Risk Factors Comparison 2024-02-05 to 2023-02-06 Form: 10-K

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Discussion of our business and operations included in this annual report on Form 10- K should be read together with the risk factors set forth below. They describe various risks and uncertainties to which we are, or may become, subject. These risks and uncertainties, together with other factors described elsewhere in this report, have the potential to affect our business, financial condition, results of operations, cash flows, strategies, or prospects in a material and adverse manner. Risks Associated With Our Industry Increases in interest rates, reductions in mortgage availability, or other increases in the effective costs of owning a home have prevented potential customers from buying our homes and adversely affected our business and financial results. A large majority of our customers finance their home purchases through mortgage loans, many through Pulte Mortgage. ~~Mortgage interest rates in recent years have been at or near historic lows, thereby making new homes more affordable.~~ Increases in interest rates can adversely affect the market for new homes, as potential homebuyers may be less willing or able to pay the increased monthly costs resulting from higher interest rates or to obtain mortgage financing. **Up until 2022, mortgage interest rates in recent years had been at** ~~For~~ **or** ~~example~~ **near historic lows** , ~~beginning~~ **thereby making new homes more affordable. However,** in the second quarter of 2022, ~~we experienced lower than expected signups and traffic among all buyer groups as mortgage rates increased~~ in response to the Federal Reserve' s increases to the federal funds rate ~~through 2022~~ as part of their effort to reduce inflation **,** ~~. This resultant slowdown in signups and traffic was more pronounced during the second half of 2022 as the Federal Reserve' s rate hikes resulted in~~ mortgage rates **increased,** reaching their highest levels since 2008 **. As a result, we began to experience lower than expected signups and traffic, as well as an increase in cancellation rates, during the second half of 2022 and into the first half of 2023** . Ongoing volatility in interest rates may continue to negatively impact our operations and financial results. A decrease in the availability of mortgage financing generally could also adversely impact the market for new homes, which could result from lenders increasing the qualifications needed for mortgages or adjusting their terms to address any increased credit risk. Even if potential customers do not need financing, changes in interest rates and mortgage availability could make it harder for them to sell their current homes to potential buyers who need financing. These factors could adversely affect the sales or pricing of our homes and could also reduce the volume or margins in our financial services business. Our financial services business could also be impacted to the extent we are unable to match interest rates and amounts on loans we have committed to originate through the various hedging strategies we employ. These developments have historically had, and may in the future have, a material adverse effect on the overall demand for new housing and thereby on the results of operations of our business. The liquidity provided by Fannie Mae and Freddie Mac to the mortgage industry is also critical to the housing market. The impact of the federal government' s conservatorship of Fannie Mae and Freddie Mac on the short- term and long- term demand for new housing remains unclear. Any limitations or restrictions on the availability of financing by these agencies could adversely affect interest rates, mortgage financing, and our sales of new homes and mortgage loans. Additionally, the availability of FHA and VA mortgage financing, which is subject to the same interest rate and lending term risks, is an important factor in marketing some of our homes, and reduced availability of these financing options could negatively impact our results of operations. The homebuilding industry is cyclical and deteriorations in industry conditions or downward changes in general economic or other business conditions have historically affected our business and financial results and could do so in the future. The residential homebuilding industry is sensitive to changes in economic conditions and other factors, such as the level of employment, consumer confidence, consumer income, product affordability, availability of financing, inflation, and interest rate levels. Adverse changes in any of these conditions generally, or in the markets where we operate, could decrease demand and pricing for new homes in these areas and result in customer cancellations of pending contracts, which could adversely affect the number of home deliveries we make or reduce the prices we can charge for homes, either of which could result in a significant decrease in our revenues and earnings that could materially and adversely affect our financial condition. For example, beginning in 2006 and continuing through 2011, the U. S. housing market was unfavorably impacted by severe weakness in new home sales attributable to, among other factors, weak consumer confidence, tightened mortgage standards, significant foreclosure activity, a more challenging appraisal environment, higher than normal unemployment levels, and significant uncertainty in the global economy. During this period, we incurred significant