

Risk Factors Comparison 2024-12-20 to 2023-12-21 Form: 10-K

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

Risks Related to Our Business and Industry We are subject to demand fluctuations in the housing industry. Any reduction in demand would adversely affect our business, results of operations, and financial condition. Demand for our homes and rental apartments is subject to fluctuations and difficult to predict, often due to factors outside of our control, such as employment levels, consumer confidence and spending, housing demand, availability of financing for homebuyers, interest rates, availability, **quality** and prices of new homes compared to existing inventory, and demographic trends. In a housing market downturn, our sales and results of operations will be adversely affected; we may have significant inventory impairments and other write-offs; our gross margins may decline significantly from historical levels; and we may incur substantial losses from operations. At any particular time, we cannot accurately predict whether housing market conditions will improve, deteriorate or continue as they exist at that time. Adverse changes in economic conditions in markets where we conduct our operations and where prospective purchasers of our homes live could reduce the demand for homes and, as a result, could adversely affect our business, results of operations, and financial condition. Adverse changes in economic conditions in markets where we conduct our operations and where prospective purchasers of our homes live have had and may in the future have a negative impact on our business. Adverse changes in mortgage ~~interest~~ rates, employment levels, job growth, consumer confidence, perceptions regarding the strength of the housing market, and population growth, or an oversupply of homes for sale may reduce demand or depress prices for our homes and cause home buyers to cancel their agreements to purchase our homes. In addition, because we have increased our supply of ~~quick move-in (or “spec”)~~ homes relative to our ~~built~~ **built** -to-order homes, adverse changes in economic conditions could cause us to reduce prices more rapidly to avoid carrying large amounts of finished inventory. This, in turn, could adversely affect our results of operations and financial condition. Significant inflation, higher interest rates or deflation could adversely affect our business and financial results. Inflation can adversely affect us by increasing costs of land, materials and labor, and interest rates. All of these factors can have a negative impact on housing affordability **and demand for our homes**. In a highly inflationary environment, we may be unable to raise the sales prices of our homes at or above the rate of inflation, which could reduce our profit margins. In addition, our cost of capital, labor and materials can increase, which could have an adverse impact on our business or financial results. Inflation may also accompany **or give rise to** higher interest rates, which could adversely impact our customers’ ability to obtain financing on favorable terms, **if at all**, thereby decreasing demand for our homes. **In recent years** ~~During 2022 and 2023~~, high inflation and rising interest rates were primary drivers of decreases in home demand, including our homes. **If these these trends persist, they** could adversely impact our business and financial results in the future. Conversely, deflation could cause an overall decrease in spending and borrowing capacity, which could lead to deterioration in economic conditions and employment levels. Deflation could also cause the value of our inventories to decline or reduce the value of existing homes. These, or other factors that increase the risk of significant deflation, could have a negative impact on our business or financial results. The risks associated with our land, lot and rental inventory could adversely affect our business or financial results. There are substantial risks inherent in controlling, owning and developing land. If housing demand declines, we may not be able to build, sell or rent homes profitably in some of our communities, we may not be able to fully recover the costs of some of the land and lots we own, and we may forfeit deposits on land that we put under control through option arrangements. We acquire land or make payments to control land for expansion into new markets and for replacement of land inventory and expansion within existing markets. If housing demand in a given market declines below the levels that we expected when we acquired or gained control of land, we may have to sell or rent homes or land for a lower profit margin or record inventory impairment charges on our land and lots. Due to the decline in our business during the 2006 – 2011 downturn in the housing industry, we recognized significant inventory impairments. We cannot assure you that significant inventory impairments will not occur again in the future. If land is not available at reasonable prices, our sales and results of operations could decrease. The home building industry is highly competitive for suitable land and the risk inherent in purchasing and developing land increases as consumer demand for housing increases. In the long term, our operations depend on our ability to obtain land at reasonable prices for the development of our residential communities. At October 31, ~~2023~~ **2024**, we had approximately ~~70~~ **74**, 700 home sites that we owned or controlled through options. In the future, changes in the availability of land, competition for available land, availability of financing to acquire land, zoning regulations that limit housing density, and other market conditions may hurt our ability to obtain land for new residential communities at acceptable prices. If the supply of land appropriate for the development of our residential communities becomes more limited because of these factors or for any other reason, the cost of land could increase and / or the number of homes that we are able to sell and build could be reduced. Our ability to execute on our business strategies is uncertain, and we may be unable to achieve our goals. We cannot guarantee that (i) our strategies, which include expanding our ~~geographic footprint~~ **presence in existing markets and potential expansion into new markets**, ~~offering a wide variety of product~~ **products** lines and price points, becoming a more capital and operationally efficient home builder, and ~~increasing the supply~~ **maintaining an appropriate balance** of ~~spec~~ **our quick move-in** homes for sale relative to our ~~built~~ **built** -to-order homes, and any related initiatives or actions (including home builder acquisitions), will be successful or that they will generate growth, earnings or returns at any particular level or within any particular time frame; (ii) in the future we will achieve positive operational or financial results or results in any particular metric or measure equal to or better than those attained in the past; or (iii) we will perform in any period as well as other home builders. We also cannot provide any assurance that we will be able to maintain our strategies, and any related initiatives or actions, in the future and, due to unexpectedly favorable or unfavorable market conditions or other factors,

