Risk Factors Comparison 2024-02-21 to 2023-02-22 Form: 10-K

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

Risks related to our industry, business and economic conditions Our business 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- chains and the cost or availability of building materials; • the availability of subcontractors, vendors or other third parties; • housing affordability; • the **cost and availability of suitable land and lots for the development of our communities; • 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; • the U. S. and global financial systems and credit markets, including stock market and credit market volatility; • inclement weather and natural disasters, including risks associated with global climate change, such as increased frequency or intensity of adverse weather events; • civil unrest, acts of terrorism, other acts of violence, threats to national security, escalating global trade tensions, the adoption of trade restrictions, or a public health issue such as COVID- 19 or other 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 buyers for our homes; • the supply of available new or existing homes and other housing alternatives; • energy prices; and • the ~~supply~~ **availability** 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, 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~~ **fall** or cause us to take longer to build our homes and make it more costly for us to do so. We may not **TAYLOR MORRISON HOME CORPORATION 10- K ITEM 1A | RISK FACTORS** 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 customers sign their home purchase contracts before construction begins. The potential difficulties described above could impact our customers' ability to obtain suitable financing and cause some homebuyers to cancel or refuse to honor their home purchase contracts altogether. A slowdown or severe downturn in the housing market could have additional adverse effects on our operating results and financial condition. During periods of industry downturn, housing markets across the United States may experience an oversupply of both new and resale home inventory, an increase in foreclosures, reduced levels of consumer demand for new homes, increased cancellation rates, aggressive price competition among homebuilders and increased incentives for home sales. The most recent significant industry downturn that began in 2008 materially and adversely impacted those in the homebuilding industry, including us. In the event of a significant downturn, we may experience a material reduction in revenues, margins, and cash flow. We cannot predict the trajectory of the U. S. housing market. Some housing markets and submarkets have been stronger than others, and there continue to be macroeconomic fluctuations and variability in operating trends, which may be significant and unfavorable. Increases in interest rates or government fees could prevent potential customers from buying our homes and adversely affect our business or financial results. Increases in interest rates as a result of changes to monetary policy could significantly increase the costs of owning a home or result in existing homeowners with low interest rates choosing to remain in their current homes rather than purchase a new home in a higher interest rate environment. This, in turn, could adversely impact demand for, and sales prices of, homes and the ability of potential customers to obtain financing and adversely affect our business, financial condition and operating results. Interest rates had been at historic lows for the last several years, which had made the homes we sell more affordable. During 2020 and 2021, the Federal Reserve took several steps to protect the economy from the impact of COVID- 19, including reducing interest rates to new historic lows. However, in 2022 **and 2023**, in light of increasing inflation, the Federal Reserve increased interest rates ~~seven~~ **11** times, which ~~has~~ caused buyer apprehension and affordability concerns, resulting in an increase in cancellations and a negative impact on our net sales orders in 2022 **. To mitigate these impacts we began to adjust pricing, primarily by offering finance incentives, as well as home discounts and other pricing reductions during the second half of 2022. While these pricing adjustments and incentives helped drive an increase in sales orders and a gradual normalization in cancellations beginning in 2023, there is no guarantee that these adjustments will continue to be offered or be as effective in the future**. Rising interest rates also negatively impact demand for mortgage financing, which may result in lower home mortgage originations for our TMHF business. In ~~February~~ **January** ~~2023~~ **2024**, the Federal Reserve announced ~~their eighth~~ **that it decided to hold** interest ~~rate~~ **rates** ~~increase in a year~~ **at the current level** and has indicated that it expects ~~continued increases in~~ **to begin cutting** interest rates **in 2024**. Any ~~such~~ additional increases **in interest rates** could negatively affect mortgage rates, real estate property values, sales orders and increase cancellations which could adversely affect our business. Tax increases and changes in tax rules may adversely affect our financial results. We are exposed, both directly and indirectly, to the effects of changes in U. S., state and local tax rules. For example, if federal or state laws are changed to eliminate or reduce the income tax benefits associated with homeownership, such as personal tax deductions for mortgage loan interest costs and real estate taxes, the after- tax cost of homeownership could measurably increase and diminish interest in buying a home. Additionally, increases in property tax rates by local governmental authorities can adversely affect the ability of potential customers to obtain financing or their desire to purchase new homes. Fees imposed on developers to fund schools, open spaces, road improvements and / or provide low and moderate income housing, could increase our costs and have an adverse effect on our operations. In addition, increases in sales taxes could adversely affect our potential customers who may consider those costs in determining whether or not to make a new home purchase, potentially reducing our customer base and reducing sales revenue. Recently, the Biden administration has announced, and in certain cases has enacted, a number of tax proposals to fund new government investments in infrastructure, healthcare, and education, among other things. Certain of these proposals involve an increase in the domestic corporate tax rate, which if implemented could have a material impact on our future results of operations and cash flows ~~. On August 16, 2022, the Inflation Reduction Act of 2022 (" IRA ") was signed into law, with tax provisions primarily focused on implementing a 15 % minimum tax on global adjusted financial statement income and a 1 % excise tax on share repurchases. The IRA also creates a number of potentially beneficial tax credits to incentivize investments in certain technologies and industries. Certain provisions of the IRA will become effective beginning in fiscal 2023. While we do not believe the IRA will have a material negative impact on our business, the effects of the measures are unknown at this time~~ . If homebuyers are not able to obtain suitable financing, our sales may decline. A substantial majority of our homebuyers finance their home purchases through lenders that provide mortgage financing. The availability of mortgage credit may fluctuate due to various factors, including regulatory changes, that may cause a more conservative risk tolerance by lenders resulting in increased levels of scrutiny of a borrower' s ability to repay. This includes those mortgages meeting the requirements of the Qualified Mortgage Definition under the Truth- In- Lending Act (Regulation Z). Investors are generally more affected by the availability of financing than other potential homebuyers. A limited availability of home mortgage financing may adversely affect the volume of our home sales and the sales prices we achieve. It could also prevent or limit our ability to attract new customers or our existing customers' ability to resell their homes. While we typically do not write contracts to purchase contingent upon a customer' s sale of their existing home, our sales contracts do include a financing contingency that permits the customer to terminate their contract in the event they have applied for financing with the builder ~~'~~’s approved lender in accordance with the terms of the purchase agreement and are unable to qualify. The liquidity provided by government sponsored entities, such as Fannie Mae and Freddie Mac, as well as Ginnie Mae, the FHA and the VA, to the mortgage industry has been very important to the housing market. If Fannie Mae and Freddie Mac were dissolved, or if the federal government tightened their borrowing standards or determined to stop providing liquidity support to the mortgage market (including due to any failure of lawmakers to agree on a budget or appropriation legislation to fund relevant programs or operations), there would be a reduction in the availability of the financing provided by these institutions. Any such reduction would likely have an adverse effect on interest rates, mortgage availability and our sales of new homes. FHA- insured mortgage loans generally have lower down- payment requirements and qualification standards compared to conventional guidelines and, as a result, the FHA continues to be a particularly important source for financing the sale of our homes. Lenders have taken and may continue to take a more conservative view of FHA guidelines causing significant tightening of borrower eligibility for approval. In each of our markets, decreases in the availability of credit and increases in the cost of credit adversely affect the ability of homebuyers to obtain or service mortgage debt. Even if potential homebuyers do not themselves need mortgage financing (e. g., potential homebuyers financing their home purchase via a sale of their existing home), increases in mortgage costs, lack of availability of mortgages and / or regulatory changes could prevent the buyers of our potential homebuyers' existing homes from obtaining a mortgage, which would result in our potential homebuyers' inability to buy a new home from us. Similar risks apply to those buyers who are awaiting delivery of their homes and are currently in backlog. If our customers (or potential buyers of our customers' existing homes) cannot obtain financing, our sales and results of operations could be adversely affected. If we experience shortages in labor supply, increased labor costs or labor disruptions, there could be delays or increased costs in developing our communities or building homes, which could adversely affect our operating results. We require a qualified labor force to develop our communities and build our homes. Access to qualified labor may be affected by circumstances beyond our control, including work stoppages, changes in laws relating to union organizing activity and increases in subcontractor and professional services costs. Labor shortages can be further exacerbated as demand for housing increases. Any of these circumstances could give rise to delays and increased costs developing one or more of our communities and building homes. In addition, the vast majority of our work carried out on site is performed by subcontractors. In the past, reduced levels of homebuilding in the United States has led to some skilled tradesmen leaving the industry to take jobs in other sectors. ~~For example, during 2021 and 2022 we experienced numerous, generally widespread, supply chain disruptions, including labor shortages.