Risk Factors Comparison 2024-02-16 to 2023-02-17 Form: 10-K

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

Risks Related to Our Business and Industry A deterioration in homebuilding industry conditions or in broader economic conditions could have adverse effects on our business and results of operations. The homebuilding industry is cyclical and affected by changes in general economic, real estate and other business conditions that could adversely affect our results of operations, financial condition and cash flows. Certain economic, real estate and other business conditions that have significant effects on the homebuilding industry include: • employment levels and job and personal income growth; • availability and pricing of financing for homebuyers; • short and long- term interest rates; • overall consumer confidence and the confidence of potential homebuyers in particular; • demographic trends; • changes in energy prices; • housing demand from population growth, household formation and other demographic changes, among other factors; • U. S. and global financial system and credit market stability; • private party and governmental residential consumer mortgage loan programs, and federal and state regulation of lending and appraisal practices; • federal and state personal income tax rates and provisions, including provisions for the deduction of residential consumer mortgage loan interest payments and other expenses; • the supply of and prices for available new or existing homes (including lender- owned homes acquired through foreclosures and short sales) and other housing alternatives, such as apartments and other residential rental property; • homebuyer interest in our current or new product designs and community locations, and general consumer interest in purchasing a home compared to choosing other housing alternatives; and • real estate taxes. These above conditions, among others, are complex and interrelated. Adverse changes in such business conditions may have a ~~significant~~ **significantly** negative impact on our business. The negative impact may be national in scope but may also negatively affect some of the regions or markets in which we operate more than others. When such adverse conditions affect any of our larger markets, those conditions could have a proportionately greater impact on us than on some other homebuilding companies. We cannot predict their occurrence or severity, nor can we provide assurance that our strategic responses to their impacts would be successful. ~~We~~ **Housing market conditions stabilized during 2023 compared to the latter half of 2022 as interest rate increases moderated and consumer confidence** began to **improve** ~~experience a slowdown in the homebuilding and mortgage lending industries during the second half of 2022~~ . **However** ~~As the national economy weakened and inflation and mortgage interest rates rose at unprecedented rates~~ , **any** ~~we experienced a decline in the demand for our homes. Continued~~ decline in the homebuilding and mortgage lending industries and overall economy could decrease the market value of our inventory which could have a negative impact on our gross margins ~~form~~ - **from** home sales. A reduction in our gross margins from home sales could have a significantly negative impact on our financial position and results of operations. Additional external factors, such as foreclosure rates, mortgage availability, high inflation **, a global economic slowdown, the prospect of a recession** , and unemployment rates, could also negatively impact our results. Increased mortgage interest rates have made it increasingly difficult for potential customers to qualify for sufficient financing, which is contributing to the affordability issues negatively impacting the homebuilding and mortgage lending industries. Customers may be less willing or able to buy our homes if these conditions continue to impact the homebuilding industry. We ~~are~~ closely ~~monitoring~~ --- **monitor** our sales prices and ~~have begun to~~ offer sales incentives and mortgage rate buy- down programs and adjust base sales prices in certain circumstances and in certain communities, which ~~will~~ negatively ~~impact~~ **impacted** our sales prices and ~~future~~ gross margins **in** ~~. Our cancellation rate has increased significantly from 2021~~ **2023 . We may or may not continue** ~~as buyers are walking away from home purchases due~~ to ~~affordability issues~~ **offer these incentives in 2024** . In the future, our pricing strategies may be limited by market conditions. We may be unable to change the mix of our home offerings, reduce the costs of the homes we build or offer more affordable homes to maintain our gross margins or satisfactorily address changing market conditions in other ways. In addition, cancellations of home sales contracts in backlog may ~~continue to~~ increase. ~~Our~~ **Although our** absorption rate **and new contracts improved** during ~~2022~~ **2023** ~~declined to 3. 1 per community~~ compared to prior year **, any** ~~' s 4. 1 (a record high). Any further~~ decline in sales activity could adversely affect our results of operations, financial condition and cash flows. Our financial services business is closely related to our homebuilding business, as it originates mortgage loans principally on behalf of purchasers of the homes we build. **If** ~~As the~~ demand for our homes ~~declined~~ **declines** ~~during 2022~~ **in the future** , the financial results of our financial services segment **will** also ~~declined~~ - **decline** . Additionally, we may be subject to increased counterparty risks, including purchasers of mortgages originated by M / I Financial being unwilling or unable to perform their obligations to us. To the extent a third party is unwilling or unable to perform such obligations, our financial condition, results of operations and / or cash flows could be negatively impacted. Increased competition levels in the homebuilding and mortgage lending industries could **reduce** ~~result in a reduction in~~ our new contracts and homes delivered, ~~along with decreases~~ - **decrease** ~~in~~ the average sales prices of homes delivered and ~~/ or decreased~~ - **decrease** mortgage originations, which would have a negative impact on our results of operations. The homebuilding industry is fragmented and highly competitive. We compete with numerous public and private homebuilders, including some that are substantially larger than us and may have greater financial resources than we do. We also compete with community developers and land development companies, some of which are also homebuilders or affiliates of homebuilders. Homebuilders compete for customers, land, building materials, subcontractor labor and financing. Competition for **new** home orders is primarily based upon home sales price, location of property, home style, financing available to prospective homebuyers, quality of homes built, customer service and general reputation