losses, including impairments of our land inventory and certain other assets, and some aspects of the housing industry have yet to return to pre- 2007 production levels. ~~As noted previously~~ **Beginning in 2020** , **the COVID- 19 pandemic also impacted our business and resulted in a significant slowdown in our business and impacts to our financial results, followed by** historically high inflation, increased interest rates and ~~overall~~ **weaker** economic conditions ~~in 2022 have~~ **all of which** impacted the affordability of our homes and consumer sentiment ~~resulting in a significant slowdown in our business and impacts to our financial results. It is uncertain how long these current economic conditions, or the associated impacts on our business and financial results, will continue~~ . Inflation has resulted in increased costs that we may not be able to recoup. Inflation can adversely affect us by increasing costs of land, materials, and labor. In addition, significant inflation is often accompanied by higher interest rates, which recently have had a negative impact on demand for our homes. In an inflationary environment like the one we are currently experiencing, economic conditions and other market factors may make it difficult for us to raise home prices enough to keep up with the rate of inflation, which could reduce our profit margins or reduce the number of consumers who can afford to purchase one of our homes. We are currently experiencing heightened labor and materials prices which have resulted primarily from increased demand and inflationary monetary policy stemming from the onset of the COVID- 19 pandemic in early 2020. ~~Although these~~ **These** ~~prices tempered during the second half of 2022~~ **factors have increased our**

operational costs in recent periods , **and** if the current inflationary environment continues or worsens, we may not be able to adjust the pricing we charge for homes to offset these increased costs in the future, which would adversely impact our results of operations and cash flows. Supply shortages and other risks related to the demand for skilled labor and building materials have and could continue to increase costs and delay deliveries. The homebuilding industry is highly competitive for skilled labor. Labor shortages ~~, which began after the onset of the COVID- 19 pandemic,~~ have continued to limit the availability of ~~certain materials and~~ construction labor. Additionally, the supply of certain building materials, especially lumber, wood- based materials such as roof and floor trusses and oriented strand boards, steel, resin, concrete, copper, and petroleum- based materials, is limited and has been impacted by the combination of strong consumer demand, disruptions in the global supply chain caused by the COVID- 19 pandemic, and major weather events at the point of manufacture of certain products. **Supply constraints can also be further exacerbated by government policies which make it more difficult and / or expensive for suppliers to produce materials needed for our business.** These factors, along with the consolidation of ownership of the source of supply for certain building materials, have resulted in ~~significant~~ increases to the prices of ~~those~~ **some** materials. Increased costs and shortages of labor and materials ~~have~~ **can** ~~caused~~ - **cause** increases in construction costs, and construction delays. We may not be able to pass on increases in construction costs to customers and generally are unable to pass on any such increases to customers who have already entered into sales contracts as those sales contracts generally fix the price of the home at the time the contract is signed, which may be well in advance of the construction of the home. Sustained increases in construction costs may, over time, erode our margins, and pricing competition may restrict our ability to pass on any such additional costs, thereby decreasing our margins. Our success depends on our ability to acquire land suitable for residential homebuilding in accordance with our land investment criteria. The homebuilding industry is highly competitive for suitable land. The availability of finished and partially finished ~~developed~~ lots and undeveloped land for purchase that meet our internal criteria depends on a number of factors outside our control, including land availability in general, competition with other homebuilders and land buyers for desirable property, inflation in land prices, zoning, allowable housing density, and other regulatory requirements. Should suitable lots or land become less available, the number of homes we may be able to build and sell could be reduced, and the cost of land could be increased, perhaps substantially, which could adversely impact our results of operations. Our long- term ability to build homes depends on our acquiring land suitable for residential building at reasonable prices in locations where we want to build. We experience significant competition for suitable land as a result of land constraints in many of our markets. As competition for suitable land increases, and as available land is developed, the cost of acquiring suitable land could rise, and the availability of suitable land at acceptable prices may decline. Any land shortages or any decrease in the supply of suitable land at reasonable prices could limit our ability to develop new communities or result in increased land costs. We may not be able to pass through to our customers any