we may determine that we need to adjust, refine or abandon all or portions of our strategies, and any related initiatives or actions, though we cannot guarantee that any such adjustments will be successful. The failure of any one or more of our present strategies, or any related initiatives or actions, or the failure of any adjustments that we may pursue or implement, would likely have an adverse effect on our ability to increase the value and profitability of our business; on our ability to operate our business in the ordinary course; on our overall liquidity; and on our consolidated financial statements, and the effect, in each case, could be material. Negative publicity could adversely impact sales, which could cause our revenues or results of operations to decline. Our business is dependent upon the appeal of the Toll Brothers brand, and its association with quality and luxury is integral to our success. Our strategy ~~includes~~ **has involved** growing our business by expanding our luxury brand to new price points, product lines and geographies, including expansion of our affordable luxury products. If we are unable to maintain the position of the Toll Brothers brand, our business may be adversely affected by diminishing the distinctive appeal of the brand and tarnishing its image. This could result in lower sales and earnings. In addition, unfavorable media or investor and analyst reports related to our industry, company, brand, marketing, personnel, operations, business performance, or prospects may affect our stock price and the performance of our business, regardless of its accuracy. Furthermore, the speed at which negative publicity is disseminated has increased dramatically through the use of electronic communication, including social media outlets, websites and other digital platforms. Our success in maintaining and enhancing our brand depends on our ability to adapt to this rapidly changing media environment. Adverse publicity or negative commentary from ~~any~~ **media outlets or social media** could damage our reputation and reduce the demand for our homes, which would adversely affect our business. We can also be affected by poor relations with the residents of communities we develop because efforts made by us to resolve issues or disputes that may arise in connection with the operation or development of their communities, or in connection with the transition of a homeowners association, could be deemed unsatisfactory by the affected residents and subsequent actions by these residents could adversely affect sales or our reputation. In addition, we could decide or be required to make material expenditures related to the settlement of such issues or disputes, which could adversely affect the results of our operations. A significant portion of our revenues and income from operations is generated from California. A significant portion of our revenues and income from operations are concentrated in California. **In addition, our gross margin in California tends to be higher than Company average.** Factors beyond our control could have a material adverse effect on our revenues, **gross margin** and / or income from operations generated in California. These factors include, but are not limited to: changes in the regulatory and fiscal environment; prolonged economic downturns; high levels of foreclosures; lack of affordability; a ~~decline in~~ **lack of** foreign buyer demand; severe weather including drought; **natural disasters such as earthquakes and wild fires;** the risk of local governments imposing building moratoriums and of state or local governments imposing regulations that increase building costs; ~~natural disasters such as earthquakes and wild fires;~~ environmental incidents; and declining population and / or growth rates and the related reduction in housing demand in this region. If home sale activity or sales prices decline in California, our costs may not decline at all or at the same rate and our inventory and lots owned or controlled in the state may be at risk of impairment. As a result, our consolidated financial results may be adversely affected. **The** ~~In the~~ **construction of a cycle for** mid- rise, high- rise ~~or and~~ **multifamily building is generally longer than that of single family detached homes, which puts us at greater risk of** whether a for- sale or a for- rent property, we incur significant costs before we can begin construction, ~~sell and deliver the units to our customers, or commence the collection of rent and recover our costs. We may be subject to~~ **delays and changing market conditions** in construction that could lead to higher costs that could adversely affect our operating results **in this part of**. ~~Changing market conditions during the construction period could negatively impact sales prices and rents, which could adversely affect our~~ **business** operating results. Before a mid- rise, high- rise or multifamily building generates any revenues, we make significant expenditures to acquire land; to obtain permits, development approvals, and entitlements; and to construct the building. It generally takes several years for us to acquire the land and construct, market, and deliver units or lease units in a high- rise building. Completion times vary on a building- by- building basis depending on the complexity of the project, its stage of development when acquired, our relationship with any joint venture partners that may be involved in a project, and the regulatory and community issues involved. As a result of these potential delays in the completion of a building, we face the risk that demand for housing may decline during this period and we may be forced to sell or lease units at a loss or for prices that generate lower profit margins than we initially anticipated. Furthermore, if construction is delayed, we may face increased costs as a result of inflation or other causes and / or asset carrying costs (including interest on funds used to acquire the land and construct the building). These costs can be significant and can adversely affect our operating results. In addition, if values of the building or units decline, we may also be required to recognize significant impairments in the future. ~~information regarding these warranty charges.