in the community, and may vary by market, sub-market and even by community. Additionally, competition within the homebuilding industry can be impacted by an excess supply of new and existing homes available for sale resulting from a number of factors including, among other things, increases in unsold started homes available for sale and increases in home foreclosures. Increased competition may cause us to decrease our home sales prices and / or increase home sales incentives in an effort to generate new home sales and maintain homes in backlog until they close. Increased competition can also result in us selling fewer homes or experiencing a higher number of cancellations by homebuyers. These competitive pressures may negatively impact our future financial and operating results. Through our financial services operations, we also compete with numerous banks and other mortgage bankers and brokers, some of which are larger than us and may have greater financial resources than we do. Competitive factors that affect our financial services operations include pricing, mortgage loan terms, underwriting criteria and customer service. To the extent that we are unable to adequately compete with other companies that originate mortgage loans, the results of operations ~~from~~ **of** our mortgage operations may be negatively impacted. Further reduction in the availability of mortgage financing or continued increases in mortgage interest rates or down payment requirements could adversely affect our business. Mortgage interest rates increased significantly in 2022 **and 2023** from historical ~~lows~~ - **low rates** , which increased the costs of owning a home and reduced the demand for our homes. ~~The~~ **Any** additional increases ~~forecasted~~ by the Federal Reserve could further increase the costs of owning a home and reduce the demand for our homes. In addition, any reduction in the availability of the financing provided by Fannie Mae and Freddie Mac could adversely affect interest rates, mortgage availability and our sales of new homes and origination of mortgage loans. FHA and VA mortgage financing support remains an important factor in marketing our homes. Any increases in down payment requirements, lower maximum loan amounts, or limitations or restrictions on the availability of FHA and VA financing support could adversely affect interest rates, mortgage availability and our sales of new homes and origination of mortgage loans. Even if potential customers do not need financing, changes in the availability of mortgage products may make it harder for them to sell their current homes to potential buyers who need financing, which may lead to lower demand for new homes. Many of our homebuyers obtain financing for their home purchases from M / I Financial. If, due to the factors discussed above, M / I Financial is limited from making or unable to make loan products available to our homebuyers, our home sales and our homebuilding and financial services results of operations may be adversely affected. **We believe that the availability of mortgage financing, including through federal government agencies or government-sponsored enterprises (such as Freddie Mac, Fannie Mae, FHA and VA financing), is an important factor in marketing many of our homes. Any limitations or restrictions on the availability of mortgage financing could reduce our sales. In addition, if we are unable to originate mortgages for any reason going forward, our customers may experience significant mortgage loan funding issues, which could have a material impact on our homebuilding and financial services results of operations.** If land is ~~not available~~ **unavailable** at reasonable prices or terms, our homes sales revenue and results of operations could be negatively impacted and / or we could be required to scale back our operations in a given market. Our operations depend on our ability to obtain land for the development of our communities at reasonable prices and with terms that meet our underwriting criteria. Our ability to obtain land for new communities may be adversely affected by changes in the general availability of land, the willingness of land sellers to sell land at reasonable prices, competition for available land, availability of financing to acquire land, zoning, regulations that limit housing density and other market conditions. If the supply of land, and especially developed lots, appropriate for development of communities is limited because of these factors, or for any other reason, the number of homes that we build and sell may decline. To the extent that we are unable to timely purchase land or enter into new contracts for the purchase of land at reasonable prices, our revenue and results of operations could be negatively impacted and / or we could be required to scale back our operations in a given market. Our land investment exposes us to significant risks, including potential impairment charges, that could negatively impact our profits if the market value of our inventory declines. We must anticipate demand for new homes several years prior to homes being sold to homeowners. There are significant risks inherent in controlling or purchasing land, especially as the demand for new homes fluctuates and land purchases become more competitive, which can increase the costs of land. There is often a significant lag time between when we acquire land for development and when we sell homes in neighborhoods we have planned, developed and constructed. The value of undeveloped land, lots and housing inventories can fluctuate significantly as a result of changing market conditions. In addition, inventory carrying costs can be significant, and fluctuations in value can reduce profits. Economic conditions could require ~~that we~~ **us to** sell homes or land at a loss, hold land in inventory longer than planned or walk away from land that we no longer intend to purchase resulting in write- offs of land deposits, which could significantly impact our financial condition, results of operations, cash flows and stock performance. ~~We~~ **Periodically, as part of our normal course of business, we** ~~recorded~~ -- **record asset impairment charges or** ~~an aggregate loss of $ 18. 4 million during the fourth quarter of 2022 that included $ 10. 