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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-38761

**Legacy Housing Corporation**

(Exact Name of Registrant as Specified in its Charter)

**Texas**  
(State or Other Jurisdiction of Incorporation or Organization)

**20-2897516**  
(I.R.S. Employer Identification No.)

**1600 Airport Freeway, #100  
Bedford, Texas**

**76022**

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code **(817)-799-4900**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading Symbol	Name of each exchange on which registered:
Common Stock (\$0.001 par value)	LEGH	NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the registrant's common equity held by non-affiliates as of June 30, 2021 (the last business day of the registrant's most recently completed second fiscal quarter) was \$133,405,746; 7,889,163 shares of common stock were held by non-affiliates. For purposes of the foregoing calculation only, all directors and the executive officers who were SEC reporting persons of the Registrant as of June 30, 2021 have been deemed affiliates.

As of March 31, 2022, the total number of shares outstanding of the registrant's common stock was 24,406,020 shares.

**Documents Incorporated by Reference: None**

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## EXPLANATORY NOTE

Legacy Housing Corporation (the Company”) has restated these financial statements to correct; (i) an overstatement of costs errantly assigned to accounts payable for inventory received but not invoiced for the period ended March 31, 2021 and for the period ended June 30, 2021, (ii) an understatement of costs errantly assigned to accounts payable for inventory received but not invoiced for the period ended September 30, 2021 and (iii) an overstatement of prepaid inventory and an understatement of cost of product sales and property, plant & equipment for the period ended September 30, 2021, (iv) an overstatement in finished goods inventory and an understatement of cost of product sales for the period ending September 30, 2021, (v) a reclassification between prepaid expenses and other current assets and other assets for the period ended March 31, 2021, for the period ended June 30, 2021 and for the period ended September 30, 2021, (vi) a reclassification between prepaid expenses and other current assets and lines of credit for the period ended March 31, 2021, for the period ended June 30, 2021 and for the period ended September 30, 2021, (vii) change in accrued liabilities and income tax expense for the period ended March 31, 2021, for the period ended June 30, 2021 and for the period ended September 30, 2021.

As further discussed in Part II, Item 9B “Other Information” of this Annual Report on Form 10-K, the Company has disclosed; (i) the effects of the restatement on the line items within the Company’s condensed balance sheet as of March 31, 2021, as of June 30, 2021 and as of September 30, 2021, (ii) the effects of the restatement on the line items within the Company’s condensed statement of operations for the three months ended March 31, 2021, for the three months ended June 30, 2021 and for the three months ended September 30, 2021, (iii) the effects of the restatement on the line items within the Company’s condensed statement of operations for the six months ended June 30, 2021 and for the nine months ended September 30, 2021, (iv) the effects of the restatement on the line items within the Company’s condensed statement of cash flows for the three months ended March 31, 2021, for the six months ended June 30, 2021 and for the nine months ended September 30, 2021, and (v) the effects of the restatement on the line items within the Company’s “Management’s Discussion and Analysis of Financial Condition and Results of Operation” for the three months ended March 31, 2021, for the three and six months ended June 30, 2021, and for the three and nine months ended September 30, 2021.

As described in Item 4.02 of our Current Report on Form 8-K filed on August 3, 2022, the previously filed unaudited condensed financial statements included in Form 10-Q for the period ended March 31, 2022, for the period ended June 30, 2022 and for the period ended September 30, 2022 should no longer be relied upon.

The decision to restate the Company’s financial statements previously reported on its Quarterly Report on Form 10-Q for the first quarter of 2021, its Quarterly Report on Form 10-Q for the second quarter of 2021, and its Quarterly Report on Form 10-Q for the third quarter of 2021 was approved by, and with the continuing oversight of, the Company’s Audit Committee.

