Risk Factors Comparison 2024-02-14 to 2023-02-15 Form: 10-K

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

The risk factors discussed below are factors that we believe could significantly impact our business, if they occur. These factors could cause results to differ materially from our historical results or our future expectations. Risks Related to the Homebuilding Industry and Economy Increases in interest rates or decreases in mortgage availability may make purchasing a home more difficult or less desirable and may negatively impact the ability to sell new and existing homes. In general, housing demand is adversely affected by increases in interest rates and a lack of availability of mortgage financing. Most of our buyers finance their home purchases through our mortgage joint venture or third party lenders providing mortgage financing. If mortgage interest rates increase and, consequently, the ability of prospective buyers to finance home purchases is adversely affected, our home sales and cash flow may be adversely affected and the impact may be material. Additionally, rapid increases in interest rates may negatively impact affordability of a home purchase for existing buyers in backlog who have not yet locked in a mortgage interest rate for their loan. This could lead to an increase in the number of contract cancellations in our reported sales order numbers. **These risks can also indirectly impact us to the extent our customers need to sell their existing homes to purchase a new home from us if the potential buyer of their home is unable to obtain mortgage financing. It may also impact the desire for existing homeowners to sell their homes as they may potentially be forfeiting a substantially lower interest rate on their existing home for a higher interest rate mortgage on a new home.** For example, **in 2022 mortgage** ~~although long- term interest~~ rates ~~remain low compared to historical averages, in 2022 they~~ increased **quickly and** significantly from their previously historically low averages ~~and are anticipated to continue to increase in the near term~~. We believe this increase, coupled with other economic factors, caused ~~our increased~~ **the elevated** cancellation rate **in the latter half of 2022. While interest rates have stabilized, they are still elevated and are not expected to go down in the near future** . We may have the ability to offset the impact of rising interest rates on affordability by purchasing interest rate locks; however, **the cost of these rate locks is expensive and** there is no guarantee that interest rate locks will be available for us to purchase at desirable terms, or if they are available, there is no guarantee that they will be utilized by potential customers. A homebuyer' s ability to obtain a mortgage loan is largely subject to prevailing interest rates, lenders’ credit standards and appraisals, and the availability of government- supported programs, such as those from the FHA, the VA, Federal National Mortgage Association (" Fannie Mae") and the Federal Home Loan Mortgage Corporation (" Freddie Mac"). ~~If~~ **Although no material changes are currently anticipated, if** credit standards or appraisal guidelines are tightened, or mortgage loan programs are curtailed, potential buyers of our homes may not be able to obtain necessary mortgage financing. There can be no assurance that these programs will continue to be available or that they will be as accommodating as they currently are. Continued legislative and regulatory actions and more stringent underwriting standards could have a material adverse effect on our business if certain buyers are unable to obtain mortgage financing. A prolonged tightening of the financial markets could also negatively impact our business. ~~The above risks can also indirectly impact us to the extent our customers need to sell their existing homes to purchase a new home from us if the potential buyer of their home is unable to obtain mortgage financing. It may also impact the desire for existing homeowners to sell their homes as they may potentially be forfeiting a substantially lower interest rate on their existing home for a higher- rate mortgage on a new home.~~ Our future operations may be adversely impacted by high inflation or deflation. We, like other homebuilders, may be adversely affected during periods of high inflation, mainly from higher land, construction, labor and materials costs. ~~Also, higher mortgage interest rates may significantly affect the affordability of mortgage financing to prospective buyers.~~ Inflation could increase our cost of financing, materials and labor and could cause our financial results and profitability to decline. Traditionally, we have attempted to pass cost increases on to our customers through higher sales prices and inflation has not historically had a material adverse effect on our business, although in recent ~~months~~ **years** we have **had to** ~~absorbed~~ -- **absorb** higher material and labor costs **as well as provided more significant financing incentives to our buyers, both of** which **have** negatively impacted our profitability. Alternatively, a significant period of deflation could cause a decrease in overall spending and borrowing levels. This could lead to deterioration in economic conditions, including an increase in the rate of unemployment. Deflation could also cause the value of our inventories to decline or reduce the value of existing homes below the related mortgage loan balance, which could potentially increase the supply of existing homes **due to foreclosures** . These, or other factors that increase the risk of significant deflation, could have a negative impact on our business or financial results. High cancellation rates may negatively impact our business. Our backlog reflects the number and value of homes for which we have entered into non- contingent sales contracts with customers but have not yet delivered those homes. In connection with the sale of a home, our policy is to generally collect a deposit from our customers, although typically this deposit reflects a small percentage of the total purchase price, and due to local regulations, the deposit may, in certain circumstances, be fully or partially refundable prior to closing. If the prices for our homes in a given community decline, our neighboring competitors reduce their sales prices (or increase their sales incentives), interest rates increase, the availability of mortgage financing tightens or there is a downturn in local, regional or national economies, homebuyers may elect to cancel their home purchase contracts with us. ~~We~~ **For example, we** experienced significant cancellations in the ~~last~~ **latter** half of 2022 as buyers terminated their existing home purchase contracts due to a variety of reasons, including uncertainty about current economic conditions, increases in interest rates, changes in personal finances and a shift to resale home inventory due to elongation of cycle times for new homes. ~~Although the higher~~ **Cancellations have since returned to normalized levels in 2023. Significant** cancellations ~~did not~~ **in the future could** have a material adverse effect on our **business if** ~~financial results in 2022,~~ we **are unable to slow our existing spec construction, which** ~~expect that cancellations will trend above normal for at~~