~~ If subcontractors are not able to recruit sufficient numbers of skilled employees, our development and construction activities may suffer from delays and quality issues, which would also lead to reduced levels of customer satisfaction and increased home warranty and construction defect claims. Further, the cost of labor may also be adversely affected by inflation and changes in immigration laws and trends in labor migration. We may not be able to recover increased costs by raising our home prices because the price for each home is typically set months prior to its delivery pursuant to sales contracts with our homebuyers. In such circumstances, our operating results could be adversely affected. Additionally, market and competitive forces may also limit our ability to raise the sales prices of our homes. Higher cancellation rates of existing agreements of sale may have an adverse effect on our business. Our backlog represents sales contracts with our homebuyers for homes that have not yet been delivered. We have received a deposit from a homebuyer for each home reflected in our backlog and, generally, we have the right, subject to certain exceptions, to retain the deposit if the homebuyer fails to comply with his or her obligations under the sales contract, including as a result of the homebuyer' s inability to sell his or her current home or the homebuyer' s inability to make additional deposits required prior to the closing date. In some situations, however, a homebuyer may cancel the agreement of sale and receive a complete or partial refund of the deposit. If, for example, prices for new homes decline, competitors increase their use of sales incentives, interest rates increase, the availability of mortgage financing diminishes, current homeowners find it difficult to sell their current homes, homebuyers are concerned about rising inflation, or there is a downturn in local or regional economies or in the national economy, homebuyers may choose to terminate their existing home purchase contracts with us in order to negotiate for a lower price or because they cannot, or will not, complete the purchase and our remedies generally do not extend beyond the retention of deposits as our liquidated damages. For example, following strong demand for housing nationwide from the second half of 2020 through the first quarter of 2022, multiple increases in mortgage interest rates beginning in March 2022 ~~have~~ caused buyer apprehension ~~and~~ **,** affordability concerns, **and reduced overall consumer confidence,** which ~~have~~ resulted in an increase in cancellations during the second half of 2022 **. To mitigate these impacts we began to adjust pricing, primarily by offering finance incentives, as well as home discounts and other pricing reductions during the second half of 2022. These pricing adjustments and incentives helped drive an increase in sales orders and a gradual normalization in cancellations beginning in 2023. However, there is no guarantee that these adjustments will continue to be offered or be as effective in the future, especially if mortgage rates continue to rise** . For the year ended December 31, ~~2022~~ **2023** , our cancellation rate was **12. 1 %, compared to** 13. 5 % **for the year ended December 31** , ~~compared to~~ **2022, and** 6. 5 % for the year ended December 31, 2021. In cases of cancellation, we remarket the home and retain any deposits we are permitted to retain. Nevertheless, the deposits may not cover the additional costs involved in remarketing the home, replacing or modifying installed options, reducing the sales price or increasing incentives on the completed home for greater marketability and carrying higher inventory. Further, depending on the stage of cancellation, a contract that is cancelled at the end of a phase may cause additional costs for the out of sequence construction or modification of the particular home. Significant numbers of cancellations could adversely affect our business, financial condition and results of operations. Raw materials and building supply shortages and price fluctuations could delay or increase the cost of home construction and adversely affect our operating results. The homebuilding industry has **experienced and** , from time to time, **may** ~~experienced~~ - **experience** raw material shortages and ~~been~~ **be** adversely affected by volatility in global commodity prices. ~~During 2021 and 2022, we experienced numerous continuing, generally widespread, supply chain disruptions, including labor shortages.~~ These shortages and interruptions **can** ~~resulted~~ -- **result** in significant cost inflation and negatively ~~impacted~~ -- **impact** the timing of our closings and the pace of our sales ~~as we intentionally metered sales to better manage these supply chain disruptions and challenges~~ . In particular, shortages and fluctuations in the price of concrete, drywall, lumber or other important raw materials could result in delays in the start or completion of, or increase the cost of, developing one or more of our residential communities. Our lumber needs are particularly sensitive to shortages and related cost increases. We may also face increased future home warranty and construction defect claims associated with substitute products or materials used in some instances to address supply shortages in certain served markets or communities. See – " Homebuilding is subject to home warranty and construction defect claims in the ordinary course of business that can lead to significant costs for us " below. In addition, the cost of petroleum products, which are used both to deliver our materials and to transport workers to our job sites, fluctuates and may be subject to increased volatility as a result of geopolitical events, catastrophic storms, other severe weather or significant environmental accidents. Environmental laws and regulations may also have a negative impact on the availability and price of certain raw materials such as lumber and concrete. Additionally, pricing for raw materials may be affected by various other national, regional and local economic and political factors. For example, in recent years 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 and lumber, raising our costs for these items (or products made with them). Such government imposed tariffs and trade regulations on imported building supplies may in the future have significant impacts on the cost to construct our homes, including by causing disruptions or shortages in our supply chain and / or negatively impacting the U. S. regional or local economies. We are particularly exposed to rapid increases in construction costs for those homes that are in our backlog because we are generally unable to pass increases in such costs on to our customers who have already entered into purchase contracts. Inflation or deflation could adversely affect our business and financial results. Inflation can adversely affect us by increasing costs of land, materials and labor, which we have experienced in ~~fiscal year~~ 2022 **and 2023** . In addition, as discussed above, inflation is often accompanied by higher interest rates, which historically has had a negative impact on housing demand, as well as increasing the interest rates we may need to pay for our own capital financing. In such an environment, we may not be able to raise home prices sufficiently to keep up with the rate of inflation, and our margins could decrease. An oversupply of homes relative to demand and home prices being set several months before homes are delivered may make any price increase difficult or impossible. Efforts by the government to stimulate the economy may increase the risk of significant inflation and its adverse impact on our business or financial results. Deflation could also affect us adversely. A significant period of deflation could cause a decrease in overall spending and borrowing levels. This could lead to a further deterioration in economic conditions, including an increase in the rate of unemployment. Deflation could also cause the value of our inventories to decline or reduce the value of existing homes below the related mortgage loan balance, which could potentially increase the supply of existing homes and have a negative impact on demand and our results of operations. Furthermore, a material decline in oil and gas prices may increase the risk of significant deflation and its adverse impact on our business or financial results, as the economies of some of the markets in which we operate are impacted by the health of the energy industry. ~~COVID- 19 could adversely affect our business, operating results, cash flows and financial conditions to an extent that is difficult to predict. The impact of COVID- 19 has rapidly evolved around the globe, with many countries, at various times, taking meaningful measures to limit the spread of the virus by instituting quarantines or lockdowns, imposing travel restrictions and vaccination mandates for certain workers or activities and limiting operations of certain non- essential businesses. While restrictions have eased and the global economy has largely re- opened, many medical and public health~~