2 million of~~ write- ~~offs~~ - **off** ~~of land~~ deposits for land **that** we no longer intend to purchase ~~as a result of our efforts to right- size our land portfolio and $ 8~~ . **If** ~~2 million of asset impairment charges. Additionally, as~~ conditions in the homebuilding industry decline, we are required to evaluate our inventory for potential impairment, which may result in additional valuation adjustments, which could be significant and could negatively impact our **results of operations and** financial ~~results and~~ condition. We cannot make any assurances that the measures we employ to manage inventory risks and costs will be successful. Supply shortages and risks related to the demand for labor and building materials could increase costs and delay deliveries. The residential construction industry experiences labor and material shortages and risks from time to time, including: work stoppages; labor disputes; shortages in qualified subcontractors and construction personnel; lack of availability of adequate utility infrastructure and services; our need to rely on local subcontractors who may not be adequately capitalized or insured; and delays in availability, or fluctuations in prices, of building materials. These labor and material shortages and risks can be more severe during periods of strong demand for housing or during periods when the markets in which we operate experience natural disasters that have a significant impact on existing residential and commercial structures. Any of these circumstances could delay the start or completion of our communities, increase the cost of developing one or more of our communities and increase the construction cost of our homes. **Supply chain disruptions began to subside during 2023** ~~To the extent that market conditions prevent the recovery of increased costs~~ , ~~including, among other things, subcontracted labor,~~

~~developed lots, building materials,~~ and **we began** ~~other resources, through higher sales prices, our gross margins from home sales and results of operations could be adversely affected. We continued~~ to experience ~~disruptions~~ **an improvement** in ~~our supply chain during 2022, including~~ the availability and shortage of labor and certain building ~~materials and finishing~~ products, ~~such as cabinets and appliances,~~ which ~~lengthened the production~~ **positively impacted our construction** ~~cycles~~ - **cycle times** ~~in certain markets and increased costs for labor and building materials. In 2022, we were able to manage through these disruptions and cost increases by raising prices and managing other costs~~ . However, if labor and building material shortages ~~,~~ and cost increases continue, our gross margins and results of operations could be adversely affected if we are unable to continue to increase prices or achieve other cost savings. We depend on the continued availability of and satisfactory performance of subcontracted labor for the construction of our homes and to provide related materials. **We** ~~As noted above, we~~ have experienced, and may continue to experience, labor ~~and material~~ shortages in certain of our markets. The cost of labor may also be adversely affected by shortages of qualified subcontractors and construction personnel **(including as a result of the trade population)** , changes in laws and regulations relating to union activity and changes in immigration laws and trends in labor migration. We cannot provide any assurance that there will be a sufficient supply of, or satisfactory performance by, these unaffiliated third- party subcontractors, which could have a material adverse effect on our business. Tax law changes could make home ownership more expensive and / or less attractive. If the federal government or a state government changes its income tax laws by eliminating or substantially reducing the income tax benefits associated with homeownership, such as personal tax deductions for mortgage loan interest and real estate taxes, the after- tax cost of owning a home could measurably increase. Any such increases, in addition to increases in personal income tax rates, could adversely impact demand for and / or selling prices of new homes, including our homes, and the effect on our consolidated financial statements could be adverse and material. We may not be able to offset the impact of inflation through price increases. Inflation can have a long- term adverse impact on us because if our costs of land, materials and labor increase, we would need to increase the sale prices of our homes to maintain satisfactory margins. As a result of the historically high rates of inflation **we experienced** in 2022 **and into early 2023** , we experienced ~~,~~ **increases in the costs of** ~~and~~ **land** ~~expect to~~ **, materials and labor. We may** continue to experience **high rates** ~~into 2023, increases in the costs~~ of **inflation in the future,** ~~land~~ - **and in** ~~, materials and labor. In such~~ a ~~highly~~ -- **high** inflationary environment, we may not be able to raise home prices enough to keep pace with the increased costs of land and house construction, which could reduce our profit margins. Our limited geographic diversification could adversely affect us if the demand for new homes in our markets declines. We have operations in Ohio, Indiana, Illinois, Michigan, Minnesota, North Carolina, Florida, Tennessee and Texas. Our limited geographic diversification could adversely impact us if the demand for new homes or the level of homebuilding activity in our current markets declines, since there may not be a balancing opportunity in a stronger market in other geographic regions. We may write- off intangible assets, such as goodwill. We recorded goodwill in connection with our acquisition of the assets and operations of Pinnacle Homes. On an ongoing basis, we ~~will~~ evaluate whether facts and circumstances indicate any impairment of the value of intangible assets. As circumstances change, we cannot provide any assurance that we will realize the value of these intangible assets. If we determine that a significant impairment has occurred, we will be required to write- off the impaired portion of intangible assets, which could have a material adverse effect on our results of operations in the period in which the write- off occurs ~~. Mortgage investors could seek to have us buy back loans or compensate them for losses incurred on mortgages we have sold based on claims that we breached our limited representations or warranties. M / I Financial originates mortgages, primarily for our homebuilding customers. A portion of the mortgage loans originated are sold on a servicing released, non- recourse basis, although M / I Financial remains liable for certain limited representations and warranties, such as fraud, and warranties related to loan sales. Accordingly, mortgage investors have in the past and could in the future seek to have us buy back loans or compensate them for losses incurred on mortgages we have sold based on claims that we breached our limited representations or warranties. There can be no assurance that we will not have significant liabilities in respect of such claims in the future, which could exceed our reserves, or that the impact of such claims on our results of operations will not be material~~ . Homebuilding is subject to construction defect, product liability and warranty claims that can be significant and costly. As a homebuilder, we are subject to construction defect, product liability and warranty claims in the ordinary course of business. These claims are common in the homebuilding industry and can be significant and costly. We and many of our subcontractors have general liability, property, workers