~~ Our condominium and rental multi- unit buildings are subject to fluctuations in delivery volume due to their extended construction time, levels of pre- sales and lease- up, and quick delivery of units once buildings are complete. Our quarterly operating results will fluctuate depending on the timing of construction of our multi- unit condominium buildings, levels of pre- sales, and the relatively short delivery time of the pre- sold units once the building is completed. These sales can result in significant gains or losses that we recognize on our Consolidated Statements of Operations and Comprehensive Income as income from unconsolidated entities. The timing of these gains or losses cannot be predicted with certainty and, as a result, can cause our net income to fluctuate from quarter to quarter. In addition to our residential for- sale business, we also develop, operate and **/ or**, in certain situations, sell for- rent apartments, which we accomplish mainly through joint ventures. Often, the joint venture through which we develop and lease- up a rental property sells the property to a third party or to the joint venture partner upon stabilization. These sales can result in significant gains or losses that we recognize on our Consolidated Statements of Operations and Comprehensive Income as income from unconsolidated entities. The timing of these gains or losses cannot be predicted with certainty and, as a result, can cause our net income to fluctuate from **quarter to quarter.** Increases in cancellations of existing agreements of sale could have an adverse effect on our business. Our backlog reflects agreements of sale with our home buyers for homes that have not yet been delivered. We have received a deposit from our home

buyer for each home reflected in our backlog, and generally we have the right to retain the deposit if the home buyer does not complete the purchase. In some cases, however, a home buyer may cancel the agreement of sale and receive a complete or partial refund of the deposit for reasons such as state and local law requirements, the home buyer's inability to obtain mortgage financing, the home buyer's inability to sell their current home, or our inability to complete and deliver the home within the specified time. Home buyers may also choose to cancel their home agreement and forfeit their deposit. **The amount of deposit that we require varies by community and market and may be insufficient to compel a home buyer to complete the purchase.** At October 31, ~~2023~~ **2024**, we had ~~6-5~~, ~~578-996~~ homes with a sales value of \$ ~~6.95-47~~ billion in backlog. If economic conditions decline, if mortgage financing becomes less available or more costly, or if our homes become less attractive due to market price declines or due to other conditions at or in the vicinity of our communities, we could experience an increase in home buyers canceling their agreements of sale with us, which could have an adverse effect on our business and results of operations. The home building industry is highly competitive, and, if other home builders are more successful or offer better value to our customers, our business could decline. We operate in a very competitive environment in which we face competition from a number of other home builders in each market in which we operate. We compete with large national and regional home building companies and with smaller local home builders for land, financing, building components, and skilled management and labor resources. We also compete with the resale home market, also referred to as the "previously owned" or "existing" home market. An oversupply of homes available for sale or the heavy discounting of home prices by some of our competitors could adversely affect demand for our homes and the results of our operations. An increase in competitive conditions can have any of the following impacts on us: delivery of fewer homes; sale of fewer homes; higher cancellations by our home buyers; an increase in selling incentives and / or reduction of prices; and realization of lower gross margins due to lower sales prices or an inability to increase sales prices to offset increased costs of the homes delivered. If we are unable to compete effectively in our markets, our business could decline disproportionately to that of our competitors. We rely on subcontractors to develop our land and construct our homes and on building supply companies to supply components for the construction of our homes. The failure of our subcontractors to properly construct our homes and adopt appropriate jobsite safety practices, or defects in the components we obtain from building supply companies could have an adverse effect on us. We engage subcontractors to develop our land and construct our homes, including by purchasing components used in the construction of our homes from building supply companies. Despite our quality control and jobsite safety efforts, we may discover that our subcontractors were engaging in improper development, construction or safety practices or that the components purchased from building supply companies are not performing as specified. The occurrence of such events could require us to repair facilities and homes in accordance with our standards and as required by law, or to respond to claims of improper oversight of construction sites. The cost of satisfying our legal obligations in these instances may be significant, and we may be unable to recover the cost of repair from subcontractors, suppliers and insurers. **For example, we have incurred significant costs to repair homes built in Pennsylvania and Delaware. See Note 7 — "Accrued Expenses" in Item 15 (a) 1 of this Form 10-K for additional information regarding warranty charges.