~~least the first part 2023 and~~ could ~~, in 2023 or in the future, have a material adverse effect on our business as a~~ result ~~of~~ **in** lost sales revenue and the accumulation of unsold housing inventory. Supply shortages and other risks ~~related to the demand for building materials~~ could materially disrupt our operations and increase costs. Our ability to timely construct our homes may be significantly impacted by circumstances beyond our control, such as work stoppages, shortages of qualified trades people **or municipal employees** , lack of utility infrastructure and services, our need to rely on local subcontractors, and shortages or delays in availability of building materials. Constraints of raw materials and finished goods or in the distribution channels of our construction inputs can delay delivery of our homes to customers and can increase our building costs or lead to sales orders cancellations. ~~In 2021~~ **These delays impact the timing of our expected home closings** and ~~2022~~ **may also result in cost increases that we may not be able to pass to our current or future customers. Sustained increases in construction costs may, over time, erode our margins, and impact our total order and closing volumes. Over the last several years** , supply chain and labor constraints related to sustained demand amid the backdrop of a global pandemic caused our construction cycle times to lengthen, ~~and~~ although **2023 saw** ~~we are experiencing~~ a loosening in the supply chain ~~, we believe these conditions may continue for at least the first part of 2023. These delays impact the timing of our expected home closings and may also result in cost increases that we may not be able to pass to our current or future customers. Sustained increases in construction costs may, over time, erode our margins, and impact our total order and closing volumes~~ . If home prices decline, potential buyers may not be able to sell their existing homes, which may negatively impact our sales. As a homebuilder, we are subject to market forces beyond our control. In general, housing demand is impacted by the affordability of housing. Many homebuyers need to sell their existing homes in order to purchase a new home from us, and a weakness in the home resale market could adversely affect that ability. Declines in home prices could have an adverse effect on our homebuilding business volumes and cash flows. In the latter half of 2022 **and in early 2023** , home prices declined due to the pressures of rising interest rates ~~and we expect this trend to continue into 2023 and potentially beyond~~ **, although it did not have a material adverse effect on our financial results** . Our ability to acquire and develop raw or partially finished lots may be negatively impacted if we are unable to secure performance bonds. In connection with land development work on our raw or partially developed land, we are often required to provide performance bonds, letters of credit or other assurances for the benefit of the respective municipalities or governmental authorities. These instruments provide assurance to the beneficiaries that the development will be completed, or that in case we do not perform, that funds from these instruments are available for the municipality or governmental agency to arrange for completion of such work. Although such instruments are currently accessible, in the future additional performance bonds or letters of credit may be difficult to obtain, or may become difficult to obtain on terms that are acceptable to us. If we are unable to secure such instruments, progress on affected projects may be delayed or halted or we may be required to expend additional cash **or other forms of guarantees** , which may adversely affect our financial position and ability to grow our operations. A reduction in our orders absorption levels may force us to incur and absorb additional community- level costs. We incur certain overhead costs associated with our communities, such as marketing expenses, real estate taxes and ~~HOA~~ **homeowners' association** assessments and costs associated with the upkeep and maintenance of our model homes and sales complexes. If our orders absorptions pace decreases and the time required to close out our communities is extended, we would likely incur additional overhead costs, which would negatively impact our financial results. Additionally, we typically incur various land development improvement costs for a community prior to the commencement of home construction. Such costs include infrastructure, utilities, property taxes and other related expenses. A **sustained** reduction in home absorption rates increases the associated holding costs and extends our time and ability to recover such costs. Legislation related to tariffs could increase the cost to construct our homes. The cost of certain building materials is influenced by changes in local and global commodity prices as well as government regulation, such as government- imposed tariffs on building supplies such as lumber and flooring materials. Such cost increases limit our ability to control costs, potentially reducing margins on the homes we build if we are not able to successfully offset the increased costs through higher sales prices. Additionally, tariffs pose a risk to our supply chain availability if we are forced to use alternative materials or products. The value of our real estate inventory may decline, leading to impairments and reduced profitability. Downturns in the economy, or specifically in the homebuilding industry, require us to re- evaluate the value of our land holdings, which could result in significant impairment charges and decrease both the book value of our assets and stockholders’ equity. During