Risk Factors Comparison 2024-03-04 to 2023-03-06 Form: 10-K

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

Risks Related to Our Business and Industry Our business has been disrupted by the...... in the Risk Factors listed below. There are significant risks associated with our development and construction projects that may prevent completion on budget and on schedule. At our projects, we are engaged in extensive construction activity to develop each community' s infrastructure, including grading and installing roads, sidewalks, gutters, utility improvements, landscaping and shared amenities and other actions necessary to prepare each residential and commercial lot for construction. In addition, although we primarily rely on homebuilders to purchase homesites at our communities and construct homes, we may in the future construct a portion of the homes ourselves. For commercial or multi- family properties that we retain or acquire in the future, we may also construct the buildings ourselves. Our development and construction activities entail risks that could make our projects less profitable and otherwise adversely impact our financial condition and results of operations, including: • increased construction costs, unavailability of raw materials when needed, and permitting or construction delays; • claims for construction- related injuries, as well as claims for warranty, product liability and construction defects; • labor stoppages or slowdowns and / or disputes with contractors, subcontractors or other third parties on whom we rely; • federal, state and local grants to complete certain highways, interchange, bridge projects or other public improvements may not be available; • unforeseen engineering, environmental or geological problems, including the potential impacts of climate change; • compliance with environmental planning and protection regulations and related legal proceedings, including governmental regulations intended to reduce greenhouse gas emissions or ameliorate projected climate change impacts; • liabilities, expenses or project delays, stoppages or interruptions as a result of challenges by third parties in legal proceedings; • delay or inability to acquire property, rights of way or easements; and • weather- related and geological interference, including landslides, earthquakes, floods, drought, wildfires and other events, including rising sea- levels due to climate change. We cannot assure you that projects will be completed on schedule or that construction costs will not exceed budgeted amounts. Failure to complete development or construction activities on budget or on schedule may adversely affect our financial condition and results of operations. We will have to make significant investments at our properties before we realize significant revenues. We currently plan to spend material amounts on horizontal development at our communities. Those expenditures primarily reflect the costs of developing the infrastructure at our properties, including grading and installing roads, sidewalks, gutters, utility improvements, landscaping and shared amenities and other actions necessary to prepare each residential and commercial lot for construction. We may experience cost increases, our plans may change, new regulations and regulatory plan modifications or court rulings may affect our ability to develop or the cost to develop the project or circumstances may arise that result in our needing additional capital to execute our development plan. We are also required to provide performance bonds and letters of credit in the ordinary course of business to governmental authorities and others to ensure the completion of our projects or in support of obligations to build community improvements. If we are not successful in obtaining additional financing to enable us to complete our projects or are unable to obtain performance bonds or letters of credit when required, we may experience further delays or increased costs, and our financial condition and results of our operations may be adversely affected. Our communities are all located in California, which makes us susceptible to risks in that state. Our communities are all located in California. We have no current plans to acquire any additional properties or operations outside of California and we expect, at least for a number of years, to be dependent upon our existing projects for all of our cash flow. As a result, we are susceptible to greater risks than if we owned a larger or more geographically diverse portfolio. California also continues to suffer from severe budgetary constraints, which may result in the layoff or furlough of government employees, and California is regarded as more litigious and more highly regulated and taxed than many other states. Any adverse change in the economic, political, competitive or regulatory climate in California, or the counties and cities where our properties are located, could adversely affect our real estate development activities and have a negative impact on our financial condition and results of operations. In addition, historically, California has been subject to natural disasters, including earthquakes, droughts, floods, wildfires and severe weather, and coastal locations may be particularly susceptible to climate stress events or adverse localized effects of climate change, such as sea- level rise and increased storm frequency or intensity. We therefore have greater exposure to the risks of natural disasters, which can lead to power shortages, shortages of labor and materials, increased costs, and delays in development. The occurrence of natural disasters may also negatively impact the **availability of homeowners insurance and the** demand for new homes in affected areas. If our insurance does not fully cover losses resulting from these events, our financial condition and results of operations could be adversely affected. Additionally, if drought conditions ~~continue in~~ **occur within** California, state and local authorities could enact restrictions or moratoriums on building permits and access to utilities, such as water and sewer taps, which could delay or prevent our construction activities, as well as the construction of homes and commercial buildings, even when we have obtained water rights for our communities. We are highly dependent on homebuilders. We are highly dependent on our relationships with homebuilders to purchase lots at our residential communities. Our business will be adversely affected if homebuilders do not view our residential communities as desirable locations for homebuilding operations. Also, some homebuilders may be unwilling or unable to close on previously committed land parcel purchases due to factors outside of our control. As a result, we may sell fewer land parcels and may have lower revenues from sales, which could adversely affect our financial condition and results of operations. Title to our property may be impaired by title defects. We cannot give any assurance that title to our properties will not be challenged or impugned, and we cannot be certain that we have or will acquire valid title to our properties. Further, we cannot give any assurance that there are not any liens, encumbrances, mortgages, impositions, fines, violations, levies, superior title claims or other title defects

or title issues (collectively, “ title defects ”) with respect to our properties. The lack of good, marketable fee title, or the existence of any existing title defects with respect to our properties, could materially and adversely affect our properties, including by resulting in: (1) chain of title issues (such as impediments to the potential sale, transfer, assignment or grant of any fee or leasehold interests in all or any portion of our properties); (2) financing issues (such as impediments to qualifying for a line of credit, mortgage or private equity financing); (3) development issues (such as impediments to qualifying for governmental licenses and permits or construction financing, delays in operations, or additional costs incurred in connection with any required corrective measures); (4) foreclosure, forfeiture and loss of fee title (such as resulting from a mortgage foreclosure, tax levy or rescission rights); (5) reduction of asset value; or (6) loss of revenue, capital or anticipated profits. Although the San Francisco Venture holds title insurance on the portions of Candlestick and The San Francisco Shipyard that it currently owns and the Great Park Venture holds title insurance on Great Park Neighborhoods, we do not hold title insurance on Valencia. In any event, an owner’ s title insurance policy only provides insurance coverage as of the issuance date of such policy and does not protect against transfers or other title defects that impact the properties from and after the title policy issuance dates. Accordingly, for all of our properties, whether or not we hold title insurance, it is possible that there may be title defects for which we will have no title insurance coverage. In addition, the title insurance policies we do hold may not insure for the current aggregate