** We also can suffer damage to our reputation, and may be exposed to possible liability, if subcontractors fail to comply with applicable laws, including laws involving matters that are not within our control. We have implemented policies that are designed to inform subcontractors of observations of hazardous conditions that could jeopardize the safety of individuals or result in penalties or other legal consequences, and ultimately to reduce or eliminate unsafe acts and conditions. However, attempts at mitigation may not be successful and we could be subject to claims relating to actions of, or matters relating to, our subcontractors. We participate in certain joint ventures where we may be adversely impacted by the actions of the joint venture or its participants. We have investments in and commitments to certain unconsolidated joint ventures with unrelated parties generally involved in land development, home building and apartment rental development activities. At October 31, ~~2023~~ **2024**, we had investments of \$ ~~959-1.0-01 million~~ **billion** in unconsolidated entities and were committed to invest or advance up to an additional \$ ~~400-312~~. **8 million** to these unconsolidated entities if they require additional funding. These joint ventures generally borrow money to help finance their activities. In certain circumstances, the joint venture participants, including us, are required to provide guarantees of certain obligations relating to the joint ventures. In most of these joint ventures, we do not have a controlling interest and, as a result, are not able to require these joint ventures or their participants to honor their obligations or renegotiate them on acceptable terms. If the joint ventures or their participants do not honor their obligations, we may be required to expend additional resources or suffer losses, which could be significant. In addition, because we generally do not control these joint ventures, our investments may be illiquid and we may not always agree with our partners on major decisions, such as asset sales. Disputes between us and partners may result in litigation or arbitration that could increase our expenses and distract our management team. In addition, we may in certain circumstances be liable for the actions of its third- party partners. Government regulations and legal challenges may delay the start or completion of our communities, increase our expenses, or limit our home building activities, which could have a negative impact on our operations. We must obtain the approval of numerous governmental authorities 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 the property is not feasible for development. Various local, state, and federal statutes, ordinances, rules, and regulations concerning building, zoning, sales, accessibility, safety, anti- discrimination, and similar matters apply to and / or affect the housing industry. Governmental regulation affects construction activities as well as sales activities, mortgage lending activities, and other dealings with home buyers, including anti- discrimination laws such as the Fair Housing Act and data privacy laws such as the California Consumer Privacy Act. The industry also has experienced an increase in state and local legislation and regulations that limit the availability or use of land. Municipalities may also restrict or place moratoriums on the availability of utilities, such as water and sewer taps. In some areas, municipalities may enact growth control initiatives, which ~~will~~ restrict the

number of building permits available in a given year. In addition, we may be required to apply for additional approvals or modify our existing approvals because of changes in local circumstances or applicable law. If municipalities in which we operate take actions like these, it could have an adverse effect on our business by causing delays, increasing our costs, or limiting our ability to operate in those municipalities. 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. Our mortgage subsidiary, ~~TBMC~~, is subject to various state and federal statutes, rules, and regulations, including those that relate to licensing, lending operations, and other areas of mortgage origination and financing. The impact of those statutes, rules, and regulations can increase our home buyers' cost of financing, increase our cost of doing business, and restrict our home buyers' access to some types of loans. Product liability claims and litigation and warranty claims that arise in the ordinary course of business may be costly, which could adversely affect our business. As a home builder, we are subject to construction defect and home warranty claims arising in the ordinary course of business. These claims are common in the home building industry and can be costly. In addition, ~~the costs of insuring against construction defect and product liability claims~~ **are has become increasingly difficult due to limited coverage options, high costs, lack and the amount of coverage offered by insurance reinsurance companies is limited options and the exit of insurers from the market**. There can be no assurance that ~~this any form of insurance~~ **coverage will not be further restricted and become more costly available in the future or, if it is offered, that it will be available on reasonable terms**. If the limits or coverages of our current and former insurance programs prove inadequate, or we are not able to obtain adequate, or reasonably priced, insurance against these types of claims in the future, or the amounts currently provided for future warranty or insurance claims are inadequate, we may experience losses that could negatively impact our financial results. We record expenses and liabilities based on the estimated costs required to cover our self-insured liability under our insurance policies and estimated costs of potential claims and claim adjustment expenses that are above our coverage limits or that are not covered by our insurance policies. These estimated costs are based on an analysis of our historical claims and industry data, and include an estimate of claims incurred but not yet reported. The projection of losses related to these liabilities requires actuarial assumptions that are subject to variability due to uncertainties regarding construction defect claims relative to our markets and the types of products we build, insurance industry practices, and legal or regulatory actions and / or interpretations, among other factors. Key assumptions used in these estimates include claim frequencies, severities, and settlement patterns, which can occur over an extended period of time. In addition, changes in the frequency and severity of reported claims and the estimates to settle claims can impact the trends and assumptions used in the actuarial analysis, which could be material to our consolidated financial statements. Due to the degree of