the last significant downturn that began in 2008, and in certain isolated circumstances afterward, we had to impair many of our real- estate assets to fair- value, incurring large impairment charges which negatively impacted our financial results. During the second half of 2022, the homebuilding market declined amidst higher interest rates and expected future interest rate increases, inflation and deterioration in the general economy ~~. While we did not record any material impairment charges in 2022~~ , **although** ~~if the~~ market **conditions have since improved in 2023** ~~continues to deteriorate further, we may incur significant impairment charges which would negatively impact our financial results~~ . If we are unable to successfully compete in the highly competitive housing industry, our financial results and growth may suffer. The housing industry is highly competitive. We compete for sales in each of our markets with national, regional and local developers and homebuilders, resale of existing homes, condominiums and available rental housing. Some of our competitors have greater financial resources and some may have lower costs than we do. Competition among homebuilders of all sizes is based on a number of interrelated factors, including location, reputation, product type, amenities, design, innovation, quality and price. Competition is expected to continue and may become more intense, and there may be new entrants in the markets in which we currently operate and in markets we may enter in the future and our industry has recently experienced some consolidations. If we are unable to successfully compete, our financial results and growth could suffer. We are subject to home warranty and construction defect claims arising in the ordinary course of business, which may lead to additional reserves or expenses. Home warranty and construction defect claims are common in the homebuilding industry and can be costly. We sometimes encounter construction defect issues that may be alleged to be widespread within a single community or geographic area ~~and we are currently managing two such issues regarding alleged widespread stucco application~~

~~issues in some of our markets and HVAC condensation issues in our Florida markets~~ . See Note 1- " Business and Summary of Significant Accounting Policies " and Note 16-" Commitments and Contingencies" in Part II, Item 8 of this Form 10- K for additional information regarding warranty reserves and adjustments. In order to account for future potential warranty and construction defect obligations, we establish a warranty reserve in connection with every home closing. Additionally, we maintain general liability insurance and generally require our subcontractors to provide a warranty and indemnity to us and insurance coverage for liabilities arising from their work; however, we cannot be assured that our warranty reserves and insurance and those subcontractors warranties, insurance and indemnities will be adequate to cover all warranty and construction defect claims for which we may be held responsible. For example, we may be responsible for applicable self-insured retentions, and certain claims may not be covered by insurance or may exceed applicable coverage limits, which could be material to our financial results. In addition, the cost of insuring against construction defect and product liability claims is high, and the amount of coverage offered by insurance companies is currently limited. There can be no assurance that this coverage will not be further restricted and become more costly. If the limits or coverages of our current and former insurance programs and / or those of our subcontractors prove inadequate, or we and / or our subcontractors are unable to obtain adequate, or reasonably priced, insurance against these types of claims in the future, or the amounts currently provided for future warranty or insurance claims are inadequate, we may experience losses that could negatively impact our financial results. A major safety incident relating to our operations could be costly in terms of potential liabilities and reputational damage. Construction sites are inherently dangerous and pose certain inherent health and safety risks to construction workers, employees and other visitors. Due to health and safety regulatory requirements and the number of projects we work on, health and safety performance is important to the success of our development and construction activities. Any failure in health and safety performance may result in penalties for non- compliance with relevant regulatory requirements, and a failure that results in a ~~major or~~ significant health and safety incident is likely to be costly and could expose us to claims resulting from personal injury or death. Such a failure could also generate significant negative publicity and have a corresponding impact on our reputation, our relationships with relevant regulatory agencies or governmental authorities, and our ability to attract customers and employees, which in turn could have a material adverse effect on our business, financial condition and operating results. We experience fluctuations and variability in our operating results ~~on a quarterly basis and~~ , as a result, our historical performance may not be a meaningful indicator of future results. We historically have experienced, and expect to continue to experience, variability in home sales and results of operations ~~on a quarterly basis~~ . As a result of such variability, our historical performance may not be a meaningful indicator of future results. Factors that contribute to this variability include: **• quarterly seasonal variations in our operating results and capital requirements;** • timing of home deliveries and land sales; • the changing composition and mix of our asset portfolio; • delays in construction schedules due to adverse weather, acts of God, reduced subcontractor availability and governmental requirements and restrictions; • conditions of the real estate market in areas where we operate and of the general economy; • governmental imposed restrictions **,** ~~and consumer reactions related to an epidemic or pandemic (~~ such as stay- at-home orders **,** and ~~similar~~ **consumer** ~~restrictions~~ **reactions** ~~in 2020~~ related to **an epidemic or** ~~the COVID- 19~~ pandemic ~~)~~ ; • the cyclical nature of the homebuilding industry; and • costs and availability of materials and labor. Our level of indebtedness may adversely affect our financial position and prevent us from fulfilling our debt obligations. The homebuilding industry is capital intensive and requires significant up- front expenditures to secure land and pursue development and construction on such land. Accordingly, we incur substantial indebtedness to finance our homebuilding activities. At December 31, ~~2022~~ **2023** , we had approximately $ 1. **0 billion of indebtedness and $ 921.