in the event that the reinsurers do not meet their obligations. Substantially all of our assumed reinsurance is with one entity. Further, our policies in force may be subject to numerous risks, including geographic concentration, adverse selection, home deterioration, unusual weather events and regulation. Although claim amounts are recoverable through reinsurance for catastrophic losses up to policy maximums, subject to certain conditions, significant losses may be realized and our results of operations and financial condition could be adversely affected. **The Company**' s participation in certain financing programs for the purchase of its products by industry distributors and consumers may expose the Company to additional risk of credit loss, which could adversely impact its liquidity and results of operations. We are exposed to risks associated with the creditworthiness of certain independent distributors, builders, developers, community owners, inventory financing partners and home buyers, many of whom may be adversely affected by the volatile conditions in the economy and financial markets. These conditions could result in financial instability or other adverse effects, the consequences of which could include delinquencies by customers who purchase our products under special financing initiatives and the deterioration of collateral values. In addition, losses may be incurred if the collateral cannot be recovered or is liquidated at prices insufficient to recover recorded commercial loan notes receivable balances. The realization of any of these factors may adversely affect our cash flow, profitability and financial condition. ~~The~~ **Company** Information technology failures or cyber incidents could harm the Company' s business. We are increasingly dependent on information technology systems and infrastructure to operate our business. In the ordinary course of business, we collect, store, process and transmit significant amounts of sensitive information, including proprietary business information, personal information and other confidential information, including that of our customers, vendors and suppliers. All information systems are subject to disruption, breach or failure. Potential vulnerabilities can be exploited from inadvertent or intentional actions of our employees, third- party vendors and business partners or by malicious third parties. Attacks of this nature are increasing in their frequency, levels of persistence, sophistication and intensity, and are being conducted by a variety of threat actors, including sophisticated and organized groups and individuals with a wide range of expertise and motives, such as organized criminal groups, industrial spies, nation states and others. In addition to the extraction of sensitive information, attacks could include the deployment of harmful malware, ransomware, denial of service attacks or other means, which could affect service reliability and threaten the confidentiality, integrity and availability of information. We use enterprise- grade information technology and computer resources to carry out important operational activities and to aggregate and maintain business records from a variety of systems. Although most information is stored on servers that are secured in commercial data centers, individual systems, including back- up systems, are subject to damage or interruption from power outages, telecommunications failures, human error, computer viruses, security breaches and cyber incidents, which may infect our network infrastructure. Such systems are also vulnerable to catastrophic events such as fires, tornadoes, earthquakes and hurricanes. Given the unpredictability of the timing, nature and scope of information technology disruptions, if our computer systems and our backup systems are damaged, breached or cease to function properly, we could potentially be subject to production downtimes, operational delays, distraction of management, the compromising of confidential or otherwise protected information, destruction or corruption of data, security breaches, other manipulation or improper use of our systems and networks and financial losses from remedial actions. Significant disruptions in our, or our third- party vendors', information technology systems or other data security breaches or cyber incidents could adversely affect the business operations and result in the loss or misappropriation of,