market value of our properties, and we do not intend to increase our title insurance coverage as the market value of our portfolio increases. As a result, we may not have sufficient coverage against all losses that we may experience, including from adverse title claims. Inflation may adversely affect us by increasing costs that we may not be able to recover. Inflation can adversely affect us by increasing costs of materials and labor. In addition, inflation is often accompanied by higher interest rates, which could have a negative impact on demand for homes and the cost of debt financing. In a highly inflationary environment, depending on industry and other economic conditions, we may be unable to raise prices enough to keep up with the rate of inflation, which would reduce our profit margins. For example, we have been experiencing increases in the prices of labor and materials across all of our communities, which may adversely affect our financial condition and results of operations. **While** ~~In addition, the current conditions of high~~ inflation ~~and rising~~ **moderated somewhat in the latter half of 2023,** interest rates **and** ~~,~~ ~~which caused significant increases in~~ mortgage rates ~~during 2022~~ **remain elevated relative to recent rate levels** , **which can** ~~have resulted in decreased~~ - **decrease** demand by homebuyers for new homes and ~~a corresponding softening~~ --- **soften** ~~of~~ demand by our guest builders for home sites **.** Our business ~~has been disrupted by the outbreak and worldwide spread of COVID- 19 and~~ could be materially and adversely affected by **an** ~~COVID- 19 or by a similar~~ epidemic or pandemic,or similar public threat,or fear of such an event,and the measures that international,federal,state and local governments,agencies,law enforcement and / or health authorities implement to address it.The U.S.and other countries have experienced,and may experience in the future,outbreaks of contagious diseases that affect public health and public perception of health risk.Federal,state and local governments and private entities in impacted regions ~~have taken,and~~ may ~~continue to~~ take ~~,~~ actions in an effort to slow the spread of ~~COVID~~ **such contagious diseases,including quarantines,restrictions on travel,stay** - **at- home orders** ~~19 and variants of the virus.In response to these steps~~ , ~~we initially shifted a majority~~ **social distancing measures,restrictions on types** of **business that may continue to operate and / or restrictions on types of construction projects that may continue,which could adversely affect** our **ability** ~~office functions~~ to **operate our business** ~~work remotely and implemented a COVID- 19 Prevention Program,which sets forth COVID- 19- related safety protocols and procedures and worksite- specific operational plans for the locations at which associates have returned to work on site~~ .Our results of operations are affected by economic conditions,including macroeconomic conditions and levels of business confidence and consumer confidence **,and our business could be negatively impacted by disruptions related to any such contagious disease** . ~~There is~~ **In addition,these risks and uncertainties may also have the effect of heightening many of the other risks described in this section** . Significant competition could have an adverse effect on our business. We compete with other residential, retail and commercial property developers in the development of properties in the Northern and Southern California markets. We compete with a number of residential, retail and commercial developers, some with greater financial resources, in seeking resources for development and prospective purchasers. Competition from other real estate developers may adversely affect our ability to attract purchasers and sell or lease residential, retail and commercial properties, attract and retain experienced real estate development personnel or obtain construction materials and labor. These competitive conditions could make it difficult to sell properties at desirable prices and could adversely affect our financial condition and results of operations. Fluctuations in real estate values may require us to write down the carrying value of our real estate assets or real estate investments. Our industry is subject to significant variability and fluctuations in real estate values. The valuation of our real estate assets or real estate investments is inherently subjective and based on the individual characteristics of each asset. Factors such as competitive market supply and demand for inventory, changes in laws and regulations, political and economic conditions and interest and inflation rate fluctuations subject our valuations to uncertainty. Our valuations are made on the basis of assumptions that may not prove to reflect economic or demographic reality. If the real estate market deteriorates, we may reevaluate the assumptions used in our analysis. As a result, adverse market conditions may require us to write down the book value of certain real estate assets or real estate investments and some of those write- downs could be material. Any material write- downs of assets could have a material adverse effect on our financial condition and results of operations. Also, a material write- down of assets could adversely affect our ability to meet specified financial ratios or satisfy financial condition tests under the terms of our indebtedness and could adversely affect our ability to utilize certain exceptions from various debt covenants that impose operating restrictions on us, including limitations on our ability to: pay dividends, redeem or repurchase capital stock or make other restricted payments; make certain investments; incur additional indebtedness or issue preferred stock; create certain liens; or consolidate, merge or transfer all or substantially all of our assets. See “ — Risks Related to Our Organization and Structure — Our substantial indebtedness may have a material adverse effect on our business, our financial condition and results of operations and our ability to secure additional financing in the future. ” Our property taxes could increase due to rate increases or reassessments or the

imposition of new taxes or assessments, which may adversely impact our financial condition and results of operations. We will be required to pay state and local real property taxes and assessments on our properties. The real property taxes and assessments on our properties may increase as property or special tax rates increase or if our properties are assessed or reassessed at a higher value by taxing authorities. If we are obligated to pay new taxes or if there are increases in the property taxes and assessments that we currently pay, our financial condition and results of operations could be adversely affected. Risks Related to Laws and Regulations Zoning and land use laws and regulations may increase our expenses, limit the number of homes or commercial square footage that can be built or delay completion of our projects and adversely affect our financial condition and results of operations. Our communities are subject to numerous local, state, and federal laws and other statutes, ordinances, rules and regulations concerning zoning, development, building design, construction and similar matters that impose restrictive zoning and density requirements in order to limit the number of homes or commercial square feet that can eventually be built within the boundaries of a particular area, as well as governmental taxes, fees and levies on the acquisition and development of land parcels. These regulations often provide broad discretion to the administering governmental authorities as to the conditions for our projects being approved, if approved at all. Further, if the terms and conditions of our existing development agreements with the Cities of Irvine and San Francisco are not complied with, existing entitlements under those agreements could be lost, including (in the case of San Francisco) the right to acquire certain portions of the land on which development activity is expected. New housing and commercial developments are often subject to determinations by the administering governmental authorities as to the adequacy of water and sewage facilities, roads and other local services, and may also be subject to various assessments for schools, parks, streets, affordable housing and other public improvements. As a result, the development of properties may be subject to periodic delays in certain areas due to the conditions imposed by the administering governmental authorities. Due to building moratoriums, zoning changes or " slow- growth " or " no- growth " initiatives that could be implemented in the future in the areas in which our properties are located, our communities may also be subject to periodic delays, or we could be precluded entirely from developing in certain communities or otherwise restricted in our business activities. Such moratoriums or zoning changes can occur either prior or subsequent to commencement of our development