** 2 ~~billion of indebtedness and $ 861. 6~~ million of cash and cash equivalents. If we require working capital greater than that provided by our operations and current liquidity position, including the $ ~~725~~ **773** . ~~6~~ **7** million available to be drawn under our credit facility, we may be required to seek additional capital in the form of equity or debt financing from a variety of potential sources, including bank financing, public bonds or off- balance sheet resources. There can be no assurance we would be able to obtain such additional capital on terms acceptable to us, if at all. The level of our indebtedness could have important consequences to our stockholders, including the following: • our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes could be impaired; • we could be required to use a substantial portion of our cash flow from operations to pay interest and principal on our indebtedness, which would reduce the funds available to us for other purposes such as land and lot acquisition, development and construction activities; • although we have a relatively low level of indebtedness and a relatively high balance of cash and cash equivalents, some of our competitors may have additional access to capital, which may put us at a competitive disadvantage and reduce our flexibility in planning for, or responding to, changing conditions in our industry, including increased competition; and • we may be more vulnerable to economic downturns and adverse developments in our business than some of our competitors. We expect to generate cash flow to pay our expenses and to pay the principal and interest on our indebtedness with cash flow from operations or from existing working capital. Our ability to meet our expenses thus depends, to a large extent, on our future performance, which will be affected by financial, business, economic and other factors. We will not be able to control many of these factors, such as economic conditions in the markets where we operate and pressure from competitors. If we do not have sufficient funds, we may be required to refinance all or part of our existing debt, sell assets **, issue equity** or borrow additional funds. We cannot guarantee that we will be able to do so on terms acceptable to us, if at all. In addition, the terms of existing or future debt agreements may restrict or limit us from pursuing any of these alternatives. Our ability to obtain third-party financing may be negatively affected by any downgrade of our credit rating from one or more rating agencies. We consider the availability of third- party financing to be a key component of our long- term strategy to grow our business either through acquisitions or through internal expansion. As of December 31, ~~2022~~ **2023** , our credit ratings were ~~BB~~ **BBB -** , Ba1, and ~~BB~~ **BBB -** by Standard and Poor' s Financial Services, Moody' s Investor Services and Fitch Ratings, respectively, the three primary rating agencies. Any downgrades from these ratings may impact our ability to obtain future additional financing, or to obtain such financing on terms that are favorable to us and therefore, may adversely impact our future operations. The physical impacts of natural disasters or extreme weather events, which may be caused or exacerbated by climate change, could increase our costs and adversely affect our operations. The climates of many of the states in which we have homebuilding operations, particularly California, Texas, Florida and other coastal areas, present increased risks of, and have recently experienced, adverse weather and natural disasters which may be caused by, or exacerbated by, climate change. We may not be able to insure against some of these risks, and damage or destruction to our homes under construction or our building lots and community improvements caused by adverse weather or natural disasters could result in uninsured or underinsured losses. We could also suffer significant construction delays or substantial fluctuations in the pricing or availability of building materials and labor due to such disasters. Any of these events could cause a delay in scheduled closings and a decrease in our revenue, cash flows and earnings. **Additionally** ~~For example~~ , ~~in September 2022~~ **such disasters may increase the cost of homeowner' s insurance** , **which could negatively impact** ~~Hurricane Ian caused limited construction and home closing delays in~~ our ~~Florida markets~~ **sales and profitability if homeowners are unable to obtain cost- effective insurance** . Risks Related to Our Strategy Our long-term success depends on the availability of lots and land that meet our land investment criteria. The availability of lots and land that meet our underwriting standards depends on a number of factors outside of our control, including land availability in general, competition with other homebuilders and land buyers, credit market conditions, legal and government agency processes and regulations, inflation in land prices, zoning, availability of utilities, water rights, our ability and the costs to obtain building permits, the amount of impact fees, property tax rates and other regulatory requirements. If suitable lots or land becomes less available, or the cost of attractive land increases, it could reduce the number of homes that we may be able to build and sell and reduce our anticipated margins, each of which could adversely impact our financial results. The availability of suitable land assets could also affect the success of our strategic initiatives to increase our community count and maintain profitability. If our current strategies are not successful, it could have negative consequences on our operations, financial position and cash flows. We focus our community designs, product offerings and marketing on entry- level and first move- up homes based on our belief that these two product types will comprise the majority of the market demand in the near and medium term outlook. If there is a shift away from, or decrease in, the demand for our entry- level and first move- up home offerings, it could have negative consequences on our operations, financial position and cash flows if we are unable to shift our product offerings accordingly. Reduced levels of sales may cause us to re- evaluate the viability of existing land option contracts, resulting in a potential termination of these contracts which may lead to impairment charges. **Historically** ~~In the prior homebuilding cycle~~ , a significant portion of our lots were controlled under option contracts. Such options generally require a cash deposit that will be forfeited if we do not exercise the option or proceed with the lot purchase (s). During the last significant downturn that began in 2008, we forfeited significant amounts of deposits and wrote off significant amounts of related pre- acquisition costs related to projects we no longer deemed feasible, as they were not projected to generate acceptable returns **. At December 31, 2023, we had Deposits on real estate under option or contract of $ 111. 