judgment required and the potential for variability in these ~~underlying~~ assumptions, our actual future costs could differ from those estimated, and the difference could be material to our consolidated financial statements. ~~Over the past several years,..... income to fluctuate from quarter to quarter~~. Our quarterly operating results may fluctuate due to the seasonal nature of our business. Our quarterly operating results fluctuate with the seasons; normally, a significant portion of our agreements of sale are entered into with customers in the winter and spring months. Construction of ~~one of our~~ **build- to- order** homes typically proceeds after signing the agreement of sale with our customer and typically require nine to 12 months to complete, although construction times may extend beyond 12 months due to a variety of reasons, including high demand, labor shortages, supply chain disruption and municipal related delays. In addition, weather-related events may occur from time to time, delaying starts or closings or increasing costs and reducing profitability. In addition, delays in opening new communities or new sections of existing communities could have an adverse impact on home sales and revenues. Expenses are not incurred and recognized evenly throughout the year. Because of these factors, our quarterly operating results may be uneven and may be marked by lower revenues and earnings in some quarters than in others. Increases in taxes or government fees could increase our costs, and adverse changes in tax laws or their interpretation could reduce demand for our homes and negatively affect our operating results. Increases in real estate taxes and other local government fees, such as fees imposed on developers to fund schools, open space, and 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 local real estate taxes could adversely affect our potential home buyers, who may consider those costs in determining whether to make a new home purchase and decide, as a result, not to purchase one of our homes. Changes in tax laws could reduce or eliminate tax deductions or incentives for homeowners and could make housing less affordable or otherwise reduce the demand for housing, which in turn could reduce our sales and hurt our results of operations. Further, while we believe that our recorded tax balances are adequate, it is not possible to predict the effects of possible changes in the tax laws or changes in their interpretation and whether they could have a material adverse impact on our operating results. We have filed our tax returns in prior years based upon certain filing positions we believe are appropriate. If the Internal Revenue Service or state taxing authorities disagree with these filing positions, we may owe additional taxes, which could be material. We are subject to extensive environmental regulations, which may cause us to incur additional operating expenses, subject us to longer construction cycle times, or result in material fines or harm to our reputation. We are subject to a variety of local, state and federal statutes, ordinances, rules and regulations concerning the protection of health and the environment, including those regulating the emission or discharge of materials into the environment, the management of storm water runoff at construction sites, the handling, use, storage and disposal of hazardous substances, impacts to wetlands and other sensitive environments, and the remediation of contamination at properties that we **acquire**, own or develop. In addition, state and local jurisdictions have in recent years enacted regulations that require new homes to be more energy efficient than existing homes, or **to be more weather-resistant, or** have mandated energy efficient features, such as solar panels, be included in new construction. The environmental **and housing code** regulations applicable to each community in which we operate vary greatly depending on the location of the community site, the site's environmental conditions and the present and former use of the site. Environmental regulations may cause delays, may cause us to incur substantial compliance, remediation or other costs, and can prohibit or severely restrict development and home building activity. In addition, noncompliance with these regulations could result in fines

and penalties, obligations to remediate, permit revocations or other sanctions; and contamination or other environmental conditions at or in the vicinity of our developments, whether or not we were responsible for such conditions, may result in claims against us for personal injury, property damage or other losses. From time to time, the United States Environmental Protection Agency and other federal or state agencies review home builders' compliance with environmental laws and may levy fines and penalties for failure to strictly comply with applicable environmental laws or impose additional requirements for future compliance as a result of past failures. Any such actions taken with respect to us may increase our costs or harm our reputation. Further, we expect that increasingly stringent requirements will be imposed on home builders in the future. Environmental regulations can also have an adverse impact on the availability and price of certain building components such as lumber. In recent years, an increasing number of state and Federal laws and regulations have been enacted or proposed that deal with the effect of climate change on the environment. These laws and regulations, which are generally intended to directly or indirectly reduce greenhouse gas emissions, conserve water or limit other potential climate change impacts, may impose restrictions or additional requirements on land development and home construction in certain areas. Such restrictions and requirements could increase our operating and compliance costs or require additional technology and capital investment, which could adversely affect our results of operations. This is a particular concern in the western United States, where some of the most extensive and stringent environmental laws and residential building construction standards in the country have been enacted, and where we have significant business operations. We believe we are in compliance in all material respects with existing climate-related government regulations applicable to our business, and such compliance has not had a material impact on our business. However, given the rapidly changing nature of environmental laws and matters that may arise that are not currently known, we cannot predict our future