compensation and other business insurance. This insurance is intended to protect us against a portion of our risk of loss from claims, subject to certain self- insured retentions, deductibles and other coverage limits. The availability of insurance for construction defects, and the scope of the coverage, are currently limited and the policies that can be obtained are costly and often include exclusions. There can be no assurance that coverage will not be further restricted or become more costly. Also, at times we have waived certain provisions of our customary subcontractor insurance requirements, which increases our and our insurers' exposure to claims and increases the possibility that our insurance will not cover all the costs we incur. We record warranty and other reserves for the homes we sell based on a number of factors, including historical experience in our markets, insurance and actuarial assumptions and our judgment with respect to the qualitative risks associated with the types of homes we build. Because of the high degree of judgment required in determining these liability reserves, our actual future liability could differ significantly from our reserves. Given the inherent uncertainties, we cannot provide assurance that our insurance coverage, our subcontractor arrangements and our reserves will ~~be adequate~~ **adequately** ~~to~~ address all of our construction defect, product liability and warranty claims. If the costs to resolve these claims exceed our estimates, our results of operations, financial condition and cash flows could be adversely affected ~~. We have received claims related to stucco installation from homeowners in certain of our communities in our Tampa and Orlando, Florida markets and have been named as a defendant in legal proceedings initiated by certain of such homeowners. While we have estimated our overall future stucco repair costs, our estimate is based on our judgment, various assumptions and internal data. Given the inherent uncertainties, we cannot provide assurance that the final costs to resolve these claims will not exceed our accrual and adversely affect our results of operations, financial condition and cash flows. See Note 1~~

~~and Note 8 to the Company' s Consolidated Financial Statements for further information regarding these stucco claims and our warranty reserves~~ . Our subcontractors can expose us to warranty and other risks. We rely on subcontractors to construct our homes, and in many cases, ~~to~~ select and obtain building materials. Despite our detailed specifications and quality control procedures, in some cases, it may be determined that subcontractors used improper construction processes or defective materials in the construction of our homes. Although our subcontractors have principal responsibility for defects in the work they do, we have ultimate responsibility to the homebuyers. When we identify these defects, we repair them in accordance with our warranty obligations. Improper construction processes and defective products widely used in the homebuilding industry can result in the need to perform extensive repairs to large numbers of homes. The cost of complying with our warranty obligations may be significant if we are unable to recover the cost of repairs from subcontractors, materials suppliers and insurers. We also can suffer damage to our reputation, and may be exposed to possible liability, if subcontractors fail to comply with applicable laws, including laws involving matters that are not within our control. When we learn about potentially improper practices by subcontractors, we try to cause the subcontractors to discontinue them. However, we may not always be able to cause our subcontractors to discontinue potentially improper practices, and even when we can, we may not be able to avoid claims against us for personal injury, property damage or other losses relating to prior actions of our subcontractors. Risks Related to Indebtedness and Financing The terms of our indebtedness may restrict our ability to operate and, if our financial performance declines, we may be unable to maintain compliance with the covenants in the documents governing our indebtedness. Our $ 650 million unsecured revolving credit facility dated July 18, 2013, as amended, with M / I Homes, Inc. as borrower and guaranteed by the Company' s wholly- owned homebuilding subsidiaries (the " Credit Facility "), the indenture governing our 3. 95 % Senior Notes due 2030 (the " 2030 Senior Notes ") and the indenture governing our 4. 95 % Senior Notes due 2028 (the " 2028 Senior Notes ") impose restrictions on our operations and activities. These restrictions and / or our failure to comply with the terms of our indebtedness could have a material adverse effect on our results of operations, financial condition and ability to operate our business. Under the terms of the Credit Facility, we are required, among other things, to maintain compliance with various covenants, including financial covenants relating to a minimum consolidated tangible net worth, a minimum interest coverage ratio or liquidity, and a maximum leverage ratio. Failure to comply with these covenants or any of the other restrictions of the Credit Facility, whether because of a decline in our operating performance or otherwise, could result in a default under the Credit Facility. If a default occurs, the affected lenders could elect to declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable, which could cause a default under the documents governing any of our other indebtedness that is then outstanding if we are not able to repay such indebtedness from other sources. If this happens and we are unable to obtain waivers from the required lenders, the lenders could exercise their rights under the documents governing our indebtedness, including forcing us into bankruptcy or liquidation. The indentures governing the 2030 Senior Notes and the 2028 Senior Notes also contain covenants that may restrict our ability to operate our business and may prohibit or limit our ability to grow our operations or take advantage of potential business opportunities as they arise. Failure to comply with these covenants or any of the other restrictions or covenants contained in the indentures governing the 2030 Senior Notes and / or the 2028 Senior Notes could result in a default under the applicable indenture, in which case holders of the 2030 Senior Notes and / or the 2028 Senior Notes may be entitled to cause the sums evidenced by such notes to become due immediately. This acceleration of our obligations under the 2030 Senior Notes and the 2028 Senior Notes could force us into bankruptcy or liquidation and we may be unable to repay those amounts without selling substantial assets, which might be at prices well below the long- term fair values and carrying values of the assets. Our ability to comply with the foregoing restrictions and covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions. Our indebtedness could adversely affect our financial