

## Risk Factors Comparison 2025-03-21 to 2024-04-01 Form: 10-K

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

An investment in our Class A common stock involves a high degree of risk. Before making an investment decision, you should carefully consider the risks and uncertainties set forth below, together with the financial and other information included elsewhere in this Annual Report on Form 10- K. If any of the risks discussed in this Annual Report on Form 10- K occur, our business, prospects, liquidity, financial condition, and results of operations could be materially impaired, in which case the trading price of our Class A common stock could decline significantly, and you could lose all or part of your investment. Some statements in this Annual Report on Form 10- K, including statements in the following risk factors, constitute forward- looking statements. Please refer to the section entitled “ Forward- Looking Statements. ” Risks Related to Our Business, Industry, and the Economy Our industry is cyclical and is significantly affected by changes in general and local economic conditions. Our business can be substantially affected by adverse changes in general economic or business conditions, and other events and conditions that are outside of our control, including: • increases in short- and long- term interest rates; • high inflation; • supply- chain disruptions and the cost or availability of building materials; • the availability of trade partners, vendors, or other third parties; • housing affordability; • the availability and cost of financing for homebuyers; • federal and state income and real estate tax laws, including limitations on, or the elimination of, the deduction of mortgage interest or property tax payments; • employment levels, job and personal income growth and household debt- to- income levels; • consumer confidence generally and the confidence of potential homebuyers in particular; • the ability of homeowners to sell their existing homes at acceptable prices; • **tariffs on building supplies;** the U. S. and global financial systems and credit markets, including stock market and credit market volatility; • inclement weather and natural and man- made disasters, including risks associated with global climate change, such as increased frequency or intensity of adverse weather events; • environmental, health, and safety laws and regulations, and the environmental conditions of our properties; • civil unrest, acts of terrorism, other acts of violence, threats to national security, global economic and political instability, and conflicts such as the conflict between Russia and Ukraine and the Israel- Hamas conflict (including any escalation or expansion), escalating global trade tensions, the adoption of trade restrictions, or a public health issue such as COVID- 19 or another major epidemic or pandemic; • mortgage financing programs and regulation of lending practices; • housing demand from population growth, household formations and demographic changes (including immigration levels and trends or other costs of home ownership in urban and suburban migration); • demand from foreign homebuyers for our homes; • the supply of available new or existing homes and other housing alternatives; • energy prices; and • the supply of developable land in our markets and in the United States generally. Adverse changes in these conditions may affect our business nationally or may be more prevalent or concentrated in particular regions or localities in which we operate or may decide to operate in the future, which effects may be magnified where we have significant operations. Additionally, governmental action and legislation related to economic stimulus, taxation, tariffs, spending levels and borrowing limits, interest rates, immigration, as well as political debate, conflicts, and compromises related to such actions, may negatively impact the financial markets and consumer confidence and spending, which could adversely impact the U. S. economy and the housing market. Any deterioration or significant uncertainty in economic or political conditions could have a material adverse effect on our business. These adverse changes in economic and other conditions can cause mortgage rates to rise, demand and prices for our homes to diminish, or cause us to take longer to build our homes and make it more costly for us to do so. We may not be able to recover these increased costs by raising prices because of weak market conditions and because the price of each home we sell is usually set several months before the home is delivered, as many homebuyers sign their home purchase contracts before construction begins. The potential difficulties described above could impact our homebuyers’ ability to obtain suitable financing and cause some homebuyers to cancel their home purchase contracts altogether. The housing market may not continue to grow at the same rate, or may decline, and any reduced growth or decline in our markets or for the homebuilding industry generally may materially and adversely affect our business and financial condition. We cannot predict whether and to what extent the housing markets in the geographic areas in which we operate or may decide to operate in the future will continue to grow, particularly if interest rates for mortgage loans, land costs, and construction costs rise. Other factors that might impact growth in the homebuilding industry include uncertainty in domestic and international financial, credit, and consumer lending markets amid slow economic growth or recessionary conditions in various regions or industries around the world, including as a result of the COVID- 19 pandemic, tight lending standards and practices for mortgage loans that limit consumers’ ability to qualify for mortgage financing to purchase a home, including increased minimum credit score requirements, credit risk / mortgage loan insurance premiums and / or other fees and required down payment amounts, higher home prices, more conservative appraisals, changing consumer preferences, higher loan- to- value ratios and extensive homebuyer income and asset documentation requirements, changes to mortgage regulations, population decline or slower rates of population growth in our markets, or Federal Reserve policy changes. Given these factors, we can provide no assurance that the present housing market will continue to be strong, whether overall or in our markets. Because we depend on a limited number of markets for substantially all of our home orders, if these markets, and in particular, Atlanta, Georgia, our largest market, experience downturns in the housing market, our business, prospects, and results of operations would be adversely impacted even if conditions in the broader economy or housing market did not suffer such a decline. **If 281f** there is limited economic growth, declines in employment and consumer income, changes in consumer behavior, including as a result of the COVID- 19 pandemic, and / or tightening of mortgage lending standards, practices and regulation in the geographic areas in which we operate or may decide to operate in the future, or if interest rates for mortgage loans or home prices rise, there could likely be a

corresponding adverse effect on our business, prospects, liquidity, financial condition, and results of operations, including, but not limited to, the number of homes we sell, our ASP of homes closed, and the amount of revenues or profits we generate, and such effect may be material. The tightening of mortgage lending standards and mortgage financing requirements, untimely or incomplete mortgage loan originations, and rising mortgage interest rates could adversely affect the availability of mortgage loans for potential purchasers of our homes and thereby materially and adversely affect our business, prospects, liquidity, financial condition, and results of operations. Almost all our homebuyers finance their home purchases through lenders that provide mortgage financing. Mortgage interest rates have generally trended downward for the last several decades and reached historic lows in 2021, which made the homes we sell more affordable during that period. Mortgage interest rates increased substantially during between 2022 and 2023-2024 in response to the Federal Reserve's actions and future signaling to combat inflationary pressures, which negatively impacted consumer affordability. We cannot predict future mortgage interest rates, and if mortgage interest rates continue to increase, the ability of prospective homebuyers to finance home purchases may be adversely affected, and our operating results may be significantly impacted. Our homebuilding activities are dependent upon the availability of mortgage financing to homebuyers, which is expected to be impacted by continued regulatory changes and fluctuations in the risk appetites of lenders. The financial documentation, down payment amounts, and income to debt ratio requirements are subject to change and could become more restrictive. The federal government has a significant role in supporting mortgage lending through its conservatorship of Federal National Mortgage Association ("Fannie Mae") and Federal Home Loan Mortgage Corporation ("Freddie Mac"), both of which purchase or insure mortgage loans and mortgage loan-backed securities, and its insurance of mortgage loans through or in connection with the FHA, the Veterans Administration ("VA"), and the USDA. FHA and VA backing of mortgage loans has been particularly important to the mortgage finance industry and to our business. Increased lending volume and losses insured by the FHA have resulted in a reduction of the FHA insurance fund. If either the FHA or VA raised their down payment requirements or lowered maximum loan amounts, our business could be materially affected. In addition, changes in governmental regulation with respect to mortgage lenders could adversely affect demand for housing. The availability and affordability of mortgage loans, including mortgage interest rates for such loans, could also be adversely affected by a scaling back or termination of the federal government's mortgage loan-related programs or policies. Fannie Mae, Freddie Mac, FHA, USDA, and VA backed mortgage loans have been an important factor in marketing and selling many of our homes. Given that a majority of our homebuyers' mortgages conform with terms established by Freddie Mac, Fannie Mae, FHA, USDA, and VA, any limitations or restrictions in the availability of, or higher consumer costs for, such government-backed financing could adversely affect our business, prospects, liquidity, financial condition, and results of operations. The elimination or curtailment of state bonds to assist homebuyers could materially and adversely affect our business, prospects, liquidity, financial condition, and results of operations. In addition, certain current regulations impose, and future regulations may strengthen or impose, new standards and requirements relating to the origination, securitization, and servicing of residential consumer mortgage loans, which could further restrict the availability and affordability of mortgage loans and the demand for such loans by financial intermediaries and, as a result, adversely affect our home orders, financial condition, and results of operations. Further, if, due to credit or consumer lending market conditions, reduced liquidity, increased risk retention or minimum capital level obligations and / or regulatory restrictions related to certain regulations, laws or other factors or business decisions, these lenders refuse or are unable to provide mortgage loans to our homebuyers, or increase the costs to borrowers to obtain such loans, the number of homes we close and our business, prospects, liquidity, financial condition, and results of operations may be materially adversely affected. Price-conscious entry-level and empty-nest homebuyers are the primary sources of demand for our new homes. Entry-level homebuyers are generally more affected by the availability of mortgage financing than other potential homebuyers and many of our potential empty-nest homebuyers must sell their existing homes to buy a home from us. A limited availability of suitable mortgage financing could prevent homebuyers from buying our homes and could prevent buyers of our homebuyers' homes from obtaining mortgages they need to complete such purchases, either of which could result in potential homebuyers' inability to buy a home from us, which could have a material adverse effect on our sales, profitability, cash flows, and ability to service our debt obligations. Regional factors affecting the homebuilding industry in our current and future markets could materially and adversely affect us. Our business strategy is focused on the acquisition of suitable land and the design, construction, and sale of primarily single-family homes in residential subdivisions, including planned communities, in Georgia, Alabama, North Carolina, Tennessee, and Texas, and South Carolina. In addition, we have land banking contracts for the right to purchase land or lots at a future point in time in all our current markets. A prolonged economic downturn or future adverse conditions in one or more of these areas, or a particular industry that is fundamental to one or more of these areas, particularly within Atlanta, Georgia, our largest market, could have a material adverse effect on our business, prospects, liquidity, financial condition, and results of operations. Furthermore, if homebuyer demand for new homes in these markets decreases, home prices could decline, which would have a material adverse effect on our business. Interest rate changes, and the failure to hedge against them, may adversely affect us. We have in the past and may in the future borrow money to finance acquisitions related to land, lots, home inventories, or other companies. The borrowings may bear interest at variable rates. Interest rate changes could affect our interest payments, and our future earnings, results of operations, and cash flows may be adversely affected, assuming other factors are held constant. We currently do not hedge against interest rate fluctuations. We may in the future obtain one or more forms of interest rate protection in the form of swap agreements, interest rate cap contracts or similar agreements to hedge against the possible negative effects of interest rate fluctuations. However, we cannot assure you that any hedging will adequately relieve the adverse effects of interest rate increases or that counterparties under these agreements will honor their obligations thereunder. In addition, we may be subject to risks of default by hedging counterparties. Adverse economic conditions could also cause the terms on which we borrow to be unfavorable. We could be required to liquidate one or more of our assets at times which may not permit us to receive an attractive return on our assets in order to meet our debt service obligations. The homebuilding industry is highly competitive

and, if our competitors are more successful or offer better value to our homebuyers, our business could decline. We operate in a very competitive environment that is characterized by competition from a number of other homebuilders in each market in which we operate. Additionally, there are relatively low barriers to entry into our business. We compete with large national and regional homebuilding companies, some of which have greater financial and operational resources than us, and with smaller local homebuilders, some of which may have lower administrative costs than us. We may be at a competitive disadvantage relative to certain of our large national and regional homebuilding competitors whose operations are more geographically diversified than ours, as these competitors may be better able to withstand any future regional downturns in the housing market. Furthermore, our market share in certain of our markets may be lower as compared to some of our competitors. Many of our competitors also have longer operating histories and longstanding relationships with trade partners and suppliers in the markets in which we operate or to which we may expand. This may give our competitors an advantage in marketing their products, securing lots, materials, and labor at lower prices, and allowing their homes to be delivered to homebuyers more quickly and at more favorable prices. We compete for homebuyers, desirable lots and lot options, financing, raw materials, skilled management, and other labor resources, among other things. Our competitors may independently develop land and construct homes that are substantially similar to our products. Increased competition could hurt our business, as it could prevent us from acquiring desirable lots and lot options on which to build homes or make such acquisitions more expensive, hinder our market share expansion, and cause us to increase our selling incentives and reduce our prices. An oversupply of homes available for sale or discounting of home prices by competitors could periodically adversely affect demand for our homes in certain markets and could adversely affect pricing for homes in the markets in which we operate or may operate in the future. If we are unable to compete effectively in our markets, our business could decline disproportionately to our competitors, and our results of operations and financial condition could be adversely affected. We can provide no assurance that we will be able to continue to compete successfully in any of our markets. Our inability to continue to compete successfully in any of our markets could have a material adverse effect on our business, prospects, liquidity, financial condition, and results of operations. Fluctuations in real estate values may require us to write-down the book value of our real estate assets. The homebuilding and land development industries are subject to significant variability and fluctuations in real estate values. As a result, we may be required to write-down the book value of our real estate assets in accordance with GAAP, and some of those write-downs could be material. Any material write-downs of assets could have a material adverse effect on our business, prospects, liquidity, financial condition, and results of operations. Natural and man-made disasters, severe weather, and adverse geologic conditions may increase costs, cause project delays, and reduce consumer demand for housing, all of which could materially and adversely affect us. Our homebuilding operations are in many areas that are subject to natural and man-made disasters, severe weather, or adverse geologic conditions. These include, but are not limited to, hurricanes, tornadoes, droughts, floods, brushfires, wildfires, prolonged periods of precipitation, landslides, soil subsidence, earthquakes, and other natural and man-made disasters. The occurrence of any of these events could damage our land parcels and projects, cause delays in completion of our communities, reduce consumer demand for housing, cause delays in our supply chain, and cause shortages and price increases in labor or raw materials, any of which could affect our sales and profitability. In addition to directly damaging our land or projects, many of these natural events could damage roads and highways providing access to our assets or affect the desirability of our land or communities, thereby adversely affecting our ability to market or sell homes in those areas and possibly increasing the costs of homebuilding. Furthermore, the occurrence of natural and man-made disasters, severe weather, and other adverse geologic conditions has increased in recent years due to climate change and may continue to increase in the future. Climate change may have the effect of making the risks described above occur more frequently and more severely, which could amplify the adverse impact in our business, prospects, liquidity, financial condition, and results of operations. There are some risks of loss for which we may be unable to purchase insurance coverage. For example, losses associated with hurricanes, landslides, prolonged periods of precipitation, earthquakes, and other weather-related and geologic events may not be insurable, and other losses, such as those arising from terrorism, may not be economically insurable. A sizeable uninsured loss could materially and adversely affect our business, prospects, liquidity, financial condition, and results of operations. Because of the seasonal nature of our business, our quarterly operating results fluctuate. We have historically experienced, and expect to continue to experience, variability in our results of operations from quarter to quarter due to the seasonal nature of the homebuilding industry. We generally close more homes in our second, third, and fourth quarters. As a result, our revenues may fluctuate on a quarterly basis, and we may have higher capital requirements in our second, third, and fourth quarters in order to maintain our inventory levels. Accordingly, there is a risk that we will invest significant amounts of capital in the acquisition and development of land and construction of homes that we do not sell at anticipated pricing levels or within anticipated time frames. If, due to market conditions, construction delays or other causes, we do not complete home orders at anticipated pricing levels or within anticipated time frames, our business, prospects, liquidity, financial condition, and results of operations would be adversely affected. We expect this seasonal pattern to continue over the long term, and we cannot make any assurances as to the degree to which our historical seasonal patterns will occur in the future. Changes to population growth rates in certain of the markets in which we operate or plan to operate could affect the demand for homes in these regions. Slower rates of population growth or population declines in our markets in Atlanta, Birmingham, Central Georgia, Charlotte, Chattanooga, Greenville, Huntsville, Nashville, Raleigh, Houston, or other key markets in the United States we may decide to enter in the future, especially as compared to the high population growth rates in prior years, could affect the demand for housing, cause home prices in these markets to fall and adversely affect our plans for growth, business, financial condition, and operating results. Furthermore, while we have recently observed an increase in our business from people moving to more geographically diverse submarkets during the COVID-19 pandemic, we cannot assure you that this trend will continue or not reverse. Volatility in the credit and capital markets may impact our cost of capital and our ability to access necessary financing and the difficulty in obtaining sufficient capital could prevent us from acquiring lots for our construction or increase costs and delays in the