increased land costs, which could adversely impact our revenues, earnings, and margins. If the market value of our land drops significantly, our profits could decrease and result in write- downs of the carrying values of land we own. The market value of land can fluctuate significantly as a result of changing market conditions, and the measures we employ to manage inventory risk may not be adequate to insulate our operations from a severe drop in inventory values. We acquire land for expansion into new markets and for replacement of land inventory and expansion within our current markets. If housing demand decreases below what we anticipated when we acquired our inventory, we may not be able to make profits similar to what we have made in the past, we may experience less **-** than **-** anticipated profits, and / or we may not be able to recover our costs when we sell and build homes. When market conditions are such that land values are not appreciating, land option arrangements previously entered into may become less desirable, at which time we may elect to ~~forego~~ - **forgo** deposits and pre- acquisition costs and terminate the agreements. In the face of adverse market conditions, we may have substantial inventory carrying costs, we may have to write down our inventory to its fair value, and / or we may have to sell land or homes at a loss. At times we have been required to record significant write- downs of the carrying value of our land inventory and we have elected not to exercise options to purchase land, even though that required us to forfeit deposits and write- off pre- acquisition costs. If market conditions were to deteriorate in the future, we could elect not to execute additional options and again be required to record significant write downs to our land inventory, which would decrease the asset values reflected on our balance sheet and **could** materially and adversely affect our earnings and our shareholders' equity. Competition for homebuyers could reduce our deliveries or decrease our profitability. The U. S. housing industry is highly competitive. Homebuilders compete for homebuyers in each of our markets with numerous national, regional, and local homebuilders on the basis of location, price, quality, reputation, design, community amenities, and our customers' overall sales and homeownership experiences. This competition with other homebuilders could reduce the number of homes we deliver or cause us to accept reduced margins to maintain sales volume. We also compete with resales of existing or foreclosed homes, housing speculators, and available rental housing. Increased competitive conditions in the residential resale or rental market in the regions where we operate could decrease demand for new homes or unfavorably impact pricing for new homes. Government regulations could increase the cost and limit the availability of our development and homebuilding projects or affect our related financial services operations and adversely affect our business or financial results. Our operations are subject to building, safety, environmental, and other regulations imposed and enforced by various federal, state, and local governing authorities. New housing developments may also be subject to various assessments for schools, parks, streets, and other public improvements. These assessments have increased over recent years as other funding mechanisms have decreased, causing local governing authorities to seek greater contributions from homebuilders. All of these factors ~~can~~ **have caused and could in the future** cause an increase in the effective cost of our homes. We also are subject to a variety of local, state, and federal laws and regulations concerning protection of health, safety, and the environment. The impact of environmental laws varies depending upon the prior uses of the building site or adjoining properties and may be greater in areas with less supply where undeveloped land or desirable alternatives are less available. These matters may result in delays, may cause us to incur substantial compliance, remediation and other costs, and ~~can~~ **could** prohibit or severely restrict development and homebuilding activity in environmentally sensitive regions or areas. More stringent requirements could be imposed in the future on homebuilders ~~and~~ **,** developers **, and financial services companies** , thereby increasing the cost of compliance. Our financial services operations are also subject to numerous federal, state, and local laws and regulations. These include eligibility requirements for participation in federal loan programs and compliance with consumer lending and similar requirements such as disclosure requirements, prohibitions against discrimination, and real estate settlement procedures. They also subject our operations to examination by applicable agencies, pursuant to which those agencies may limit our ability to provide mortgage financing or title services to potential purchasers of our homes. For our homes to qualify for FHA or VA mortgages, we must satisfy valuation standards and site, material, and construction requirements of those agencies. Homebuilding is subject to warranty and other claims in the ordinary course of business that can be significant. As a homebuilder, we are subject to home warranty, construction defect, and other claims arising in the ordinary course of business. We rely on subcontractors to perform the actual construction of our homes and, in some cases, to select and obtain building