operations, without notice or recourse. Local and state governments also have broad discretion regarding the imposition of development fees for projects in their jurisdictions. Projects for which we have received land use and development entitlements or approvals may still require a variety of other governmental approvals and permits during the development process and can also be impacted adversely by unforeseen health, safety, and welfare issues, which can further delay these projects or prevent their development. As a result, revenue from land sales or leasing of retail or other commercial space may be adversely affected, or costs may increase, which could negatively affect our financial condition and results of operations. We incur significant costs, and may be subject to delays, in obtaining entitlements, permits and approvals before we can begin development or construction of our projects and begin to recover our costs. Before any of our projects can generate revenues, we make material expenditures to obtain entitlements, permits and development approvals. It generally takes several years to complete this process and completion times vary based on complexity of the project and the community and regulatory issues involved. Changing market conditions during the entitlement period could negatively impact our revenue from land sales or leasing of retail or other commercial space. Historically, certain of our entitlements, permits and development approvals have been challenged by third parties, such as environmental groups. Future entitlements, permits and development approvals that we will need to obtain for development areas within our communities may be similarly challenged. As a result of the time and complexity involved in obtaining approvals for our projects, we face the risk that demand for residential and commercial properties may decline, and we may be forced to sell or lease properties at prices or rates that generate lower profit margins than we anticipated or that would result in losses. If values decline, we may be required to make material write- downs of the book value of our real estate assets or real estate investments. Our projects are subject to environmental planning and protection laws and regulations that require us to obtain permits and approvals that may be delayed, withheld or challenged by third parties in legal proceedings. Our projects are subject to various environmental and health and safety laws and regulations. These laws and regulations require us to obtain and maintain permits and approvals, undergo environmental review processes and implement environmental and health and safety programs and procedures to mitigate the physical impact our communities will have on the environment (such as traffic impacts, health and safety impacts, impacts on public services and impacts on endangered, threatened or other protected plants and species) and to control risks associated with the siting, development, construction and operation of our projects, all of which involve a significant investment of time and expense. The particular environmental requirements that apply to a project vary depending on, among other things, location, environmental conditions, current and former uses of a property, the presence or absence of certain wildlife or habitats, and nearby conditions. We expect that increasingly stringent environmental requirements will be imposed on developers in the future in light of growing concern from advocacy groups, government agencies and the general public over the effects of climate change on the environment. Transition risks posed by new government restrictions, standards or regulations intended to reduce greenhouse gas emissions and potential climate change impacts are emerging and may increase in the future. These future environmental requirements and restrictions could affect the timing or cost of our development and could increase our operating and compliance costs or require additional technology and capital investment, which could adversely affect our results of operations. In addition, future environmental requirements or restrictions could reduce the number of homesites or amount of commercial square feet we are able to develop, increase our financial commitments to local or state agencies or organizations or otherwise reduce the profitability of the project. Failure to comply with these laws, regulations and permit requirements may result in delays, administrative, civil and criminal penalties, denial or revocation of permits or other authorizations, other liabilities and costs, the issuance of injunctions to limit or cease operations and the imposition of additional requirements for future compliance as a result of past failures. Certain of our environmental permits and approvals have been challenged in the past by third parties, such as environmental groups. Future environmental permits and approvals that we will need to obtain for development areas within our communities may be

similarly challenged. As an owner and operator of real property, we could incur liability for environmental contamination issues. We have incurred costs and expended funds, and may do so again in the future, to comply with environmental requirements, such as those relating to discharges or threatened discharges to air, water and land, the handling and disposal of solid and hazardous waste and the cleanup of properties affected by hazardous substances, including asbestos- containing materials. Under these and other environmental requirements, as a property owner or operator, we may be required to investigate and clean up hazardous or toxic substances or chemical releases at our communities or properties currently or formerly owned or operated by us, including as a result of the current and former oil and gas leasing operations at Valencia or as a result of prior activities conducted at the El Toro Base or The San Francisco Shipyard. Some of our properties have been or may be impacted by contamination arising from these or other prior uses of these properties or adjacent properties. In this regard, certain portions of the El Toro Base and The San Francisco Shipyard have been or currently are listed on the USEPA' s National Priorities List as sites requiring cleanup under federal environmental law. Although the U. S. Navy has been primarily responsible for investigation and cleanup activities at these properties and will continue to have liability for future contamination that is discovered, we also may incur costs for investigation or cleanup of contamination that is discovered or disturbed during the course of our future development activities or otherwise. Similarly, in the event that oil and gas operators at Valencia do not fully remediate contamination resulting from such operations, we may incur such costs. As an owner and operator of real property, we could be held responsible to a governmental entity or third parties for property damage, personal injury and investigation and cleanup costs incurred by them in connection with any contamination at or from such real property. We may also be liable for the costs of remediating contamination at off- site disposal or treatment facilities when we arrange for disposal or treatment of hazardous substances or waste at such facilities, without regard to whether we comply with environmental laws in doing so. Environmental laws and requirements typically impose cleanup responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the contaminants. The liability under the laws related to such requirements has been interpreted to be joint and several, meaning a governmental entity or third- party may seek recovery of the entire amount from us even if there are other responsible parties, unless the harm is divisible and there is a reasonable basis for allocation of the responsibility. The costs of investigation, remediation or removal of those substances, or fines, penalties and other sanctions and damages from third- party claims for property damage or personal injury, may be substantial, and the presence of those substances, or the failure to remediate a property properly, may impair our ability to sell, lease or otherwise use our property. While we currently have and may maintain insurance policies from time to time to mitigate some or all of these risks, insurance coverage for such claims may be limited or nonexistent. In addition, to the extent that we have indemnification rights against third parties relating to any such environmental liability or remediation costs, the indemnification may not fully cover such costs or we may not be able to collect the full amount of the indemnification from the third- party. Significant investigation and cleanup activities are contemplated over the next few years for certain of The San Francisco Shipyard parcels, which will delay transfer of such parcels to us for development. Although most of our properties have been subjected to environmental assessments by independent environmental consultants or in the case of Great Park Neighborhoods and The San Francisco Shipyard, extensive environmental assessments by