exposure concerning such matters, and our future costs to achieve compliance or remedy potential violations could be significant. Additionally, increased 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, labor and risk oversight, could expand the nature, scope, and complexity of matters that we are required to control, assess and report. These factors may alter the environment in which we do business and may increase the ongoing costs of compliance and adversely impact our results of operations and cash flows. If we are unable to adequately address such ESG matters or fail to comply with all laws, regulations, policies and related interpretations, it could negatively impact our reputation and our business results. Failure by our employees or representatives to comply with laws and regulations may harm us. We are required to comply with laws and regulations that govern all aspects of our business including land acquisition, development, home construction, labor and employment, mortgage origination, title and escrow operations, sales, and warranty. It is possible that our employees or entities engaged by us, such as subcontractors, could intentionally or unintentionally violate some of these laws and regulations. Although we endeavor to take immediate action if we become aware of such violations, we may incur fines or penalties as a result of these actions and our reputation with governmental agencies and our customers could be damaged. Component shortages and increased costs of labor and supplies are beyond our control and can result in delays and increased costs to develop our communities. Our ability to develop residential communities may be adversely affected by circumstances beyond our control, including work stoppages, labor disputes, and shortages of qualified trades people, such as carpenters, roofers, masons, electricians, and plumbers; changes in laws relating to union organizing activity; lack of availability of adequate utility infrastructure and services; our need to rely on local subcontractors who may not be adequately capitalized or insured; the ability of municipalities to process permits, conduct inspections and take similar actions in a timely manner; and shortages, delays in availability, or fluctuations in prices of building components and materials. Any of these circumstances could give rise to delays in the start or completion of, or could increase the cost of, developing one or more of our residential communities. We may not be able to recover these increased costs by raising our home prices because the price for each home, **especially our build-to-order homes**, is typically set months prior to its delivery pursuant to the agreement of sale with the home buyer. If that happens, our operating results could be harmed. In the **recent** past **several years**, strong demand for homes combined with supply chain disruptions, labor shortages and municipal related delays caused our construction cycles to lengthen and the costs of building materials to increase. Longer construction cycles can lead to increased cancellation rates, **lower customer satisfaction and brand diminishment**. In addition, shortages and cost increases in building materials and tightness in the labor market can erode our profit margins and adversely affect our results of operations, especially if such disruptions, shortages and delays persist for extended periods of time. **Changes in laws, government regulations, or enforcement priorities, such as the imposition of tariffs (in particular on materials imported from Canada or Mexico) or changes in immigration laws and / or their enforcement, could result in higher component costs, tighter overall labor conditions and a shortage of skilled tradespeople, which could in turn adversely affect our business**. We are subject to one collective bargaining agreement that covers approximately 1 % of our employees. We have not experienced any work stoppages due to strikes by unionized workers, but we cannot make assurances that there will not be any work stoppages due to strikes or other job actions in the future. We engage independent contractors that employ non-unionized workers to construct our homes. At any given point in time, the employees of those subcontractors may decide to unionize. ~~We are implementing a new enterprise resource planning system, and challenges with the implementation of the system may impact our business and operations. We are in the process of completing a multi-year implementation of a complex new enterprise resource planning system ("ERP"). The ERP implementation has required the integration of the new ERP with multiple new and existing information systems and business processes, and has been designed to accurately maintain our books and records and provide information to our management teams important to the operation of the business. Our ERP implementation will continue to require ongoing maintenance and monitoring. Conversion from our old system to the new ERP may cause inefficiencies until the ERP is stabilized and mature. The implementation of our new ERP has mandated new procedures and many new controls over financial reporting. These procedures and controls are not yet mature in their operation. If we are unable to adequately implement and maintain procedures and controls relating to our new ERP, our ability to produce timely and accurate financial~~

statements or comply with applicable regulations could be impaired and impact our assessment of the effectiveness of our internal controls over financial reporting.

Risks Related to Indebtedness and Financing If we are not able to obtain suitable financing, or if the interest rates on our debt are increased, or if our credit ratings are lowered, our business and results of operations may decline. Our business and results of operations depend substantially on our ability to obtain financing and lines of credit, whether from bank borrowings or from financing in the public debt markets. Our New Revolving Credit Facility, which provides for approximately \$ 1. 90-955 billion in committed borrowing capacity and letters of credit, and substantial portions of our \$ 650. 0 million term loan mature in February 2028, with smaller portions maturing in November 2025 and November 2026. In addition, \$ 1. 60 billion of our senior notes become due and payable at various times from November 2025 through November 2029. We cannot be certain that we will be able to replace existing financing and credit lines or find additional sources of financing in the future on favorable terms or at all.