~~experts believe that COVID- 19 could perpetually reoccur for years, such as seasonally in winter, and even if generally ceasing to be fatal for most people, such reoccurrence could increase the possibility of periods of increased restrictions on business operations. COVID- 19 has adversely impacted global commercial activity and has contributed to significant economic, financial, and other disruptions. In 2021 and 2022, the global economy, with certain setbacks, begun reopening, and wider distribution of vaccines has encouraged greater economic activity. However, the longer- term macro- economic effects of COVID- 19 continue to impact the homebuilding industry and the financial turmoil and other changes associated with COVID- 19 may have lasting effects on our business and operations. In addition, COVID- 19, along with other geo- political and economic factors, continues to disrupt global supply chains, has caused labor shortages and has added broad inflationary pressures. The extent to which COVID- 19 will affect our business, financial condition, results of operations, liquidity and prospects in the future remains uncertain and will depend on future developments, including the duration and intensity of COVID- 19, the emergence of new variants of the virus, the acceptance of vaccines, and government measures to mitigate COVID- 19, all of which are uncertain and difficult to predict.~~ The homebuilding and mortgage and title services industries are highly competitive and if our competitors are more successful or offer better value to our customers, our business could decline. We operate in a very competitive environment with competition from a number of other homebuilders in each of our markets. We compete with large national and regional homebuilding companies and with smaller local homebuilders for land, financing and related services, raw materials, skilled management, volume discounts, local realtor and labor resources. We also compete with the resale, or " previously owned, " home market, as well as other housing alternatives such as the rental housing market. Additionally, some of our competitors have longstanding relationships with subcontractors and suppliers in markets in which we operate and others may have greater financial resources or lower costs than us. Competitive conditions in the homebuilding industry could make it difficult for us to acquire suitable land at acceptable prices, cause us to increase selling incentives, reduce prices and / or result in an oversupply of homes for sale. These factors have adversely affected demand for our homes and our results of our operations in the past and could do so again in the future. Additionally, our mortgage and title services businesses compete with other mortgage lenders and title companies, including national, regional and local mortgage banks and other financial institutions, some of which may be subject to fewer government regulations or, in the case of mortgage lenders, may have a greater range of products, greater access to or a lower cost of capital or different lending criteria and may be able to offer more attractive financing to potential customers. If we are unable to compete effectively in our homebuilding and mortgage and title services markets, our business could decline disproportionately to our competitors, and our results of operations and financial condition could be adversely affected. Any increase in unemployment or underemployment may lead to an increase in the number of loan delinquencies and property repossessions and have an adverse impact on us. According to the U. S. Bureau of Labor Statistics (" BLS "), the U. S. unemployment rate was 3. ~~5~~ **7** % as of December ~~2022~~ **2023** , and the labor force participation rate was 62. ~~3~~ **5** % which is ~~1~~ **0** . ~~1~~ **9** percentage points lower than **the participation rate** in February 2020. While the ~~drop in~~ **relatively low** unemployment rate is an encouraging sign ~~, the labor force participation statistics potentially reflect the continuing impact of COVID- 19 as some workers leave the labor force entirely. In addition~~ , a substantial portion of new jobs created have been relatively low- wage jobs or part- time jobs. People who are not employed, are underemployed, who have left the labor force or are concerned about low wages or the loss of their jobs are less likely to purchase new homes, may be forced to try to sell the homes they own and may face difficulties in making required mortgage payments or qualifying for new mortgage financing. Therefore, any increase in unemployment or underemployment may lead to an increase in the number of loan delinquencies and property repossessions and have an adverse impact on us both by reducing demand for the homes we build and by increasing the supply of homes for sale. Our quarterly operating results may fluctuate because of the seasonal nature of our business and other factors. Our quarterly operating results generally fluctuate by season as a result of a variety of factors such as the timing of home deliveries and land sales, the changing composition and mix of our asset portfolio, and weather- related issues. Weather- related problems, typically in the fall, late winter and early spring, may delay starts or closings and increase costs and thus reduce profitability. In some cases, we may not be able to recapture increased costs by raising prices. In addition, deliveries may be staggered over different periods of the year and may be concentrated in particular quarters. Our quarterly operating results may fluctuate because of these factors. See Item 1 ~~-~~ **—** Business ~~-~~ **—** Seasonality. Unusual weather events as well as the increased focus by investors and other stakeholders on sustainability issues, could increase our costs, damage our reputation and / or otherwise adversely impact our operations or stock price. Some of our business is in areas that are particularly vulnerable to unusual weather events, such as from the increased frequency and severity of storms, flooding, sustained rainfall, wildfires, and drought. For example, in ~~2022~~ **recent years** , hurricanes in Florida and ~~in 2021~~ winter storms and unseasonably cold weather in Texas ~~,~~ left millions ~~in the state~~ without electricity and significantly impacted utility prices in **Texas** ~~the area~~ . Such severe weather events can delay home construction, increase costs by damaging inventories, reduce the availability of building materials, and increase transportation delays further increasing stress on our supply chain and negatively impact the demand for new homes in affected areas, as well as slow down or otherwise impair the ability of utilities and local governmental authorities to provide approvals and service to new housing communities. Furthermore, if our insurance does not fully cover our costs and other losses from these events, including those arising out of related business interruptions, our earnings, liquidity, or capital resources could be adversely affected. Additionally, increasing governmental and societal attention to **environmental, social, and governance ("** ESG **")** matters, including expanding mandatory and voluntary reporting, diligence, and disclosure on topics such as climate change, human capital, and risk oversight, could expand the nature, scope, and complexity of matters that we are required to control, assess, monitor and report. These factors may alter the environment in which we do business and may increase our ongoing costs of compliance and adversely impact our results of operations, cash flows, and stock price. If we are unable to adequately address such ESG matters or we or our subcontractors fail to comply with all related laws, regulations, policies and expectations, it could negatively impact our reputation, our business results, and the price of our common stock. An inability to obtain additional performance, payment and completion surety bonds and letters of credit could limit our future growth. We are often required to provide performance, payment and completion and warranty / maintenance surety bonds or letters of credit to secure the completion of our construction contracts, development agreements and other arrangements. We believe we have obtained credit facilities to provide the required volume of such surety bonds and letters of credit for our expected growth in the medium term. However, unexpected growth may require additional facilities. We may also be required to renew or amend our existing facilities. Our ability to obtain additional performance, payment and completion and warranty / maintenance surety bonds and letters of credit primarily depends on our credit rating, capitalization, working capital, past performance, management expertise and certain external factors, including the fluidity of the markets for such bonds. Performance, payment and completion and warranty / maintenance surety bond and letter of credit providers consider these factors in addition to our performance and claims record and provider- specific underwriting standards, which may change from time to time. If our performance record or our providers' requirements or policies change, if we cannot obtain the necessary renewals or amendments from our lenders, or if the market' s capacity to provide performance, payment and completion or warranty / maintenance bonds or letters of credit is not sufficient ~~for any unexpected growth~~ , we could be unable to obtain such bonds or letters of credit from other sources when required, which could have a material adverse effect on our business, financial condition and results of operations. Homebuilding is subject to home warranty and construction defect claims in the ordinary course of business that can lead to significant costs for us. As a homebuilder, we are subject to home warranty and construction defect claims arising in the ordinary course of business. Construction defects may occur on projects and developments and may arise a significant period of time after completion. Unexpected expenditures attributable to defects or previously unknown sub- surface conditions arising on a development project may have a material adverse effect on our business, financial condition and operating results. We maintain products and completed operations excess liability insurance, obtain indemnities and certificates of insurance from subcontractors generally covering claims related to damages resulting from faulty workmanship and materials and maintain warranty and other reserves for the homes we sell based on historical experience in our markets and our judgment of the risks associated with the types of homes built. Although we actively monitor our warranty reserves and insurance coverage, because of the uncertainties inherent to these matters, we cannot provide assurance that our insurance coverage, our subcontractor ~~'~~ ' s indemnity and warranty arrangements and our reserves together will be adequate to address all of our warranty and construction defect claims in the future. We record changes in estimates