and unauthorized access to, sensitive information, which may force us to incur significant costs and engage in litigation, harm our reputation and subject us to liability under laws, regulations and contractual obligations. In addition, the costs of maintaining adequate protection against such threats are expected to increase and could be material to our operations. ~~In March 2019, we suffered a cyber incident and attack to our computer networks. Although many of the costs and expenses we incurred related to this March 2019 incident were covered by insurance, we could in the future suffer a cyber incident that could result in material costs and losses that are not covered by insurance, which could have a material adverse effect on our results of operations and financial condition.~~ Failure to maintain the security of personally identifiable information could adversely affect the Company. In connection with our business, we collect and retain personally identifiable information (e. g., information regarding our customers, suppliers and employees), and there is an expectation that we will adequately protect that information. A significant theft, loss or fraudulent use of the personally identifiable information we maintain, or of our data, by cyber- criminals or others could adversely impact our reputation and could result in significant costs, fines or litigation. The Company **'s participation in certain financing programs..... practices having taken place. The Company** has contingent repurchase obligations related to wholesale financing provided to industry distributors. In accordance with customary business practice in the manufactured housing industry, we have entered into repurchase agreements with various financial institutions and other credit sources ~~who~~ **that** provide floor plan financing to industry distributors, which provide that we will be obligated, under certain circumstances, to repurchase homes sold to distributors in the event of a default by a distributor under floor plan financing arrangements. Under these agreements, we have agreed to repurchase homes at declining prices over the term of the agreement (which in most cases is 18 to 24 months). Our obligation under these repurchase agreements ceases upon the purchase of the home by the retail customer. The maximum amount of contingent obligations under such repurchase agreements was approximately \$ ~~141-177~~ **0** ~~9~~ million as of April ~~2-1~~ **2022-2023**, before reduction for the resale value of the homes. We may be required to honor contingent repurchase obligations in the future and may incur additional expense as a consequence of these repurchase agreements. In addition, the ability to recover losses on homes repurchased could be at risk in a declining price environment. A write- off of all or part of the Company' s goodwill could adversely affect its results of operations and financial condition. As of April ~~2-1~~ **2022-2023**, 9 % of our total assets consisted of goodwill, all of which is attributable to our factory- built housing segment. In accordance with Financial Accounting Standards Board (" FASB") Accounting Standards Codification (" ASC") 350, Intangibles — Goodwill and Other (" ASC 350"), goodwill is tested annually for impairment. If goodwill becomes impaired, such impairment is charged as an expense in the period in which it occurs. Our goodwill could be impaired if developments affecting our manufacturing operations or the markets in which we produce manufactured homes lead us to conclude that the cash flows expected to be derived from our manufacturing operations will be substantially reduced. If the Company is unable to establish or maintain relationships with its independent distributors who sell the Company' s homes, revenue could decline. During fiscal year ~~2022-2023~~ **2022-2023**, approximately 83 % of our sales of factory- built homes were to independent distributors. As is common in the industry, independent distributors may also sell homes produced by competing manufacturers. We may not be able to establish relationships with new independent distributors or maintain good relationships with independent distributors that sell our homes. Even if we do establish and maintain relationships with independent distributors, these distributors are not obligated to sell our homes exclusively ~~and may choose to sell competitors' homes~~. The independent distributors with whom we have relationships can cancel these relationships on short notice. In addition, these distributors may not remain financially solvent, as they are subject to industry, economic, demographic and seasonal trends similar to those faced by us. If we do not establish and maintain relationships with solvent independent distributors in one or more of our markets, revenue in those markets could decline. The Company' s business and operations are concentrated in certain geographic regions, which could be impacted by market declines. Our operations are concentrated in certain states, most notably Texas, California, Florida, Arizona and Oregon. Due to the concentrated nature of the operations, there could be instances where these regions are negatively impacted by economic, natural or population changes that could, in turn, negatively impact our results of operations more than ~~those of~~ **those of** other companies that are more geographically dispersed. We operate ~~26-29~~ **26-29** homebuilding production lines located in the Northwest, Southwest, South, Southeast, Midwest and Mid- Atlantic regions. We have a significant presence in Texas with factories in the cities of Austin, ~~Fort Ft-~~ **Fort Ft-**Worth, Seguin and Waco, **and a facility in Presidio that serves as a shipping point for homes produced in Mexico**. Further, of the ~~45-64~~ **45-64** Company- owned retail stores, ~~31-50~~ **31-50** are located in Texas. Loan contracts secured by collateral that is geographically concentrated could experience higher rates of delinquencies, default and foreclosure losses than loan contracts secured by collateral that is more geographically dispersed. We have loan contracts secured by factory- built homes located in ~~26-28~~ **26-28** states, including Texas, Florida, New Mexico, ~~and Oklahoma and Alabama~~. Standard Casualty also specializes in writing contracts for the manufactured housing industry, primarily serving the Texas, Arizona, New Mexico and Nevada markets. The Company' s income tax provision and other tax liabilities may be insufficient if taxing authorities initiate and are successful in asserting tax positions that are contrary to the Company' s position. In the normal course of business, we are audited by various federal, state and local authorities regarding income tax matters. Significant judgment is required to determine our provision for income taxes and our liabilities for federal, state, local and other taxes. Although we believe our approach to determining the appropriate tax treatment is supportable and in accordance with tax laws and regulations and relevant accounting literature, it is possible that the final tax authority will take a position that is materially different than ours. As each audit is conducted, adjustments, if any, are recorded in our consolidated financial statements in the period determined. Such differences could have a material adverse effect on our income tax provision or benefit, or other tax reserves, and, consequently, on our results of operations, financial position or cash flows. A prolonged delay by Congress and the President to approve budgets or continuing appropriation resolutions to facilitate the operations of the federal government could delay the completion of home sales and / or cause cancellations, and thereby negatively impact the Company' s deliveries and revenues. Congress and the President may not timely approve budgets or appropriation legislation to facilitate the operations of the federal government. As a result, many federal agencies have