condition, and we and our subsidiaries may incur additional indebtedness, which could increase the risks created by our indebtedness. As of December 31, ~~2022~~ **2023** , we had approximately $ ~~692~~ **693** . ~~5~~ **7** million of indebtedness (net of debt issuance costs), excluding issuances of letters of credit ~~,~~ **and** our $ ~~200~~ **300** million ~~secured~~ mortgage ~~warehousing agreement~~ **repurchase facility** , with M / I Financial as borrower (the " MIF Mortgage ~~Warehousing Agreement "), and our $ 90 million mortgage repurchase facility, with M / I Financial as borrower (the " MIF Mortgage~~ Repurchase Facility "), and we had $ ~~555~~ **579** . ~~1~~ **3** million of remaining availability for borrowings under the Credit Facility. In addition, under the terms of the Credit Facility, the indentures governing the 2030 Senior Notes and the 2028 Senior Notes and the documents governing our other indebtedness, we have the ability, subject to applicable debt covenants, to incur additional indebtedness. Our incurrence of additional indebtedness could magnify other risks related to us and our business. Our indebtedness and any future indebtedness we may incur could have a significant adverse effect on our future financial condition. For example: • a significant portion of our cash flow may be required to pay principal and interest on our indebtedness, which could reduce the funds available for working capital, capital expenditures, acquisitions or other purposes; • borrowings under the Credit Facility bear, and borrowings under any new facility could bear, interest at floating rates, which could result in higher interest expense in the event of an increase in interest rates; • the terms of our indebtedness could limit our ability to borrow additional funds or sell assets to raise funds, if needed, for working capital, capital expenditures, acquisitions or other purposes; • our debt level and the various covenants contained in the Credit Facility, the indentures governing our 2030 Senior Notes and 2028 Senior Notes and the documents governing our other indebtedness could place us at a relative competitive disadvantage compared to some of our competitors; and • the terms of our indebtedness could prevent us from raising the funds necessary to repurchase all of the 2030 Senior Notes and the 2028 Senior Notes tendered to us upon the occurrence of a change of control, which, in each case, would constitute a default under the applicable indenture, which in turn could trigger a default under the Credit Facility and the documents governing our other indebtedness. In the ordinary course of business, we are required to obtain performance bonds from surety companies, the unavailability of which could adversely affect our results of operations and / or cash flows. As is customary in the homebuilding industry, we are often required to provide surety bonds to secure our performance under construction contracts, development agreements and other arrangements. Our ability to obtain surety bonds primarily depends upon our credit rating, capitalization, working capital, past performance, management expertise and certain external factors, including the overall capacity of the surety market and the underwriting practices of surety bond issuers. The ability to obtain surety bonds also can be impacted by the willingness of insurance companies and sureties to issue performance bonds. If we cannot obtain surety bonds when required, our results of operations and / or cash flows could be adversely impacted. The M / I Financial ~~warehouse~~ **repurchase** ~~facilities~~ **facility** will expire in ~~2023~~ **2024** . M / I Financial uses ~~two~~ **the MIF** ~~mortgage~~ **Mortgage** ~~warehouse facilities~~ **Repurchase Facility** to finance eligible residential mortgage loans originated by M / I Financial **. This facility will expire on October 22** , ~~the MIF Mortgage Warehousing Agreement and~~ **2024. If we are unable to renew or replace** the MIF Mortgage Repurchase Facility ~~. These facilities will expire on May 26, 2023 and October 23, 2023, respectively. If we are unable to renew or replace the warehousing facilities~~ when ~~they~~ **it** ~~mature~~ **matures** , the activities of our financial services segment could be impeded and our home sales and ~~our~~ homebuilding and financial services results of operations may be adversely affected. We have financial needs that we meet through the capital markets, including the debt and secondary mortgage markets, and disruptions in these markets could have an adverse impact on our results of operations, financial condition and / or cash flows. We have financial needs that we meet through the capital markets, including the debt and secondary mortgage markets. Our requirements for additional capital, whether to finance operations or to service or refinance our existing indebtedness, fluctuate as market conditions and our financial performance and operations change. We cannot provide assurances that we will maintain cash reserves and generate cash flow from operations in an amount sufficient to enable us to service our debt or to fund other liquidity needs. The availability of additional capital, whether from private capital sources or the public capital markets, fluctuates as our financial condition and general market conditions change. There may be times when the private capital markets and the public debt or equity markets lack sufficient liquidity or when our securities cannot be sold at attractive prices, in which case we would not be able to access capital from these sources. In addition, a weakening of our financial condition or deterioration in our credit ratings could adversely affect our ability to obtain necessary funds. Even if financing is available, it could be costly or have other adverse consequences. There are a limited number of third-party purchasers of mortgage loans originated by our financial services operations. The exit of third- party purchasers of mortgage loans from the business, reduced investor demand for mortgage loans and mortgage- backed securities in the secondary mortgage markets and increased investor yield requirements for those loans and securities may have an adverse impact on our results of operations, financial condition and / or cash flows. ~~If~~ **Mortgage investors could seek to have us buy back loans** ~~our~~ - **or** ~~ability to resell~~ **compensate them for losses incurred on** mortgages ~~to investors is impaired,~~ we ~~may be required to broker loans~~ **have sold based on claims that we breached our limited representations or warranties** . M / I Financial ~~sells a~~ **originates mortgages, primarily for our homebuilding customers. A** portion of the **mortgage** loans originated **are sold** on a servicing released, non- recourse basis, although M / I Financial remains liable for certain limited representations and warranties **, such as fraud, and warranties related to loan sales. Accordingly, mortgage investors have in the past and could