the U. S. government, these environmental assessments may not include or identify all potential environmental liabilities or risks associated with the properties. We cannot assure you that these or other environmental assessments identified all potential environmental liabilities or that we will not incur material environmental liabilities in the future. We cannot predict with any certainty the magnitude of our future expenditures relating to environmental compliance or the long- range effect, if any, of environmental laws on our operations. Compliance with such laws could have a material adverse effect on our results of operations and competitive position in the future. Increasing scrutiny and evolving expectations from investors, regulators, and other stakeholders regarding our environmental, social and governance practices and reporting may impose additional costs on us or expose us to new or additional risks. Companies are facing increasing scrutiny related to corporate responsibility practices and reporting. Investor advocacy groups, investment funds and influential investors are also increasingly focused on these practices, especially as they relate to the environment, health and safety, board and workforce diversity, and human capital. It is possible that stakeholders may not be satisfied with our practices or the speed at which we implement new initiatives. New government regulations could also result in new or more stringent forms of oversight and could expand mandatory monitoring, reporting, diligence, and disclosure. Increased compliance costs could result in increases to our overall operational costs, and any failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards could negatively impact our reputation, ability to do business with certain partners, and share price. We may from time to time be subject to litigation, which could have a material adverse effect on our financial condition and results of operations. We may from time to time be subject to various claims and routine litigation arising in the ordinary course of business. Among other things, we are, and are likely to continue to be, affected by litigation against governmental agencies related to environmental and similar approvals that we receive or seek to obtain or relating to historical contamination at our properties that have had prior industrial uses, such as The San Francisco Shipyard. For additional information on recent litigation relating to our properties, see " Item 3. Legal Proceedings. " Litigation and other claims may result in potentially significant defense costs, settlements, fines or judgments against us, some of which may not be covered by insurance. Payment of any such costs, settlements, fines or judgments that are not insured or that exceed our insurance limits could have an adverse impact on our financial condition and results of operations. In addition, certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage and adversely affect our results of operations, expose us to increased risks that would be uninsured or adversely impact our ability to attract officers and directors. Such litigation could adversely affect the length of time and the cost required to obtain the necessary governmental approvals. In addition, adverse decisions or publicity arising from any litigation could increase the cost and length of time to obtain ultimate approval of a project, could require us to abandon all or portions of a project and could adversely affect the design, scope, plans and profitability of a project, any of which could negatively affect our financial condition and results of operations. We may be

subject to increased costs of insurance or limitations on coverage. We maintain comprehensive insurance coverage for general liability, property, workers' compensation and other risks on all of our properties and operations, including insurance covering certain environmental risks and liabilities. We believe the policy specifications and insured limits of these policies are adequate and appropriate. There are some risks of loss for which we may be unable to purchase insurance coverage. For example, losses associated with certain environmental risks or liabilities, floods, landslides, earthquakes and other weather- related or geologic events may not be insurable and other losses, such as those arising from terrorism, may not be economically insurable. In addition, there is no assurance that certain types of risks that are currently insurable will continue to be insurable on an economically feasible basis, and we may discontinue certain insurance coverage on some or all of our properties in the future if the cost of premiums for any of these policies in our judgment exceeds the value of the coverage discounted for the loss. If an uninsured loss or a loss in excess of insured limits occurs, we may have to incur uninsured costs to mitigate such losses or lose all or a portion of the capital invested in a property, as well as the anticipated future revenue from the property. We might also remain obligated for any financial obligations related to the property, even if the property is irreparably damaged. Future changes in the insurance industry' s risk assessment approach and pricing structure could increase the cost of insuring our properties and operations or decrease the scope of insurance coverage, either of which could adversely affect our financial condition and results of operations. Moreover, we carry several different lines of insurance, placed with several large insurance carriers. If any one of these large insurance carriers were to become insolvent, we would be forced to replace the existing insurance coverage with another suitable carrier and any outstanding claims would be at risk for collection. In such an event, we cannot be certain that we would be able to replace the coverage at similar or otherwise favorable terms. Replacing insurance coverage at unfavorable rates and the potential of uncollectible claims due to carrier insolvency could adversely affect our financial condition and results of operations. In order to be successful, we must attract, engage, retain and integrate key personnel and have adequate succession plans in place, and failure to do so could have an adverse effect on our business. Our success depends to a significant degree upon our ability to attract, engage, retain and integrate qualified executives and other key employees throughout all areas of our business. Identifying, developing internally or hiring externally, training and retaining highly- skilled personnel, in particular with experience in identifying, acquiring, developing, financing and managing real estate assets, are critical to our future, and competition for experienced employees can be intense. Failure to successfully hire executives and other key employees or the loss of any executives or key employees could materially and adversely impact our business, financial condition and results of operations. Further, such a loss could be negatively perceived in the capital markets. Effective succession planning is also important to our long- term success. ~~In recent years, we experienced numerous changes in our executive management team, including the appointments of Daniel Hedigan as our Chief Executive Officer in February 2022 and Stuart Miller as our Executive Chairman in 2021, the transitions of our former Chief Executive Officer (Emile Haddad) and our former Chief Operating Officer (Lynn Jochim) to senior advisory roles, and the resignation of our former Chief Financial Officer (Erik Higgins).~~ Failure to ensure effective transfer of knowledge and smooth transitions involving executives and other key employees could hinder our strategic planning, execution and future performance. Further, changes in our management team may be disruptive to our business, and any failure to successfully integrate key new hires or promoted employees could adversely affect our business, financial condition and results of operations. As a holding company, we are entirely dependent upon the operations of the operating company and its ability to make distributions to provide cash flow to us or to pay taxes and other expenses. We are a holding company and our only investment is our interest in the operating company. The operating company conducts all of our operations and owns all of our assets. As a result, our cash flow depends upon the cash flow of the operating company and its ability to provide funds to us in the form of distributions, loans or otherwise. The distributions that we receive from the operating company are based on our ownership interest in it, which was 62. ~~5~~ **6** %, as of December 31, ~~2022~~ **2023** . The operating company is treated as a partnership for U. S. federal income tax purposes and, as such, is generally not subject to U. S. federal income tax. Instead, taxable income is allocated to the operating company' s partners, including us. Accordingly, we incur income taxes on our proportionate share of any net taxable income of the operating company. Under the terms of the limited partnership agreement for the operating