completion of our homebuilding expenditures. Concurrently with the consummation of our IPO, we entered into the Amended Credit Facility, and, as part of the Refinancing, we used a portion of our net proceeds from the IPO for the Debt Repayment. See Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Amended Credit Facility. If we require working capital greater than that provided by our operations and our Amended Credit Facility, we may be required to seek to increase the amount available under our Amended Credit Facility or to seek alternative financing, which might not be available on terms that are favorable or acceptable or at all. If we are required to seek financing to fund our working capital requirements, volatility in credit or capital markets may restrict our flexibility to successfully obtain additional financing on terms acceptable to us, or at all. If we are at any time unsuccessful in obtaining sufficient capital to fund our planned homebuilding expenditures, we may experience a substantial delay in the completion of homes then under construction, or we may be unable to control or purchase finished building lots. Any delay could result in cost increases and could have a material adverse effect on our sales, profitability, stock performance, cash flows, and ability to service our debt obligations. Inflation could adversely affect our business and financial results. ~~The Currently, the United States is~~ **has recently experiencing experienced** inflationary conditions, **which, at times, has** ~~Inflation could adversely affect our business and financial results~~ **resulted by in** increasing the costs of land, raw materials, and labor needed to operate our business. If our markets have an oversupply of homes relative to demand, we may be unable to offset any such increases in costs with corresponding higher sales prices for our homes. Inflation may **also continue to** accompany higher interest rates, which could adversely impact a potential homebuyer’s ability to obtain financing on favorable terms, thereby further decreasing demand. If we are unable to raise the prices of our homes to offset the increasing costs of our operations, our margins could decrease. Furthermore, if we need to lower the price of our homes to meet demand, our profitability may decrease. Inflation may also raise our costs of capital and decrease our purchasing power, making it more difficult to maintain sufficient funds to operate our business. Our operations ~~may be~~ **have previously been** negatively impacted by inflation due to increasing construction costs, labor, and materials, as well as land acquisition financing costs, **and such impacts could continue into the future**. The **elevated Federal Reserve materially raised interest rates in 2023 and signaled additional interest rate increases which environment that persisted into late 2023** increased our financing costs and has reduced demand for our homes. **If inflationary conditions continue into future periods, it could materially adversely affect our business and financial results.** ~~Our~~ **32**Our geographic concentration could materially and adversely affect us if the homebuilding industry in our current markets should decline. Our business strategy is focused on the design, construction, and sale of single- family homes in ~~five~~ **six** states across the Southeastern and Southern United States. While our operations are geographically diverse and we may expand into additional markets, a prolonged economic downturn in one or more of the areas in which we operate, particularly within Atlanta, Georgia, our largest market, could have a material adverse effect on our business, prospects, liquidity, financial condition, and results of operations, and a disproportionately greater impact on us than other homebuilders with larger scale and more diversified operations and geographic footprint. Difficulties with appraisal valuations in relation to the proposed sales price of our homes could force us to reduce the price of our homes for sale. Each of our home orders may require an appraisal of the home value before closing. These appraisals are professional judgments of the market value of the property and are based on a variety of market factors. If our internal valuations of the market and pricing do not line up with the appraisal valuations, and appraisals are not at or near the agreed upon sales price, we may be forced to reduce the sales price of the home to complete the sale. These appraisal issues could have a material adverse effect on our business and results of operations. If the market value of our inventory or controlled lot position declines, our profits could decrease, and we may incur losses. Inventory risk can be substantial for homebuilders. The market value of building lots and housing inventories can fluctuate significantly because of changing market conditions. In addition, inventory carrying costs can be significant and can result in losses in a poorly performing community or market. We must continuously seek and make acquisitions of lots for expansion into new markets, as well as for replacement and expansion within our current markets, which we generally accomplish by entering finished lot option contracts or land bank option contracts. In the event of adverse changes in economic, market, or community conditions, we may cease further building activities in certain communities, restructure existing land banking option contracts, or elect not to exercise our land banking options. Such actions would result in our forfeiture of some or all of any deposits, fees, or investments paid or made in respect of such arrangements, including any cost overruns. The forfeiture of land contract deposits or inventory impairments may result in a loss that could have a material adverse effect on our profitability, stock performance, ability to service our debt obligations, and future cash flows. A major health and safety incident relating to our business could be costly in terms of potential liabilities and reputational damage. Building sites are inherently dangerous and operating in the homebuilding and land development industry poses certain inherent health and safety risks. Due to health and safety regulatory requirements and the number of projects we work on, health and safety performance is critical to the success of all areas of our business. Any failure in health and safety performance may result in penalties or a suspension or cessation of our operations for non- compliance with relevant regulatory requirements or litigation, and a failure that results in a major or significant health and safety incident is likely to be costly in terms of potential liabilities incurred as a result. Such a failure could generate significant negative publicity and have a corresponding impact on our reputation and our relationships with relevant regulatory agencies, governmental authorities, and local communities, which in turn could have a material adverse effect on our business, prospects, liquidity, financial condition, and results of operations. Risks Related to the Operation of Our ~~Business~~ **Business**Our ~~Our~~ business model, which is dependent upon our ability to purchase and develop land at competitive prices and the ability of our homebuyers to be able to finance their home purchases through mortgage financing ~~at~~ **33**at accessible rates, can be substantially impacted by adverse changes in general economic conditions outside our control. Our business can be substantially impacted by adverse changes in general economic conditions outside our control, including increases in short- and long- term interest rates, high inflation, and availability and cost of financing for homebuyers. These adverse changes in economic conditions can cause mortgage rates to rise, demand and prices for our homes to diminish, current and future land banking contracts to be negatively

impacted, or lead to longer and more costly build times for our homes. We may not be able to recover these increased costs by raising prices, because of weak market conditions and because the price of each home we sell is usually set several months before the home is delivered, as many homebuyers sign their home purchase contracts before construction begins. The potential difficulties described above could increase our costs or impact our homebuyers' ability to obtain suitable financing and cause some homebuyers to cancel or refuse to honor their home purchase contracts altogether, any of which could have a material adverse effect on our business. Our inability to successfully identify, secure, and control an adequate inventory of lots at reasonable prices could adversely impact our operations. The results of our homebuilding operations depend in part upon our continuing ability to successfully identify, control, and acquire an adequate number of homebuilding lots in desirable locations. There is no guarantee an adequate supply of homebuilding lots will continue to be available to us on terms like those available in the past, or that we will not be required to devote a greater amount of capital to controlling homebuilding lots than we have in the past. In addition, because we employ a land- light business model, we may have access to fewer and less attractive homebuilding lots than if we owned lots outright, like some of our competitors who do not operate under a land- light model. An insufficient supply of homebuilding lots in one or more of our markets, an inability of our developers to deliver finished lots in a timely fashion, a loss or limitation of access to capital by our land bankers, delays in recording deeds or in conveying controlled lots as a result of government shut downs, stay- at- home orders, or other reasons, or our inability to purchase or finance homebuilding lots on reasonable terms could have a material adverse effect on our sales, profitability, stock performance, ability to service our debt obligations, and future cash flows. 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 lot deposit requirements or land costs. We may not be able to pass any increased land costs to our homebuyers, which could adversely impact our revenues, earnings, and margins. We consider a lot controlled when we hold an option to acquire the applicable lot for the relevant timeframe set forth in the option contract. After we sign a finished lot option contract, but prior to the deposit becoming non- refundable (except for certain circumstances such as seller default or force majeure events), we have an initial inspection and due diligence period (" Inspection Period "). The Inspection Period is typically 60- 120 days, during which time we inspect the property to make sure it meets certain development requirements (e. g., zoning, environmental approvals, and other customary requirements). If we discover that the property does not sufficiently meet the development requirements after the Inspection Period has passed, we could lose some or all of any deposits, fees, or investments paid or made in respect of such arrangements, including any cost overruns, which could adversely impact our profitability, stock performance, ability to service our debt obligations, and future cash flows. If the property meets our development requirements and successfully exits the Inspection Period, the deposit becomes non- refundable (except for certain circumstances such as seller default and force majeure events), and we proceed under the finished lot option contract with the lots available to us for purchase on a staggered takedown schedule, which is designed to mirror our expected home orders. Our options to purchase lots typically expire at the end of each purchase date as set forth in the staggered takedown schedule of the applicable option contract. As the fair market value of controlled lots fluctuates from the contracted purchase prices in our land banking option contracts, we attempt to renegotiate the terms of the option contracts to ensure lot prices and yields are aligned with current market conditions. If, ultimately, we do not exercise our option to purchase, the seller then would have the option to terminate the agreement, which would then result in the loss of the option to purchase all remaining 34 remaining unpurchased lots and forfeiture of the remaining deposit for the unpurchased lots. We do not typically receive a return of our deposit upon expiration or termination of the contract unless it is due to seller default or a force majeure event. The forfeiture of land contract deposits or inventory impairments may result in a loss that could have a material adverse effect on our profitability, stock performance, ability to service our debt obligations, and future cash flows. Our business and results of operations are dependent on the availability, skill, and performance of trade partners. We engage trade partners to perform the construction of our homes. Accordingly, the timing and quality of our construction depend on the availability and skill of our trade partners. While we anticipate being able to obtain reliable trade partners and believe that our relationships with trade partners are good, we do not have long- term, exclusive contractual commitments with any trade partners, and we can provide no assurance that skilled trade partners will continue to be available at reasonable rates and in our markets. In addition, as we expand into new markets, we must develop new relationships with trade partners in such markets, and there can be no assurance that we will be able to do so in a cost- effective and timely manner, or at all. Further, our ability to engage qualified trade partners could be affected by various national, regional, local, economic, and political factors, including changes in immigration laws and trends in labor migration. Additionally, our markets may exhibit a reduced level of skilled labor relative to increased homebuilding demand. Skilled labor shortages in the regions where we operate have made in the past, and may make in the future, the engagement of trade partners more difficult. The inability to contract with skilled trade partners at reasonable rates on a timely basis could have a material adverse effect on our business, prospects, liquidity, financial condition, and results of operations. Despite our quality control efforts, we may discover from time to time that our trade partners have engaged in improper construction practices or have installed defective materials in our homes. When we discover these issues, we utilize our trade partners to repair the homes in accordance with our new home warranty program and as required by law. The adverse costs of satisfying our warranty program and other legal obligations in these instances may be significant, and we may be unable to recover the costs of warranty- related repairs from trade partners and insurers, which could have a material adverse impact on our business, prospects, liquidity, financial condition, and results of operations. We may also suffer reputational damage from the actions of trade partners, which are beyond our control. A shortage or increase in the costs of building materials could delay or increase the cost of home construction, which could have an adverse material impact on our business. The residential construction industry experiences building material shortages from time to time, including shortages in supplies of insulation, drywall, cement, steel, and lumber. These building material shortages can be more severe during periods of strong demand for housing, during periods following natural disasters that have a significant impact on existing residential and commercial structures, or as a result of broader

economic **macroeconomic , trade, or geopolitical** disruptions , such as the COVID-19 pandemic. For example, there has recently been a lingering national shortage of electrical transformers due to both natural disasters and the COVID-19 pandemic. While this shortage has recently shown signs of easing, it is uncertain whether or how quickly this shortage will be alleviated and inventories return to normal levels. Further, prices of building materials could be affected by the factors discussed above and various other national, regional, local, economic, and political factors, including changes in tariffs. Our success in recently entered markets or those we may choose to enter in the future depends substantially on our ability to source local materials on terms that are favorable to us. In the event of shortages in building materials in such markets, local and suppliers may choose to allocate their resources to homebuilders with an established presence in the market and with whom they have longer- standing relationships. Building material shortages and price increases for building materials could cause delays in and increase our costs of home construction and our construction cycle time, which in turn could have a material adverse effect on our business, prospects, liquidity, financial condition, and results of operations. Utility shortages or price increases could have an adverse impact on operations. Certain of the markets in which we operate or plan to operate in the future may experience utility shortages as well as significant increases in utility costs. For example, certain areas of North Carolina have experienced temporary disruptions to sewer system capacity and development in response to municipal infrastructure delays. **Additionally 35** **Additionally**, municipalities may restrict or place moratoriums on the availability of utilities, such as electricity, natural gas, water, and sewer taps. We may incur additional costs and may not be able to complete construction on a timely basis if such utility shortages, restrictions, moratoriums, and rate increases continue. In addition, these utility issues may adversely affect the local economies in which we operate, which may reduce demand for housing in those markets. Our business, prospects, liquidity, financial condition, and results of operations may be materially and adversely impacted if further utility shortages, restrictions, moratoriums, or rate increases occur in our markets. Increases in our home cancellation rate could have a negative impact on our home closing revenue and home closing gross margins. We recognize homebuilding revenue at the time of the closing of a sale, at which time title to and possession of the property are transferred to the homebuyer. When we execute sales contracts with homebuyers, or when we require advance payment from homebuyers for custom changes, upgrades or options related to their homes, the cash deposits received are recorded as contract liabilities until the homes are closed or the contracts are canceled. We either retain or refund to the homebuyer deposits on canceled sales contracts, depending upon the applicable provisions of the contract or other circumstances. Cancellations negatively impact the number of closed homes, net new orders, homebuilding revenues, and results of operations, as well as contract liabilities. Cancellations can result from declines or slow appreciation in the market value of homes, increases in the supply of homes available to be purchased, increased competition, higher mortgage interest rates, and adverse changes in economic conditions. During ~~2022 and part of 2023~~ **and 2024**, demand weakened in response to additional increases in mortgage rates. The market's reaction to the deteriorating economic conditions negatively affected net new orders and has had a negative impact on our cancellation rate. Any continued increase in the level of our cancellations would have a negative impact on our business, prospects, liquidity, financial condition, and results of operations. We are subject to warranty and liability claims arising in the ordinary course of business that can be significant. As a homebuilder, we are subject to construction defect, product liability, and home and other warranty claims, including moisture intrusion and related claims, arising in the ordinary course of business. These claims are common to the homebuilding industry and can be costly. There is no assurance that any developments we undertake will be free from defects once completed, and any defects attributable to us may lead to significant contractual or other liabilities. Although we provide trade partners with detailed specifications and perform quality control procedures, trade partners may, in some cases, use improper construction processes or defective materials. Defective products used in the construction of our homes can result in the need to perform extensive repairs. Under our warranty program, each of our homes comes with a limited warranty against certain building defects for up to one year after closing and a limited warranty against structural claims for up to ten years after closing. When we discover the above issues, we utilize our trade partners to repair the homes in accordance with our trade partner agreements, our warranty program and as required by law. We maintain and require our trade partners to maintain general liability insurance (including construction defect and bodily injury coverage) naming us as an additional insured and workers' compensation insurance and generally seek to require our trade partners to provide a warranty to us and to defend and indemnify us for liabilities arising from their work. Therefore, any claims relating to workmanship and materials are generally the trade partners' responsibility. While these indemnities and insurance policies, subject to deductibles and other coverage limits, protect us against a portion of our risk of loss from claims related to our land development and homebuilding activities, we cannot provide assurance that these indemnities and insurance policies will be adequate to address all of our home and other warranty, product liability, and construction defect claims in the future, or that any potential inadequacies will not have an adverse effect on our business, financial condition, or results of operations. The cost of performing such repairs (not covered by trade partner warranty or indemnities) or litigation arising out of such issues may be significant if we are unable to recover certain costs from trade partners, suppliers and / or insurers. Warranty and construction defect matters can also result in negative publicity, including on social media platforms, which could damage our reputation and negatively affect our ability to sell homes. **Further 36** **Further**, the coverage offered by, and the availability of, general liability insurance for completed operations and construction defects are currently limited and costly. While we record an estimate of warranty expense based on historical warranty costs, we cannot provide assurance that coverage will not become costlier and / or be further restricted, increasing our risks and financial exposure to claims. If we are unable to develop our communities successfully or within expected timeframes, our results of operations could be adversely affected. Although our preference is to acquire finished lots, we also have acquired in the past and expect to acquire in the future, property that requires further development before we can begin building homes. When a community requires additional development, we devote substantial time and capital to obtain development approvals, acquire land, and construct significant portions of project infrastructure and amenities before the community generates any revenue. In addition, our land bank option contracts often include interest provisions under which delays in land development and / or