Another source of credit and liquidity for us is our ability to use letters of credit and surety bonds to back certain performance- related obligations and as security for certain land option agreements and insurance programs. The majority of these letters of credit and surety bonds support our land development and construction obligations to various municipalities, other government agencies, and utility companies related to infrastructure construction. At October 31, 2024, we had outstanding letters of credit and surety bonds totaling \$ 180. 0 million and \$ 1. 16 billion, respectively. Our letters of credit are generally, but not always, issued under our Revolving Credit Facility, which contains certain financial covenants and other limitations. If we are unable to obtain letters of credit or surety bonds when required, or the conditions imposed by issuers increase significantly, our liquidity and costs of operations could be adversely affected.

If we are not able to obtain suitable financing at reasonable terms or replace existing debt and credit facilities when they become due or expire, our costs for borrowings may increase and our revenues may decrease or we could be precluded from continuing our operations at current levels or expanding them. Increases in interest rates can make it more difficult and / or expensive for us to obtain the funds and credit we need to operate our business. The amount of interest we incur on our revolving bank credit facility and term loan (exclusive of the amount we have hedged with interest rate swap transactions through October 2025 as further described in Note 6 – “ Loans Payable, Senior Notes, and Mortgage Company Loan Facility ” in Item 15 (a) 1 of this Form 10- K) fluctuates based on changes in short- term interest rates and the amount of borrowings we incur and letters of credit that are issued. Increases in interest rates generally and / or any downgrade in the ratings that national rating agencies assign to our outstanding debt securities could increase the interest rates we must pay on any subsequent issuances of debt securities, and any such ratings downgrade could also make it more difficult for us to sell such debt securities. If home buyers are not able to obtain suitable financing, our results of operations may decline. Our results of operations also depend on the ability of our potential home buyers to obtain mortgages for the purchase of our homes. Mortgage rates have increased significantly since January 2022, which has negatively impacted the overall housing market. **A variety of factors, including Market market** conditions and / or government actions could cause mortgage rates to increase even further in the future. Any uncertainty in the mortgage markets and its impact on the overall mortgage market, including the tightening of credit standards, future increases in the effective cost of home mortgage financing (including as a result of changes to federal tax law), and increased government regulation, could adversely affect the ability of our customers to obtain financing for a home purchase, thus preventing our potential home buyers from purchasing our homes. In addition, where our potential home buyers must sell their existing homes in order to buy a home from us, increases in mortgage costs and / or lack of availability of mortgages could prevent the buyers of our potential home buyers’ existing homes from obtaining the mortgages they need to complete their purchases, which would result in our potential home buyers’ inability to buy a home from us. Similar risks apply to those buyers whose contracts are in our backlog of homes to be delivered. If our home buyers, potential buyers, or buyers of our home buyers’ current homes cannot obtain suitable financing, our sales and results of operations could be adversely affected. If our ability to resell mortgages to investors is impaired, our home buyers may be required to find alternative financing. Generally, when our mortgage subsidiary closes a mortgage for a home buyer at a previously locked- in rate, it already has an agreement in place with an investor to acquire the mortgage following the closing. Our mortgage loans are sold to investors with limited recourse provisions derived from industry- standard representations and warranties in the relevant agreements. These representations and warranties primarily involve the absence of misrepresentations by the borrower or other parties, the appropriate underwriting of the loan and in some cases, a required minimum number of payments to be made by the borrower. We generally do not retain any other continuing interest related to mortgage loans sold in the secondary market. However, if these recourse provisions are not satisfied, the mortgage loans sold to investors could be returned to us. In addition, if the resale market for our mortgages decline or the underwriting standards of our investors become more stringent, our ability to sell future mortgage loans could be adversely affected and either we would have to commit our own funds to long- term investments in mortgage loans, which could, among other things, delay the time when we recognize revenues from home sales on our statements of operations, or our home buyers would be required to find an alternative source of financing. If our home buyers cannot obtain another source of financing in order to purchase our homes, our sales and results of operations could be adversely affected.