to pre-existing reserves as needed. The reserve estimate is based on assumptions, including but not limited to, the number of homes affected, the costs associated with each repair, and the effectiveness of the repairs. Due to the degree of judgment required in making these estimates and the inherent uncertainty in potential outcomes, it is reasonably possible that actual costs could differ from those recorded and such differences could be material, resulting in a change in future estimated reserves. In addition, contractual indemnities with our subcontractors can be difficult to enforce. We may also be responsible for applicable self-insured retentions and some types of claims may not be covered by insurance or may exceed applicable coverage limits. Additionally, the coverage offered by and the availability of products and completed operations excess liability insurance for construction defects is currently limited and costly. This coverage may be further restricted or become more costly in the future. In California we operate under an Owner Controlled Insurance Plan (" OCIP ") for general liability exposures of most subcontractors (excluding consultants), as a result of the inability of subcontractors to procure acceptable insurance coverage to meet our requirements. Under the OCIP, subcontractors are effectively insured by us. We have assigned risk retentions and bid deductions to our subcontractors based on their risk category. These deductions are used to fund future liabilities. The cost of the future liabilities as they are realized could exceed the value of the deductions, which could increase our costs leading to a material adverse effect on our operating results. Our reliance on subcontractors can expose us to various liability risks. We rely on subcontractors in order to perform the construction of our homes and, in many cases, to select and obtain raw materials. We are exposed to various risks as a result of our reliance on these subcontractors and their suppliers. The subcontractors we rely on to perform the actual construction of our homes are also subject to a significant and evolving number of local, state and federal laws and regulations, including laws involving matters that are not within our control. If these subcontractors who construct our homes fail to comply with all applicable laws, we can suffer reputational damage and may be exposed to liability. These subcontractors are independent from us under normal homebuilding industry practices. We do not have the ability to control what these independent subcontractors pay or the work rules they impose on their employees. However, various federal and state governmental agencies have sought, and may in the future seek, to hold contracting parties like us responsible for our subcontractors' violations of wage and hour laws, or workers' compensation, collective bargaining and / or other employment-related obligations related to subcontractors' workforces. Governmental agency determinations or attempts by others to make us responsible for our subcontractors' labor practices or obligations could create substantial adverse exposure for us in situations that are not within our control and could be material to our business, financial condition and results of operations. Failure to manage land acquisitions, inventory and development and construction processes could result in significant cost overruns or errors in valuing sites. We own and purchase a large number of sites each year and are therefore dependent on our ability to process a very large number of transactions and make a number of budgetary assumptions which include, among other things, evaluating the site purchase, designing the layout of the development, sourcing materials and subcontractors and managing contractual commitments efficiently and accurately. If we do not manage this process efficiently or our estimates for development costs are not accurate, it could result in the community not generating the returns we expected when underwriting the project and acquiring the property. In addition, we incur many costs even before we begin to build homes in a community. Depending on the stage of development of a land parcel when we acquire it, these may include: costs of preparing land, finishing and entitling lots, installing roads, sewers, water systems and other utilities ~~,~~ **;** taxes and other costs related to ownership of the land on which we plan to build homes; constructing model homes; and promotional and marketing expenses to prepare for the opening of a new home community for sales. Moreover, local municipalities may impose development- related requirements resulting in additional costs. If the rate at which we sell and deliver homes slows or falls, or if our opening of new home communities for sale is delayed, we may incur additional costs, which would adversely affect our gross profit margins and will lead to a longer period of time for us to recover our costs, including those we incurred in acquiring and developing land. In certain circumstances, a grant of entitlements or development agreement with respect to a particular parcel of land may include restrictions on the transfer of such entitlements to a buyer of such land, which may increase our exposure to decreases in the price of such entitled land by restricting our ability to sell it for its full entitled value. In addition, inventory carrying costs can be significant and can result in reduced margins or losses in a poorly performing community or market. Further, if we were required to record a significant inventory impairment, it could negatively affect our reported earnings and negatively impact the market perception of our business. If land and lots are not available at competitive prices, our sales and results of operations could be adversely affected. Our long- term profitability depends in large part on the price at which we are able to obtain suitable land and lots for the development of our communities. Increases in the price (or decreases in the availability) of suitable land and lots could adversely affect our profitability. Moreover, changes in the general availability of desirable land, geographical or topographical constraints, competition for available land and lots, limited availability of financing to acquire land and lots, zoning regulations that limit housing density, environmental requirements and other market conditions may hurt our ability to obtain land and lots for new communities at prices that will allow us to be profitable. If the supply of land and lots that are ~~appropriate~~ **needed** for development of ~~our~~ **new** communities becomes more limited because of these or any other reason, the cost of land and lots could increase and the number of homes that we are able to build and sell could be reduced, which could adversely affect our results of operations and financial condition. If the market value of our land inventory decreases, our results of operations could be adversely affected by impairments and write- downs. The market value of our land and housing inventories depends on market conditions. We acquire land for expansion into new markets and for replacement of land inventory and expansion within our current markets, and there is often a significant lag time between when we acquire land for development and when we sell homes in our communities. This risk is exacerbated particularly with undeveloped and / or unentitled land. There is an inherent risk that the value of the land owned by us may decline after purchase. The valuation of property is inherently subjective and based on the individual characteristics of each property. We may have acquired options on or bought and developed land at a cost we will not be able to recover fully or on which we cannot build and sell homes profitably. In addition, our deposits for lots controlled under option or similar contracts may be put at risk, and depressed land values may cause us to abandon and forfeit deposits on land option contracts and other similar contracts if we cannot satisfactorily renegotiate the purchase price of the subject land. Moreover, all valuations are made on the basis of assumptions that may not prove to reflect economic or demographic reality. If housing demand decreases below what we anticipated when we acquired our inventory, our profitability may be adversely affected and we may not be able to recover our costs when we build and sell houses. In addition, we may incur charges against our earnings for inventory impairments if the value of our owned inventory, including land we decide to sell, is reduced or for land option contract abandonments if we choose not to exercise land option contracts or other similar contracts, and these charges may be substantial. We may not be able to use certain deferred tax assets, which may result in our having to pay substantial taxes. We have significant deferred tax assets, including net operating losses that could be used to offset earnings and reduce the amount of taxes we are required to pay. Our ability to use our net operating losses is dependent on a number of factors, including applicable rules relating to the permitted carry back period for offsetting certain net operating losses against prior period earnings and the timing and amount of future taxable income. If we are unable to use our net operating losses, we may have to record charges to reduce our deferred tax assets, which could have an adverse effect on our results of operations. We have significant operations in certain geographic areas, which subjects us to an increased risk of lost revenue or decreases in the market value of our land and homes in these regions from factors which may affect any of these regions. We currently operate in several states with a concentration in the Western United States and a significant presence in California. Negative factors affecting one or a number of the geographic regions at the same time could result in a relatively greater impact on our results of operations than they might have on other companies that have a more diversified portfolio of operations. To the extent that regions in which our business is concentrated are impacted by an adverse event, we could be disproportionately affected compared to companies whose operations are less geographically concentrated. We participate in certain unconsolidated joint ventures, including those in which we do not have a controlling interest, where we may be adversely impacted by the failure of the unconsolidated joint venture or the other partners in the unconsolidated joint venture to fulfill their obligations. We have investments in and commitments to certain unconsolidated joint ventures with related and unrelated strategic partners generally involved in real estate development, homebuilding, Build- to- Rent, and / or mortgage lending activities. For example, in April 2022, we established a joint venture with Värde Partners (" Värde "), a leading global alternative investment firm, to develop rental properties as a part of our Build- To- Rent program. The venture includes $ 850 million in equity commitments, funded 60 percent by Värde and 40 percent by the Company. The venture provides Värde with the exclusive opportunity to invest in the acquisition and development of Build- To- Rent projects identified by the Company that meet the venture ~~'~~**’** s investment guidelines **. At December 31, 2023, our total investments in unconsolidated joint ventures was $ 346. 