longer land takedown periods cause us to incur additional cost. It can take several years from the time we acquire control of an undeveloped property to the time we get our first home order on the site. Delays in the development of communities, including delays associated with trade partners performing the development activities or entitlements, expose us to the risk of changes in market conditions for homes. A decline in our ability to successfully develop and market one of our new undeveloped communities and to generate positive cash flow from these operations in a timely manner could have a material adverse effect on our business and results of operations and on our ability to service our debt and to meet our working capital requirements. In addition, higher than expected absorption rates in existing communities may result in lower- than- expected inventory levels until the development for replacement communities is completed. We may be unable to obtain suitable bonding for the development of our communities. We are often required to provide bonds, letters of credit, or guarantees to governmental authorities and others to ensure completion of our communities. As a result of market conditions, some municipalities and governmental authorities have been reluctant to accept surety bonds and instead require credit enhancements, such as cash deposits or letters of credit, in order to maintain existing bonds or issue new bonds. If we are unable to obtain required bonds in the future for our communities, or if we are required to provide credit enhancements with respect to our current or future bonds or in place of bonds, our business, prospects, liquidity, financial condition, and results of operations could be materially and adversely affected. We may suffer significant financial harm and loss of reputation if we do not comply, cannot comply, or are alleged to have not complied with applicable laws, rules and regulations concerning our classification and compensation practices for independent contractors. Each of our divisions retain various independent contractors, either directly or indirectly through third- party entities formed by these independent contractors for their business purposes, including, without limitation, some of our sales agents. With respect to these independent contractors, we are subject to the Internal Revenue Service (the “ IRS ”) regulations, and applicable state law guidelines regarding independent contractor classification. These regulations and guidelines are subject to judicial and agency interpretation, and it might be determined that the independent contractor classification is inapplicable to any sales agents, vendors, or any other individual or entity characterized as an independent contractor. Further, if legal standards for the classification of independent contractors change or appear to be changing, we may need to modify our compensation and benefits structure for such independent contractors, including by paying additional compensation or benefits or reimbursing expenses. There can be no assurance that legislative, judicial, administrative, or regulatory (including tax) authorities will not introduce proposals or assert interpretations of existing rules and regulations that would change the independent contractor classification of any individual or vendor currently characterized as independent contractors doing business with us. Although management believes there are no proposals currently pending that would significantly change the independent contractor classification, potential changes, if any, with respect to such classification could have a significant impact on our operating model. Further, the costs associated with any such potential changes could have a significant effect on our results of operations and financial condition if we were unable to pass through to our homebuyers an increase in price corresponding to such increased costs. Additionally, we could incur substantial costs, penalties, and damages, including back pay, unpaid benefits, taxes, expense reimbursement and attorneys’ fees, in defending future challenges to our employment classification or compensation practices. Poor relations with the residents of our communities could negatively impact sales, which could cause our revenues or results of operations to decline. Residents of communities we develop rely on us to resolve issues or disputes that may arise in connection with the operation or development of their communities. Efforts made by us to resolve these issues or disputes could be deemed unsatisfactory by the affected residents, and subsequent actions by these residents could adversely affect our sales or our reputation. In addition, we could be required to make material expenditures related to the settlement of such issues or disputes or to modify our community development plans, which could adversely affect our results of operations. Our business depends on our ability to build and maintain a strong reputation and to receive favorable homebuyer reviews. If we receive negative reviews, complaints, negative publicity or otherwise fail to live up to expectations, it could materially adversely affect our business, results of operations, and growth prospects. Homebuyer complaints or negative publicity about our materials, homes, delivery times, sales and customer support, or marketing strategies, even if not accurate, especially on our website, blogs, and social media websites could diminish homebuyers’ views of our homes and result in harm to our brand. We may be subject to delays and construction or product quality issues due to circumstances beyond our control which may impact our perceived performance and homebuyer satisfaction with our services and our homes. This may result in negative reviews and publicity, which could materially adversely affect our business, results of operations, and growth prospects. We may engage in joint venture or other unconsolidated entity investments which could be adversely affected by our lack of sole decision- making authority, our reliance on the financial condition of our joint venture partners, and disputes between us and our joint venture partners. We have in the past or may in the future co- invest with third parties through partnerships, joint ventures, or other unconsolidated entities, to acquire non- controlling interests in, and / or sharing responsibility for, managing the affairs of, a land acquisition, development, title insurance, and / or mortgage lending activities. In this event, we would not be able to exercise sole decision- making authority regarding the acquisition, development, title insurance, and / or mortgage lending activities, and our investment may be illiquid due to our lack of control. We have in the past or may in the future have investments in and commitments to certain unconsolidated entities with related and unrelated strategic partners generally involved in real estate development, homebuilding, title insurance, and / or mortgage lending activities. Investments in partnerships, joint ventures, or other unconsolidated entities may, under certain circumstances, involve incremental risks from involving a third party, including the possibility that our joint venture partners might become bankrupt, fail to fund their share of required capital contributions, make poor business decisions, or block or delay necessary decisions. Our joint venture partners may have economic or other business interests or goals that are inconsistent with our business interests or goals and may be in a position to take actions contrary to our policies or objectives. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor our joint venture partners would have full control over the land acquisition or development. If the other partners

in our partnerships or joint ventures do not cooperate or fulfill their contractual obligations due to their financial condition, strategic business interests, or otherwise, we may be required to spend additional resources or suffer losses, each of which could be significant. Moreover, our ability to recoup such expenditures and losses by exercising remedies against such partners may be limited due to the contractual terms of the agreements, potential legal defenses they may have, their respective financial condition, and other circumstances. Furthermore, because we lack a controlling interest in our unconsolidated entities we cannot exercise sole decision-making authority, which could create the potential risk of impasses on decisions and prevent the unconsolidated entity from taking, or not taking, actions that we believe may be in our best interests. In addition, as our relationships with our partners are contractual in nature and may be terminated or dissolved under the terms of the applicable agreements, including buy-sell provisions, we may not continue to own or operate the interests or assets underlying such relationship or may need to purchase additional interests or assets in the venture to continue ownership. Disputes between us and our joint venture partners may result in litigation or arbitration that would increase our expenses and prevent our officers and / or directors from focusing their time and effort on our business. In addition, we may be liable for the actions of our joint venture partners in certain circumstances. We could be adversely affected by efforts to impose joint employer liability on us for labor, safety, or worker's compensation law violations committed by our trade partners. Our homes are constructed by employees of trade partners and other third parties. We do not have the ability to control what these parties pay their employees or the rules they impose on their employees. However, various governmental agencies have taken actions to hold parties like us responsible for violations of wage and hour laws and other labor laws, safety laws, or worker's compensation laws by trade partners. Governmental rulings that hold us responsible for labor practices by our trade partners could create substantial exposures for us under our trade partner relationships, which could have a material adverse impact on our business, prospects, liquidity, financial condition, and results of operations. The fabrication and installation of building products may pose certain health and safety risks to the employees of our trade partners. The operations of our trade partners and trade partners are subject to regulation under the Occupational Safety and Health Act (as enforced by OSHA), and equivalent state laws. Changes to OSHA requirements, or stricter interpretation or enforcement of existing laws or regulations, could result in increased costs to our trade partners, which could be passed on to us. If we fail to comply with applicable OSHA regulations, are determined to be responsible for compliance with certain OSHA regulations, or are found jointly liable for any violations of OSHA regulations, even if no work-related serious injury or death occurs, we may be subject to civil or criminal enforcement and be required to pay substantial penalties, incur significant capital expenditures, or suspend or limit operations. Any accidents, citations, violations, injuries, or failure to comply with industry best practices or applicable regulations may subject us to adverse publicity, damage our reputation and competitive position, and adversely affect our business. Because real estate investments are relatively illiquid, our ability to promptly sell one or more properties for reasonable prices in response to changing economic, financial, and investment conditions may be limited, and we may be forced to hold non-income producing properties for extended periods of time. Real estate investments are relatively difficult to sell quickly. As a result, our ability to promptly sell one or more properties in response to changing economic, financial, and investment conditions is limited, and we may be forced to hold non-income producing assets for an extended period. We cannot predict whether we will be able to sell any property for the price or on the terms that we set or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property. There are various potential conflicts of interest in our relationship with founder and Executive Chairman Tom Bradbury, which could result in decisions that are not in the best interest of our stockholders. Conflicts of interest may exist or could arise in the future with the Founder Fund, a trust for which Mr. Bradbury is the co-trustee. As of March 15, 2024, the Founder Fund has 88.2% of the combined voting power of our Class A common stock and Class B common stock, voting together as a single class. We have leased, and we expect to continue to lease, office space from JBB Cherokee Holdings LLC, an entity affiliated with the Founder Fund. We also had related person receivables of \$ 0.1 million with an entity affiliated with the Founder Fund as of December 31, 2023, related to various general and administrative expenses, including aviation expenses, and in part, related to insurance that was paid on behalf of the related person who reimbursed us at cost. Historically, Mr. Bradbury has also supported our growth by hosting numerous events at personal properties that are intended to foster business development and vendor relations. For the fiscal year ended December 31, 2023, we paid an annual use fee to certain entities affiliated with the Founder Fund for use of facilities and related services. Additionally, we had two uncollateralized notes payable to an entity affiliated with the Founder Fund for the purchase of airplanes totaling \$ 0.9 million as of December 31, 2023, which we have included in accrued expenses and other liabilities in our consolidated balance sheets. In connection with the IPO, we repaid both notes payable totaling an aggregate of \$ 0.9 million. See Part II, Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities — Use of Proceeds From Registered Securities. We also charter aircraft services from an entity affiliated with the Founder Fund. We have historically licensed SMART Builder, our ERP system, on an exclusive basis from an entity affiliated with the Founder Fund, on an exclusive, perpetual, and royalty-free basis. Furthermore, some of the third-party vendors we work with source sod directly from an entity affiliated with the Founder Fund. Conflicts of interest may exist or could arise in the future with Founder Fund-affiliated entities. These transactions may not be on terms that are as attractive as those we might be able to achieve if we sought other partners. Conflicts with Founder Fund-affiliated entities may include, without limitation: conflicts arising from the enforcement of agreements between us and Founder Fund-affiliated entities and conflicts in future transactions that we may pursue with Founder Fund-affiliated entities. For additional discussion of our executive officers' and directors' business affiliations and the potential conflicts of interest of which our stockholders should be aware, see Part III, Item 13. Certain Relationships and Related Transactions, and Director Independence. Our future success depends upon our ability to successfully adapt our business strategy to evolving home buying patterns and trends. Future home buying patterns and trends could reduce the demand for our homes and, as a result, could have a material adverse effect on our business and results of

operations. Part of our business strategy is to offer homes that appeal to a broad range of price-conscious entry-level and empty-nest homebuyers based on each local market in which we operate. However, given the significant increases in average home sales prices across our markets and the anticipated increased demand for more affordable homes due to generational shifts, changing demographics, and other factors, we have increased our focus on offering more affordable housing options in our markets. We believe that, due to anticipated generational shifts, changing demographics, and other factors, the demand for more affordable homes will increase. We cannot make any assurances that our growth or expansion strategies will be successful, and we may incur a variety of costs to engage in such strategies, including through targeted acquisitions, and the anticipated benefits may never be realized. We have expanded our business through selected investments in new geographic markets and by capturing market-share within our existing markets. Investments in land, developed lots, and home inventories can expose us to risks of economic loss and inventory impairments if housing conditions weaken or we are unsuccessful in implementing our growth strategies. Our long-term success and growth strategies depend in part upon continued availability of suitable land at acceptable prices. The availability of land, lots, and home inventories for purchase at favorable prices depends on several factors outside of our control. We may compete for available land with entities that possess significantly greater financial, marketing, and other resources. In addition, some state and local governments in markets where we operate have approved, and others may approve, slow-growth or no-growth initiatives and other ballot measures that could negatively impact the availability of land and building opportunities within those areas. Approval of these initiatives could adversely affect our ability to build and sell homes in the affected markets and / or could require the satisfaction of additional administrative and regulatory requirements, which could result in slowing the progress or increasing the costs of our homebuilding operations in these markets. Finally, our ability to begin new projects could be negatively impacted if we elect not to purchase land under our land banking option contracts. We intend to grow our operations in existing markets and to strategically expand into new markets or pursue opportunistic purchases of other homebuilders on attractive terms, as such opportunities arise. We may be unable to achieve the anticipated benefits of any such growth or expansion, including through targeted acquisitions or through efficiencies that we may be unable to achieve, the anticipated benefits may take longer to realize than expected, or we may incur greater costs than expected in attempting to achieve the anticipated benefits. In such cases, we will likely need to employ additional personnel or trade partners that are knowledgeable about such markets. There can be no assurance that we will be able to recruit, develop, or retain the necessary personnel or trade partners to successfully implement a disciplined management process and culture with local management, that our expansion-40expansion operations will be successful, or that we will be able to successfully integrate any acquired homebuilder. This could disrupt our ongoing operations, including our Rteam production model, and divert management resources that would otherwise focus on developing our existing business. We can give no assurance that we will be able to successfully identify, acquire, or implement these new strategies in the future. Accordingly, any such expansion, including through acquisitions, could expose us to significant risks beyond those associated with operating our existing business and may adversely affect our business, prospects, liquidity, financial condition, and results of operations. We may experience difficulties in integrating the operations of ~~Devon Street Homes or any~~ potential future acquisitions into our business or we may experience challenges in realizing expected benefits of each such acquisition. ~~On July 31, 2023, we acquired substantially all of the assets of Devon Street Homes. See Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Devon Street Homes Acquisition. The success of the Devon Street Homes Acquisition will depend in part on our ability to realize the anticipated business opportunities from combining the operations of Devon Street Homes with our business in an efficient and effective manner. The integration process could take longer than anticipated and could result in the loss of key employees, the disruption of each company’s ongoing businesses, tax costs or inefficiencies or inconsistencies in standards, controls, IT systems, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers, employees or other third parties, or our ability to achieve the anticipated benefits of the Devon Street Homes Acquisition, and could harm our financial performance. If we are unable to successfully or timely integrate the operations of Devon Street Homes with our business, we may incur unanticipated liabilities and be unable to realize the revenue growth, synergies and other anticipated benefits resulting from the Devon Street Homes Acquisition, and our business, results of operations and financial condition could be materially and adversely affected.~~ From time-to-time, we may evaluate other possible future acquisitions, some of which may be material. Any potential future acquisitions may pose significant risks to our existing operations if they cannot be successfully integrated. These acquisitions would place additional demands on our managerial, operational, financial, and other resources and create operational complexity requiring additional personnel and other resources. Furthermore, the integration of ~~Devon Street Homes or any~~ future acquisition may divert management’s time and resources from our core business and disrupt our operations. We may incur significant costs in the integration of ~~Devon Street Homes or any~~ future acquisition and may not achieve cost synergies and other benefits sufficient to offset the costs of ~~the Devon Street Homes Acquisition or any~~ future acquired business. Moreover, even if we were successful in integrating newly acquired businesses or assets, expected synergies or cost savings may not materialize, resulting in lower-than-expected benefits to us from such transactions. We may spend time and money on projects that do not increase our revenue. Additionally, when making acquisitions, it may not be possible for us to conduct a detailed investigation of the nature of the business or assets being acquired due to, for instance, time constraints in making the decision, and other factors. We may become responsible for additional liabilities or obligations not foreseen at the time of an acquisition. To the extent we pay the purchase price of an acquisition in cash, such an acquisition would reduce our cash reserves, and, to the extent the purchase price of an acquisition is paid with our stock, such an acquisition could be dilutive to our stockholders. To the extent we pay the purchase price of an acquisition with proceeds from incurring debt, such an acquisition would increase our level of indebtedness and interest expense and could negatively affect our liquidity and restrict our operations. To the extent that the purchase price of an acquisition is paid in the form of an earn-out on future financial results, the success of such an acquisition will not be fully realized by us for a period of time as it is shared with the sellers. In addition, changes to the fair value of estimated earn-out payments could