Risks Related to Other Events and Factors Public health issues such as a major epidemic or pandemic could adversely affect our business or financial results. The United States and other countries have experienced, and may experience in the future, outbreaks of contagious diseases that affect public health and public perception of health risk. In 2020, the COVID- 19 pandemic resulted in federal, state and local governments and private entities mandating various restrictions, including the closures of non- essential businesses for a period of time, which had an adverse impact on our business. In addition, the effects of the pandemic on economic activity, combined with strong demand for new homes that followed the initial onset of the pandemic, caused many disruptions to our supply chain and shortages in certain building components and materials, as well as labor shortages, all of which lengthened our construction cycle times. During the pandemic, overall economic conditions, as well as demand for our homes and our ability to conduct normal business operations became highly unpredictable. Outbreaks of contagious diseases similar to the pandemic may occur

in the future, which could have a significant negative impact on the economy, our ability to conduct normal business operations and our results of operations and financial condition. Adverse weather conditions, natural disasters, and other conditions could disrupt the development of our communities, which could harm our sales and results of operations. Adverse weather conditions and natural disasters can have serious effects on our ability to develop our residential communities and other aspects of our business. To the extent that hurricanes, tornadoes, severe storms, heavy or prolonged precipitation, earthquakes, droughts, floods, wildfires or other natural disasters or similar events occur, our homes under construction or our building lots in such states could be damaged or destroyed, which may result in losses exceeding our insurance coverage. Natural disasters can also lead to increased competition for subcontractors, which can delay our construction activities even after an event has concluded. They may also result in reduced demand for homes in a given community, as potential buyers may avoid areas they deem to be at higher risk of loss, or they may face higher costs for, or may be unable to obtain, fire, flood or other hazard insurance coverage in certain areas due to local environmental conditions or historical events. In addition, **adverse weather events could prompt governmental authorities to adopt more stringent building codes, which would likely increase development costs in affected areas and negatively impact home affordability and / or demand. In addition,** our business may be affected by unforeseen engineering, environmental, or geological conditions or problems, including conditions or problems which arise on lands of third parties in the vicinity of our communities, but nevertheless negatively impact our communities. Any of these adverse events or circumstances could cause delays in or prevent the completion of, or increase the cost of, developing one or more of our residential communities and, as a result, could harm our sales and results of operations. General Risk Factors

Increased domestic or international instability could have an adverse effect on our operations. Increased domestic or international instability could adversely impact the economy and significantly reduce demand for homes and the number of new contracts we sign, increase the number of cancellations of existing contracts, and / or increase our operating expenses, which could adversely affect our business, results of operations and financial condition. We could be adversely impacted by the loss of key management personnel or if we fail to attract qualified personnel. Our future success depends, to a significant degree, on the efforts of our senior management and our ability to attract qualified personnel. Competition for qualified personnel in all of our operating markets, as well as within our corporate operations, is intense. Our operations could be adversely affected if key members of our senior management unexpectedly leave the Company; if we cannot attract qualified personnel to manage our business; or if we are unable to successfully manage transition matters when our senior executives, several of whom are **approaching retirement age, retire eligible under our various compensation plans.** 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 breach 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, and cause us to lose customers, sales and revenue. In addition, breaches of our data security systems, including by cyber- attacks, could result in the unintended public disclosure or the misappropriation of our proprietary information or personal and confidential information, about our employees, consumers who view our homes, home buyers, mortgage loan applicants and business partners, requiring us to incur significant expense to address and resolve these kinds of issues. The release of confidential information may lead to identity theft and related fraud, litigation or other proceedings against us by affected individuals and / or business partners and / or by regulators, and the outcome of such proceedings, which could include penalties or fines, could have a material and adverse effect on our reputation, business, financial condition and results of operations. Depending on its nature, a particular breach or series of breaches of our systems may result in the unauthorized use, appropriation or loss of confidential or proprietary information on a one- time or continuing basis, which may not be detected for a period of time. In addition, the costs of maintaining adequate protection against such threats, as they develop in the future (or as legal requirements related to data security increase) could be material. **We** ~~In recent years, we~~ have been subject to cyber incidents **in the past,** including an attack that temporarily disrupted access to certain of our systems and an incident involving identity theft through the unauthorized access of one of our third- party service provider' s information systems. Neither of these incidents individually or in the aggregate resulted in any material liability to us, any material damage to our reputation, or any material disruption to our operations. However, as a result of a widespread increase in the frequency and number of cyber- attacks, we expect that we will continue to be the target of additional and increasingly sophisticated cyber- attacks and data security breaches, and the safeguards we have designed to help prevent these incidents from occurring may not be successful. Any further increase in the frequency or scope of cyber- attacks may exacerbate these data security risks. If we experience additional cyber- attacks or data security breaches in the future, we could suffer material liabilities, our reputation could be materially damaged, and our operations could be materially disrupted.