materials. Despite our detailed specifications and quality control procedures, in ~~some~~ **limited** cases, subcontractors may use improper construction processes or defective materials. In such cases, it can result in the need to perform ~~extensive~~ repairs to ~~large numbers of~~ homes. We record warranty and other reserves relating to the homes we sell based on historical experience in our markets and our judgment of the qualitative risks associated with the types of homes built. We have, and require our subcontractors to have, general liability, property, errors and omissions, workers compensation, and other business insurance. These insurance policies protect us against a portion of our risk of loss from claims, subject to certain self- insured per occurrence and aggregate retentions, deductibles, and available policy limits. In certain instances, we may offer our subcontractors the opportunity to purchase insurance through one of our captive insurance subsidiaries or participate in a project- specific insurance program ~~provided~~ **sponsored** by us. Policies issued by our captive insurance subsidiaries represent self- insurance of these risks by us. We reserve for costs to cover our self- insured and deductible amounts under these policies and for any costs of claims and lawsuits based on an analysis of our historical claims, which includes an estimate of claims incurred but not yet reported. Our insurance coverage, our subcontractor arrangements, and our reserves may not be adequate to address all our warranty and construction defect claims in the future, and there is typically a lag between our payment of claims and reimbursements from applicable insurance carriers. Contractual indemnities can be difficult to enforce, we may be responsible for applicable self- insured retentions, and some types of claims may not be covered by insurance or may exceed applicable coverage limits. Additionally, the coverage offered by and the availability of general liability insurance for construction defects are ~~currently~~ costly and limited ~~. We have responded to increases in insurance costs and coverage limitations by increasing our self- insured retentions~~ . There can be no assurance that coverage will not be further restricted or become more costly. Additionally, we are exposed to counterparty default risk related to our subcontractors, our insurance carriers, and our subcontractors' insurance carriers. We can be injured by improper acts of persons over whom we do not have control or by the attempt to impose liabilities or obligations of third parties on us. Although we expect all of our subcontractors, employees, officers, and directors to comply at all times with all applicable laws, rules, and regulations, there may be instances in which subcontractors or others through whom we do business engage in practices that do not comply with applicable laws, regulations, or governmental guidelines. When we learn of practices that do not comply with applicable laws, regulations, or government guidelines, including practices relating to homes, buildings, or multifamily properties we build or finance, we move to stop the non- complying practices as soon as possible, and we have taken disciplinary action regarding subcontractors and employees of ours who were aware of non- complying practices and did not take steps to address them, including in some instances terminating their employment **or engagement** . However, regardless of the steps we take after we learn of practices that do not comply with applicable laws, regulations, or government guidelines, 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. The homes we sell are built by employees of subcontractors and other contract parties. We do not have the ability to control what these contract parties pay their employees or subcontractors or the work rules they impose on their employees or subcontractors. However, various governmental agencies have attempted to hold contract parties like us responsible for violations of wage and hour laws and other work- related laws by firms whose employees are performing contracted services. Governmental rulings or changes in state or local laws that make us responsible for labor practices by our subcontractors could create substantial exposures for us in situations that are not within our control. Natural disasters, severe weather conditions and changing climate patterns could delay deliveries, increase costs, and decrease demand for new homes in affected areas. Our homebuilding operations are located in many areas that are subject to natural disasters and severe weather. The occurrence of natural disasters or severe weather conditions can delay new home deliveries, increase costs by damaging inventories, reduce the availability of materials, and negatively impact the demand for new homes in affected areas. For instance, in ~~2022~~ **recent years** , ~~Hurricane~~ **hurricanes** ~~Ian~~ **have** caused significant disruptions in Florida **and our Southeastern markets** but did not result in a material impact to our results of operations. In addition, the increased prevalence of forest fires in recent years in our western markets has caused disruptions to our sales operations and development delays ~~.