significantly impact our results of operations. All of the above risks could have a material adverse effect on our business, prospects, liquidity, financial condition, and results of operations. We rely on SMART Builder, an enterprise resource planning system that we ~~nonexclusively~~ **exclusively** license from an entity affiliated with the Founder Fund for managing our construction process and work-flow scheduling. If SMART Builder fails to adequately perform these functions or experiences an interruption in its operation, our business and results of operations could be adversely affected. The efficient operation of our business depends on SMART Builder, an enterprise resource planning system that we ~~nonexclusively~~ **exclusively** license from an entity affiliated with the Founder Fund. We rely on SMART Builder to effectively manage sales, purchasing, scheduling, production, accounting, servicing, and other functions. SMART Builder is vulnerable to damage or interruption from computer viruses or hackers, natural or man-made disasters, vandalism, terrorist attacks, power loss, or other computer systems, internet, telecommunications, or data network failures. Any such interruptions to SMART Builder could disrupt our business and could result in decreased revenues and increased overhead costs, causing our business and results of operations to suffer. For further discussion on the risks related to our software and information systems, see Part I, Item 1A. Risk Factors — Risks Related to Other Legal, Regulatory, and Tax Matters. **Risks-41Risks** Related to Other Legal, Regulatory, and Tax **Matters**

**MattersAny** Any limitation on, or reduction or elimination of, tax benefits associated with homeownership would have an adverse effect upon the demand for homes, which could be material to our business. While tax laws generally permit significant expenses associated with homeownership, primarily mortgage interest expense and real estate taxes, to be deducted for the purpose of calculating an individual's federal and, in many cases, state taxable income, the ability to deduct mortgage interest expense and real estate taxes for federal income tax purposes is limited. The federal government or a state government may change its income tax laws by eliminating, limiting, or substantially reducing these income tax benefits without offsetting provisions, which may increase the after-tax cost of owning a new home for many of our potential homebuyers. For example, the Tax Cuts and Jobs Act, which became effective January 1, 2018, contained substantial changes to the Code, including (i) limitations on the ability of our homebuyers to deduct property taxes, (ii) limitations on the ability of our homebuyers to deduct mortgage interest, and (iii) limitations on the ability of our homebuyers to deduct state and local income taxes. Any further future changes may have an adverse effect on the homebuilding industry in general. For example, the further loss or reduction of homeowner tax deductions could decrease the demand for new homes. Any such future changes could also have a material adverse impact on our business, prospects, liquidity, financial condition, and results of operations. New and existing laws and regulations or other governmental actions may increase our expenses, limit the number of homes that we can build, or delay completion of our communities. We are subject to numerous local, state, federal, and other statutes, ordinances, rules, and regulations concerning zoning, development, building design, construction, accessibility, anti-discrimination, and other matters, which, among other things, impose restrictive zoning and density requirements, the result of which is to limit the number of homes that can be built within the boundaries of a particular area. We may encounter issues with entitlement, not identify all entitlement requirements during the pre-development review of a project site, or encounter zoning changes that impact our operations. Projects for which we have not received land use and development entitlements or approvals may be subjected to periodic delays, changes in use, less intensive development, or elimination of development in certain specific areas due to government regulations. We may also be subject to periodic delays or may be precluded entirely from developing in certain communities due to building moratoriums or zoning changes. Such moratoriums generally relate to insufficient water supplies, sewage facilities, delays in utility hook-ups, or inadequate road capacity within specific market areas or subdivisions. Local governments also have broad discretion regarding the imposition of development fees for projects in their jurisdiction. Projects for which we have received land use and development entitlements or approvals may still require a variety of other governmental approvals and permits during the development process and can also be impacted adversely by unforeseen health, safety, and welfare issues, which can further delay these projects or prevent their development. As a result of any of these statutes, ordinances, rules, or regulations, the timing of our home orders could be delayed, the number of our home orders could decline, and / or our costs could increase, which could have a material adverse effect on our business, prospects, liquidity, financial condition, and results of operations. Changes in U. S. trade policies and retaliatory responses from other countries may significantly increase the costs or scarcity of supplies of building materials and products used in our homes. The state of relationships between other countries and the United States with respect to trade policies, taxes, government relations, and tariffs may impact our business. The federal government has imposed new or increased tariffs or duties on an array of imported materials and goods that are used in connection with the construction and delivery of our homes, including steel, aluminum, lumber, solar panels, and appliances, raising our costs for these items (or products made with them). Foreign governments, including China, Canada, **Mexico**, and the European Union, have responded by imposing or increasing tariffs, duties, or trade restrictions on U. S. goods, and may consider other measures. These trading conflicts and related escalating governmental actions that result in additional tariffs, duties, or trade restrictions could cause disruptions or shortages in our supply chains, increase our construction costs or home-building costs generally, or negatively impact the U. S., regional, or local economies and ~~individually~~ **42individually** or in the aggregate, **including as it concerns consumer confidence and spending, and** materially and adversely affect our business and our operating results. We and our trade partners are subject to environmental, health, and safety laws and regulations, which may increase our costs, result in liabilities, limit the areas in which we can build homes, and delay completion of our communities. We and our trade partners are subject to a variety of local, state, federal, and other environmental, health, and safety laws, statutes, ordinances, rules, and regulations, including those governing storm water and surface water management, discharge and releases of pollutants and hazardous materials into the environment, including air, groundwater, subsurface and soil, remediation activities, handling of hazardous materials, protection of wetlands, endangered plant and animal species and sensitive habitats, climate change, and human health and safety. The environmental requirements that apply to any given site vary according to multiple factors, including the site's location, its present and former uses, its environmental conditions, the presence or absence of wetlands, endangered plant or animal species, sensitive habitats, or the

existence of environmental conditions at nearby or adjoining properties. There is no guarantee that we will be able to identify all these considerations during any pre- acquisition or pre- development review of project sites or that such factors will not develop during our development and homebuilding activities. Environmental requirements and conditions, particularly those that have not been previously identified and incorporated into development plans, may result in project delays, may cause us to incur substantial compliance, remediation and other costs and can prohibit or severely restrict development and homebuilding activity in certain areas, including environmentally sensitive regions or contaminated areas. In addition, in those cases where endangered or threatened plant or animal species, wetlands, or other protected environmental resources are involved and agency rulemaking and litigation are ongoing, the outcome of such rulemaking and litigation can be unpredictable and, at any time, can result in unplanned or unforeseeable restrictions on, or the prohibition of development in, identified environmentally sensitive areas. In some instances, regulators from different governmental agencies do not concur on development, remedial standards, or property use restrictions for a project, and the resulting delays or additional costs can be material for a given project. Certain environmental laws and regulations also impose strict joint and several liability on former and current owners and operators of real property and in connection with third- party sites where parties have sent waste. As a result, we may be held liable for environmental conditions we did not create on properties we currently or formerly owned or operated, including properties we have developed or properties to which we sent waste. In addition, due to our wide range of historic and current ownership, operation, development, homebuilding, and construction activities, we could be liable for future claims for damages because of the past or present use of hazardous materials, including in building materials or fixtures whether or not currently known or suspected to be hazardous or contain hazardous materials. We could be subject to liability claims related to certain naturally occurring conditions, such as methane or radon, or conditions that may develop during or after construction, such as mold. A mitigation plan may be implemented if a cleanup does not remove all contaminants of concern or adequately address a condition. Some homebuyers may not want to purchase a home that is, or that may have been, subjected to remediation or a mitigation plan. In addition, we do not maintain separate insurance policies for claims related to hazardous materials, and insurance coverage for such claims under our general commercial liability insurance may be limited or nonexistent. Pursuant to such environmental, health, and safety laws, statutes, ordinances, rules, and regulations, we may be required to obtain permits and other approvals from applicable authorities to commence and conduct our development and homebuilding activities. These permits and other approvals may contain restrictions that are costly or difficult to comply with, or may be opposed or challenged by local governments, environmental advocacy groups, neighboring property owners, or other interested parties, which may result in delays, additional costs, and non- approval of our activities. From time to time, the U. S. Environmental Protection Agency (the “ EPA ”) or OSHA, and similar federal, state, or local agencies review land developers’ and homebuilders’ compliance with environmental, health, and safety laws, statutes, ordinance, rules, and regulations, including those relating to the storage, handling or discharge of hazardous substances or the control of storm water discharges during construction. Failure to comply with such laws, statutes, ordinances, rules, and regulations may result in civil and criminal fines and penalties, injunctions, suspension of our activities, remedial obligations, third- party claims, enforcement actions or other sanctions, or additional requirements for future compliance as a result of past failures. Similarly, spills or other releases of hazardous substances into the environment could expose us to additional costs or liabilities, including for site investigation, remediation of contamination, or third- party claims for personal injury property damage or natural resource damages. Any such actions taken with respect to us may increase our costs and result in project delays. We expect that increasingly stringent requirements will be imposed on land developers and homebuilders in the future. We cannot assure you that environmental, health, and safety laws will not change or become more stringent in the future in a manner that would not have a material adverse effect on our business, prospects, liquidity, financial condition, and results of operations. We have provided environmental indemnities to certain land bankers and various third- party land developers in connection with our option contracts with them. These indemnities obligate us to reimburse the indemnified parties for damages related to environmental matters, and, generally, there is no expiration or damage limitations on these indemnities. Concerns about greenhouse gas emissions and the potential risks associated with climate change have led to increased regulation and other actions that can have an adverse impact on our activities, operations, and profitability and on the availability and price of certain raw materials. There is a growing concern about the emission of greenhouse gases and other human activities that have caused, and will continue to cause, significant changes in weather patterns and temperatures and increase the frequency and severity of natural disasters. Government mandates, standards, legislation, and regulations enacted in response to these current and projected climate change impacts and concerns could result in restrictions on land development in certain areas or increased energy, transportation, and raw material costs. ~~On February 19, 2021, the United States rejoined the Paris Agreement, which requires countries to set greenhouse gas emission reduction goals and review and “ represent a progression ” in their intended nationally determined contributions every five years.~~ New legislation has been enacted, or may be enacted in the future, or considered for enactment at the federal, state, and local levels relating to climate change, greenhouse gas emissions, and energy production and use ~~including in response to the United States’ reentry into the Paris Agreement and the Biden Administration’ s focus on climate change.~~ This legislation could relate to, for example, matters such as greenhouse gas emissions control and building and other codes that impose energy efficiency standards or require use of energy- saving construction materials. New building or other code requirements that impose stricter energy efficiency standards or requirements for building materials could significantly increase our cost to construct homes. As climate change concerns continue to grow, legislation, regulations, mandates, standards, and other requirements of this nature are expected to continue to be enacted and impose additional costs on us. Additionally, certain areas in the United States either have enacted or are considering a ban on the use of natural gas appliances and / or natural gas hookups in new construction. Such bans, if enacted in areas in which we operate or may decide to operate in the future, could affect our cost to construct homes. Similarly, climate change- related initiatives or requirements impacting the energy industry affect a wide variety of companies throughout the United States, and because our operations are heavily

dependent on significant amounts of raw materials with energy- intensive manufacturing and supply processes, such as lumber, steel and concrete, these initiatives or requirements could increase the costs of ~~such these~~ materials and have an adverse impact on our operations and profitability. Furthermore, according to the Intergovernmental Panel on Climate Change, physical risks from climate change could include, but are not limited to, increased runoff and earlier spring peak discharge in many glacier and snow- fed rivers, warming of lakes and rivers, increases in sea level, and changes and variability in precipitation and in the intensity and frequency of extreme weather events. These physical impacts may have the potential to significantly affect our business and operations and there is no guarantee that any losses incurred would be covered by applicable insurance policies. ~~Failure to keep up with~~ **Moreover, the cost or availability of applicable insurance may also change as a result of these physical impacts. Increasing scrutiny and** ~~evolving trends, regulations, and~~ expectations relating to environmental, social and governance (“ ESG ”) issues could adversely impact our reputation, access to and cost of capital, and financial results. Certain institutional investors, ~~investment funds, creditors, influential~~ financial markets participants, **policymakers, consumers**, and other stakeholders have become increasingly focused on companies’ **management of climate, human capital, and other** ESG issues ~~in evaluating their investments and business relationships~~. Certain organizations also provide assessments of companies’ ESG practices. Although there are no universally accepted standards for such assessments, they are used by some investors to inform their investment and ~~voting~~ **44voting** decisions. Unfavorable press about, or assessments of, our ESG practices, including the environmental impact of our operations, regardless of whether we comply with applicable legal requirements, may lead to negative ~~investor stakeholder~~ sentiment toward us. A failure to comply with ESG expectations and standards, which are evolving **and varied**, or if we are perceived to not have responded appropriately to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, could cause reputational harm to our business and could have a material adverse effect on our financial results and access to and cost of capital. In addition, the adoption of new ESG- related regulations applicable to our business, or pressure from key stakeholders to comply with voluntary ESG- related initiatives or frameworks, could require us to make substantial investments which could impact the results of our operations and cash flows. **However, these expectations are not uniform, and in some situations stakeholders (including policymakers) have sought to constrain companies' consideration of ESG matters. Addressing these issues has inherent costs, and any failure to successfully navigate stakeholder expectations may result in reputational harm, investor or regulatory engagement, or other adverse impacts**. The success of our business depends on our ability to obtain, maintain, protect, and enforce our intellectual property rights. Our success depends, in part, on our ability protect our intellectual property, proprietary information, and technology. We rely, or may in the future rely, on a combination of trademarks, copyrights, unfair competition and trade secret laws, and other intellectual property rights, as well as confidentiality procedures and contractual restrictions, to establish and protect our proprietary rights, all of which provide only limited protection. We also rely on non- registered proprietary information, technology, and intellectual property rights, including with respect to our home designs, such as unregistered copyrights, confidential information, trade secrets, know- how and technical information. The steps we take to protect our intellectual property may be inadequate and we will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. We attempt to protect our intellectual property, technology, and confidential information in part through confidentiality, nondisclosure and invention assignment agreements with our employees, consultants, contractors, and other third parties who develop intellectual property on our behalf or with whom we share information. However, we cannot guarantee that we have entered into such agreements with each party who has developed intellectual property on our behalf or each party that has or may have had access to our confidential information, know- how, and trade secrets. These agreements may not be self- executing or may be insufficient or breached, or may not effectively prevent unauthorized access to or unauthorized use, disclosure misappropriation or reverse engineering of, our intellectual property, technology, or confidential information. Additionally, these agreements may not provide an adequate remedy for breaches or unauthorized uses or disclosures of our intellectual property, technology, or confidential information. Individuals not subject to invention assignment agreements may make adverse ownership claims in respect of our current and future intellectual property, and to the extent that our employees, independent contractors, or other third parties with whom we do business use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know- how and inventions. Even if we successfully maintain the confidentiality of our trade secrets, intellectual property and other proprietary information, competitors may independently develop products or technologies that are substantially equivalent or superior to our own. Enforcing a claim that a party disclosed proprietary information in an unauthorized manner or infringed, misappropriated, or otherwise violated any intellectual property rights is difficult, expensive, and time- consuming, and the outcome is unpredictable. In addition, some courts are less willing or unwilling to protect certain intellectual property rights, and agreement terms that address non- competition are difficult to enforce in many jurisdictions and might not be enforceable in certain cases. If we are unable to maintain the proprietary nature of our technologies or intellectual property, our competitive position, business, financial condition, and results of operations could be harmed. ~~If~~ **45If** our trademarks and trade names are not adequately protected, we may not be able to build name recognition in our markets of interest. Our failure to obtain or maintain adequate protection of our trademark or trade name rights for any reason could have a material adverse effect on our business, results of operations and financial condition. Our current and future trademark applications in the United States may not be allowed or may subsequently be opposed. Once filed and registered, our trademarks or trade names may be challenged, infringed, circumvented, or declared generic, or determined to be infringing on other marks. As a means to enforce our trademark rights and prevent infringement, we may be required to file trademark claims against third parties or initiate trademark opposition proceedings. This can be expensive and time- consuming, particularly for a company of our size. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition among potential partners or homebuyers in our markets of interest. At times, competitors may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there