in the future seek to have us buy back loans or compensate them for losses incurred on mortgages we have sold based on claims that we breached our limited representations or warranties. There can be no assurance that we will not have significant liabilities in respect of such claims in the future, which could exceed our reserves, or that the impact of such claims on our results of operations will not be material. If our ability to resell mortgages to investors is impaired, we may be required to broker loans. M / I Financial sells a portion of the loans originated on a servicing released, non- recourse basis, although M / I Financial remains liable for certain limited representations and warranties** related to loan sales and for repurchase obligations in certain limited circumstances. If M / I Financial is unable to sell loans to viable purchasers in the marketplace, our ability to originate and sell mortgage loans at competitive prices could be limited which would negatively affect our operations and our profitability. Additionally, if the secondary mortgage market declines significantly, our ability to sell mortgages could be adversely impacted and we would be required to make arrangements with banks or other financial institutions to fund our buyers' closings. If we became unable to sell loans into the secondary mortgage market or directly to Fannie Mae and Freddie Mac or issue Ginnie Mae securities, we would have to modify our origination model, which, among other things, could significantly reduce our ability to sell homes **. The inability of our lenders to satisfy their obligations under our credit facilities could adversely affect our liquidity and financial condition. The U. S. banking industry experienced bank failures and other significant challenges in 2023. The failure of other banks or financial institutions could have an adverse effect on our liquidity or consolidated financial statements if we have deposits at the failed banks or financial institutions, or if the failed banks or financial institutions, or any substitute or additional banks or financial institutions, participate in our Credit Facility. Under our Credit Facility, non- defaulting lenders still have an obligation to fund amounts up to their commitment level under the Credit Facility. However, non-defaulting lenders are not obligated to cover or acquire a defaulting lender' s respective commitment to fund loans or to issue letters of credit and may be unwilling to issue additional letters of credit if we do not enter into arrangements to address the risk with respect to the defaulting lender (which may include cash collateral). If the non- defaulting lenders are unable or unwilling to cover or acquire a defaulting lender' s respective commitment, the borrowing and letter of credit capacities under our Credit Facility may be more limited. In addition, if a buyer under the MIF Mortgage Repurchase Facility, which M / I Financial uses to fund mortgage originations, fails or is unable or unwilling to fulfill its obligations, M / I Financial' s borrowing capacity under the MIF Mortgage Repurchase Facility may be limited and have an adverse effect on our liquidity and ability to provide mortgage loans to our homebuyers** . Regulatory and Legal Risks We can be injured by failures of persons who act on our behalf to comply with applicable regulations and guidelines. There are instances in which subcontractors or others through whom we do business engage in practices that do not comply with applicable regulations or guidelines. When we become aware of practices relating to homes we build or financing we provide that do not comply with applicable laws, rules or regulations, we actively move to stop the non- complying practices as soon as possible. However, regardless of the steps we take after we become aware of practices that do not comply with applicable laws, rules or regulations, 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. We could be adversely affected by efforts to impose joint employer liability on us for labor law violations committed by our subcontractors. Our homes are constructed by employees of subcontractors and other parties. We have limited ability to control what these parties pay their employees or the rules they impose on their employees. However, various governmental agencies may seek to hold parties like us responsible for violations of wage and hour laws and other labor laws by subcontractors. The National Labor Relations Board (" NLRB ") has revised its joint employer standard a number of times over the last few years and may do so again in future periods. Future rulings by the NLRB or other courts or governmental agencies could make us responsible for labor violations committed by our subcontractors. Governmental rulings that hold us responsible for labor practices ~~by~~ **of** our subcontractors could create substantial exposures for us under our subcontractor relationships. We are subject to extensive government regulations, which could restrict our business and cause us to incur significant expense. The homebuilding industry is subject to numerous local, state, and federal statutes, ordinances, rules, and regulations concerning building, zoning, sales, consumer protection, and similar matters. This regulation affects construction activities as well as sales activities, mortgage lending activities, land availability and other dealings with homebuyers. These statutes, ordinances, rules, and regulations, and any failure to comply therewith, could give rise to additional liabilities or expenditures and have an adverse effect on our results of operations, financial condition or business. We are also subject to various local, state, and federal statutes, ordinances, rules and regulations concerning the protection of health and the environment, including the emission or discharge of materials into the environment, storm water and surface water management, soil, groundwater and wetlands protection, subsurface conditions and air quality protection and enhancement. The environmental regulations applicable to each community in which we operate vary greatly depending on the location of the community site, the site' s environmental conditions and the present and former use of the site. These statutes, ordinances, rules and regulations may cause delays, may cause us to incur substantial compliance, remediation or other costs, and can prohibit or severely restrict development and homebuilding activity. In addition, any failure to comply therewith could give rise to fines, penalties or other liabilities, obligations to remediate, permit revocations or other sanctions and have an adverse effect on our results of operations, financial condition or business. **Various** ~~Recently, there has been growing concern from~~ advocacy groups ~~,~~ **and** government agencies and the general public ~~regarding~~ **are increasingly focusing on** the impact of climate change. ~~Transition risks~~ **Government restrictions, standards and regulations intended to