~~ **, and** ~~Significant~~ **significant** weather events have contributed to plant closures and transportation delays that have exacerbated stress on our supply chain. Furthermore, if our insurance does not fully cover business interruptions or losses resulting from these events, our earnings, liquidity, or capital resources could be adversely affected. The impact of climate change and climate change or other governmental regulation may adversely impact our business. In addition to more frequent extreme weather events, global climate change can also impact our operations through extensive governmental policy developments and shifts in consumer sentiment which have the potential individually or collectively to significantly disrupt our business as well as negatively affect our suppliers, independent contractors and customers. For instance, the requirement to modify our home designs mandated by upgraded building codes or recommended practices given a region' s particular exposure to climate conditions can increase our costs, which we may not be able to recoup by increasing the price of our homes. Government restrictions, standards, or regulations intended to reduce greenhouse gas emissions or potential climate change impacts are also likely to result in restrictions on land development in certain areas and may increase energy, transportation, or raw material costs, which could reduce our housing gross profit margins and adversely affect our results of operations. For example, as the risk of flooding in coastal and other flood prone areas increases or the results of climate change result in water scarcity, local governments may increase the requirements on new home builders for zoning approvals and restrict areas where new homes may be built, resulting in increased development costs and greater competition for more desirable land parcels. In addition, as local governmental authorities and utilities are required to spend increasing amounts of their resources responding to and remediating weather and climate **-** related events, their ability to provide approvals and service to new housing communities may be impaired. Risks Related to ~~our~~ **Our** Business Model and Capital Structure Adverse capital and credit market conditions may significantly affect our access to capital and cost of capital. The capital and credit markets can experience significant volatility. We may need credit- related liquidity for the future development of our business and other capital needs. Without sufficient liquidity, we may not be able to purchase additional land or develop land, which could adversely affect our financial results. At December 31, ~~2022~~ **2023** , we had cash, cash equivalents, and restricted cash of $ 1. ~~1~~ **8** billion as well as $ ~~946~~ **937** . ~~6~~ **3** million available under our revolving credit facility (" Revolving Credit Facility"). However, our internal sources of liquidity and Revolving Credit Facility may prove to be insufficient, and, in such case, we may not be able to successfully obtain additional financing on terms acceptable to us, or at all. Another source of liquidity is our ability to use letters of credit and surety bonds relating to certain performance- related obligations and as security for certain land option agreements and insurance programs. The majority of these letters of credit and surety bonds are in support of our land development and construction obligations to various municipalities, other government agencies, and utility companies related to the construction of roads, sewers, and other infrastructure. At December 31, ~~2022~~ **2023** , we had outstanding letters of credit and surety bonds totaling $ ~~303~~ **312** . ~~4~~ **7** million and $ 2. ~~2~~ **4** billion, respectively. These letters of credit are generally issued via our unsecured Revolving Credit Facility, which contains certain financial covenants and other limitations. If we are unable to obtain letters of credit or surety bonds when required, or the conditions imposed by issuers increase significantly, our liquidity **, and cost of operations** could be adversely affected. Our income tax provision and tax reserves may be insufficient if a taxing authority is successful in asserting positions that are contrary to our interpretations and related reserves, if any. Significant judgment is required in determining our provision for income taxes and our reserves for federal, state, and local taxes. In the ordinary course of business, there may be matters for which the ultimate outcome is uncertain. Our evaluation of our tax matters is based on a number of factors, including relevant facts and circumstances, applicable tax law, correspondence with tax authorities during the course of audits, and effective settlement of audit issues. Although we believe our approach to determining the tax treatment for such items is appropriate, no assurance can be given that the final tax authority review will not be materially different than that which is reflected in our income tax provision and related tax reserves. Such differences could have a material adverse effect on our income tax provision in the period in which such determination is made and, consequently, on our financial position, cash flows, or net income. We are periodically audited by various federal, state, and local authorities regarding tax matters. Our current audits are in various stages of completion; however, no outcome for a particular audit can be determined with certainty prior to the conclusion of the audit, appeal, and, in some cases, litigation process. As each audit is concluded, adjustments, if any, are recorded in our financial statements in the period determined. To provide for potential tax exposures, we consider a variety of