could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, we may not be able to compete effectively, and our business may be adversely affected. Our efforts to enforce or protect our proprietary rights related to trademarks, trade secrets, domain names, copyrights, or other intellectual property may be ineffective and could result in substantial costs and diversion of resources. Any of the foregoing could have a material adverse effect on our business, prospects, liquidity, financial condition, and results of operations. If third parties claim that we infringe upon their intellectual property rights, our operating profits could be adversely affected. We face the risk of claims that we have infringed, misappropriated, or otherwise violated third parties' intellectual property rights. Any claims of trademark or other intellectual property infringement, misappropriation, or violation, even those without merit, could (i) be expensive and time consuming to defend; (ii) require us to rebrand or cease using or offering certain of our products, packaging or services, or otherwise modify our operations; (iii) divert management's attention and resources; or (iv) require us to enter into royalty or licensing agreements in order to obtain the right to use a third party's intellectual property. Any royalty or licensing agreements, if required, may not be available to us on acceptable terms or at all. A successful claim against us of third-party intellectual property infringement, misappropriation, or violation could result in our being required to pay significant damages, enter into costly license or royalty agreements, or cease the infringing activity, any of which could have a negative impact on our operating profits and harm our future prospects. We rely on licenses to use the intellectual property rights of third parties which are incorporated into our products, services, and offerings. We rely, and expect to continue to rely on, certain services and intellectual property that we license from third parties for use in our operations, particularly SMART Builder, which we license from an entity affiliated with the Founder Fund. We cannot be certain that our suppliers and licensors are not infringing upon the intellectual property rights of others or that our suppliers and licensors have sufficient rights to the third-party technology used in our business in all jurisdictions in which we may operate. Disputes with licensors over uses or terms could result in the payment of additional royalties or penalties by us, cancellation or non-renewal of the underlying license or litigation. In the event that we cannot renew and / or expand existing licenses, we may be required to discontinue or limit our use of the operations, products, or offerings that include or incorporate the licensed intellectual property. Any such discontinuation or limitation could have a material and adverse impact on our business, financial condition, and results of operation. Perceived or actual information system failures, cybersecurity incidents or attacks, or other security incidents suffered by us or our critical third-party vendors could adversely affect us. We rely on accounting, financial, operational, management, and other information systems to conduct our operations **(collectively, "Our information systems, and with the information systems of any third-party vendors or suppliers we may use, the "IT 46Systems"). Further, we and certain of our third-party providers collect, maintain, and process data about customers, employees, business partners, and others, including personally identifiable information, as well as proprietary information belonging to our business such as trade secrets (collectively, "Confidential Information"). Our IT Systems and Confidential Information are subject vulnerable to a range of cybersecurity risks and threats, including** damage or interruption from power outages, computer and telecommunication failures, computer viruses, cybersecurity incidents or attacks (including malware, phishing attacks, ransomware attacks, social engineering and attempts to gain unauthorized access to data or other electronic security breaches or similar events, or cybersecurity attacks carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on systems or websites and rendering them unavailable or ineffective), other security breaches, natural or man-made disasters, usage errors, negligence or intentional misuse by our employees or third parties, and other related risks. The risk of such damage or interruption **to the confidentiality, integrity, and availability of our IT Systems and Confidential Information** has grown with the increased frequency and sophistication of cybersecurity attacks on companies in recent years, **including the use of increasingly sophisticated tools- including artificial intelligence- to circumvent security controls, evade detection and remove forensic evidence**. We have and may continue to have cybersecurity incidents, attacks, or disruptions and although we have implemented, and our third-party vendors and suppliers may implement, various controls, systems and processes intended to secure these information systems, there can be no assurance that our cybersecurity risk management program and processes, including our policies, controls or procedures, will be fully implemented, complied with or effective in protecting our systems and information or that future attempted cybersecurity incidents, attacks, or disruptions would not be successful or damaging. **While to date no incidents have had a material adverse impact on our operations or financial results, we cannot guarantee we will be able to detect, investigate, remediate, or recover from future attacks or incidents, or to avoid a material adverse impact to our IT Systems, Confidential Information, or business.** Any perceived or actual cybersecurity incident or attack or other disruption or failure in these information systems, or other systems or infrastructure upon which they rely, could result in unauthorized access to and misappropriation of confidential, sensitive, proprietary, or personal information in our possession or control, or extended interruptions of our operations. Furthermore, any perceived or actual failure or breach of any information systems, or related theft, misuse, or loss of data, could result in a violation of applicable data privacy, cybersecurity, and other laws and regulations, **and can result in legal claims or proceedings (such as class actions), regulatory investigations and enforcement actions, fines and penalties, and / or significant incident response, system restoration or remediation and future compliance costs**. In short, a perceived or actual cybersecurity incident, attack, or other disruption could adversely affect our ability to conduct our business, cause significant legal and financial exposure, damage to our reputation **that causes us to lose existing or future customers**, or a loss of confidence in our security measures. Any such incident could harm our business and could have a material adverse effect on our business, prospects, liquidity, financial condition, and results of operations. Given the variety and potential severity of cybersecurity threats, we may not have adequate insurance coverage to compensate against all losses, and we cannot ensure that applicable insurance will continue to be available to us on commercially reasonable terms, or at all, or that our insurer will not deny coverage as to any particular claim. Our business is subject to complex and evolving laws and regulations regarding data

privacy and cybersecurity. As part of our normal business activities, we collect, use, store, and otherwise process certain **information that relates to individuals and / or constitutes" personal data,"** personal information, **" personally identifiable information," or similar terms under applicable data privacy laws (collectively," Personal Information"),** including ~~personal Personal information-Information~~ specific to homebuyers, employees, vendors, and suppliers. We may transfer some of this ~~personal Personal information-Information~~ to third parties who assist us with certain aspects of our business for limited purposes under appropriate contractual arrangements. **We and our vendors are subject to a variety of federal and state data privacy laws, rules, regulations, industry standards and other requirements, including those that apply generally to the handling of Personal Information, and those that are specific to certain industries, sectors, contexts, or locations.** The regulatory environment surrounding data privacy and cybersecurity is constantly evolving and can be subject to significant ~~change-47change~~. Laws and regulations governing data privacy, cybersecurity, and the unauthorized disclosure of personal information pose increasingly complex compliance challenges, including the potential for inconsistent interpretation, **new or amended laws or regulations regarding Personal Information,** and the implementation and maintenance of compliance measures may potentially elevate our costs **by requiring us to implement new processes, or change our handling of information and business operations**. Additionally, laws, regulations, and standards covering marketing, advertising, and other activities conducted by telephone, email, mobile devices, and the internet may be or become applicable to our business, such as the Telephone Consumer Protection Act and the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003. While we have taken commercially reasonable steps to comply with applicable data privacy and cybersecurity laws and regulations, these laws and regulations are in some cases relatively new and the interpretation and application of these laws and regulations are uncertain. Thus, there can be no assurance that our efforts will be deemed effective by regulatory bodies. Any failure, or perceived failure, by us to comply with applicable data privacy and cybersecurity laws and regulations could result in proceedings or actions against us by governmental entities or others, subject us to significant fines, penalties, judgments, and negative publicity, require us to change our business practices, increase the costs and complexity of compliance, and adversely affect our business. As noted above, we are also subject to the possibility of information system failures, cybersecurity incidents or attacks, or other security breaches, which themselves may result in a violation of these laws and regulations. Additionally, if we acquire a company that has violated or is not in compliance with applicable data privacy and cybersecurity laws and regulations, we may incur significant liabilities and penalties as a result.

Risks Related to Our Organizational ~~Structure-StructureOur~~ Our principal asset is our interest in Smith Douglas Holdings LLC, and, as a result, we depend on distributions from Smith Douglas Holdings LLC to pay our taxes and expenses, including payments under the Tax Receivable Agreement. Smith Douglas Holdings LLC's ability to make such distributions may be subject to various limitations and restrictions. We are a holding company and have no material assets other than our ownership of LLC Interests. As such, we have no independent means of generating revenue or cash flow, and our ability to pay our taxes and operating expenses or declare and pay dividends in the future, if any, are dependent upon the financial results and cash flows of Smith Douglas Holdings LLC and distributions we receive from Smith Douglas Holdings LLC. There can be no assurance that Smith Douglas Holdings LLC will generate sufficient cash flow to distribute funds to us or that applicable state law and contractual restrictions, including negative covenants in any applicable debt instruments, will permit such distributions. Smith Douglas Holdings LLC is currently subject to debt instruments or other agreements that restrict its ability to make distributions to us, which may in turn affect Smith Douglas Holdings LLC's ability to pay distributions to us and thereby adversely affect our cash flows. Smith Douglas Holdings LLC will continue to be treated as a partnership for U. S. federal income tax purposes and, as such, generally will not be subject to any entity-level U. S. federal income tax. Instead, any taxable income of Smith Douglas Holdings LLC will be allocated to holders of LLC Interests, including us. Accordingly, we will incur income taxes on our allocable share of any net taxable income of Smith Douglas Holdings LLC. Under the terms of the Smith Douglas LLC Agreement, Smith Douglas Holdings LLC is obligated, subject to various limitations and restrictions, including with respect to our debt agreements, to make tax distributions to holders of LLC Interests, including us. In addition to tax expenses, we also incur expenses related to our operations, including payments under the Tax Receivable Agreement, which we expect will be significant. ~~See Part III, Item 13. Certain Relationships and Related Transactions, and Director Independence — Tax Receivable Agreement.~~ We intend, as its managing member, to cause Smith Douglas Holdings LLC to make cash distributions to the holders of LLC Interests in an amount sufficient to (i) fund all or part of their tax obligations in respect of taxable income allocated to them and (ii) cover our operating expenses, including payments under the Tax Receivable Agreement. However, Smith Douglas Holdings LLC's ability to make such distributions may be subject to various limitations and restrictions, such as restrictions on distributions that would either violate any contract or agreement to which Smith Douglas Holdings LLC is then a party, including debt agreements, or any applicable law, or that would have the effect of rendering ~~Smith 48Smith~~ Douglas Holdings LLC insolvent. If we do not have sufficient funds to pay tax or other liabilities, or to fund our operations (including, if applicable, because of an acceleration of our obligations under the Tax Receivable Agreement), we may have to borrow funds, which could materially and adversely affect our liquidity and financial condition, and subject us to various restrictions imposed by any lenders of such funds. To the extent we are unable to make timely payments under the Tax Receivable Agreement for any reason, such payments generally will be deferred and will accrue interest until paid; provided, however, that nonpayment for a specified period may constitute a material breach of a material obligation under the Tax Receivable Agreement resulting in the acceleration of payments due under the Tax Receivable Agreement. ~~See Part III, Item 13. Certain Relationships and Related Transactions, and Director Independence — Tax Receivable Agreement and Part III, Item 13. Certain Relationships and Related Transactions, and Director Independence — Smith Douglas LLC Agreement — Agreement in Effect Upon Consummation of the Transactions — Distributions.~~ In addition, if Smith Douglas Holdings LLC does not have sufficient funds to make distributions, our ability to declare and pay cash dividends will also be restricted or impaired, although we do not anticipate declaring or paying any cash dividends on our Class A common stock in the foreseeable

future. See Part I, Item 1A. Risk Factors — Risks Related to Other Legal, Regulatory, and Tax Matters and Part II, Item 5. Market For Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities — Dividends. Under the Smith Douglas LLC Agreement, we intend to cause Smith Douglas Holdings LLC, from time to time, to make distributions in cash to the holders of LLC Interests (including us) in amounts sufficient to cover the taxes imposed on **their such holders'** allocable share of taxable income of Smith Douglas Holdings LLC. As a result of (i) potential differences in the amount of net taxable income allocable to us and to the other holders of LLC Interests, (ii) the lower tax rate applicable to corporations as opposed to individuals, and (iii) certain tax benefits covered by, and payments under, the Tax Receivable Agreement, these tax distributions may be in amounts that exceed our tax liabilities. Our board of directors will determine the appropriate uses for any excess cash so accumulated, which may include, among other uses, the payment of obligations under the Tax Receivable Agreement and the payment of other expenses. We have no obligation to distribute such cash (or other available cash) to our stockholders. No adjustments to the exchange ratio for LLC Interests and corresponding shares of Class A common stock will be made as a result of any cash dividend or distribution by us or any retention of cash by us. As a result, the holders of LLC Interests (other than us) may benefit from any value attributable to such cash balances if they acquire shares of Class A common stock in exchange for their LLC Interests, notwithstanding that such holders may have participated previously as holders of LLC Interests in distributions that resulted in such excess cash balances to us. To the extent we do not distribute such excess cash as dividends on our Class A common stock we may take other actions with respect to such excess cash, for example, holding such excess cash, or lending or contributing it (or a portion thereof) to Smith Douglas Holdings LLC, which may result in shares of our Class A common stock increasing in value relative to the value of LLC Interests. Following a contribution of such excess cash to Smith Douglas Holdings LLC we may make an adjustment to the outstanding number of LLC Interests held by holders of LLC Interests (other than us). The Tax Receivable Agreement with the Continuing Equity Owners requires us to make cash payments to them in respect of certain tax benefits to which we may become entitled, and we expect that such payments will be substantial. Under the Tax Receivable Agreement, we are required to make cash payments to the Continuing Equity Owners equal to 85 % of the tax benefits, if any, that we actually realize, or in certain circumstances are deemed to realize, as a result of (i) Basis Adjustments; (ii) Section 704 (c) Allocations; and (iii) certain tax benefits (such as interest deductions) arising from payments under the Tax Receivable Agreement. We are required to make such payments to the Continuing Equity Owners even if all of the Continuing Equity Owners were to exchange or redeem their remaining LLC Interests. The payment obligation is an obligation of Smith Douglas Homes Corp. and not of Smith Douglas Holdings LLC. We expect that the amount of the cash payments we will be required to make under the Tax Receivable Agreement will be substantial. Any payments made by us to the Continuing Equity Owners under the Tax Receivable Agreement will not be available for reinvestment in our business and will generally reduce the amount of overall cash flow that might have otherwise been available to us. To the extent that we are unable to make timely payments under the Tax Receivable Agreement for any reason, the unpaid amounts will be deferred and will accrue interest until paid by us; provided, however, that nonpayment for a specified period may constitute a material breach of a material obligation under the Tax Receivable Agreement resulting in the acceleration of payments due ~~under 49~~**under** the Tax Receivable Agreement. ~~See Part III, Item 13. Certain Relationships and Related Transactions, and Director Independence — Tax Receivable Agreement and Part III, Item 13. Certain Relationships and Related Transactions, and Director Independence — Smith Douglas LLC Agreement — Agreement in Effect Upon Consummation of the Transactions — Distributions.~~ Payments under the Tax Receivable Agreement are not conditioned upon continued ownership of Smith Douglas Holdings LLC by the exchanging Continuing Equity Owners. Furthermore, if we experience a change of control (as defined under the Tax Receivable Agreement), which includes certain mergers, asset sales, and other forms of business combinations, we would be obligated to make an immediate payment, and such payment may be significantly in advance of, and may materially exceed, the actual realization, if any, of the future tax benefits to which the payment relates. This payment obligation could (i) make us a less attractive target for an acquisition, particularly in the case of an acquirer that cannot use some or all of the tax benefits that are the subject of the Tax Receivable Agreement and (ii) result in holders of our Class A common stock receiving substantially less consideration in connection with a change of control transaction than they would receive in the absence of such obligation. Accordingly, the Continuing Equity Holders’ interests may conflict with those of the holders of our Class A common stock. The actual Basis Adjustments and Section 704 (c) Allocations and the actual utilization of any resulting tax benefits, as well as the amount and timing of any payments under the Tax Receivable Agreement, will vary depending upon a number of factors including: the timing of redemptions by the Continuing Equity Owners; the price of shares of our Class A common stock at the time of the exchange; the extent to which such exchanges are taxable; the amount of gain recognized by such Continuing Equity Owners; the amount and timing of the taxable income allocated to us or otherwise generated by us in the future; the portion of our payments under the Tax Receivable Agreement constituting imputed interest; and the federal and state tax rates then applicable. Our organizational structure, including the Tax Receivable Agreement, confers certain benefits upon the Continuing Equity Owners that does not benefit holders of our Class A common stock to the same extent that it will benefit the Continuing Equity Owners. Our organizational structure, including the Tax Receivable Agreement, confers certain benefits upon the Continuing Equity Owners that do not benefit the holders of our Class A common stock to the same extent that it benefits the Continuing Equity Owners. The Tax Receivable Agreement provides for the payment by us to the Continuing Equity Owners of 85 % of the amount of tax benefits, if any, that we actually realize, or in some circumstances are deemed to realize, as a result of (i) Basis Adjustments; (ii) Section 704 (c) Allocations; and (iii) certain tax benefits (such as interest deductions) arising from payments under the Tax Receivable Agreement. ~~See Part III, Item 13. Certain Relationships and Related Transactions, and Director Independence — Tax Receivable Agreement.~~ Although we will retain 15 % of the amount of such tax benefits, this and other aspects of our organizational structure may adversely impact the trading market for our Class A common stock. In certain cases, payments under the Tax Receivable Agreement to the Continuing Equity Owners may be accelerated or significantly exceed any actual