historically and may again cease or curtail some activities. The affected activities include issuance of HUD certification labels to manufacturers, Internal Revenue Service verification of loan applicants' tax return information and approvals by the FHA and other government agencies to fund or insure mortgage loans under programs that these agencies operate. As a number of our home buyers use these programs to obtain financing to purchase homes, and many lenders, including CountryPlace, require ongoing coordination with these and other governmental entities to originate home loans, a prolonged delay in the performance of their activities could prevent prospective qualified buyers from obtaining the loans they need to complete such purchases, which could lead to delays or cancellations of home sales. These and other affected governmental bodies could cause interruptions in various aspects of our business and investments. Depending on the length of disruption, such factors could have a material adverse impact on our consolidated financial statements. Industry and Economic Risks Tightened credit standards, curtailed lending activity by home- only lenders and increased government lending regulations continue to constrain the consumer financing market which could continue to restrict sales of the Company's homes. Consumers who buy our manufactured homes have historically secured retail financing from third- party lenders. Home- only financing is usually more difficult to obtain than financing for site- built homes. The availability, terms and costs of retail financing depend on the lending practices of financial institutions, governmental policies and economic and other conditions, all of which are beyond our control. Over time, home- only lenders have tightened the credit underwriting standards for loans to purchase manufactured homes, which has reduced lending volumes and negatively impacted our revenue. Most of the national lenders **who that** have historically provided home- only loans have exited the manufactured housing sector of the home loan industry. Retail sales of manufactured housing could be adversely affected if remaining retail lenders curtail industry lending activities or exit the industry altogether. Changes in laws or other events that adversely affect liquidity in the secondary mortgage market could hurt the business. GSEs and the FHA play significant roles in insuring or purchasing home mortgages and creating or insuring investment securities secured by home mortgages that are either sold to investors or held in their portfolios. These organizations provide significant liquidity to the secondary market. Any new federal laws or regulations that restrict or curtail their activities, or any other events or conditions that alter the roles of these organizations in the housing finance market, could affect the ability of our customers to obtain mortgage loans or could increase mortgage interest rates, fees and credit standards, which could reduce demand for our homes and / or the loans that we originate and adversely affect our results of operations. Some investors are reluctant to own or participate in owning such loans because of the uncertainty of potential litigation and other costs. As a result, some prospective buyers of manufactured homes may be unable to secure the financing necessary to complete purchases. In addition, enhanced regulatory and compliance costs could force lenders to implement new processes, procedures, controls and infrastructure required to comply with the regulations. Compliance may constrain lenders' ability to profitably price certain loans. Failure to comply with such regulations, changes in these or other regulations, or the imposition of additional regulations, could affect our earnings, limit our access to capital and have a material adverse effect on the business and results of operations. An increase in interest rates could reduce potential buyers' ability or desire to obtain financing with which to buy homes and adversely affect the Company's business or financial results. The Federal Reserve Board has recently raised its benchmark rate, with further increases possible. Increases in interest rates could significantly increase the cost of owning a new home, which usually reduces the number of potential buyers who can afford, or are willing, to purchase homes we build. This could adversely impact demand for our homes and the ability of potential customers to obtain financing, adversely affecting our business, financial condition and operating results. **Changes in the exchange rates for Mexican Pesos could adversely affect the value of the Company's investments in Mexico and cause foreign exchange losses We have production operations in Mexico, and unfavorable changes in the exchange rate for Mexican Pesos could adversely affect the reported value of our investments and / or results of operations.** Availability of wholesale financing for industry distributors continues to be limited to a few floor plan lenders and lending limits may be reduced from time to time , which can negatively affect distributor demand. Manufactured housing distributors generally finance their inventory purchases with wholesale floor plan financing provided by lending institutions. The availability of wholesale financing is significantly affected by the number of floor plan lenders and their lending limits. Our independent distributors rely primarily on 21st Mortgage Corporation and smaller national and regional lending institutions that specialize in providing wholesale floor plan financing to manufactured housing distributors. Floor plan financing providers could further reduce their levels of floor plan lending. Reduced availability of floor plan lending negatively affects the inventory levels of our independent distributors, the number of retail sales center locations and related wholesale demand, and the availability of, and access to, capital on an ongoing basis. The Company's operating results could be affected by market forces and declining housing demand. As a participant in the homebuilding industry, we are subject to market forces beyond our control. These market forces include employment levels, employment growth, interest rates, consumer confidence, home input supply availability, land availability and development costs, suppliers impacted by global conflicts, apartment and rental housing vacancy levels, inflation, deflation, **bank- specific and broader financial institution liquidity risk** and the health of the general economy. Unfavorable changes in any of the above factors or other issues could have an adverse effect on our revenues, earnings or financial position. The cyclical and seasonal nature of the manufactured housing industry causes the Company's revenues and operating results to fluctuate, and we expect this cyclical and seasonality to continue in the future. The manufactured housing industry is highly cyclical and seasonal and is influenced by many national and regional economic and demographic factors, including the availability of consumer financing for home buyers, the availability of wholesale financing for distributors, seasonality of demand, consumer confidence, interest rates, demographic and employment trends, income levels, housing demand, general economic conditions, including inflation and recessions, and the availability of suitable home sites. As a result of the foregoing economic, demographic and other factors, our revenues and operating results fluctuate, and we expect them to continue to fluctuate in the future. The manufactured housing industry is highly competitive, and increased competition may result in lower revenue. The manufactured housing industry is highly competitive. Competition at both the manufacturing and retail levels is based upon many factors, including price, product features, reputation for service and