company, the operating company is obligated to make tax distributions to its partners, including us, subject to the restrictions described below. These tax distributions are generally made on a pro- rata basis. In addition to tax expenses, we also incur expenses related to our operations, including expenses under the tax receivable agreement (" TRA "), which we expect could be significant. The ability of the operating company to make distributions in an amount sufficient to allow us to pay our taxes and operating expenses, including any payments under the TRA, is subject to the obligations of the operating company and its subsidiaries to their respective creditors. In addition, future financing arrangements may contain negative covenants limiting the ability of the operating company to make distributions to us. Furthermore, the ability of the operating company' s subsidiaries and the Great Park Venture to pay distributions to the operating company may be limited by their obligations to their respective creditors and other investors. For example, the distribution rights of the holders of legacy interests in the Great Park Venture and the Class B partnership interests in Five Point Communities, LP will reduce the cash available for distribution to the operating company. Similarly, we may be limited in our ability to move capital among the operating company and its subsidiaries as a result of future financing arrangements and obligations to creditors. As an equity investor in the operating company and, indirectly, in our other subsidiaries and the Great Park Venture and the Gateway Commercial Venture, our right (and, therefore, the rights of our shareholders) to receive assets upon the liquidation or reorganization of the operating company and its subsidiaries, or the Great Park Venture or the Gateway Commercial Venture, will be structurally subordinated to the claims of their creditors. Even if we are recognized as a creditor of the operating company, our claims may still be subordinated to any security interest in or other lien on its assets and any debt or other obligations. Therefore, in the event of our bankruptcy, liquidation or reorganization, our consolidated assets will be available to satisfy the claims of our shareholders only after all of our liabilities and the liabilities of the operating company have been paid in full. Lennar is our largest equity owner and will be engaging in transactions with us

and may compete with us. As of December 31, ~~2022~~ **2023** , Lennar owned Class A common shares and Class B common shares representing approximately 39 % of our outstanding voting interests. One of our directors is the Executive Chairman of Lennar. Lennar is one of the nation' s largest homebuilders and has in the past purchased properties from us. In the future, we expect that we will sell additional properties to Lennar. Transactions between Lennar and us must be approved by our conflicts committee. **Our conflicts committee also reviews** ~~Transactions~~ **transactions** between the Great Park Venture and Lennar ~~must be~~ **, which are ultimately subject to** ~~approved~~ **approval** by a majority of the members of the Great Park Venture (excluding us). Nonetheless, Lennar' s relationship with us could give it an advantage in bidding for properties that we own. Lennar may also compete with us and may in the future bid for, and acquire for itself, properties that we may seek to acquire. Our operating agreement contains provisions that will permit Lennar to engage in such activities and transactions. Lennar and Castlelake and their respective affiliates control approximately 56 % of the voting power of our outstanding common shares and, as a result, are able to exercise significant influence over all matters requiring shareholder approval. Holders of our Class A common shares and our Class B common shares vote together as a single class on all matters (including the election of directors) submitted to a vote of shareholders, with a share of each class entitling the holder to one vote. As of December 31, ~~2022~~ **2023** , Lennar and Castlelake and their respective affiliates beneficially owned, in the aggregate, Class A common shares and Class B common shares representing approximately 39 % and 17 %, respectively, of the voting power of our outstanding common shares. As a result, if these shareholders act together (which they have not agreed to do), they and their affiliates are able to exercise significant influence over all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions, which may have the effect of delaying or preventing a third- party from acquiring control of us. These transactions may include those that other shareholders deem to be in their best interests and in which those other shareholders might otherwise receive a premium for their shares over their current prices. We will be required to pay certain investors for certain expected tax benefits. Holders of Class A units of the operating company may exchange their units for, at our option, either Class A common shares on a one- for- one basis (subject to adjustment in the event of share splits, distributions of shares, warrants or share rights, specified extraordinary distributions and similar events), or cash in an amount equal to the market value of such shares at the time of exchange. This exchange right is currently exercisable by all holders of outstanding Class A units of the operating company. We expect that basis adjustments resulting from these transactions, if they occur, will reduce the amount of income tax we would otherwise be required to pay in the future. Moreover, Section 704 (c) of the Internal Revenue Code of 1986, as amended (the " Code "), and the U. S. Treasury regulations promulgated thereunder, require that items of income, gain, loss and deduction that are attributable to the operating company' s directly and indirectly held property, including property contributed to the operating company pursuant to the formation transactions, must be allocated among the partners of the operating company to take into account the difference between the fair market value and the adjusted tax basis of such assets on the date the formation transactions are consummated. As a result, the operating company will be required to make certain special allocations of its items of income, gain, loss and deduction that are attributable to such assets. These allocations, like the increases in tax basis described above, are likely to reduce the amount of income tax we would otherwise be required to pay. Simultaneously with the completion of the formation transactions, we entered into a TRA with the holders of Class A units of the operating company and the holders of Class A units of the San Francisco Venture. The TRA provides for payments by us to such investors or their successors equal to 85 % of the amount of cash savings, if any, in income tax we realize as a result of the structure of the formation transactions. We expect that during the expected term of the TRA, the payments that we make to the parties to the TRA could be substantial. The actual amount and timing of any payments under the TRA will vary depending upon a number of factors, including the timing of exchanges of Class A units of the operating company, the price of our Class A common shares at the time of such exchanges, the extent to which such exchanges are taxable and our ability to use the potential tax benefits, which will depend on the amount and timing of our taxable income and the rate at which we pay income tax. Due to the various factors that will affect the amount and timing of the tax benefits we will receive, it is not possible to determine the exact amount of payments that will be made under the TRA. If the TRA had been terminated on December 31, ~~2022~~ **2023** , we estimate that the termination payment would have been approximately $ ~~85~~ **106** . ~~3~~ **7** million, assuming no material changes to the relevant tax law, that the aggregate value of our properties is equal to the value implied by such per share price and that ~~LIBOR~~ **SOFR** is ~~5.~~ 4 **. 8** %. However, this is merely an estimate, and the actual payments made under the TRA in the event that it is terminated or otherwise could be significantly greater. In certain circumstances, payments under the tax receivable agreement could exceed the actual tax benefits we realize. The TRA provides that, upon a merger, asset sale or other form of business combination or certain other changes of control or if, at any time, we materially breach any of our obligations under the TRA or elect an early termination, our (or our successor' s) obligations with respect to exchanged or acquired units (whether exchanged or acquired before or after such change of control, early termination or breach) will be based on certain assumptions, including that (1) we will have sufficient taxable income to fully utilize the increased tax deductions and other benefits anticipated by the TRA, (2) all of our properties will be disposed of ratably over **the** ~~a 15 year~~ period **ending on the fifteenth anniversary of the date of the TRA** for fair market value and (3) any Class A units of the operating company **or any class A units of the San Francisco Venture** that have not been exchanged will be deemed exchanged for the market value of our Class A common shares at the time of such change of control, early termination or breach. Consequently, it is possible in these circumstances that the actual cash tax savings realized by us may be significantly less than the corresponding TRA payments. We will not be able to recover payments made under the tax receivable agreement if the related tax benefits are subsequently disallowed. The Internal Revenue Service (the " IRS ") may challenge all or part of the tax basis increases or the special allocations upon which we calculate payments under the TRA, and a court might sustain such a challenge. Although we are not aware of any issue that would cause the IRS to challenge potential tax basis increases or other tax benefits covered under the TRA, if such basis increases or other benefits are subsequently disallowed (in whole or in part), the parties to the TRA will not be required to return any payments made in respect of such disallowed basis or other tax