benefits we realize in respect of the tax attributes subject to the Tax Receivable Agreement. The Tax Receivable Agreement generally applies to each of our taxable years, beginning with the taxable year ending December 31, 2024. There is no maximum term for the Tax Receivable Agreement. However, the Tax Receivable Agreement provides that if (i) we materially breach any of our material obligations under the Tax Receivable Agreement, (ii) certain mergers, asset sales, other forms of business combinations or other changes of control occur, or (iii) we elect an early termination of the Tax Receivable Agreement, then our obligations, or our successor's obligations, under the Tax Receivable Agreement to make payments will be determined based on certain assumptions, including an assumption that we will have sufficient taxable income to fully utilize all potential future tax benefits that are subject to the Tax Receivable Agreement. As a result of the foregoing, we would be required to make an immediate cash payment equal to the present value of the anticipated future tax benefits that are the subject of the Tax Receivable Agreement, based on certain assumptions, which payment may be made significantly in advance of the actual realization, if any, of such future tax benefits. Such cash payment to the Continuing Equity Owners could be greater than the specified percentage of any actual benefits we ultimately realize in respect of the tax benefits that are subject to the Tax Receivable Agreement. In these situations, our obligations under the Tax Receivable Agreement could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring, or preventing certain mergers, asset sales, other forms of business combinations or other changes of control. There can be no assurance that we will be ~~able~~ **able-50able** to fund or finance our obligations under the Tax Receivable Agreement. We may need to incur debt to finance payments under the Tax Receivable Agreement to the extent our cash resources are insufficient to meet our obligations under the Tax Receivable Agreement as a result of timing discrepancies, **insufficient distributions from Smith Douglas Holdings LLC** or otherwise. We will not be reimbursed for any payments made to the Continuing Equity Owners under the Tax Receivable Agreement in the event that any tax benefits are disallowed. Payments under the Tax Receivable Agreement are based on the tax reporting positions that we determine, and the IRS, or another tax authority, may challenge all or part of the Basis Adjustments, Section 704 (c) Allocations, or other tax benefits we claim, as well as other related tax positions we take, and a court could sustain such challenge. If the outcome of any such challenge would reasonably be expected to materially and adversely affect the rights and obligations of **the** Continuing Equity Owners under the Tax Receivable Agreement, then we will not be permitted to settle such challenge without the consent (not to be unreasonably withheld or delayed) of **the** Continuing Equity Owners. The interests of **the** Continuing Equity Owners in any such challenge may differ from or conflict with our interests and your interests, and **the** Continuing Equity Owners may exercise their consent rights relating to any such challenge in a manner adverse to our interests and your interests. We will not be reimbursed for any cash payments previously made to the Continuing Equity Owners under the Tax Receivable Agreement in the event that any tax benefits initially claimed by us and for which payment has been made to a Continuing Equity Owner are subsequently challenged by a taxing authority and are ultimately disallowed. Instead, any excess cash payments made by us to a Continuing Equity Owner will be netted against future cash payments, if any, that we might otherwise be required to make to such Continuing Equity Owner, under the terms of the Tax Receivable Agreement. However, we might not determine that we have effectively made an excess cash payment to a Continuing Equity Owner for a number of years following the initial time of such payment. Moreover, the excess cash payments we made previously under the Tax Receivable Agreement could be greater than the amount of future cash payments against which we would otherwise be permitted to net such excess. The applicable U. S. federal income tax rules for determining applicable tax benefits we may claim are complex and factual in nature, and there can be no assurance that the IRS or a court will agree with our tax reporting positions. As a result, payments could be made under the Tax Receivable Agreement significantly in excess of any actual cash tax savings that we realize in respect of the tax attributes with respect to a Continuing Equity Owner that are the subject of the Tax Receivable Agreement. Changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our results of operations and financial condition. We are subject to taxation by U. S. federal, state, and local tax authorities. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including: • allocation of expenses to and among different jurisdictions; • changes to our assessment about our ability to realize, or in the valuation of, our deferred tax assets that are based on estimates of our future results, the prudence and feasibility of possible tax planning strategies, and the economic and political environments in which we do business; • expected timing and amount of the release of any tax valuation allowances; • tax effects of stock-based compensation; • costs related to intercompany restructurings; • changes in tax laws, regulations, or interpretations thereof; • the outcome of current and future tax audits, examinations, or administrative appeals; **51** • lower than anticipated future earnings in jurisdictions where we have lower statutory tax rates and higher than anticipated future earnings in jurisdictions where we have higher statutory tax rates; and • limitations or adverse findings regarding our ability to do business in some jurisdictions. Any changes in U. S. taxation may increase our effective tax rate and harm our business, financial condition, and results of operations. In particular, new income or other tax laws or regulations could be enacted at any time, which could adversely affect our business operations and financial performance. Further, existing tax laws and regulations could be interpreted, modified, or applied adversely to us. If we were deemed to be an investment company under the Investment Company Act of 1940, as amended (the "1940 Act"), including as a result of our ownership of Smith Douglas Holdings LLC, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business. Under Sections 3 (a) (1) (A) and (C) of the 1940 Act, a company generally will be deemed to be an "investment company" for purposes of the 1940 Act if (i) it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities, or (ii) it engages, or proposes to engage, in the business of investing, reinvesting, owning, holding, or trading in securities and it owns or proposes to acquire investment securities having a value exceeding 40 % of the value of its total assets (exclusive of U. S. government securities and cash items) on an unconsolidated basis. We do not believe that we are an "investment company," as such term is defined in either of those sections of the 1940 Act. We and Smith Douglas Holdings LLC intend to conduct our operations so that we will not be deemed an investment company. As the sole managing member of

Smith Douglas Holdings LLC, we control and operate Smith Douglas Holdings LLC. On that basis, we believe that our interest in Smith Douglas Holdings LLC is not an “ investment security ” as that term is used in the 1940 Act. However, if we were to cease participation in the management of Smith Douglas Holdings LLC, or if Smith Douglas Holdings LLC itself becomes an investment company, our interest in Smith Douglas Holdings LLC could be deemed an “ investment security ” for purposes of the 1940 Act. We and Smith Douglas Holdings LLC intend to conduct our operations so that we will not be deemed an investment company. If it were established that we were an unregistered investment company, there would be a risk that we would be subject to monetary penalties and injunctive relief in an action brought by the SEC, that we would be unable to enforce contracts with third parties and that third parties could seek to obtain rescission of transactions undertaken during the period it was established that we were an unregistered investment company. If we were required to register as an investment company, restrictions imposed by the 1940 Act, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business. We depend on key management personnel and other experienced employees. Our success depends to a significant degree upon the contributions of certain key management personnel, including, but not limited to, our founder and Executive Chairman Tom Bradbury; our President, Chief Executive Officer, and Vice Chairman Greg Bennett; and our Executive Vice President and Chief Financial Officer Russell Devendorf. Although we have entered into employment agreements with Mr. Bennett and Mr. Devendorf, there is no guarantee that Mr. Bennett and Mr. Devendorf will remain employed by us. Our ability to retain our key management personnel, or to attract suitable replacements should any existing members of our management team leave, is dependent on the competitive nature of the employment market. The loss of services from key management personnel or a limitation in their availability could materially and adversely impact our business, prospects, liquidity, financial condition, and results of operations. Further, such a loss could be negatively perceived in the capital markets. We have not obtained key person life insurance that would provide us with proceeds in the event of the death or disability of any of our key management personnel. Experienced employees in the homebuilding, land acquisition, development, and construction industries are fundamental to our ability to generate, obtain, and manage opportunities. In particular, local knowledge and relationships are critical to our ability to source attractive land acquisition opportunities. Experienced employees working in the homebuilding, development, and construction industries are highly sought after. Failure to attract and retain such personnel or to ensure that their experience and knowledge is not lost when they leave the business through retirement, redundancy or otherwise may adversely affect the standards of our service and may have an adverse impact on our business, prospects, liquidity, financial condition, and results of operations. Our current financing arrangements contain, and our future financing arrangements likely will contain, restrictive covenants. Our current financing arrangements (including the Amended Credit Facility) contain, and the financing arrangements we enter in the future likely will contain, covenants (financial and otherwise) affecting our ability to incur additional debt, make certain investments, reduce liquidity below certain levels, make distributions to our stockholders, and otherwise affect our operating policies. The restrictions contained in our financing arrangements could also limit our ability to plan for or react to market conditions, meet capital needs, make acquisitions, or otherwise restrict our activities or business plans. For example, the Amended Credit Facility’s financial covenants include (i) a minimum tangible net worth requirement, (ii) a maximum leverage ratio, (iii) a minimum ratio of EBITDA to interest incurred, and (iv) a minimum liquidity requirement. If we fail to meet or satisfy any of these covenants in our debt agreements, we would be in default under these agreements, and our lenders could elect to declare outstanding amounts due and payable, terminate their commitments, require the posting of additional collateral, or enforce their respective interests against existing collateral. A default also could significantly limit our financing alternatives, which could cause us to curtail our investment activities and / or dispose of assets when we otherwise would not choose to do so. If we default on several of our debt agreements or any single significant debt agreement, it could have a material adverse effect on our business, prospects, liquidity, financial condition, and results of operations. We expect to use leverage in executing our business strategy, which may adversely affect the return on our assets. We may incur a substantial amount of debt in the future. Our existing indebtedness is recourse to us, and we anticipate that future indebtedness will likewise be recourse. Concurrently with the consummation of the IPO, we repaid the Prior Credit Facility and replaced it with the Amended Credit Facility. As of the filing of this Annual Report on Form 10- K, we have no outstanding borrowings under the Amended Credit Facility. See Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources. Our board of directors will consider several factors when evaluating our level of indebtedness and when making decisions regarding the incurrence of new indebtedness, including the purchase price of assets to be acquired with debt financing, the estimated market value of our assets, and the ability of particular assets, and us as a whole, to generate cash flow to cover the expected debt service. Our governing corporate documents do not contain a limitation on the amount of debt we may incur, and our board of directors may change our target debt levels at any time without the approval of our stockholders. Incurring a substantial amount of debt could have important consequences for our business, including: • making it more difficult for us to satisfy our obligations with respect to our debt or to our trade or other creditors; • increasing our vulnerability to adverse economic or industry conditions; • limiting our ability to obtain additional financing to fund capital expenditures and acquisitions, particularly when the availability of financing in the capital markets is limited; 53 • requiring a substantial portion of our cash flows from operations and the proceeds from our IPO for the payment of interest on our debt and reducing our ability to use our cash flows and the proceeds from our IPO to fund working capital, capital expenditures, acquisitions, and general corporate requirements; • limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and • placing us at a competitive disadvantage to less leveraged competitors. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us through capital markets financings or under our credit facilities or otherwise in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, on or before its maturity. We cannot assure you that we will be able to refinance any of our

indebtedness on commercially reasonable terms or at all. In addition, we may incur additional indebtedness to finance our operations or to repay existing indebtedness. If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional debt or equity, financing, or reducing or delaying capital expenditures, strategic acquisitions, investments, and alliances. We cannot assure you that any such actions, if necessary, could be effected on commercially reasonable terms or at all, or on terms that would be advantageous to our stockholders or on terms that would not require us to breach the terms and conditions of our existing or future debt agreements. Our PPP Loan eligibility and forgiveness, while approved, remains subject to audit for compliance with applicable Small Business Administration (“SBA”) requirements. As a result of the COVID-19 pandemic, we sought and obtained support through various business assistance programs. We applied for and, on May 1, 2020, received a Paycheck Protection Program Loan in the amount of \$ 5.1 million (the “PPP Loan”), under the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”), as administered by the SBA. The application for receipt of the PPP Loan required us to certify, in good faith, that the attendant economic uncertainty made the loan necessary to support our ongoing operations. On August 16, 2021, we received notice the full principal amount and all accrued interest thereon of the PPP Loan was formally forgiven by the SBA. Under the terms of the PPP Loan, we must retain all related records for a period of six years from the date the loan was forgiven. During this period, our PPP Loan eligibility and loan forgiveness application are subject to review and audit by the SBA. We are aware of the requirements of the PPP Loan and believe we are within the eligibility threshold and have used the loan proceeds in accordance with the PPP Loan forgiveness requirements. We have retained all necessary documentation supporting our eligibility. If, despite our actions and good faith belief that we satisfied all eligibility requirements for the PPP Loan, we are made subject to an audit and are found to have been ineligible to receive the PPP Loan or forgiveness thereof, or are found in violation of any of the laws or regulations that apply to us in connection with the PPP Loan, we may be subject to penalties, including significant civil, criminal, and administrative penalties, and could be required to repay the PPP Loan. An audit by the SBA could consume significant financial and management resources. Any of these events could harm our business, results of operations, and financial condition.