4 million, of which $ 97. 8 million related to committed projects** . Although our participation in such options is more limited at this time, another downturn in the homebuilding market may cause us to re- evaluate the feasibility of our optioned projects which may result in us forfeiting associated deposits, which would reduce our assets and stockholders' equity. Our lack of geographic diversification could adversely affect us if the homebuilding industry in our markets decline. We have homebuilding operations in **Arizona, California, Colorado, Utah,** Texas, ~~Arizona, California, Colorado,~~ Florida **, Georgia** , North Carolina, South Carolina ~~, Georgia~~ , and Tennessee. Although we have, in recent years, expanded our operations to new markets, our geographic diversification is still more limited than some of our competitors and could adversely impact us if the homebuilding business in our current markets should decline, since we may not have a balancing opportunity in other geographic regions . Our ability to build energy-...... diminish our competitive advantage in the marketplace . Shortages in the availability of subcontract labor may delay construction schedules and increase our costs. We conduct our construction operations only as a general contractor. Virtually all construction and development work is performed by unaffiliated third- party **subcontractors and** consultants ~~and subcontractors~~ . As a consequence, we depend on the continued availability of and satisfactory performance by these **subcontractors and** consultants ~~and subcontractors~~ for the construction of our communities and homes and to provide related materials. The cost of labor may also be adversely affected by shortages of qualified trades people, changes in laws and regulations relating to union activity and changes in immigration laws and trends in labor migration. Throughout various homebuilding cycles, we have experienced shortages of skilled labor in certain markets, which led to increased labor costs and delayed construction schedules. For example, we experienced delays in our construction cycle time in 2021 and 2022 due to a limited pool of subcontract labor. Although we continually strive to be a partner of choice with our trades, we cannot be assured that in the future there will be a sufficient supply of, or satisfactory performance by, these unaffiliated third- party subcontractors and consultants, which could have a material adverse effect on our business. **.** Our ability to build energy- efficient technologies at a profitable price point may be replicated by other builders in the future,which could reduce our competitive advantage.We believe we currently have a competitive advantage over many of the other production homebuilders by virtue of our energy efficiency technologies.Our communities offer a high level of energy-saving features included in the base price of our homes,and most of our single family detached home plans can accommodate the incorporation of optional solar features to further optimize energy savings.However,as the demand for energy- efficient homes continues to grow along with government imposed building requirements and societal responses to reduce ~~the impact of~~ potential climate change **impacts** ,and other builders become more inclined ~~,~~ or ~~are~~ required by changing regulatory standards ~~,~~ to offer more energy efficient technologies and offer them at a similar or lower price point,it could diminish our competitive **advantage in the marketplace** Operational Risks Information technology failures and data security breaches could harm our business. We use information technology **(" IT")** and other ~~computer~~ **digital** resources to carry out important operational, financial and marketing activities as well as maintain our business records. Many of these resources are provided to us and / or maintained on our behalf by third- party service providers pursuant to agreements that specify certain security and service level standards. We and our service providers employ what we believe are appropriate security, disaster recovery and other preventative and corrective systems ~~and~~ **,** processes **and controls** . Additionally, we maintain ~~cyber- security~~ **cybersecurity** insurance and require our employees to complete ongoing information security training; however, our ability to conduct our business may be impaired if these information technology resources are compromised, degraded, damaged or 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, intentional or unintentional personnel actions (including the failure to follow our security protocols), or lost connectivity to our networked resources. ~~For example, during the first quarter of 2020, some of our systems were affected by a malware attack that encrypted certain information on some of our systems and resulted in limitations to certain employee access for a short duration to certain of our systems and services, although all core operating activities continued during our remediation process. We completed this remediation process and our computer systems were restored, and the incident did not have a material adverse effect on our results of operations and / or financial condition and did not result in any exfiltration of data.