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## PART I

### ITEM 1. BUSINESS.

#### Forward-Looking Statements

This Annual Report on Form 10-K (this “Form 10-K”) contains forward-looking statements. Forward-looking statements are predictions based on expectations and projections about future events, and are not statements of historical fact. Forward-looking statements include statements concerning business strategy, among other things, including anticipated trends and developments in and management plans for our business and the markets in which we operate. In some cases, you can identify these statements by forward-looking words, such as “estimate,” “expect,” “anticipate,” “project,” “plan,” “intend,” “believe,” “forecast,” “foresee,” “likely,” “may,” “should,” “goal,” “target,” “might,” “will,” “would,” “can,” “could,” “predict,” and “continue,” the negative or plural of these words and other comparable terminology. All forward-looking statements included in this Form 10-K are based upon information available to us as of the filing date of this Form 10-K, and we undertake no obligation to update any of these forward-looking statements for any reason. You should not place undue reliance on forward-looking statements. The forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to differ materially from those expressed or implied by these statements. These factors include the matters discussed under “Risk Factors” in our Registration Statement on Form S-1 and those described elsewhere in this Form 10-K and from time to time in future reports that we file with the Securities and Exchange Commission. You should carefully consider the risks and uncertainties described in this Form 10-K.

In this Form 10-K, unless otherwise indicated or the context otherwise requires, “Legacy,” “the Company,” “we,” “us” or “our” refers to Legacy Housing Corporation, a Texas corporation.

#### Our Company

We build, sell and finance manufactured homes and “tiny houses” that are distributed through a network of independent retailers and company-owned stores and also sold directly to manufactured home communities. The company was founded in 2005 as a Texas limited partnership named Legacy Housing, Ltd. Effective January 1, 2018, we converted into a Delaware corporation and changed our name to Legacy Housing Corporation. Effective December 31, 2019, we converted from a Delaware corporation to a Texas corporation. Our corporate office is located in Bedford, Texas (between Dallas and Fort Worth). We completed our initial public offering (the “IPO”) in December 2018 and our common stock trades on The NASDAQ Global Market under the symbol “LEGH.”

We are the sixth largest producer of manufactured homes in the United States as ranked by number of homes manufactured based on information available from the Manufactured Housing Institute and IBTS for the twelve month period ending September 30, 2021. With current operations focused primarily in the southern United States, we offer our customers an array of quality homes ranging in size from approximately 395 to 2,667 square feet consisting of 1 to 5 bedrooms, with 1 to 3½ bathrooms. Our homes range in price, at retail, from approximately \$33,000 to \$180,000. During 2021, we sold 3,635 home sections (which are entire modules or single floors) and in 2020 we sold 3,814 home sections. We commenced operations in 2005 and have experienced strong sales growth since our inception.

Our homes address the significant need in the United States for affordable housing. This need for affordable housing is being driven by a nationwide trend of increasing rental rates for housing, higher prices for site-built homes and decreasing percentages of home ownership among portions of the U.S. population. Our customers typically have annual household incomes of less than \$60,000 and include young and working class families, as well as persons age 55 and older. In 2020, there were approximately 58,470,000 households in the United States with annual household incomes of less than \$60,000, representing nearly half of all U.S. households, according to the Current Population Survey published by the U.S. Census Bureau.

We believe our company is one of the most vertically integrated in the manufactured housing industry, allowing us to offer a complete solution to our customers, from manufacturing custom-made homes using quality materials and distributing those homes through our expansive network of independent retailers and company-owned distribution locations, to providing tailored financing solutions for our customers. Our homes are constructed in the United States at

one of our three manufacturing facilities in accordance with the construction and safety standards of the U.S. Department of Housing and Urban Development (“HUD”). Our factories employ high-volume production techniques that allow us to produce approximately 75 home sections, or approximately 62 fully-completed homes on average depending on product mix, in total per week. We use quality materials and operate our own component manufacturing facilities for many of the items used in the construction of our homes. Each home can be configured according to a variety of floor plans and equipped with such features as fireplaces, central air conditioning and state-of-the-art kitchens.

Our homes are marketed under our premier “Legacy” brand name and, as of December 31, 2021, are sold to consumers, primarily across 15 states through a network of 176 independent retail locations, 13 company-owned retail locations and through direct sales to owners of manufactured home communities. Our 13 company-owned retail locations, including 11 Heritage Housing stores and two Tiny House Outlet stores, exclusively sell our homes. During 2021, approximately 50% of our manufactured homes were sold in Texas, followed by 16% in Georgia, 8% in Louisiana and 5% in Alabama. During 2020, approximately 46% of our manufactured homes were sold in Texas, followed by 8% in Georgia, 8% in Michigan, 5% in Kansas, and 5% in North Carolina. We plan to deepen our distribution channel by using cash from operations and borrowings from our lines of credit to expand our company-owned retail locations in new and existing markets.