**Risks Related to The Ownership of Our Class A Common Stock** The Continuing Equity Owners have significant influence over us, including control over decisions that require the approval of stockholders. **As of March 14, 2025, the** Continuing Equity Owners control, in the aggregate, approximately ~~98.97.09~~ **98.97** % of the voting power represented by all our outstanding shares of capital stock. As a result, the Continuing Equity Owners exercise significant influence over all matters on which holders of Class B common stock are entitled to vote, including the election and removal of directors (subject to the rights of the holders of preferred stock, if any), amendments to our amended and restated certificate of incorporation or amended and restated bylaws, and any approval of significant corporate transactions (including a sale of all or substantially all of our assets), and have ~~significant~~ **54 significant** control over our business, affairs, and policies, including the appointment of our management, through their influence over the board composition. The directors, whom the Continuing Equity Owners will have the ability to elect through their voting power, have the authority to incur additional debt, issue or repurchase stock, declare dividends, and make other decisions that could be detrimental to stockholders. We expect that certain members of our board will continue to be affiliated with the Continuing Equity Owners. The Continuing Equity Owners can take actions that have the effect of delaying or preventing a change of control of us or discouraging others from making tender offers for our shares, which could prevent stockholders from receiving a premium for their shares. These actions may be taken even if other stockholders oppose them. The concentration of voting power with the Continuing Equity Owners may have an adverse effect on the price of our Class A common stock. The Continuing Equity Owners may have interests that are different from yours and may vote in a way with which you disagree and that may be adverse to your interests. Our stock price may change significantly, and you may not be able to resell shares of our Class A common stock at or above the price you paid or at all, and you could lose all or part of your investment as a result. You may not be able to resell your shares at or above the price that you paid for them due to a number of factors included herein, including the following:

- results of operations that vary from the expectations of securities analysts and investors;
- results of operations that vary from those of our competitors;
- changes in expectations as to our future financial performance, including financial estimates and investment recommendations by securities analysts and investors;
- technology changes, changes in consumer behavior in our industry;
- security breaches related to our systems or those of our affiliates or strategic partners;
- changes in economic conditions for companies in our industry;
- changes in market valuations of, or earnings and other announcements by, companies in our industry;
- declines in the market prices of stocks generally, particularly those of residential construction;
- strategic actions by us or our competitors;
- announcements by us, our competitors or our strategic partners of significant contracts, new products, acquisitions, joint marketing relationships, joint ventures or other unconsolidated entities, other strategic relationships, or capital commitments;
- changes in general economic or market conditions or trends in our industry or the economy as a whole and, in particular, in the residential construction environment;
- changes in business or regulatory conditions;
- future sales of our Class A common stock or other securities;
- investor perceptions of the investment opportunity associated with our Class A common stock relative to other investment alternatives;
- 55** • the public’s response to press releases or other public announcements or filings by us or third parties, including filings with the SEC;
- announcements relating to litigation or governmental investigations;
- guidance, if any, that we provide to the public, any changes in this guidance, or our failure to meet this guidance;
- the ongoing development and sustainability of an active trading market for our stock;
- changes in accounting principles; and
- other events or factors, including those resulting from system failures and disruptions, natural or man-made disasters, extreme weather events, war, acts of terrorism, an outbreak of highly infectious or contagious diseases, such as COVID-19, or responses to these events. Furthermore, the stock market may experience extreme volatility that, in some cases, may be unrelated or disproportionate to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the market price of our Class A common stock, regardless of our actual operating performance. In addition, price volatility may be greater if the public float and trading volume of our Class A common stock is low. In the past, following periods of market volatility, stockholders have

instituted securities class action litigation. If we were involved in securities litigation, it could have a substantial cost and divert resources and the attention of management from our business regardless of the outcome of such litigation. We cannot predict the effect our dual class structure may have on the market price of our Class A common stock. We cannot predict whether our dual class structure will result in a lower or more volatile market price of our Class A common stock, adverse publicity, or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indices. In July 2017, FTSE Russell announced that it plans to require new constituents of its indices to have greater than 5 % of the company's voting rights in the hands of public stockholders, and S & P Dow Jones announced that it will no longer admit companies with multiple-class share structures to certain of its indices. Affected indices include the Russell 2000 and the S & P 500, S & P MidCap 400, and S & P SmallCap 600, which together make up the S & P Composite 1500. Also in 2017, MSCI, a leading stock index provider, opened public consultations on their treatment of no-vote and multi-class structures and temporarily barred new multi-class listings from certain of its indices and in October 2018, MSCI announced its decision to include equity securities "with unequal voting structures" in its indices and to launch a new index that specifically includes voting rights in its eligibility criteria. Under such announced policies, the dual class structure of our stock would make us ineligible for inclusion in certain indices and, as a result, mutual funds, exchange-traded funds, and other investment vehicles that attempt to track those indices would not invest in our Class A common stock. These policies are relatively new, and it is unclear what effect, if any, they will have on the valuations of publicly traded companies excluded from such indices, but it is possible they may depress valuations, compared to similar companies that are included. Given the sustained flow of investment funds into passive strategies that seek to track certain indices, exclusion from certain stock indices would likely preclude investment by many of these funds and could make our Class A common stock less attractive to other investors. As a result, the market price of our Class A common stock could be adversely affected. Non-U.S. Holders may be subject to U.S. federal income tax on gain realized on the sale or disposition of shares of our Class A common stock. Because of our holdings in U.S. real property interests, we believe we are and will remain a "United States real property holding corporation" for U.S. federal income tax purposes. As a result, a Non-U.S. Holder generally will **will** be subject to U.S. federal income tax on any gain realized on a sale or disposition of shares of our Class A common stock unless our Class A common stock is regularly traded on an established securities market and such Non-U.S. Holder did not actually or constructively hold more than 5 % of our Class A common stock at any time during the shorter of (i) the five-year period preceding the date of the sale or disposition and (ii) the Non-U.S. Holder's holding period in such stock. In addition, if the above exception does not apply, a purchaser of the stock from such Non-U.S. Holder generally will be required to withhold and remit to the IRS 15 % of the purchase price. A Non-U.S. Holder will also be required to file a U.S. federal income tax return for any taxable year in which it realizes a gain from the disposition of our Class A common stock that is subject to U.S. federal income tax. We anticipate that our Class A common stock will be regularly traded on an established securities market in the future. However, no assurance can be given in this regard. Non-U.S. Holders should consult their tax advisors concerning the consequences of disposing of shares of our Class A common stock. We are a "controlled company" within the meaning of the rules of the Exchange and, as a result, we qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You may not have the same protections afforded to stockholders of companies that are subject to such corporate governance requirements. Founder Fund, a trust controlled by our founder and Executive Chairman Tom Bradbury, has more than 50 % of the voting power for the election of directors, and, as a result, we are considered a "controlled company" for the purposes of the corporate governance rules of the Exchange. The corporate governance requirements and specifically the independence standards are intended to ensure that directors who are considered independent are free of any conflicting interest that could influence their actions as directors. We intend to utilize certain exemptions from corporate governance requirements that are afforded to a "controlled company" under the Exchange rules. For example, we will not have a nominating and corporate governance committee that is composed entirely of independent directors. From time to time, we may rely on additional exemptions provided to controlled companies under the Exchange rules. Accordingly, you may not have the same protections afforded to stockholders of companies that are subject to all the corporate governance requirements of the Exchange. Our status as a controlled company could make our Class A common stock less attractive to some investors or otherwise harm our stock price. Certain provisions of Delaware law and antitakeover provisions in our organizational documents could delay or prevent a change of control. Certain provisions of Delaware law and our amended and restated certificate of incorporation and amended and restated bylaws may have an antitakeover effect and may delay, defer, or prevent a merger, acquisition, tender offer, takeover attempt, or other change of control transaction that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by our stockholders. These provisions provide for, among other things:

- the ability of our board of directors to issue one or more series of preferred stock without stockholder approval;
- at any time prior to the Sunset Date, our stockholders may take action by consent without a meeting, and from and after the occurrence of the Sunset Date, our stockholders may not take action by consent without a meeting, but may only take action at a meeting of stockholders;
- vacancies on our board of directors will be able to be filled only by our board of directors and not by stockholders;
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders;
- **57** at any time prior to the Sunset Date, the Secretary (or other officer or our board of directors) at the request of any Continuing Equity Owner owning at least 5 % of the voting power of all of the then outstanding shares of capital stock entitled to vote thereon may call a special meeting of stockholders, and from and after the occurrence of the Sunset Date, our stockholders will be unable to call a special meeting of stockholders;
- no cumulative voting in the election of directors;
- prior to the Sunset Date, directors may be removed at any time with or without cause upon the affirmative vote of the holders of a majority of the voting power of our outstanding shares of capital stock entitled to vote thereon, and from and after the occurrence of the Sunset Date, directors may be removed with or without cause and only upon the affirmative vote of holders of at least 66 2 / 3 % of the voting power of our outstanding shares of capital

stock entitled to vote thereon; and • that certain provisions of amended and restated certificate of incorporation may be amended only by the affirmative vote of holder of at least 66 2 / 3 % of the voting power of our then- outstanding capital stock entitled to vote thereon. These antitakeover provisions could make it more difficult for a third party to acquire us, even if the third party' s offer may be considered beneficial by many of our stockholders. As a result, our stockholders may be limited in their ability to obtain a premium for their shares. In addition, we have opted out of Section 203 of the General Corporation Law of the State of Delaware (the “ DGCL ”), but our amended and restated certificate of incorporation provides that engaging in any of a broad range of business combinations with any “ interested ” stockholder (generally defined as any stockholder with 15 % or more of our outstanding voting stock and any entity or person affiliated with or controlling or controlled by such stockholder) for a period of three years following the time on which the stockholder became an “ interested ” stockholder is prohibited, subject to certain exceptions (except with respect to the Continuing Equity Owners and any of their respective affiliates and any of their respective direct or indirect transferees of our common stock). We are subject to financial reporting and other requirements as a public company for which our accounting and other management systems and resources may not be adequate. As a public company with listed equity securities, we must comply with laws, regulations, and requirements, including the requirements of the Securities Exchange Act of 1934, as amended (the “ Exchange Act ”), certain corporate governance provisions of the Sarbanes- Oxley Act of 2002 (the “ Sarbanes- Oxley Act ”), and related regulations and requirements of the SEC, with which we were not required to comply as a private company. The Exchange Act requires that we file annual, quarterly, and current reports that address, among other things, our business and financial condition. The Sarbanes- Oxley Act requires, among other things, that we establish and maintain effective internal controls and procedures for financial reporting. Section 404 of the Sarbanes- Oxley Act requires our management and independent auditors to report annually on the effectiveness of our internal control over financial reporting. However, we are an “ emerging growth company, ” as defined in the Jumpstart Our Business Startups Act (the “ JOBS Act ”), and for as long as we continue to be an emerging growth company, we intend to take advantage of certain exemptions from various reporting requirements applicable to other public companies but not to emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404. Once we are no longer an emerging growth company or, if prior to such date, we opt to no longer take advantage of the applicable exemptions, we will be required to include an opinion from our independent auditors on the effectiveness of our internal control over financial reporting. These reporting and other obligations place significant demands on our management, administrative, operational, and accounting resources and cause us to incur significant expenses. We may need to upgrade our systems or create new systems, implement additional financial and management controls, reporting systems and procedures, create or outsource an internal audit function, and hire additional accounting and finance staff. If we are unable to accomplish these objectives in a timely and effective fashion, our ability to comply with the financial reporting requirements and other rules that apply to reporting companies could be impaired. Any failure to maintain effective internal control over financial reporting could have a material adverse effect on our business, prospects, liquidity, financial condition, and results of operations. **To continue to achieve and maintain compliance with Section 404, we engage in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, from time to time we may not be able to conclude that our internal control over financial reporting is effective as required by Section 404, as is the case in this Annual Report on Form 10- K, due to the material weakness identified and described below. Additionally, the material weakness in our internal control over financial reporting has resulted in our management being unable to conclude, and any additional material weakness in our internal control over financial reporting may in the future result in our management being unable to conclude, that our disclosure controls and procedures were effective for the applicable period.** Being a public company subject to these rules and regulations also makes it more expensive for us to obtain director and officer liability insurance, and we may from time to time be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers. As a result of disclosure of information in filings required of a public company, our business and financial condition are more visible than they were as a private company, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and operating results could be adversely affected, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business and operating results. **We have identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which, may result in material misstatements of our consolidated financial statements. A material weakness is a deficiency, or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Our management identified a material weakness in internal control related to ineffective information technology general controls (“ ITGCs ”) in the areas of user access, change management, and segregation of duties related to certain key information technology (“ IT ”) systems that support the Company’ s financial reporting processes, resulting in ineffective design and implementation of IT- dependent controls. We believe that the material weakness is due to gaps in the sufficiency of IT resources and risk- assessment processes to identify and assess access in certain IT environments that could impact internal control over financial reporting. The material weakness identified above did not result in any**

**material misstatements in our consolidated financial statements for the periods presented and there were no changes to previously released financial results. However, our management concluded that these control deficiencies constitute a material weakness and that our internal control over financial reporting was not effective as of December 31, 2024. Our management, under the oversight of the Audit Committee of our Board of Directors and in consultation with outside advisors, has begun evaluating and implementing measures designed to remediate the material weakness, as described further in Item 9A of this Annual Report on Form 10-K. These controls need to operate for a sufficient period of time so that management can conclude that our controls are operating effectively. As such, the material weakness will not be considered remediated until management has concluded through the implementation of these remediation measures and additional testing that these controls are effective. Additionally, a material weakness in our internal control over financial reporting has resulted in our management being unable to conclude, and any additional material weakness in our internal control over financial reporting may in the future result in our management being unable to conclude, that our disclosure controls and procedures were effective for the applicable period. We cannot assure you that the measures we are taking will be sufficient to remediate the material weakness or avoid the identification of additional material weaknesses in the future. Our failure to implement and maintain effective internal control over financial reporting could result in errors in our consolidated financial statements that could result in a restatement of our financial statements and could cause us to fail to meet our periodic reporting obligations, any of which could diminish investor confidence in us and cause a decline in the price of our common stock.**