~~ While we continuously assess and enhance our ~~cyber- security~~ **cybersecurity** controls, we cannot ~~be assured~~ - **assure you** that similar or more serious attacks will not occur in the future. Such events could have a significant and extended disruption to the functioning of our information technology and other ~~computer~~ **digital** resources, damage our reputation and cause us to lose customers and sales, result in the unintended disclosure or the misappropriation of proprietary, personal and confidential information (including information about our homebuyers, employees and business partners), and require us to incur significant expense to address and remediate these kinds of issues. The release of 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 penalties or fines, could have a material and adverse effect on our ~~consolidated~~ **results of operations and** financial ~~statements~~ **position** and reputation. In addition, the costs of maintaining adequate protection against such threats, depending on their evolution, pervasiveness and frequency and / or government- mandated standards or obligations regarding protective efforts, are high and expected to continue to increase in the future and may be material to our ~~consolidated~~ **results of operations and** financial **position. Beyond our service providers, we depend on independent third parties to handle certain processes required to complete land purchases and home closings, including title insurers, escrow /** ~~statements~~ -- **settlement companies, independent mortgage lenders and other firms involved in real property transactions. In the latter half of 2023, several third- party companies in the real estate industry experienced cybersecurity incidents that substantially impaired their ability to provide their services. Although these incidents did not materially impact our operations, should these or other companies experience cybersecurity incidents or IT failures that disrupt or prevent their performance of real estate transaction services, our ability to close on land transactions or our customers' ability to close on their homes, as well as our production schedules and delivery forecasts, may be significantly disrupted which could have a material impact on our results of operations or financial position. See Item 1C- " Cybersecurity" in Part I of this Form 10- K for additional information regarding our cybersecurity risk management, strategy and governance** . The loss of key personnel may negatively impact us. Our success largely depends on the continuing services of certain key employees and our ability to attract and retain qualified personnel. We have employment agreements with certain key employees who we believe possess valuable industry knowledge, experience and leadership abilities that would be difficult in the short term to replicate. The loss of the services of such key employees could harm our operations and business plans. Regulatory Risks Expirations, amendments or changes to tax laws, incentives or credits currently available to us and our homebuyers may negatively impact our business. Under previous tax law, certain expenses of owning a home, including mortgage loan interest costs and real estate taxes, generally were deductible expenses for the purpose of calculating an individual' s federal, and in some cases state, tax liability. However, the Tax Cuts and Jobs Act (the" Tax Act") signed into law in December 2017 limited these deductions for some individuals. The Tax Act caps individual state and local tax deductions at $ 10, 000 for the aggregate of state and local real property and income taxes or state and local sales taxes. Additionally, the Tax Act reduces the cap on mortgage interest deduction to $ 750, 000 of debt for debt incurred after December 15, 2017. Although we primarily build more affordable homes with proportionally lower property taxes and interest, the limits on deductibility of mortgage interest and property taxes may increase the after- tax cost of owning a home for some individuals. Any increases in personal income tax rates and / or additional tax deduction limits relating to the cost of home ownership could adversely impact demand for homes, including homes we build, which could adversely affect the results of our operations. We are subject to federal and state income taxes and recognize benefits from certain allowable deductions. Increases in statutory tax rates or the elimination or reduction of available deductions could adversely affect the results of our operations and the realization of our deferred tax assets. Our income tax provision and other tax liabilities may be insufficient if taxing authorities initiate and are successful in asserting tax positions that are contrary to our position. In the normal course of business, we are audited by various federal, state and local authorities regarding income tax matters. Significant judgment is required to determine our provision for income taxes and our liabilities for federal, state, local and other taxes. Although we believe our approach to determining the appropriate tax treatment is supportable and in accordance with tax laws and regulations and relevant accounting literature, it is possible that the final tax authority will take a tax position that is materially different than ours. As each audit is conducted, adjustments, if any, are recorded in our consolidated financial statements in the period determined. Such differences could have a material adverse effect on our income tax provision or benefit, or other tax reserves **or assets** , in the reporting period in which such determination is made and, consequently, on our results of operations, financial position and / or cash flows for such period. We have no federal or state income tax examinations being conducted at this time. Failure to comply with laws and regulations by our employees or representatives may harm us. We are required to comply with applicable laws and regulations that govern all aspects of our business including land acquisition, development, home construction, labor and employment, mortgage origination, insurance, title and escrow operations, sales, and warranty. It is possible that individuals acting on our behalf could intentionally or unintentionally violate some of these laws and regulations. Although we endeavor to comply with such laws and regulations and take immediate action if we become aware of such violations, we may incur fines, penalties or losses as a result of these actions and our reputation with governmental agencies and our customers may be damaged. Further, other acts of bad judgment may also result in negative publicity and / or financial consequences. We are subject to extensive government regulations that could cause us to incur significant liabilities or restrict our business activities. Regulatory requirements could cause us to incur significant liabilities and costs and could restrict our business activities. We are subject