benefit. Consequently, it is possible in these circumstances that the actual tax savings realized by us may be significantly less than the corresponding TRA payments. However, because payments under the TRA in a year are based upon the amount by which 85 % of the Company' s cumulative net tax savings exceed the payments previously made under the TRA, disallowance of basis increases or other tax benefits would reduce payments under the TRA in years after the disallowance. Certain provisions in the operating company' s limited partnership agreement may delay or prevent acquisitions of us. Provisions in the operating company' s limited partnership agreement may delay, or make more difficult, an acquisition or change of control of us. These provisions could discourage third parties from making proposals involving an acquisition or change of control of us, although some holders of our Class A common shares might consider such proposals, if made, desirable. These provisions include: • a requirement that the partners consent to a merger, consolidation or other combination involving the company or any sale, lease, exchange or other transfer of all or substantially all of our assets or all or any portion of our interest in the operating company unless certain criteria are satisfied; and • our ability, as sole managing general partner, to cause the operating company to issue units with terms that could delay, defer or prevent a merger or other change of control without the consent of the other partners. Anti- takeover provisions in our operating agreement or provisions of Delaware law could prevent or delay a change in control, even if a change of control would benefit our shareholders. Provisions of our operating agreement, as well as provisions of Delaware law, could discourage, delay or prevent a merger, acquisition or other change in control, even if a change in control would benefit our shareholders. These provisions include the following: (1) there is no cumulative voting in the election of directors; (2) our board of directors is classified so that approximately one- third of the directors are elected at each annual meeting of shareholders; (3) our board of directors is authorized to issue " blank check " preferred shares to increase the number of outstanding shares without shareholder approval; (4) shareholder action by written consent is not permitted; and (5) there are advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon by shareholders at shareholder meetings. In addition, our operating agreement provides that Section 203 of the General Corporation Law of the State of Delaware (the " DGCL ") will be deemed to apply to us as if we were a Delaware corporation. Section 203 of the DGCL may affect the ability of an " interested shareholder " to engage in certain business combinations, including mergers, consolidations or acquisitions of additional shares, for a period of three years following the time that the shareholder becomes an " interested shareholder. " An " interested shareholder " is defined to include persons owning directly or indirectly 15 % or more of the outstanding voting shares of a company. Risks Related to Financing and Indebtedness We may need additional capital to execute our development plan, and we may be unable to raise additional capital on favorable terms. We may need additional capital to execute our development plan with respect to vertical development. There can be no assurance that we will be able to obtain new debt or equity financing on favorable terms, or at all, including as a result of volatility in the credit and capital markets, increases in interest rates or a decline in the value of our properties or portions thereof. In addition, we currently expect to obtain a portion of our capital from forms of public financing, including Community Facilities District (" CFD ") bond issuances, tax increment financing, and state and federal grants, which depend, in part, on factors outside of our control. CFDs are established when local government agencies impose a special property tax on real estate located within a specific district for the purpose of financing public improvements, including streets, water, sewage, drainage, electricity, public schools, parks and fire and police protection. Our ability to obtain funds from CFDs is dependent on the value of developed property in the specific district, the collection of general property taxes from property owners in the specific district, collection of special taxes from property owners in the specific district and market interest rates at the time the CFD bonds are issued. For tax increment financing, the amount of property tax that a specific district generates is set at a base amount and as property values increase, property tax growth above that base amount, net of property taxes retained by the municipal agencies, can be used to fund redevelopment projects within the district. Our ability to obtain funds from tax increment financing is dependent on the value of developed property in the specific district, the collection of general property taxes from property owners in the specific district, the time it takes the tax assessor to update the tax rolls and market interest rates at the time the tax increment bonds are issued. If we need to obtain additional financing, and such financing is not available in a timely manner or on terms substantially similar to our existing financing, it could increase our cost of capital and we may experience delays or increases in costs, and our financial condition and results of operations could be adversely affected. As of December 31, ~~2022~~ **2023** , we had approximately $ 625. 0 million of total indebtedness of our 7. 875 % senior notes due 2025 ~~(the " senior notes ")~~ . We also had $ 125. 0 million available to be borrowed under our revolving credit facility as of December 31, ~~2022~~ **2023 . In January 2024, we exchanged $ 623. 5 million of our existing 7. 875 % senior notes due November 2025 for $ 100. 0 million in cash and $ 523. 5 million in new 10. 500 % initial rate senior notes due January 2028** . Our indebtedness could subject us to many risks that, if realized, would adversely affect us, including the following: • our cash flow from operations may be insufficient to make required payments of principal of and interest on the debt, and a failure to pay would likely result in acceleration of such debt and could result in cross accelerations or cross defaults on other debt; • our debt may increase our vulnerability to adverse economic and industry conditions; • to the extent that we use a portion of our cash flow from operations to make payments on our debt, it reduces our funds available for operations, development, capital expenditures and future investment opportunities or other purposes; • debt covenants may limit our ability to borrow additional amounts for working capital, capital expenditures, debt service requirements, executing our development plan or other purposes; • restrictive debt covenants may limit our flexibility in operating our business, including limitations on our ability to make certain investments; incur additional indebtedness; create certain liens; incur obligations that restrict the ability of our subsidiaries to make payments to us; consolidate, merge or transfer all or substantially all of our assets; or enter into transactions with affiliates; • to the extent that our indebtedness bears interest at a variable rate (such as our revolving credit facility), we are exposed to the risk of increased interest rates; • debt covenants may limit our subsidiaries' ability to make distributions to us; and • if any debt is refinanced, the terms of any refinancing may not be as favorable as the terms of the debt being refinanced. A breach of any of our debt covenants could result in an event of default under that indebtedness. Such a default may allow the creditors to