mitigate climate change** , such as ~~government restrictions, standards or regulations intended to reduce~~ greenhouse gas emissions **standards** ~~and potential climate change impacts~~ , are emerging and may increase in the future in the form of additional restrictions or regulations on land development and home construction in certain areas. Such restrictions and regulations could increase our operating and compliance costs and have an adverse effect on our results of operations, financial condition or business. ESG matters have also attracted increasing governmental and societal attention, which may expand our reporting, diligence, and disclosure on topics including climate change, waste production, water usage, human capital, labor, and risk oversight, and the nature, scope, and complexity of matters that we are required to control, assess, and report. The rapidly evolving laws, regulations, policies and related interpretations, as well as increased enforcement actions by various governmental and regulatory agencies, relating to ESG matters including climate change may create challenges for the Company, alter the environment in which we do business and increase compliance costs, which could adversely impact our results of operations and cash flows. We must also obtain licenses, permits and approvals from various governmental authorities in connection with our development activities, and these governmental authorities often have broad discretion in exercising their approval authority. During 2022 **and 2023** , we experienced delays in receiving governmental and municipality approvals in certain of our community locations, and we expect that we may experience a similar level of delays in ~~2023~~ **2024** . Governmental authorities may also restrict or place moratoriums on the availability of utilities, such as water and sewer taps. In some areas, governmental authorities may enact growth control initiatives, which restrict the number of building permits available in a given year. In addition, we may be required to apply for additional approvals or modify our existing approvals because of changes in local circumstances or applicable law. If governmental authorities **in locations** in which we operate take actions like these, it could have an adverse effect on our business by causing delays, increasing our costs, or limiting our ability to operate in the applicable area. We incur substantial costs related to compliance with legal and regulatory requirements. Any increase in legal and regulatory requirements may cause us to incur substantial additional costs or, in some cases, cause us to determine that certain property is not feasible for development. Our results of operations, financial condition and cash flows could be adversely affected if pending or future legal claims against us are not resolved in our favor. **The** ~~In addition to the legal proceedings related to stucco discussed above, the~~ Company and certain of its subsidiaries have been named as defendants in certain ~~other~~ legal proceedings which are incidental to our business. While management currently believes that the ultimate resolution of these ~~other~~ legal proceedings, individually and in the aggregate, will not have a material adverse effect on the Company' s results of operations, financial condition or cash flows, such legal proceedings are subject to inherent uncertainties. The Company has recorded a liability to provide for the anticipated costs, including legal defense costs, associated with the resolution of these ~~other~~ legal proceedings. However, the costs to resolve these legal proceedings ultimately may exceed the recorded estimates and, therefore, have a material adverse effect on the Company' s results of operations, financial condition, and cash flows. Similarly, if additional legal proceedings are filed against us in the future ~~, including with respect to stucco installation in our Florida communities~~ , the negative outcome of one or more of such legal proceedings could have a material adverse effect on our results of operations, financial condition and cash flows. General Risk Factors Because of the seasonal nature of our business, our quarterly operating results can fluctuate. We have historically experienced seasonality and quarter- to- quarter variability in homebuilding activity levels. In general, the number of homes delivered and associated home sales revenue have increased during the third and fourth quarters, compared with the first and second quarters. We believe that this type of seasonality reflects the historical tendency of homebuyers to purchase new homes in the spring and summer with deliveries scheduled in the fall or winter, as well as the scheduling of construction to accommodate seasonal weather conditions in certain markets. There can be no assurance that this seasonality pattern will continue to exist in future reporting periods. In addition, as a result of such variability, our historical performance may not be a meaningful indicator of future results. Damage to our corporate reputation or brand from negative publicity could adversely affect our business, financial results and / or stock price. Adverse publicity related to our company, industry, personnel, operations or business performance may cause damage to our corporate reputation or brand and may generate negative sentiment, potentially affecting the performance of our business or our stock price, regardless of its accuracy. Negative publicity can be disseminated rapidly through digital platforms, including social media, websites, blogs and newsletters. Customers and other interested parties value readily available information and often act on such information without further investigation and without regard to its accuracy. The harm may be immediate without affording us an opportunity for redress or correction, and our success in preserving our brand image depends on our ability to recognize, respond to and effectively manage negative publicity in a rapidly changing environment. Adverse publicity or unfavorable commentary from any source could damage our reputation, reduce the demand for our homes or negatively impact the morale and performance of our employees, which could adversely affect our business. Natural disasters and severe weather conditions could delay deliveries, increase costs and decrease demand for homes in affected areas. Several of our markets, specifically our operations in Florida, North Carolina and Texas, are situated in geographical areas that are regularly impacted by severe storms, including hurricanes, flooding and tornadoes. In addition, ~~our~~ **the** operations ~~in the~~ **of our** Northern ~~Region~~ **homebuilding segment** can be impacted by severe storms, including tornadoes. Also, the physical impacts of climate change may cause these occurrences to increase in frequency, severity and duration. The occurrence of these or other natural disasters can cause delays in the completion of, or increase the cost of, developing