to local, state and federal statutes, codes, and rules regulating labor and employment matters, relationships with trade partners and their employees, certain land development matters, as well as building and site design and construction. We are subject to various fees and charges of government authorities designed to defray the cost of providing certain governmental services and improvements. We may be subject to additional costs and delays or may be precluded entirely from building projects because of " no- growth " or " slow- growth " initiatives, building permit ordinances, building moratoriums, or similar government regulations that could be imposed in the future due to health, safety, climate, welfare or environmental concerns. We must also obtain licenses, permits and approvals from government agencies to engage in certain activities, the granting or receipt of which are beyond our control and could cause delays in our homebuilding projects. With growing concern from government agencies and the general public over the effects of climate change on the environment, we may be subject to additional regulatory responses to reduce greenhouse gas emissions and combat climate change that may increase our costs particularly as they relate to land development and home construction activities. Most recently, for example, in California, we ~~were~~ **are** subject to the California Energy Commission' s Building Energy Efficiency Standards under Title 24 **of the California Energy Code** . As part of the updated building codes, all homes constructed in California with permits obtained in 2020 and beyond are required to have solar panels, which we offer as standard feature for homes built in the state. Such compliance has not had a material impact on our operations; however, it could increase our operating and compliance costs in the future or require additional technology and capital investment. These and other similar environmental laws or permit restrictions may also result in production delays and may prohibit or severely restrict development in certain environmentally sensitive or geographic areas. Environmental regulations can also have an adverse impact on the availability and price of certain raw materials, such as lumber. While we believe we are complying in all material respects with existing climate- related government standards and regulations applicable to our business, we also cannot predict our future exposure given the rapidly changing nature of environmental matters. There is a variety of new regulations being adopted and legislation being enacted, or considered for enactment, at the federal, state, local and international levels relating to energy and climate change. This legislation relates to items such as carbon dioxide emissions control and building codes that impose energy efficiency standards. New building code requirements that impose stricter energy efficiency standards could significantly increase our cost to construct homes. As climate change concerns continue to grow, legislation and regulations of this nature are expected to continue and become more costly to comply with. Similarly, energy- and climate- related initiatives affect a wide variety of companies throughout the United States and the world and because our operations are heavily dependent on significant amounts of raw materials, such as lumber, steel, and concrete, they could have an indirect adverse impact on our operations and profitability to the extent the manufacturers and suppliers of our materials are burdened with expensive cap and trade and similar energy and climate- related regulations. ~~The increasing attention to ESG matters and our responses to these matters could have an adverse effect on our business and reputation. For example, the SEC has recently proposed extensive climate- related disclosure rules and audit requirements. We voluntarily published our second annual ESG report in 2022 which followed certain reporting frameworks that we believe are of value to our investors and other stakeholders. However, if mandatory reporting and audit requirements are adopted, it would likely impose significant compliance costs on us. We intend to continue to research, evaluate, and implement applicable disclosures and initiatives related to ESG matters, however, if we are unable to adequately address such ESG matters or fail to comply with future mandatory reporting requirements, it could negatively impact our reputation and our business results.~~ Our financial services operations are subject to extensive regulations that could cause us to incur significant liabilities or restrict our business activities. Our wholly- owned title company, Carefree Title, provides title insurance and closing settlement services for our homebuyers. The title and settlement services provided by Carefree Title are subject to various regulations, including regulation by state banking and insurance **authorities. These laws and** regulations **include many compliance requirements, including but not limited to licensing, consumer disclosures, fair lending and real estate settlement procedures. As a result, our operations are subject to regular, extensive examinations by the applicable agencies. Additional future regulations or changing rule interpretations and examinations by regulatory agencies may result in more stringent compliance standards and could adversely affect the results of our operations** . Our mortgage joint venture is engaged in mortgage broker activities and provides services to our homebuyers. Potential changes to federal and state laws and regulations could have the effect of limiting our activities or how our mortgage joint venture conducts its operations and this could have an adverse effect on our results of operations. The mortgage industry remains under intense scrutiny and continues to face increasing regulation at the federal, state and local level. Although we do not originate mortgages, we ~~are~~ **may be** directly or indirectly subject to certain of these regulations. In addition, if we are determined to have violated federal or state regulations, we face the loss of our licenses or other required approvals or we could be subject to fines, penalties, civil actions or we could be required to suspend our activities, each of which could have an adverse effect on our reputation, results and operations. General Risk Factors Negative publicity could adversely affect our reputation and our business, financial results and stock price. Unfavorable media related to our industry, company, brand, personnel, operations, business