2 million** . To finance our joint ventures, our unconsolidated joint ventures often obtain loans from third- party lenders that are secured by the unconsolidated joint venture’ s assets. To the extent any of our joint ventures default on obligations secured by the assets of such joint venture, the assets could be forfeited to third- party lenders. We have provided non- recourse carve- out guarantees to certain third- party lenders to our unconsolidated joint ventures (i. e., guarantees of losses suffered by the lender in the event that the borrowing entity or its equity owners engage in certain conduct, such as fraud, misappropriation of funds, unauthorized transfers of the collateral or equity interests in the borrowing entity, or the borrowing entity commences a voluntary bankruptcy case, or the borrowing entity violates environmental law, or hazardous materials are located on the property, or under other circumstances provided for in such guarantee or indemnity). In the future, we may provide other guarantees and indemnities to such lenders, including secured guarantees, in which case we may have increased liability in the event that a joint venture defaults on its obligations to a third party. If the other partners in our unconsolidated joint ventures do not cooperate or fulfill their contractual obligations **to the joint venture** due to their financial condition, strategic business interests (which may be contrary to ours), or otherwise, we may be required to spend additional resources (including payments under the guarantees we have provided to the unconsolidated joint ventures' lenders) 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 joint venture agreement, potential legal defenses they may have, their respective financial condition and other circumstances. Furthermore, because we lack a controlling interest in our unconsolidated joint ventures we cannot exercise sole decision- making authority, which could create the potential risk of impasses on decisions and prevent the joint venture 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 joint venture 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. In the event a joint venture is terminated or dissolved, we could also be exposed to lawsuits and legal costs. Information technology failures and data security breaches could harm our business. We use information technology and other computer resources to carry out important operational and marketing activities as well as maintain our business records, including information provided by our customers. Many of these resources are provided to us and / or maintained on our behalf by third- party service providers pursuant to agreements that specify certain security and service level standards. Our ability to conduct our business may be impaired if these resources are compromised, degraded, damaged or fail, whether due to a virus or other harmful circumstance, intentional penetration or disruption of our information technology resources by a third party, natural disaster, hardware or software corruption, failure or error (including a failure of security controls incorporated into or applied to such hardware or software), telecommunications system failure, service provider error or failure, intentional or unintentional personnel actions (including the failure to follow our security protocols), or lost connectivity to our networked resources. A significant and extended disruption in the functioning of these resources could impair our operations, damage our reputation, expose us to significant costs to restore these networked resources and cause us to lose customers, sales and revenue. Privacy, security, and compliance concerns have continued to increase as technology has evolved. As part of our normal business activities, we collect and store certain confidential information, including personal information of homebuyers / borrowers and information about employees, vendors and suppliers. While we have implemented systems and processes intended to secure our information technology systems and prevent unauthorized access to or loss of sensitive, confidential and personal data, including through the use of encryption and authentication technologies, and have increased our monitoring capabilities to enhance early detection and rapid response to potential security anomalies, and, to date, have not had a significant cybersecurity breach or attack that had **, or is likely to have,** a material impact on our business ~~or~~ **strategy,** results of operations **, or financial condition** , our security measures may not be sufficient for all possible occurrences and may be vulnerable to hacking, employee error, malfeasance, system error, faulty password management or other irregularities. Further, development and maintenance of these measures are costly and ~~may~~ **continue to** increase and require ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly sophisticated. If we fail to maintain the security of the data we are required to protect, or if we were to be subject to a material successful cyber intrusion, such occurrences could result in business disruption, damage to our reputation, financial obligations to third parties, fines, penalties, regulatory proceedings and private litigation with potentially large **remediation and related** costs, and also in deterioration in customers' confidence in us and other competitive disadvantages, and thus could have a material adverse effect on our business, financial condition and operating results. Additionally, state governments, most notably California, Nevada, **Texas** and Colorado, have enacted or enhanced their data privacy regulations, and other governments are considering establishing similar or stronger protections. These regulations impose certain obligations for securing, and potentially removing, specified personal information in our systems, and for apprising individuals of the information we have collected about them. We have incurred costs in an effort to comply with these data privacy risks and requirements, and our costs may increase significantly as such risks become increasingly complex or if new or changing requirements are enacted, and ultimately based on how individuals choose to exercise their rights. For example, in November 2020, California voters approved Proposition 24 (Consumer Personal Information Law and Agency Initiative), which became effective as of January 1, 2023 and has increased data privacy requirements for our business. Despite our efforts, any noncompliance could result in our incurring substantial penalties and reputational damage. We may incur a variety of costs to engage in future growth or expansion of our operations or acquisitions of businesses, and the anticipated benefits may never be realized. As a part of our business strategy, we may make acquisitions **of** , or significant investments in, businesses. Any future acquisitions, investments and / or disposals are accompanied by risks such as: • difficulties in assimilating the operations and personnel of acquired companies or businesses; • diversion of our management' s attention from ongoing business concerns; • our potential inability to maximize our financial and strategic position through the successful incorporation or disposition of operations; • significant liabilities may not be identified in due diligence or may come to light after the expiry of warranty or indemnity periods; • difficulties in the implementation of uniform standards, controls, procedures and policies; and • impairment of existing relationships with employees, contractors, suppliers and customers as a result of the integration of new management personnel and cost- saving initiatives. Acquisitions can result in dilution to existing stockholders if we issue our ~~Common~~ **common** ~~Stock~~ **stock** as consideration, or reduce our liquidity if we fund them with cash. In addition, acquisitions can expose us to valuation risks, including the risk of writing off goodwill or impairing inventory and other assets related to such acquisitions. The risk of goodwill and asset impairments will increase during a cyclical housing downturn when our profitability may decline. Dispositions have their own risks associated with the separation of operations and personnel, the potential provision of transition services and the allocation of management resources. Dispositions may also result in lost synergies that could negatively impact our balance sheet, income statement and cash flows. Additionally, while we would seek to limit our ongoing exposure, for example, through liability caps and time limits on warranties and indemnities, some warranties and indemnities may give rise to unexpected and significant liabilities. Any claims arising in the future may adversely affect our business, financial condition and operating results. We may not able to manage the risks associated with these transactions and the effects of such transactions, which may materially and adversely affect our business, financial condition and operating results. 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 pose certain inherent health and safety risks to construction workers and other persons on the site. 