one or more of our communities, and as a result could materially and adversely impact our results of operations. Information technology failures and data security breaches could harm our business. We use information technology, digital communications and other computer resources to carry out important operational and marketing activities and to maintain our business records. We have implemented systems and processes intended to address ongoing and evolving cyber security risks, secure our information technology, applications and computer systems, and prevent unauthorized access to or loss of sensitive, confidential and personal data. We adhere to the **National Institute of Standards and Technology ("** NIST **")** CSF Framework to ensure we have proper controls in place to reduce our risk to cyber security threats. We also depend on various partners and providers, and our mortgage **and title service** software ~~service~~ partners, to secure our home buyers' personal identifiable and confidential information. We provide regular personnel awareness training regarding potential cyber security threats, including the use of internal tips, reminders and phishing assessments, to help ensure employees remain diligent in identifying potential risks. In addition, we have deployed monitoring capabilities to support early detection, internal and external escalation, and effective responses to potential anomalies. **However, cyberattacks or other security breaches may remain undetected over an extended period of time and may not be addressed in a timely manner to minimize the impact, which could result in substantial costs.** Many of our information technology and other computer resources are provided to us and / or maintained on our behalf by third- party service providers pursuant to agreements that specify to varying degrees certain security and service level standards. We also rely upon our third- party service providers to maintain effective cyber security measures to keep our information secure and to carry cyber insurance. Although we and our service providers employ what we believe are adequate security, disaster recovery and other preventative and corrective measures, our security measures, taken as a whole, may not be sufficient for all possible situations and may be vulnerable to, among other things, hacking, employee error, system error and faulty password management. Our ability to conduct our business may be impaired if these informational technology and computer resources, including our website **and customer- facing applications** , are compromised, degraded or damaged or if they fail, whether due to a virus or other harmful circumstance, intentional penetration or disruption of our information technology resources by a third party, natural disaster, hardware or software corruption or failure or error (including a failure of security controls incorporated into or applied to such hardware or software), telecommunications system failure, service provider error or failure or intentional or unintentional personnel actions (including the failure to follow our security protocols), or lost connectivity to our networked resources. A significant disruption in the functioning of these resources, or breach thereof, including our website, could damage our reputation and cause us to lose customers, sales and revenue. In addition, breaches of our information technology systems or data security systems, including ~~cyber attacks~~ **cyberattacks and malicious uses of artificial intelligence** , could result in the unintended and / or unauthorized public disclosure or the misappropriation of proprietary, personal identifying and confidential information (including information we collect and retain in connection with our business about our homebuyers, business partners and employees), and require us to incur significant expense (that we may not be able to recover in whole or in part from our service providers or responsible parties, or their or our insurers) to address and remediate or otherwise resolve. The unintended and / or unauthorized public disclosure or the misappropriation of proprietary, personal identifying or confidential information may also lead to litigation or other proceedings against us by affected individuals and / or business partners and / or by regulators, and the outcome of such proceedings, which could include losses, penalties, fines, injunctions, expenses and charges recorded against our earnings, could have a material and adverse effect on our financial condition, results of operations and cash flows and harm our reputation. In addition, the costs of maintaining adequate protection against such threats, based on considerations of their evolution, increasing sophistication, pervasiveness and frequency and / or increasingly demanding government- mandated standards or obligations regarding information security and privacy, could be material to our consolidated financial statements in a particular period or over various periods. We depend on the services of certain key employees, and the loss of their services could hurt our business. Our success depends, in part, on our ability to attract, train and retain skilled personnel. If we are unable to retain our key employees or attract, train and retain other skilled personnel in the future, our operations could be materially and adversely impacted **,** and we may incur additional expenses to identify and train new personnel. Our business could be materially and adversely disrupted by an epidemic, pandemic or similar public health issue, or fear of such an event, and the measures that international, federal, state and local public health and governmental authorities implement to address it. An epidemic, pandemic or similar public health issue, or fear of such an event, and the measures undertaken by governmental authorities to address it, could significantly disrupt or prevent us from operating our business in the ordinary course for an extended period ~~,~~ and ~~thereby~~ , **together** ~~and / or along~~ with any associated economic and ~~/ or~~ social instability or distress, have a material adverse effect on our business, results of operations, financial condition and / or cash flows. The impact of an epidemic, pandemic or similar public health issue on our business will depend on future developments, including whether governmental authorities impose additional health and safety measures, the ~~outbreak,~~ duration and severity of ~~new variants~~ **the public health issue** , the acceptance and effectiveness of **treatments including** vaccines, and the impact of the ~~pandemic~~ **public health issue** on our employees, customers, and building partners. These developments are highly uncertain and outside of our control. To the extent an epidemic, pandemic or similar public health issue has a significant adverse effect on the U. S. economy, our business, results of operations, financial condition and / or cash flows could be materially adversely ~~effected~~ **affected** .