performance, or prospects may impact our stock price and the performance of our business, regardless of its accuracy or inaccuracy. The speed at which negative publicity is disseminated has increased dramatically through the use of electronic communication, including social media outlets, websites, ~~" tweets",~~ blogs, and similar platforms. Our success in maintaining and expanding our brand image depends, in part, on our ability to adapt to this rapidly changing media environment. Adverse publicity or negative commentary from any media outlets could damage our reputation and reduce the demand for our homes, which would adversely affect our business. Our business could be materially disrupted by an epidemic or pandemic, or fear of such an event, and the measures that federal, state and local governments and / or health authorities implement to address it. Demand for our homes is dependent on a variety of macroeconomic factors, such as employment levels, interest rates, changes in stock market valuations, consumer confidence, housing demand, availability of building materials, availability of financing for home buyers, availability and prices of new homes compared to existing inventory, and demographic trends. These factors can be significantly adversely affected by a variety of factors beyond our control. For example, the COVID- 19 pandemic and the measures undertaken by governmental authorities to address it, initially disrupted or prevented us from operating parts our business in the ordinary course. With ~~the~~ **minimal** exception ~~of a brief pause in March and April of 2020~~ , the COVID- 19 pandemic and its effects on the economy ~~have~~ **did** not adversely ~~affected~~ -- **affect** our results of operations ~~to date~~ . However, future disruptions and governmental actions combined with any associated economic and / or social instability or distress, may have an adverse impact on our results of operations, financial condition and cash flows. Any of the above risk factors could have a material adverse effect on any investment in our bonds and common stock. As a result, investors could lose some or all of their investment. Special Note of Caution Regarding Forward- Looking Statements In passing the Private Securities Litigation Reform Act of 1995 (“ PSLRA ”), Congress encouraged public companies to make “ forward- looking statements ” by creating a safe- harbor to protect companies from securities law liability in connection with forward- looking statements. We intend to qualify both our written and oral forward- looking statements for protection under the PSLRA. The words “ believe, ” “ expect, ” “ anticipate, ” “ forecast, ” “ plan, ” “ intend, ” “ may, ” “ will, ” “ should, ” “ could, ” “ estimate, ”" target," and “ project ” and similar expressions identify forward- looking statements, which speak only as of the date the statement was made. All statements we make other than statements of historical fact are forward- looking statements within the meaning of that term in Section 27A of the Securities Act of 1933 (the" Securities Act"), and Section 21E of the Exchange Act. Forward- looking statements in this Annual Report include statements concerning our belief that we have ample liquidity; our cash management strategy and intentions; our goals, strategies and strategic initiatives including our all spec- strategy for entry- level homes and the anticipated benefits relating thereto; our intentions and the expected benefits and advantages of our product and land positioning strategies, including with respect to our focus on the first- time and first move- up buyer and housing demand for affordable homes; the benefits of **our financing incentive programs; the benefits of** and our intentions to use options to acquire land; our preselected design collections strategy; our exposure to supplier concentration risk and other matters concerning our supply chain; our delivery of substantially all of our backlog existing as of year end; our positions and our expected outcome relating to litigation and regulatory proceedings in general; ~~the sufficiency of our warranty reserves;~~ that we may repurchase **, redeem or retire** our debt and equity securities; our non- use of derivative financial instruments; expectations regarding our industry and our business into ~~2023~~ **2024** and beyond; the demand for and the pricing of our homes; our land and lot acquisition strategy, including that we will redeploy cash to acquire well- positioned finished lots and that we may participate in joint ventures or other opportunities; that we may expand into new markets; the availability of labor and materials for our operations; that we may seek additional debt or equity capital; our expectation that existing guarantees, letters of credit and performance and surety bonds will not be drawn on; the sufficiency of our insurance coverage and warranty reserves; the sufficiency of our capital resources to support our business strategy; the sufficiency of our land pipeline; the impact of new accounting standards and changes in accounting estimates; trends and expectations concerning future demand for homes, sales prices, sales orders, **construction cycle times,** cancellations **, labor** , construction and materials costs and availability, gross margins, profitability, liquidity, land costs, community counts and profitability and future home supply and inventories; our DE & I initiatives and intentions; our future cash needs and sources; the impact of seasonality; that we ~~may~~ **intend to** pay dividends in the future; and our future compliance with debt covenants. Important factors currently known to management that could cause actual results to differ materially from those in forward- looking statements, and that could negatively affect our business are discussed above in this report under the heading “ Risk Factors. ” Forward- looking statements express expectations of future events. All forward- looking statements are inherently uncertain as they are based on various expectations and assumptions concerning future events and they are subject to numerous known and unknown risks and uncertainties that could cause actual events or results to differ materially from those projected. Due to these inherent uncertainties, the investment community is urged not to place undue reliance on forward- looking statements. In addition, we undertake no obligations to update or revise forward- looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to projections over time, except as required by law.