quality, merchandising, terms of distributor promotional programs and the terms of retail customer financing. Numerous companies produce manufactured homes in our markets. Certain competitors also have their own retail distribution systems and consumer finance and insurance operations. In addition, there are many independent manufactured housing retail locations in most areas where we have retail operations. We believe that where wholesale floor plan financing is available, it is relatively easy for new distributors to enter into our markets as competitors. In addition, our products compete with other forms of low- to moderate- cost housing, including new and existing site- built homes, apartments, townhouses and condominiums. If we are unable to compete effectively in this environment, revenues could be reduced. Deterioration in economic conditions and turmoil in financial markets could reduce the Company's earnings and financial condition. Deterioration in global, national, regional or local economic conditions and turmoil in financial markets could have a negative impact on our business. Among other things, unfavorable changes in employment levels, job growth, consumer confidence and income, inflation, deflation, trade tariffs, foreign currency exchange rates and, interest rates and adverse developments with respect to specific financial institutions or the broader financial services industry may further reduce demand for our products or have an adverse effect on the availability of financing to our customers, which could negatively affect our business, results of operations and financial condition.

Legal and Regulatory Risks If favorable local zoning ordinances are not adopted or if local zoning ordinances become further restricted, the Company's revenue could decline and its business could be adversely affected. Manufactured housing communities and individual home placements are subject to local zoning ordinances and other local regulations relating to utility service and construction of roadways. In the past, property owners often have resisted the adoption of zoning ordinances permitting the location of manufactured homes in residential areas, which we believe has restricted the growth of the industry. Manufactured homes may not achieve widespread acceptance and localities may not adopt zoning ordinances permitting the development of manufactured home communities. If favorable local zoning ordinances are not adopted or become further restricted, our revenue could decline and the business, results of operations and financial condition could be adversely affected. The Company is subject to extensive regulation affecting the production and sale of manufactured housing, which could adversely affect its profitability. A variety of federal, state and local laws and regulations affect the production and sale of manufactured housing. Please refer to the section above under the heading "Business- Government Regulation" for a description of many of these laws and regulations. Our failure to comply with such laws and regulations could expose us to a wide variety of sanctions, including closing one or more manufacturing facilities. Regulatory matters affecting our operations are under regular review by governmental bodies and we cannot predict what effect, if any, new laws and regulations would have on us or the manufactured housing industry. Failure to comply with applicable laws or regulations or the passage in the future of new and more stringent laws, may adversely affect our financial condition or results of operations.

Changes in existing regulations or violations of existing or future regulations could have a materially adverse effect on the Company's operations and profitability. We are subject to regulation by the United States Department of Transportation, the EPA, the United States Department of Homeland Security and other state and federal agencies. Future laws and regulations or changes to existing laws and regulations may be more stringent, require changes in our operating practices, or require us to incur significant additional costs, which could materially adversely affect our business, financial condition, and results of operations.