factors, including relevant facts and circumstances, applicable tax law, correspondence with taxing authorities, and effective settlement of audit issues. If these reserves are insufficient upon completion of an audit, there could be an adverse impact on our financial position, cash flows, and results of operations. We may not realize our deferred tax assets. As of December 31, ~~2022~~ **2023** , we had deferred tax assets of $ ~~113~~ **89** . ~~2~~ **5** million, against which we provided a valuation allowance of $ ~~30~~ **24** . ~~9~~ **8** million. The ultimate realization of our deferred tax assets is dependent upon generating future taxable income. While we have recorded valuation allowances against certain of our deferred tax assets, the valuation allowances are subject to change as facts and circumstances change. Our ability to utilize net operating losses (“ NOLs ”) and other tax attributes to offset our future taxable income or income tax would be limited if we were to undergo an “ ownership change ” within the meaning of Section 382 of the Internal Revenue Code (the “ IRC ”). An" ownership change" under Section 382 of the IRC would establish an annual limitation to the amount of NOLs and other tax attributes we could utilize to offset our taxable income or income tax in any single year. The application of these limitations might prevent full utilization of the deferred tax assets. To preserve our ability to utilize NOLs and other tax attributes in the future without a Section 382 limitation, we adopted a shareholder rights plan, which is triggered upon certain transfers of our securities, and amended our by- laws to prohibit certain transfers of our securities. Our shareholder rights plan, as amended, expires June 1, 2025, unless our Board of Directors and shareholders approve an amendment to extend the term prior thereto. Notwithstanding the foregoing measures, there can be no assurance that we will not undergo an ownership change within the meaning of Section 382. In addition, our shareholder rights plan may adversely affect the marketability of our common stock, because any non- exempt third party that acquires shares of our common stock in excess of the applicable threshold would suffer substantial dilution of its ownership interest. The value of our deferred tax assets and liabilities are also dependent upon the tax rates expected to be in effect at the time they are realized. A change in enacted corporate tax rates in our major jurisdictions, especially the U. S. federal corporate tax rate, would change the value of our deferred taxes, which could be material. Our inability to sell mortgages into the secondary market could significantly reduce our ability to sell homes unless we are willing to become a long- term investor in loans we originate. We sell substantially all of the residential mortgage loans we originate within a short period in the secondary mortgage market. If we were unable to sell loans into the secondary mortgage market or directly to Fannie Mae and Freddie Mac, we would have to either (a) curtail our origination of residential mortgage loans, which **,** among other things, could significantly reduce our ability to sell homes, or (b) commit our own funds to long **-** term investments in mortgage loans, which, in addition to requiring us to deploy substantial amounts of our own funds, could delay the time when we recognize revenues from home sales on our statements of operations. We are subject to claims related to mortgage loans we sold in the secondary mortgage market that may be significant. Our mortgage operations may be responsible for losses arising out of claims associated with mortgage loans originated and sold to investors in the event of errors or omissions relating to certain representations and warranties made by us that the loans met certain requirements, including representations as to underwriting standards, the type of collateral, the existence of primary mortgage insurance, and the validity of certain borrower representations in connection with the loan. To date, the significant majority of these claims made by investors against our mortgage operations relate to loans originated prior to 2009, during which time inherently riskier loan products became more common in the origination market. We may also be asked to indemnify underwriters that purchased and securitized loans originated by a former subsidiary of Centex Corporation (" Centex"), which we acquired in 2009, for losses incurred by investors in those securitized loans based on similar breaches of representations and warranties. The resolution of claims related to alleged breaches of these representations and warranties and repurchase claims could have a material adverse effect on our financial condition, cash flows and results of operations. Given the unsettled nature of these claims, changes in values of underlying collateral over time, and other uncertainties regarding the ultimate resolution of these claims, actual costs could differ from our current estimates. Accordingly, there can be no assurance that such reserves will not need to be increased in the future. General Risk Factors Information technology failures or data security breaches could harm our business and result in substantial costs. We use information technology and other computer resources to carry out important operational activities and to maintain our business records. Our computer systems, including our back- up systems, are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches (through cyber- attacks from computer hackers and sophisticated organizations), catastrophic events such as fires, tornadoes and hurricanes, usage errors by our employees, or cyber- attacks or errors by third party vendors who ~~have~~ **could gain** access to our confidential data or that of our customers ~~. While to~~ **, vendors,** ~~our~~ - **or** ~~knowledge we have not experienced a significant cyber- attack, we are continuously working to improve our information technology systems and provide employee~~ **employees . In particular** ~~awareness training around phishing~~ , ~~malware, and other~~ - **the** ~~cyber risks to enhance our levels of protection, to the extent possible, against cyber risks and security breaches, and monitor to prevent, detect, address and mitigate the risk of unauthorized access, misuse, computer viruses and other events that could have an impact on our business, there is no assurance that advances in computer capabilities, new technologies, methods or other developments will detect or prevent security breaches and safeguard access to proprietary or confidential information. The~~ frequency **, severity** and ~~sophistication~~ **novelty** of cyber- attacks on companies has increased in recent years, including significant ransomware attacks and foreign attacks on prominent companies and computer software programs **, as threat actors become increasingly sophisticated and employ techniques, including malicious uses of artificial intelligence such as deepfakes, to launch attacks that are increasingly difficult to detect and defend against. We, like many organizations, have experienced and expect to continue to experience varying degrees of cybersecurity incidents in the course of our business, including phishing and social engineering intrusions which could lean, in turn, to ransomware attacks or other incidents that could impact our business. While to our knowledge we have not experienced a significant cybersecurity incident that has materially affected our business strategy, results of operations or financial condition, and we are continuously working to improve our information technology systems and provide employee awareness training around phishing, malware, and other cyber risks to enhance our levels of protection, to the extent possible, against cyber risks and security breaches, and to enhance our monitoring to prevent, detect, contain, address and mitigate the risk of unauthorized access, misuse, computer viruses and other events that could have an impact on our business, there is no assurance that advances in computer capabilities, new technologies, methods or other developments will detect or prevent security breaches and safeguard access to proprietary or confidential information or otherwise prevent material consequences for our business and reputation** . If our computer systems and our back- up systems are damaged, breached, or cease to function properly, or if there are intrusions or failures of critical infrastructure such as the power grid or communications systems, we could suffer extended interruptions in our operations. Any such disruption could damage our reputation, result in lost customers, lost revenue and market value declines, lead to legal proceedings against us by affected third parties resulting in penalties or fines and require us to incur significant costs to remediate or otherwise resolve these issues. In addition **to direct cyber- attacks on** , **or** ~~the~~ **other** ~~costs~~ **disruptions** of ~~maintaining adequate protection and insurance against such threats~~ , ~~as~~ **our systems, cyber- attacks on, or other disruptions of,** ~~they~~ - **the systems of** ~~develop in the future (or~~ **our** ~~as legal requirements related~~ **suppliers, financial service companies, service providers and other parties on which we rely** to ~~data security increase) could be material~~ **conduct our business can result in their inability to provide services to us and impact our ability to conduct our business in the ordinary course** . Breaches of our computer or data systems, including those operated by third parties on our behalf, could **also** result in the unintended public disclosure or the misappropriation of our proprietary information or personal and confidential information, about our employees, customers and business partners, requiring us to incur significant expense to address and resolve **. Improper conduct by our employees who have access to such information could also result in the misuse of such information** . The misappropriation and / or release of confidential information may also lead to legal or regulatory proceedings against us by affected individuals and the outcome of such proceedings could include penalties or fines and require us to incur significant costs to remediate or otherwise resolve. Depending on its nature, a particular breach or series of breaches of our systems may result in the unauthorized use, appropriation or loss of confidential or proprietary information on a one- time or continuing basis, which may not be detected for a period of time. **The costs of maintaining adequate protection and insurance against such threats, as they develop in the future (or as legal requirements related to data security increase), could be material. While we currently have insurance coverage for losses incurred as a result of cyber- attacks, there is no assurance that future coverage will not be restricted or become more costly. In addition, there is no assurance that any such insurance would make us whole for any losses incurred by our Company. If we suffer cybersecurity incidents or data security issues in the future, we could suffer material liabilities, our reputation could be materially damaged, and our operations could be materially disrupted.**