accelerate the related indebtedness and may result in the acceleration of other indebtedness to which a cross- acceleration or cross- default provision applies. In addition, an event of default under the credit agreement governing our revolving credit facility would permit the lenders to terminate commitments to extend further credit under that facility. If we do not have sufficient funds to repay our debt at maturity or upon an earlier acceleration, it may be necessary to refinance the debt through additional debt or equity financings. If, at the time of any refinancing, prevailing interest rates or other factors result in a higher interest rate on such refinancing, increases in interest expense could adversely affect our cash flows and results of operations. If we are unable to refinance our debt on acceptable terms, we may be forced to dispose of our assets on disadvantageous terms, postpone investments in the development of our properties or default on our debt. In addition, to the extent we cannot meet any future debt service obligations, we will risk losing some or all of our assets that are pledged to secure such obligations. We may increase leverage in executing our development plan, which could further exacerbate the risks associated with our substantial indebtedness. We may decide to increase leverage to execute our development plan. Our board of directors will consider a number of factors when evaluating our level of indebtedness and when making decisions regarding the incurrence of new indebtedness, including the estimated market value of our assets and the ability of particular assets, and our company as a whole, to generate cash flow to cover the expected debt service. Although the indenture relating to our senior notes **due 2028** limits our ability to incur additional indebtedness, our operating agreement does not limit the amount of debt we may incur, and our board of directors may change our target debt levels at any time without the approval of our shareholders. We may incur additional indebtedness from time to time in the future to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. If we do so, the risks related to our indebtedness could intensify. Future debt financings, which would rank senior to our Class A common shares upon our bankruptcy or liquidation, and future offerings of equity securities that may be senior to our Class A common shares for the purposes of liquidating or other distributions, may adversely affect the market price of our Class A common shares. In the future, we may attempt to increase our capital resources by obtaining additional debt financing (including by offering debt securities) or making additional offerings of equity securities. Upon bankruptcy or liquidation, holders of our debt and our preferred shares and lenders with respect to other borrowings will receive distributions of our available assets prior to the holders of our Class A common shares. Additional equity offerings may dilute the holdings of our existing shareholders or reduce the market price of our Class A common shares, or both. Any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our Class A common shares and may result in dilution to the holders of our Class A common shares. Holders of our Class A common shares are not entitled to preemptive rights or other protections against dilution. Our preferred shares, if issued, could have a preference on liquidating or other distributions that could limit our ability to make distributions to the holders of our Class A common shares. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control. As a result, we cannot predict or estimate the amount, timing or nature of our future offerings, and holders of our Class A common shares bear the risk of our future offerings reducing the market price of our Class A common shares and diluting their ownership interest in our company. We do not expect to be able to generate sufficient cash flow from operations to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful. Our ability to make scheduled payments on or refinance our debt obligations, including ~~the~~ **our** senior notes, depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. Until such time as we can service our indebtedness with cash flow from operations, we intend to service our indebtedness, including interest on ~~the~~ **our** senior notes and the revolving credit facility, from cash on hand. If our cash flows, cash on hand and other capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional indebtedness or equity capital, or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. The credit agreement governing the revolving credit facility and the indenture relating to the senior notes **due 2028** restrict our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise indebtedness or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due. Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations. If we cannot make scheduled payments on our indebtedness, we will be in default and holders of ~~the~~ **our** senior notes could declare all outstanding principal and interest to be due and payable, the lenders under the revolving credit facility could terminate their commitments to loan money, other indebtedness could be accelerated and we could be forced into bankruptcy or liquidation ~~. Uncertainty about the future of the London Interbank Offer Rate (" LIBOR") may adversely affect our business and financial results. Borrowings under our revolving credit facility bear interest at LIBOR plus an applicable margin. In July 2017, the UK' s Financial Conduct Authority, which regulates LIBOR, announced its intent to phase out LIBOR by the end of 2021. The Alternative Reference Rates Committee in the United States has proposed that the Secured Overnight Financing Rate (" SOFR ") is the rate that represents best practice as the alternative to U. S. dollar LIBOR for use in derivatives and other financial contracts that are currently indexed to LIBOR. The first publication of SOFR was released in April 2018. In November 2020, the Federal Reserve Board along with various independent groups announced the potential for certain U. S. dollar LIBOR tenors to continue to be published until June 2023. This change would allow most legacy U. S. dollar LIBOR contracts to mature before disruptions occur in the U. S. dollar LIBOR market, without the need to transition those contracts to SOFR. Whether or not SOFR or another reference rate attains market traction as a LIBOR~~

~~replacement remains a question, and the future of LIBOR at this time is uncertain. Even with the Federal Reserve Board' s announcement about the extension, if the method for calculation of LIBOR changes, LIBOR is no longer available or lenders have increased costs due to changes in LIBOR, we may suffer from potential increases in interest rates on our revolving credit facility. Further, we may need to renegotiate our revolving credit facility or other agreements that reference LIBOR to replace LIBOR with the new standard that is established. These uncertainties or their resolution also could negatively impact our borrowing costs and other aspects of our business and financial results~~ . Risks Related to Ownership of Our Class A Common Shares An active trading market for our Class A common shares may not be sustained and the price of our Class A common shares may be volatile. Although our Class A common shares are listed on the NYSE, an active trading market for our Class A common shares may not be sustained. Accordingly, no assurance can be given as to the liquidity of any market for our Class A common shares, the ability of our shareholders to sell their Class A common shares or the price at which such shares may be sold. In addition, the trading market for our Class A common shares is influenced by whether industry or securities analysts publish research and reports about us, our business, our market or our competitors and, if any analysts do publish such reports, what they publish in those reports. Any analysts who do cover us may make adverse recommendations regarding our shares. If analysts fail to cover us or publish reports about us at all, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline. We also believe we have relatively low trading volume. Because of this limited trading volume, purchases and sales of large numbers of our shares may cause rapid price swings in our common shares. In addition, securities markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. In the past, securities class action litigation has often been instituted against companies following periods of volatility in the price of their common shares. This type of litigation could result in substantial costs and divert our management' s attention and resources, which could have an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common shares. Any broad market fluctuations may adversely affect the trading price of our Class A common shares. We may issue additional Class A common shares in the future in lieu of incurring indebtedness, which may dilute existing shareholders, or we may issue securities