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 for non- compliance with relevant regulatory requirements, and a failure that results in a major or significant health and safety incident is likely to be costly 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, our relationships with relevant regulatory agencies or governmental authorities, and our ability to attract customers and employees, which in turn could have a material adverse effect on our business, financial condition and operating results. Ownership or occupation of land and the use of hazardous materials carries potential environmental risks and liabilities. We are subject to a variety of local, state and federal statutes, rules and regulations concerning land use and the protection of health and the environment, including those governing the discharge of pollutants to water and air, storm water run- off, the presence of and exposure to asbestos, the handling of hazardous materials and the cleanup of contaminated structures and properties. Further, some environmental laws (including many addressing releases of hazardous substances) impose strict liability, which means that we may be held liable for environmental conditions on property we own, or previously owned, which we did not create or know about, or which resulted from conduct that was lawful. Contamination or other environmental conditions at or in the vicinity of our developments could also result in claims against us for personal injury, property damage or other losses. Such liabilities, and the costs of defending against such claims, may be substantial, and insurance coverage may be limited or non- existent. The presence of such substances at or in the vicinity of our properties, or the failure to remediate such substances properly, may also adversely affect our ability to sell the affected land or to borrow using it as security. Environmental impacts from historical activities have been identified at some of the projects we have developed in the past and additional projects may be located on land that may have been contaminated by previous use. Negative publicity or poor relations with the residents of our communities could negatively impact sales, which could cause our revenues or results of operations to decline. Unfavorable media or investor and analyst reports 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. Our success in maintaining, extending and expanding our brand image depends on our ability to adapt to a rapidly changing media environment. Adverse publicity or negative commentary on social media outlets, such as blogs, websites or newsletters, could hurt operating results, as consumers might avoid or protest brands that receive bad press or negative reviews. Customers and other interested parties could act on such information without further investigation and without regard to its accuracy. Accordingly, we could suffer immediate harm without affording us an opportunity for redress or correction. In addition, we can be affected by poor relations with the residents of communities we develop because these residents sometimes look to 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 disrupt sales or adversely affect our reputation. In addition, we could decide or 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. Legal and regulatory risks. New or changing government regulations and legal challenges may delay the start or completion of our communities, increase our expenses or limit our homebuilding or other activities, which could have a negative impact on our results of operations. The approval of numerous governmental authorities must be obtained in connection with our development and construction activities, and these governmental authorities often have broad discretion in exercising their approval authority. We incur substantial costs related to compliance with legal and regulatory requirements. Any increase in legal and regulatory requirements may cause us to incur substantial additional costs, or in some cases cause us to determine that a property is not feasible for development. Various local, state and federal statutes, ordinances, rules and regulations concerning building, health and safety, site and building design, environment, zoning, subcontracting, sales and similar matters apply to and / or affect the housing industry. In addition, our ability to obtain or renew permits or approvals and the continued effectiveness of permits already granted or approvals already obtained depends on factors beyond our control, such as changes in federal, state and local policies, rules and regulations and their interpretations and application. Furthermore, we are also subject to various fees and charges of government authorities designed to defray the cost of providing certain governmental services and improvements. For example, local and state governments have broad discretion regarding the imposition of development fees for projects under their jurisdictions, as well as requiring concessions or that the builder construct certain improvements to public places such as parks and streets, or fund schools. Further, government agencies routinely initiate audits, reviews or investigations of our business practices to ensure compliance with applicable laws and regulations, which can cause us to incur costs or create other disruptions in our business that can be significant. Further, we may experience delays and increased expenses as a result of legal challenges to our proposed communities, whether brought by governmental authorities or private parties. . ~~7 million resulting~~ **We may face substantial damages or be enjoined** from **pursuing important activities as** a ~~judgment~~ **result of existing or future litigation,arbitration or other claims.We are involved** in ~~a case~~ **various litigation and legal claims** in ~~Florida relating to~~ **the normal course of** our ~~collection~~ **business operations,including actions brought on behalf** of **various classes** ~~club membership fees in connection with the use~~ of **claimants** ~~our club amenities.See Note 14- Commitments and Contingencies- Legal Proceedings in the Notes to the Consolidated financial statements included in this Annual Report for additional information~~ .We establish liabilities for legal claims and regulatory matters when such matters are both probable of occurring and any potential loss is reasonably estimable.We accrue for such matters based on the facts and circumstances specific to each matter and revise these estimates as the matters evolve.In such cases,there may exist an exposure to loss in excess of any amounts currently accrued.In view of the inherent difficulty of predicting the outcome of these legal and regulatory matters,we generally cannot predict the ultimate resolution,the related timing or the amount of any eventual loss.To the extent the liability arising from the ultimate resolution of any matter exceeds the estimates reflected in the recorded reserves relating to such matter,we could incur additional charges that could be significant.Unfavorable litigation,arbitration or claims could also generate negative publicity in various media outlets that could be detrimental to our **reputation** Regulations regarding environmental matters and climate change may affect us by substantially increasing our costs and exposing us to potential liability. We are subject to various environmental laws and regulations, which may affect aspects of our operations such as how we manage storm water runoff, wastewater discharges and dust; how we develop or operate on properties on or affecting resources such as wetlands, endangered species, cultural resources, or areas subject to preservation laws; and how we address contamination. Developers and homebuilders may become subject to more stringent requirements under such laws. In addition, some of these requirements that significantly affect how certain properties may be developed are contentious, attract intense political attention, and may be subject to significant changes over time. For example, regulations governing wetlands permitting under the federal Clean Water Act have been the subject of extensive rulemakings for many years, resulting in several major joint rulemakings by the EPA and the U. S. Army Corps of Engineers that have expanded and contracted the scope of wetlands subject to regulation; and such rulemakings have been the subject of many legal challenges, some of which remain pending. It is unclear how these and related developments, including at the state or local level, ultimately may affect the scope of regulated wetlands where we operate. Although we cannot reliably predict the extent of any effect these rulemakings regarding wetlands, or any other environmental requirements that may take effect may have on us, they could result in time- consuming and expensive compliance programs and in substantial expenditures, which could cause delays and increase our cost of operations. Our noncompliance with environmental laws could result in fines and penalties, obligations to remediate or restore habitat, permit revocations and other sanctions. In addition, there is a growing concern from advocacy groups and the general public that the emission of greenhouse gases and other human activities are causing significant changes in weather patterns and temperatures and the frequency and severity of weather events and natural disasters. There is a variety of legislation and other regulation being implemented or considered, at the federal, state and local level relating to energy and climate change. This legislation and these regulations involve matters including carbon dioxide emissions control and building codes that impose energy efficiency standards, as well as standards to improve the resiliency of buildings to climate- related impacts such as flooding, storm surges, severe winds, wildfires and other extreme weather- related stress on buildings. Such requirements could significantly increase our cost to construct homes. Energy- related initiatives affect a wide variety of companies throughout the United States and the world and, because our operations are heavily dependent on significant amounts of raw materials, such as lumber, steel and concrete, they could also have an indirect adverse impact on our operations and profitability to the extent the manufacturers and suppliers of our materials are burdened with expensive cap and trade and similar energy related taxes and regulations. Furthermore, some of our homes and land development projects may be in locations that are susceptible to the physical impacts of climate change, and we may experience losses that are not adequately covered by insurance in the event of an adverse event, or may not be able to find buyers for homes and developments in locations perceived as vulnerable to the physical impacts of climate change . We may face substantial damages or...... that could be detrimental to our reputation . Utility and resource shortages or rate fluctuations could have an adverse effect on our operations. Several of the markets in which we operate have historically been subject to utility and resource shortages, including significant changes to the availability and cost of electricity and water. Shortages of utility resources and natural resources in our markets, particularly of water, may make it more difficult for us to obtain regulatory