The JOBS Act allows us to postpone the date by which we must comply with certain laws and regulations intended to protect investors and to reduce the amount of information we provide in our reports filed with the SEC. We cannot be certain if this reduced disclosure will make our Class A common stock less attractive to investors. The JOBS Act is intended to reduce the regulatory burden on “ emerging growth companies. ” As defined in the JOBS Act, a public company whose initial public offering of common equity securities occurs after December 8, 2011, and whose annual net sales are less than \$ 1. 235 billion will, in general, qualify as an “ emerging growth company ” until the earliest of: • the last day of its fiscal year following the fifth anniversary of the date of its initial public offering of common equity securities; • the last day of its fiscal year in which it has annual gross revenue of \$ 1. 235 billion or more; • the date on which it has, during the previous three- year period, issued more than \$ 1 billion in nonconvertible debt; and • the date on which it is deemed to be a “ large accelerated filer, ” which will occur at such time as we (i) have an aggregate worldwide market value of common equity securities held by non- affiliates of \$ 700 million or more as of the last business day of its most recently completed second fiscal quarter, (ii) have been required to file annual and quarterly reports under the Exchange, for a period of at least 12 months, and (iii) have filed at least one annual report pursuant to the Exchange Act. Under this definition, we are an “ emerging growth company ” and could remain an “ emerging growth company ” until as late as the fifth anniversary of the completion of our IPO. For so long as we are an “ emerging growth company, ” we will, among other things: • not be required to comply with the auditor attestation requirements of Section 404 (b) of the Sarbanes Oxley Act; • not be required to hold a nonbinding advisory stockholder vote on executive compensation pursuant to Section 14A (a) of the Exchange Act; • not be required to seek stockholder approval of any golden parachute payments not previously approved pursuant to Section 14A (b) of the Exchange Act; • be exempt from the requirement of the Public Company Accounting Oversight Board (the “ PCAOB ”) regarding the communication of critical audit matters in the auditor’ s report on the financial statements; and • be subject to reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. In ~~60~~**61** addition, Section 107 of the JOBS Act provides that an emerging growth company can use the extended transition period provided in Section 7 (a) (2) (B) of the Securities Act for complying with new or revised accounting standards. This permits an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have chosen to “ opt out ” of this transition period and, as a result, we will comply with new or revised accounting standards as required when they are adopted. This decision to opt out of the extended transition period is irrevocable. We cannot predict if investors will find our Class A common stock less attractive as a result of our decision to take advantage of some or all of the reduced disclosure requirements above. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile. We are a “ smaller reporting company ” and the reduced disclosure requirements applicable to smaller reporting companies may make our common stock less attractive to investors. We are a “ smaller reporting company ” as defined under the rules promulgated under the Exchange Act. We will remain a smaller reporting company until the fiscal year following the determination that either (i) the value of our voting and non- voting common shares held by non- affiliates is \$ 250 million or more measured on the last business day of our second fiscal quarter, or (ii) our annual revenues are \$ 100 million or more during the most recently completed fiscal year and the value of our voting and non- voting common shares held by non- affiliates is \$ 700 million or more measured on the last business day of our second fiscal quarter. Smaller reporting companies are able to provide simplified executive compensation disclosure and have certain other reduced disclosure obligations, including, among other things, being required to provide only two years of audited financial statements and not being required to provide selected financial data, or supplemental financial information. We cannot predict whether investors will find our Class A common stock less attractive because we are a smaller reporting company or to the extent we chose to rely on any these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile. ~~The historical financial information in this Annual Report on Form 10-K may make it difficult to accurately predict our costs of operations in the future. Our IPO was consummated on January 16, 2024, and the historical financial information in this Annual Report on Form 10-K does not reflect the added costs we expect to incur as a public company or the resulting changes that have occurred in our capital structure and operations.~~ Because we have no current plans to pay regular cash dividends on our Class A common stock, you may not receive any return on investment unless you sell your Class A common stock for a price greater than that which you

paid for it. While Smith Douglas Holdings LLC has historically had high returns on equity, we do not currently anticipate paying any regular cash dividends on our Class A common stock. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, general and economic conditions, our results of operations and financial condition, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax, and regulatory restrictions, and such other factors that our board of directors may deem relevant. In addition, our ability to pay dividends is, and may be, limited by covenants of any future outstanding indebtedness we or our subsidiaries incur. Therefore, any return on investment in our Class A common stock is solely dependent upon the appreciation of the price of our Class A common stock on the open market, which may not occur. An active, liquid trading market for our Class A common stock may not be sustained, which may cause our Class A common stock to trade at a discount and make it difficult for you to sell the Class A common stock you purchase. We cannot predict the extent to which investor interest in us will lead to the ongoing development of a trading market or how active and liquid that market may remain. If an active and liquid trading market does not continue, you may have difficulty selling any of our Class A common stock that you purchase, at a price above the price you purchase it or at all. The failure of an active and liquid trading market to continue would likely have a material adverse effect on the value of our Class A common stock. The market price of our Class A common stock may decline, and you may not be able to sell your shares of our Class A common stock at or above the price you paid, or at all. An inactive market may also impair our ability to raise capital to continue to fund operations by ~~selling~~ **61** ~~selling~~ shares and may impair our ability to acquire other companies or technologies by using our shares as consideration. Our amended and restated bylaws provide that the Court of Chancery of the State of Delaware is the sole and exclusive forum for certain stockholder litigation matters and the federal district courts of the United States are the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or stockholders. Our amended and restated bylaws provide that, unless we otherwise consent in writing, (i) (a) any derivative action or proceeding brought on our behalf, (b) any action asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, officers, other employees or stockholders to us or our stockholders, (c) any action asserting a claim arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation or our amended and restated bylaws (as either may be amended or restated) or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware or (d) any action asserting a claim governed by the internal affairs doctrine shall, to the fullest extent permitted by law, be exclusively brought in the Court of Chancery of the State of Delaware (or, in the event that the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware); and (ii) the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act; provided, however, that the foregoing choice of forum provision shall not apply to claims seeking to enforce any liability or duty created by the Exchange Act, or any other claim for which the United States federal courts have exclusive jurisdiction. The choice of forum provision is limited to the extent permitted by law, and it will not apply to claims brought to enforce any liability or duty arising under the Exchange Act, or for any other federal securities laws which provide for exclusive federal jurisdiction. Additionally, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall, to the fullest extent permitted by law, be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act, or the rules and regulations promulgated thereunder. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated bylaws will provide that the federal district courts of the United States will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring such a claim arising under the Securities Act against us, our directors, officers, or other employees in a venue other than in the federal district courts of the United States. In such instance, we would expect to vigorously assert the validity and enforceability of the choice of forum provisions of our amended and restated bylaws. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage such lawsuits against us and our directors, officers, and other employees, although our stockholders will not be deemed to have waived our compliance with federal securities laws and the rules and regulations thereunder. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, financial condition, and results of operations. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of our capital stock shall be deemed to have notice of and consented to the forum provisions in our amended and restated bylaws. ~~If~~ **62** ~~If~~ securities analysts issue an adverse or misleading opinion about our business or if they downgrade our stock or our sector, or if there is any fluctuation in our credit rating, our stock price and trading volume could decline. The trading market for our Class A common stock relies in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts. If one or more of the analysts who cover us downgrade our stock or our industry, or the stock of any of our competitors, or publish inaccurate or unfavorable research about our business, the price of our stock could decline. If one or more of these analysts stops covering us or fails to publish reports on us regularly, we could lose visibility in the market, which, in turn, could cause our stock price or trading volume to decline. Additionally, any fluctuation in the credit rating of us or our subsidiaries may impact our ability to access debt markets in the future or increase our cost of future debt, which could have a material adverse effect on our operations and financial condition, which in return, may adversely affect the trading price of shares of our Class A common stock. If our estimates or judgments

relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes appearing elsewhere in this Annual Report on Form 10-K. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses. Significant estimates and judgments involve: revenue recognition, including revenue-related reserves; legal contingencies; valuation of our Class A common stock and equity awards; income taxes; and sales and indirect tax reserves. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the market price of our Class A common stock. Future sales, or the perception of future sales, by us or our existing stockholders in the public market could cause the market price for our Class A common stock to decline. The sale of shares of our Class A common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our Class A common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. **The As of the consummation of our IPO, we had** outstanding a total of 8,846,154 shares of **our** Class A common stock. ~~The outstanding shares are generally~~ freely tradable without restriction or further registration under the Securities Act, other than any shares held by our affiliates. Any shares of Class A common stock held by our affiliates will be eligible for resale pursuant to Rule 144 under the Securities Act, subject to the volume, manner of sale, holding period and other limitations of Rule 144. ~~Our directors and executive officers, and substantially all of the stockholders prior to the IPO, have entered into lock-up agreements with the underwriters prior to the commencement of our IPO pursuant to which each of these persons or entities, subject to certain exceptions, restrict the sale of the shares of our Class A common stock and certain other securities held by them until July 8, 2024. J. P. Morgan Securities LLC and BofA Securities, Inc. may, in their sole discretion and at any time, release all or any portion of the shares or securities subject to any such lock-up agreements.~~ In addition, we have reserved shares of Class A common stock for issuance under the 2024 Incentive Award Plan (the "2024 Plan"). Any Class A common stock that we issue under the 2024 Plan or other equity incentive plans that we may adopt in the future would dilute the percentage ownership held by investors who purchase our Class A common stock. ~~The As restrictions on resale end or if these stockholders exercise their registration rights, the~~ market price of our shares of Class A common stock could drop significantly if the holders of ~~these our~~ shares sell ~~them a significant number of our securities~~ or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of our shares of Class A common stock or other securities. ~~In 63~~In the future, we may also issue securities in connection with investments, acquisitions, or capital raising activities. In particular, the number of shares of our Class A common stock issued in connection with an investment or acquisition, or to raise additional equity capital, could constitute a material portion of our then-outstanding shares of our Class A common stock. Any such issuance of additional securities in the future may result in additional dilution to you or may adversely impact the price of our Class A common stock. General Risk ~~Factors~~ **Factors** ~~We~~ **We** are subject to litigation, arbitration, or other claims which could materially and adversely affect us. We are subject to litigation, and we may in the future be subject to enforcement actions, such as claims relating to our operations, securities offerings, and otherwise in the ordinary course of business. Some of these claims may result in significant defense costs and potentially significant judgments against us, some of which are not, or cannot be, insured against. Although we have established warranty, claim, and litigation reserves that we believe are adequate, we cannot be certain of the ultimate outcomes of any claims that may arise in the future, and legal proceedings may result in the award of substantial damages against us beyond our reserves. Resolution of these types of matters against us may result in our having to pay significant fines, judgments, or settlements, which, if uninsured or in excess of insured levels, could adversely impact our earnings and cash flows, thereby materially and adversely affecting us. Furthermore, plaintiffs may, in certain of these legal proceedings, seek class action status with potential class sizes that vary from case to case. Class action lawsuits can be costly to defend, and if we were to lose any certified class action suit, it could result in substantial liability for us. Certain litigation or the resolution thereof may affect the availability or cost of some of our insurance coverage, which could materially and adversely impact us, expose us to increased risks that would be uninsured, and materially and adversely impact our ability to attract directors and officers. We may suffer uninsured losses or material losses in excess of insurance limits. We could suffer physical damage to property and liabilities resulting in losses that may not be fully recoverable by insurance. Insurance against certain types of risks, such as terrorism, earthquakes, floods, or personal injury claims, may be unavailable, available in amounts that are less than the full market value or replacement cost of investment or underlying assets or subject to a large deductible or self-insurance retention amount. In addition, there can be no assurance that certain types of risks that are currently insurable will continue to be insurable on an economically feasible basis. Should an uninsured loss or a loss in excess of insured limits occur or be subject to deductibles or self-insurance retention, we could sustain financial loss or lose capital invested in the affected property, as well as anticipated future income from that property. Furthermore, we could be liable to repair damage or meet liabilities caused by risks that are uninsured or subject to deductibles. We may also be liable for any debt or other financial obligations related to affected property. Acts of war or terrorism may seriously harm our business. Acts of war, any outbreak or escalation of hostilities between the United States and any foreign power, or acts of terrorism may cause disruption to the U. S. economy, or the local economies of the markets in which we operate, cause shortages of building materials, increase costs associated with obtaining building materials, result in building code changes that could increase costs of construction, result in uninsured losses, affect job growth and consumer confidence, or cause economic changes that we cannot anticipate, all of which could reduce demand for our homes and adversely impact our business, prospects, liquidity,

financial condition, and results of operations. Negative publicity could adversely affect our reputation as well as our business, financial results, and stock price. Unfavorable media related to our industry, company, brands, marketing, personnel, operations, business performance, or prospects may affect our stock price and the performance of our business, regardless of its accuracy or inaccuracy. The speed at which negative publicity can be disseminated has increased dramatically with the capabilities of electronic communication, including social media outlets, websites, blogs, newsletters, and other digital platforms. Our success in maintaining, extending, and expanding our brand image 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. Changes in accounting rules, assumptions, and / or judgments could materially and adversely affect us. Accounting rules and interpretations for certain aspects of our financial reporting are highly complex and involve significant assumptions and judgment. These complexities could lead to a delay in the preparation and dissemination of our financial statements. Furthermore, changes in accounting rules and interpretations or in our accounting assumptions and / or judgments, such as those related to asset impairments, could significantly impact our financial statements. In some cases, we could be required to apply a new or revised standard retroactively, resulting in restating prior period financial statements. Any of these circumstances could have a material adverse effect on our business, prospects, liquidity, financial condition, and results of operations. Access to financing sources may not be available on favorable terms, or at all, especially in light of current market conditions, which could adversely affect our ability to maximize our returns. Our access to additional third- party sources of financing will depend, in part, on: • general market conditions, including inflation and rising interest rates; • the market' s perception of our growth potential; • with respect to acquisition and / or development financing, the market' s perception of the value of the land parcels to be acquired and / or developed; • our current debt levels; • our current and expected future earnings; • our cash flow; and • the market price per share of our Class A common stock. The global credit and equity markets and the overall economy can be extremely volatile, which could have a number of adverse effects on our operations and capital requirements. For the past decade, the domestic financial markets have experienced a high degree of volatility, uncertainty and, during certain periods, tightening of liquidity in both the high yield debt and equity capital markets, resulting in certain periods when new capital has been both more difficult and more expensive to access. If we are unable to access the credit markets, we could be required to defer or eliminate important business strategies and growth opportunities in the future. In addition, if there is prolonged volatility and weakness in the capital and credit markets, potential lenders may be unwilling or unable to provide us with financing that is attractive to us or may increase collateral requirements or may charge us prohibitively high fees in order to obtain financing. Consequently, our ability to access the credit market in order to attract financing on reasonable terms may be adversely affected. Investment returns on our assets and our ability to make acquisitions could be adversely affected by our inability to secure additional financing on reasonable terms, if at all. Depending on market conditions at the relevant time, we may have to rely more heavily on additional equity financings or on less efficient forms of debt financing that require a larger portion of our cash flow from operations, thereby reducing funds available for our operations, future business opportunities and other purposes. We may not have access to such equity or debt capital on favorable terms at the desired times, or at all. **65** ~~The failure of any bank in which we deposit our funds could reduce the amount of cash we have available to pay distributions and make additional investments. The Federal Deposit Insurance Corporation only insures amounts up to \$ 250, 000 per depositor. We maintain the majority of our cash and cash equivalents in accounts with major U. S. financial institutions, and our deposits at certain of these institutions may exceed insured limits from time to time. Market conditions can impact the viability of these institutions, as we have seen recently with the abrupt failure of more than one regional bank. Although we did not experience any loss related to these failures, if any of the banking institutions in which we deposit funds ultimately fails, there can be no assurance that we will be able to access uninsured funds in a timely manner or at all. The loss of our deposits could reduce the amount of cash we have available to distribute or invest and could result in a decline in the value of our stockholders' investment. We may change our operational policies, investment guidelines and our business and growth strategies without stockholder consent, which may subject us to different and more significant risks in the future. Our board of directors will determine our operational policies, investment guidelines, and business and growth strategies. Our board of directors may make changes to, or approve transactions that deviate from, those policies, guidelines, and strategies without a vote of, or notice to, our stockholders. This could result in us conducting operational matters, making investments, or pursuing different business or growth strategies than those contemplated in this Annual Report on Form 10-K. Under any of these circumstances, we may expose ourselves to different and more significant risks in the future, which could have a material adverse effect on our business, prospects, liquidity, financial condition, and results of operations. Future offerings of debt securities, which would rank senior to our Class A common stock upon our bankruptcy or liquidation, and future offerings of equity securities that may be senior to our Class A common stock for the purposes of dividend and liquidation distributions, may adversely affect the market price of our Class A common stock. In the future, we may attempt to increase our capital resources by making offerings of debt securities or additional offerings of equity securities. Upon bankruptcy or liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our Class A common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our Class A common stock, or both. Our preferred stock will have a preference on liquidating distributions and dividend payments, which could limit our ability to make a dividend distribution to the holders of our Class A common stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control. As a result, we cannot predict or estimate the amount, timing or nature of our future offerings, and purchasers of our Class A common stock bear the risk of our future offerings reducing the market price of our Class A common stock and diluting their ownership interest in our company. Item 1B. Unresolved Staff Comments.~~