Negative publicity could negatively impact sales, which could cause our revenues or results of operations to decline. Our business strategy relies heavily on our reputation and brands, which are critical to our success. Unfavorable media or investor and analyst reports related to our industry, company, brand, marketing, personnel, operations, business performance, or prospects may affect our stock price and the performance of our business, regardless of ~~its~~ **their** accuracy or inaccuracy. Furthermore, the speed at which negative publicity is disseminated has increased dramatically through the use of electronic communication, including social media outlets, websites and other digital platforms. Our success in maintaining and enhancing our brand depends 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. **We** ~~In addition, we~~ can **also** be affected by poor relations with the residents of communities we develop because efforts made by us to resolve issues or disputes that may arise in connection with the operation or development of their communities, or in connection with the transition of a homeowners association, could be deemed unsatisfactory by the affected residents and subsequent actions by these residents could adversely affect sales or our reputation. In addition, we could decide or be required to make material expenditures related to the settlement of such issues or disputes, which could adversely affect our results of operations. The loss of the services of members of our senior management or a significant number of our operating employees could negatively affect our business. Our success depends upon the skills, experience, and active participation of our senior management, many of whom have been with the Company for a significant number of years. If we were to lose members of our senior management, we might not be able to find appropriate replacements on a timely basis, and our operations could be negatively affected. Also, the loss of a significant number of operating employees in key roles or geographies where we are not able to hire qualified replacements could have a material adverse effect on our business. We have significant intangible assets. If these assets become impaired, then our profits and shareholders' equity may be reduced. We have significant intangible assets related to business combinations. If the carrying value of intangible assets is deemed impaired, the carrying value is written down to fair value. This would result in a charge to our earnings. If management' s expectations of future results and cash flows decrease significantly, impairments of intangible assets may occur. Our business **was** ~~has been~~ materially and adversely disrupted by the ~~ongoing~~ outbreak and worldwide spread of COVID- 19 and could be materially and adversely disrupted by another epidemic or pandemic like COVID- 19, or similar public threat, or fear of such an event, and the measures that international, federal, state and local governments, agencies, law enforcement and / or health authorities implement to address it. Any epidemic, pandemic, or similar serious public health issue, 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. As a result, the impact of such public health issues and the related governmental actions could have a significant adverse impact on our consolidated financial statements. For instance, in 2020, the World Health Organization declared COVID- 19 a pandemic, resulting in federal, state and local governments and private entities mandating various restrictions, including the closures of non- essential businesses for a period of time. These restrictions had an adverse impact on our business beginning in the spring of 2020. As effective treatment and mitigation measures for COVID- 19 advanced, economic activity gradually resumed and demand for new homes improved significantly. The effects of the pandemic on economic activity, combined with the strong demand for new homes, caused many disruptions to our supply chain and shortages in certain building components and materials, as well as labor shortages. ~~These conditions caused our construction cycles to lengthen and while our business is now fully functioning, some~~ **Some** of those conditions continue to impact our operations and financial performance **as have the impact of** ~~. There is continuing uncertainty regarding how long~~ COVID- 19 ~~and its resultant effect~~ on the **broader** economy ~~will continue to~~ **. For instance, pervasive inflation incurred in part by COVID- 19 resulted in federal financial policies which increased mortgage interest rates resulting in a significant** impact **to** our **business** ~~supply chain and operations~~ . Our operational and financial performance could be impacted by a **pandemic, including a** resurgence in the **COVID- 19** pandemic and any containment or mitigation measures put in place as a result of the resurgence, all of which are highly uncertain, unpredictable and outside our control. ~~If COVID- 19 or any of its variants continues to have a significant negative impact on the economy, or if a new pandemic emerges, our results of operations and financial condition could be adversely impacted. 16~~