~~The Company may face risks related to the potential outcomes of the SEC litigation, including potential shareholder litigation penalties, expense, the use of significant management time and attention or potential reputational damage that the Company may suffer as a result of the litigation. As disclosed in Part I, Item 3, Legal Proceedings, on since 2018, we have been cooperating with an investigation by the enforcement staff of the SEC regarding trading in personal and Company accounts directed by the Company's former Chief Executive Officer, Joseph Stegmayer. On September 2, 2021, the SEC filed a civil complaint in the United States District Court, District of Arizona, naming the Company, along with Mr. Stegmayer, the Company's former Chairman, President & Chief Executive Officer ("former CEO") and the Company's former Chief Financial Officer, alleging violations of the antifraud and internal accounting control provisions of the Securities Exchange Act of 1934 (the "Exchange Act") based on trading in the shares of another company directed by the former CEO that resulted in an unrealized gain of approximately \$ 265, 000. In fiscal 2022, the Company recorded an accrual relating to this loss contingency. On September 23, 2022, the United States District Court for the District of Arizona approved the settlement of the SEC action against the Company. Without admitting or denying the findings of the consent judgment, the Company agreed to the imposition of an injunction against future violations of the antifraud and internal accounting control provisions of the Exchange Act and a monetary penalty of \$ 1. 5 million, which did not have a material impact on the Company's financial statements. The case is currently settlement resolves all claims in such action against the Company discovery phase of litigation.~~

We are unable to predict what consequences any investigation by any regulatory agency may have on us, including significant legal and accounting expenses. These matters may also divert management's attention from other business concerns, which could harm the business and could result in reputational damage. Any proceedings commenced against us by a regulatory agency could result in administrative orders against us, the imposition of penalties and / or fines against us and / or the imposition of sanctions against certain of our current or former officers, directors and / or employees. The investigations, litigation or remedial actions we have taken or are currently undertaking may adversely affect our business.

~~If we are subject to adverse findings resulting from the SEC litigation, we could be required to pay damages and / or penalties or have other remedies imposed on us.~~ Losses not covered by our Director and Officer ("D & O") insurance may be large, which could adversely impact the Company's financial performance. We maintain D & O liability insurance for losses or advancement of defense costs in the event legal actions are brought against the Company's directors, officers or employees for alleged wrongful acts in their capacity as directors, officers or employees. Such D & O insurance contains certain customary exclusions that may make it unavailable to the Company or its directors and officers in the event it is needed; and, in any case, the D & O insurance may not be adequate to fully protect the Company against liability for the conduct of its directors, officers or employees or the Company's indemnification obligations to its directors and officers.

General Risk Factors The loss of any of the Company's executive officers, senior leadership or business operations managers or a significant number of operating employees could reduce its ability to execute its business strategy and could have a material adverse effect on its business and results of operations. We are dependent to a significant extent upon the efforts of our executive officers, senior leaders and business operations managers. The loss of the services of one or more of these individuals could impair our ability to execute our business strategy and have a material adverse effect upon our business, financial condition and results of operations. Also, the loss of a significant number of operating employees and our ability to hire qualified replacements could have a material adverse effect on our business. We currently have no key person life or other insurance for our executive officers. The Company's liquidity and ability to raise capital may be limited. We may need to obtain debt or additional equity financing in the future. The type, timing and terms of the financing selected will depend on, among other things, our cash needs, the availability of other financing sources and prevailing conditions in the financial markets. There can be no assurance that any of these sources will be available to us at any time or that they will be available on satisfactory terms. Certain provisions of the Company's organizational documents could delay or make more difficult a change in control of the Company. Certain provisions of the Company's ~~restated Restated certificate~~ **Certificate** of incorporation **Incorporation , as amended,** and **Third Amended and restated Restated** ~~bylaws~~ **Bylaws** could delay or make more difficult transactions involving a change of control ; and may have the effect of entrenching the current management or possibly depressing the market price of the Company's common stock. For example, the Company's ~~restated Restated certificate~~ **Certificate** of incorporation **Incorporation , as amended,** and **Third Amended and restated Restated** ~~bylaws~~ **Bylaws** authorize blank series preferred stock, establish a staggered board of directors and impose certain procedural and other requirements for stockholder proposals.