that have rights and privileges that are more favorable than the rights and privileges accorded to holders of our Class A common shares. We may issue additional securities, including Class A common shares, options, rights and warrants, for any purpose and for such consideration and on such terms and conditions as our board of directors may determine. Our board of directors will be able to determine the class, designations, preferences, rights, powers and duties of any additional securities, including any rights to share in our profits, losses and distributions, any rights to receive assets upon dissolution or liquidation and any redemption, conversion and exchange rights. Our board of directors may use such authority to issue additional securities exchangeable for our Class A common shares, such as the Class A units of the operating company, which would dilute existing holders of our Class A common shares, or to issue securities with rights and privileges that are more favorable than those of our Class A common shares. You will not have any right to consent to or otherwise approve the issuance of any such securities or the terms on which any such securities may be issued. Substantial amounts of our Class A common shares could be sold in the near future, which could depress our share price and result in dilution of your shares. The sale or issuance of a substantial number of Class A common shares or other equity-related securities in the public markets, or the perception that such sales could occur, could depress the market price of our Class A common shares and impair our ability to raise capital through the sale of additional equity securities. As of December 31, ~~2022~~ **2023** , we had outstanding 69, ~~068~~ **199** , ~~354~~ **938** Class A common shares. In addition, 79, 257, 314 Class A common shares are reserved for issuance upon exchange of Class A units of the operating company (including 37, 870, 273 Class A units of the operating company issuable upon exchange of Class A units of the San Francisco Venture) and conversion of our Class B common shares. Holders of Class A units of the operating company may exchange their units for, at our option, either Class A common shares on a one- for- one basis (subject to adjustment for share splits and similar events) or cash in an amount equal to the market value of such shares at the time of exchange. This exchange right is currently exercisable by all holders of outstanding Class A units of the operating company. Holders of Class A units of the San Francisco Venture may exchange their units for Class A units of the operating company on a one- for- one basis (with no holding period), subject to certain exceptions. We have an effective shelf registration statement on Form S- 3 under which we registered with the SEC the resale of Class A common shares held by certain of our existing shareholders and the Class A common shares that we may issue in exchange for Class A units of the operating company or Class A units of the San Francisco Venture. We are required to use our reasonable efforts to keep the Form S- 3 registration statement (or a successor registration statement) effective until there are no longer any registrable securities other than Class A common shares that can be sold under Rule 144 without any limitation as to volume or manner of sale. In addition, ~~3~~ **7** , ~~122~~ **582** , ~~504~~ **152** Class A common shares ~~are~~ **were** available for future issuance under our incentive award plan as of December 31, ~~2022~~ **2023** . We cannot predict whether future issuances or sales of our Class A common shares or the availability of shares for resale in the open market will decrease the per share trading price of our Class A common shares. The per share trading price of our Class A common shares may decline significantly when the restrictions on resale by certain of our shareholders lapse or upon the registration of additional Class A common shares pursuant to registration rights granted to certain shareholders. We do not intend to pay distributions on our Class A common shares for the foreseeable future. We have no current plans to pay distributions on our Class A common shares in the foreseeable future. We intend to retain our earnings, if any, to use in our ongoing operations. Any decision to declare and pay distributions in the future will be made at the sole discretion of our board of directors and will depend on, among other things, our financial condition, results of operations, cash requirements, contractual restrictions and other factors that our board of directors may deem relevant. In addition, because we are a holding company and our only investment is our interest in the operating company, we will only be able to pay distributions from funds we receive from the operating company. Our board of directors has the authority to issue one or more series of preferred shares without action of our shareholders. The issuance of preferred shares could have the effect of limiting distributions on our Class A common shares. Accordingly, you may need to sell your Class A common shares to

realize a return on your investment, and you may not be able to sell your shares at or above the price you paid for them. General Risk Factors Cyber- attacks or acts of cyber- terrorism could disrupt our business operations and information technology systems or result in the loss or exposure of confidential or sensitive employee or company information. Our business operations and information technology systems, and the information technology systems we use that are provided or managed by third- party service providers, may be attacked by individuals or organizations intending to disrupt our business operations and information technology systems and those of our third- party service providers, whether through cyber- attacks or cyber- intrusions over the Internet, malware, computer viruses, attachments to e- mails, persons inside our organization, or persons with access to systems inside our organization. The risk of a security breach or disruption, particularly through cyber- attacks or cyber- intrusion, including by computer hackers, foreign governments, and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. We rely on information technology systems to conduct important operational activities and to maintain our business and employee records and financial data. Disruption of those systems could adversely impact our ability to conduct development activities and to otherwise operate our business. Accordingly, if such an attack or act of terrorism were to occur, our operations and financial results could be adversely affected. In addition, we use our information technology systems to protect confidential or sensitive employee and company information developed and maintained in the normal course of our business. Any attack on such systems that would result in the unauthorized release or loss of employee or other confidential or sensitive data could have a material adverse effect on our business **. There can be no assurance that our cybersecurity risk management program and processes, including our policies, controls or procedures, will be fully implemented, complied with or effective in protecting our systems and information** . If we fail, or are perceived to have failed, to properly respond to security breaches of our or third- party' s information technology systems or fail to properly respond to consumer requests under applicable privacy laws, we could experience reputational damage, an increase in our costs and exposure to additional material legal claims and liability. As a result, our operations and financial results and our share price could be adversely affected. Unstable market and economic conditions may have serious adverse consequences on our business, financial condition and stock price. From time to time, the global credit and financial markets have experienced extreme volatility and disruptions, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates and uncertainty about economic stability. There can be no assurance that future deterioration in credit and financial markets and confidence in economic conditions will not occur. Our business strategy and performance may be adversely affected by any such economic downturn, volatile business environment or continued unpredictable and unstable market conditions. The financial markets and the global economy may also be adversely affected by the current or anticipated impact of military conflict, terrorism or other geopolitical events. Sanctions imposed by the United States and other countries in response to such conflicts may also adversely impact the financial markets and the global economy, and any economic countermeasures by the affected countries or others could exacerbate market and economic instability. If the current equity and credit markets deteriorate, it may make any necessary debt or equity financing more difficult, more costly and more dilutive. Failure to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our business, financial condition, results of operations and stock price.