approval of new developments and have other adverse implications. For example, certain areas in which we operate, particularly the Western United States, have experienced and continue to experience severe drought conditions. In response to these conditions, government officials often take a number of steps to preserve potable water supplies. To address the state' s mandate and their own available potable water supplies, local water agencies / suppliers could potentially: restrict, delay the issuance of, or proscribe new water connection permits for homes; increase the costs for securing such permits, either directly or by requiring participation in impact mitigation programs; adopt higher efficiency requirements for water- using appliances or fixtures; limit or ban the use of water for construction activities; impose requirements as to the types of allowed plant ~~material~~ **vegetation** or irrigation for outdoor landscaping that are more strict than state standards and less desired by consumers; and / or impose fines and penalties for noncompliance with any such measures. These local water agencies / suppliers could also increase rates and charges to residential users for the water they use, potentially increasing the cost of homeownership. Any of the foregoing, individually or collectively, could adversely affect the regional economies in which we operate, which may limit, impair or delay our ability to acquire and develop land and / or build and deliver homes, increase our production costs or reduce demand for our homes, thereby negatively affecting our business and results of operations. Risks related to our financial services business. Our financial services businesses are subject to risks, including risks associated with our ability to sell mortgages we originate and to claims on loans sold to third parties. While we intend for the loans originated by TMHF, our financial services business, to be sold on the secondary market, if TMHF is unable to sell loans into the secondary mortgage market or directly to large secondary market loan purchasers such as Fannie Mae and Freddie Mac, TMHF would bear the risk of being a long- term investor in these originated loans. Being required to hold loans on a long- term basis would subject us to credit risks associated with the borrowers to whom the loans are extended, would negatively affect our liquidity and could require us to use additional capital resources to finance the loans that TMHF is extending. In addition, although mortgage lenders under the mortgage warehouse facilities TMHF currently uses to finance our lending operations normally purchase our mortgages within approximately 20- 30 days of origination, if such mortgage lenders default under these warehouse facilities TMHF would be required to fund the mortgages then in the pipeline. In such case, amounts available under our **$ 1 Billion** Revolving Credit

Facility **and $ 100 Million Revolving Credit Facility (together, the" Revolving Credit Facilities")** and cash from operations may not be sufficient to allow TMHF to provide financing required by our business during these times, and our ability to originate and sell mortgage loans at competitive prices could be limited, which could negatively affect our business. Further, an obligation to commit our own funds to long- term investments in mortgage loans could, among other things, delay the time when we recognize revenues from home sales on our statements of operations. Our financial services businesses may also be responsible for losses associated with mortgage loans originated and sold to investors (including loans originated by companies we have acquired) in the event of errors or omissions relating to certain representations and warranties made to secondary market purchasers that the loans sold meet certain requirements, including representations as to underwriting standards, the type of collateral, the existence of primary mortgage insurance and the validity of certain borrower representations in connection with the loan. Accordingly, mortgage investors could seek to have us buy back loans or compensate them for losses incurred on mortgages sold based on claims that we breached our limited representations or warranties. If, due to higher costs, reduced liquidity, residential consumer loan putback demands or internal or external reviews of its residential consumer mortgage loan foreclosure processes, or other factors or business decisions, TMHF is unable to make loan products available to our homebuyers, our home sales and financial services results of operations may be adversely affected. We enter into interest rate lock commitments (" IRLCs ") to originate residential mortgage loans held for sale, at specified interest rates and within a specified period of time (generally between 30 and 60 days), with customers who have applied for a loan and meet certain credit and underwriting criteria. These commitments expose us to market risk if interest rates change and the underlying loan is not economically hedged or committed to an investor. We also have exposure to credit loss in the event of contractual non-performance by our trading counterparties in derivative instruments that we use in our rate risk management activities. We aim to manage this credit risk by selecting only counterparties that we believe to be financially strong, spreading the risk among multiple counterparties, by placing contractual limits on the amount of unsecured credit extended to any single counterparty, and by entering into netting agreements with counterparties, as appropriate. Our financial services and title services businesses may be adversely affected by changes in governmental regulation. Changes in governmental regulation with respect to mortgage lenders and title service providers could adversely affect the financial results of this portion of our business. Our financial services businesses are subject to numerous federal, state and local laws and regulations, which, among other things: prohibit discrimination and establish underwriting guidelines; provide for audits and inspections; require appraisals and / or credit reports on prospective borrowers and disclosure of certain information concerning credit and settlement costs; establish maximum loan amounts; prohibit predatory lending practices; and regulate the referral of business to affiliated entities. In addition, our title insurance operations are also subject to applicable insurance and banking laws and regulations as well as government audits, examinations and investigations, all of which may limit our ability to provide title services to potential purchasers. The regulatory environment for mortgage lending is complex and ever changing and has led to an increase in the number of audits, examinations and investigations in the industry. The 2008 housing downturn resulted in numerous changes in the regulatory framework of the financial services industry. ~~More recently, in response to COVID- 19, federal agencies, state governments and private lenders are proactively providing relief to borrowers in the housing market by, subject to conditions, suspending home foreclosures and granting payment forbearance, among other things. These relief measures are temporary, but these changes and others could become incorporated into the current regulatory framework.~~ Any changes or new enactments could result in more stringent compliance standards, which could adversely affect our financial condition and results of operations and the market perception of our business. Additionally, if we are unable to originate mortgages for any reason going forward, our customers may experience significant mortgage loan funding issues, which could have a material impact on our homebuilding business and our ~~consolidated~~ **Consolidated** financial statements. The prices of our mortgages could be adversely affected if we lose any of our important commercial relationships. We have longstanding relationships with members of the lender community from which our borrowers benefit. TMHF plans to continue with these relationships and use the correspondent lender platform as a part of its operational plan. While we believe that our current commercial relationships are strong, if our relationship with any one or more of those banks deteriorates or if one or more of those banks decide to renegotiate or terminate existing agreements or otherwise exit the market, TMHF may be required to increase the price of our products, or modify the range of products TMHF offers, which could cause us to lose customers who may choose other providers based solely on price or fees, which could adversely affect our financial condition and results of operations. Risks related to our indebtedness Constriction of the capital markets could limit our ability to access capital and increase our costs of capital. We fund our operations with cash from operations, capital markets financings and borrowings under our Revolving Credit ~~Facility~~ **Facilities** and other loan facilities. The expansion and development of our business may require significant capital, which we may be unable to obtain. Further, our capital requirements may vary materially from those currently planned if, for example, our revenues do not reach, or our costs exceed, expected levels or we have to incur unforeseen capital expenditures to maintain our competitive position. If this is the case, we may require additional financing sooner than anticipated or we may have to delay or abandon some or all of our development and expansion plans or otherwise forego market opportunities. Volatile economic conditions and the constriction of the capital markets could reduce the sources of liquidity available to us and increase our costs of capital. If the size or availability of our banking facilities is reduced in the future, or if we are unable to obtain new, or renew existing, facilities in the future on favorable terms or otherwise access the loan or capital markets, it would have an adverse effect on our liquidity and operations. Our substantial debt could adversely affect our business, financial condition or results of operations and prevent us from fulfilling our debt- related obligations. We have a substantial amount of debt. As of December 31, ~~2022~~ **2023** , the total principal amount of our debt (including $ ~~306~~ **153** . ~~1~~ **5** million of indebtedness of TMHF) was $ 2. ~~5~~ **0** billion. Our substantial debt could have important consequences for the holders of our ~~Common~~ **common** ~~Stock~~ **stock** , 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 land acquisitions, particularly when the availability of financing in the capital markets is limited; ~~•~~ requiring us to pay higher interest rates upon refinancing or on our variable rate indebtedness if interest rates rise; • requiring a substantial portion of our cash flows from operations and the proceeds of any capital markets offerings or loan borrowings for the payment of **principal and** interest on our debt thus reducing our ability to use our cash flows to fund working capital, capital expenditures, land 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 ensure 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 Revolving Credit ~~Facility~~ **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 ensure 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 in order to finance our operations, to fund acquisitions, 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 or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances. We cannot ensure that any such actions, if necessary, could be effected on commercially reasonable terms **,** or at all. Restrictive covenants in the agreements governing our Revolving Credit ~~Facility~~ **Facilities** and other indebtedness may restrict our ability to pursue our business strategies. The ~~agreement~~ **agreements** governing our Revolving Credit ~~Facility~~ **Facilities** ~~limits~~ - **limit** our ability, and the terms of any future indebtedness may prohibit or limit our ability, among other things, to: • incur or guarantee additional indebtedness; • make certain investments; • repurchase equity or subordinated indebtedness; • pay dividends or make distributions on our capital stock; • sell assets, including capital stock of restricted subsidiaries; • agree to restrictions on distributions, transfers or dividends affecting our restricted subsidiaries; • consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; • enter into transactions with our affiliates; • incur liens; and • designate any of our subsidiaries as unrestricted subsidiaries. In addition, the indentures governing our Senior Notes contain covenants that, among other things, restrict our ability to incur certain liens securing indebtedness without equally and ratably securing the Senior Notes and enter into certain sale and leaseback transactions, subject to certain exceptions and qualifications. The ~~agreement~~ **agreements** governing our ~~new~~ Revolving Credit ~~Facility~~ **Facilities** ~~contains~~ - **contain** certain " springing " financial covenants that, if triggered, require Taylor Morrison Home III Corporation, a Delaware corporation and our indirect wholly owned subsidiary, and its subsidiaries to comply with a maximum debt to capitalization ratio and a minimum consolidated tangible net worth test. The restrictions contained in the indentures governing all of our Senior Notes and the ~~agreement~~ **agreements** governing our Revolving Credit ~~Facility~~ **Facilities** could also limit our ability to plan for or react to market conditions, meet capital needs or make acquisitions or otherwise restrict our activities or business plans. A breach of any of the restrictive covenants under the agreements governing our Revolving Credit ~~Facility~~ **Facilities** or any of our Senior Notes could allow for the acceleration of ~~both~~ the Revolving Credit ~~Facility~~ **Facilities** and all Senior Notes. If the indebtedness under our Revolving Credit ~~Facility~~ **Facilities** or the Senior Notes were to be accelerated, we cannot assure you that our assets would be sufficient to repay in full that indebtedness and our other indebtedness. The ~~planned~~ discontinuation of LIBOR could affect our borrowing costs. The London Interbank Offered Rate (" LIBOR ") was the primary basis for determining interest payments on borrowings under each of our warehouse facilities and our Revolving Credit Facilities. On March 5, 2021, ICE Benchmark Administration (" IBA ") confirmed it would cease publication of Overnight, 1, 3, 6 and 12 month US Dollar LIBOR settings immediately following the LIBOR publication on June 30, 2023. The Alternative Reference Rates Committee, which was convened by the Federal Reserve Board and the New York Federal Reserve, has identified the Secured Overnight Financing Rate (" SOFR ") as the recommended risk- free alternative rate for US Dollar LIBOR. In response to the planned discontinuation of LIBOR, our warehouse facilities agreements ~~for facilities A, C, D, and E~~ as well as our Revolving Credit Facilities have been restructured to **use** ~~begin using~~ SOFR as the primary basis for determining interest payments. ~~The agreement for warehouse facility B was also restructured to use the Bloomberg Short- Term Bank Yield Index (" BSBY ") as the primary basis for determining interest payments. The BSBY index is a proprietary index calculated daily as a credit sensitive supplement to manage the spread between funding costs and earned interest on loans.~~ At this time, it is not possible to predict the full effect that the ~~anticipated~~ discontinuance of LIBOR, or the establishment of alternative reference rates such as SOFR ~~and BSBY~~ , will have on us or our borrowing costs. SOFR **is a** ~~and BSBY are~~ relatively new reference ~~rates~~ - **rate** and ~~their~~ **its** composition and characteristics are not the same as LIBOR. Given the limited history of these rates and potential volatility as compared to other benchmark or market rates, the future performance of these rates cannot be predicted based on historical performance. The consequences of using SOFR ~~and BSBY~~ could include an increase in the cost of our variable rate indebtedness. Risks related to our organization and structure Provisions in our charter and by- laws and provisions of Delaware law may delay or prevent our acquisition by a third party, which might diminish the value of our ~~Common~~ **common** ~~Stock~~ **stock** . Provisions in our debt agreements may also require an acquirer to refinance our outstanding indebtedness if a change of control occurs. Our amended and restated certificate of incorporation and our amended and restated by- laws contain certain provisions that may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable, including the following: • the sole ability of the ~~board~~ **Board** of ~~directors~~ **Directors** to fill a vacancy created by the expansion of the ~~board~~ **Board** of ~~directors~~ **Directors** ; • advance notice requirements for stockholder proposals and director nominations; • limitations on the ability of stockholders to call special meetings and to take action by written consent; • in certain cases, the approval of holders of at least three- fourths of the shares entitled to vote generally on the making, alteration, amendment or repeal of our certificate of incorporation or by- laws will be required to adopt, amend or repeal our bylaws, or amend or repeal certain provisions of our certificate of incorporation; and • the ability of our ~~board~~ **Board** of ~~directors~~ **Directors** to designate the terms of and issue new series of preferred stock without stockholder approval, which could be used, among other things, to institute a rights plan that would have the effect of significantly diluting the stock ownership of a potential hostile acquirer, likely preventing acquisitions that have not been approved by our ~~board~~ **Board** of ~~directors~~ **Directors** . Section 203 of the Delaware General Corporation Law may affect the ability of an " interested stockholder " to engage in certain business combinations for a period of three years following the time that the stockholder becomes an " interested stockholder. " We have elected in our amended and restated certificate of incorporation not to be subject to Section 203 of the Delaware General Corporation Law. Nevertheless, our amended and restated certificate of incorporation contains provisions that have the same effect as Section 203 of the Delaware General Corporation Law. The existence of the foregoing provisions and anti- takeover measures could limit the price that investors might be willing to pay in the future for shares of our ~~Common~~ **common** ~~Stock~~ **stock** . They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your ~~Common~~ **common** ~~Stock~~ **stock** in an acquisition. Under our Revolving Credit ~~Facility~~ **Facilities** , a change of control would be an event of default, which ~~would~~ **could** therefore require a third- party acquirer to obtain a facility to refinance any outstanding indebtedness under the Revolving Credit ~~Facility~~ **Facilities** . Under the indentures governing our Senior Notes, if a change of control were to occur, we would be required to make offers to repurchase the Senior Notes at prices equal to 101 % of their respective principal amounts. These change of control provisions in our existing debt agreements may also delay or diminish the value of an acquisition by a third party. Our charter provides to the fullest extent permitted by law that the Court of Chancery of the State of Delaware will be the exclusive forum for certain legal actions between the Company and our stockholders, which could increase costs to bring a claim, discourage claims or limit the ability of our stockholders to bring a claim in a judicial forum viewed by stockholders as more favorable for disputes with us or our directors, officers or other employees. Our charter provides to the fullest extent permitted by law that unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any (i) derivative action or proceeding brought on behalf of the Company, (ii) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or stockholders, (iii) any action or proceeding asserting a claim arising pursuant to any provision of the General Corporation Law of the State of Delaware, as amended from time to time, or (iv) any action or proceeding asserting a claim governed by the internal affairs doctrine. The choice of forum provision may increase costs to bring a claim, discourage claims or limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with the Company or our directors, officers or other employees, which may discourage such lawsuits against us or our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our charter to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions. The exclusive forum provision in our charter will not preclude or contract the scope of exclusive federal or concurrent jurisdiction for actions brought under the federal securities laws including the Exchange Act or the Securities Act or the respective rules and regulations promulgated thereunder. Any of the above risks could have a material adverse effect on your investment in our ~~Common~~ **common** ~~Stock~~ **stock** . **35**