We offer three types of financing solutions to our customers. We provide floor plan financing for our independent retailers, which takes the form of a consignment arrangement or a financed sale between the retailer and us. We also provide consumer financing for our products which are sold to end-users through both independent and company-owned retail locations, and we provide financing solutions to manufactured housing community owners that buy our products for use in their housing communities. Our ability to offer competitive financing options at our retail locations provides us with several competitive advantages and allows us to capture sales which may not have otherwise occurred without our ability to offer consumer financing.

### **Corporate Conversion**

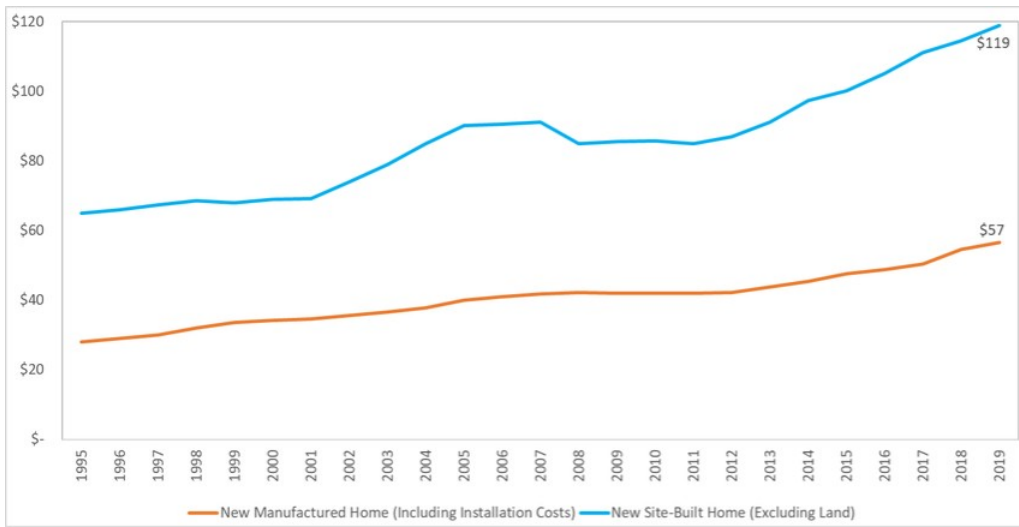
Prior to January 1, 2018, we were a Texas limited partnership named Legacy Housing, Ltd. Effective January 1, 2018, we converted into a Delaware corporation pursuant to a statutory conversion, or the Corporate Conversion, and changed our name to Legacy Housing Corporation. All of our outstanding partnership interests were converted on a proportional basis into shares of common stock of Legacy Housing Corporation. The conversion qualified as a tax free transaction under Section 351 of the Internal Revenue Code.

Following the Corporate Conversion, Legacy Housing Corporation continues to hold all of the property and assets of Legacy Housing, Ltd. and all of the debts and obligations of Legacy Housing, Ltd. continue as the debts and obligations of Legacy Housing Corporation. The purpose of the Corporate Conversion was to reorganize our corporate structure so that the top-tier entity in our corporate structure, the entity that offered common stock to the public in the IPO, was a corporation rather than a limited partnership. Except as otherwise noted, the financial statements included in this Form 10-K are those of Legacy Housing Corporation.

## Our Market Opportunity

Manufactured housing is a competitive alternative to other forms of affordable housing, whether new or existing, or located in urban, suburban or rural areas. We believe the target universe of manufactured home buyers consists of households with total annual income below \$60,000 which comprised nearly half of total U.S. households in 2020. We believe our target U.S. age group is wide ranging from young families who are often first time homebuyers to older homebuyers who may be downsizing or moving towards a more rural lifestyle. The comparatively low all-in cost of fully-equipped manufactured housing is attractive to our target consumers. The chart below highlights the increasing all-in average sales price per square foot difference between a new manufactured home and a new site-built home (excluding land).

**Average Price per Square Foot Comparison**

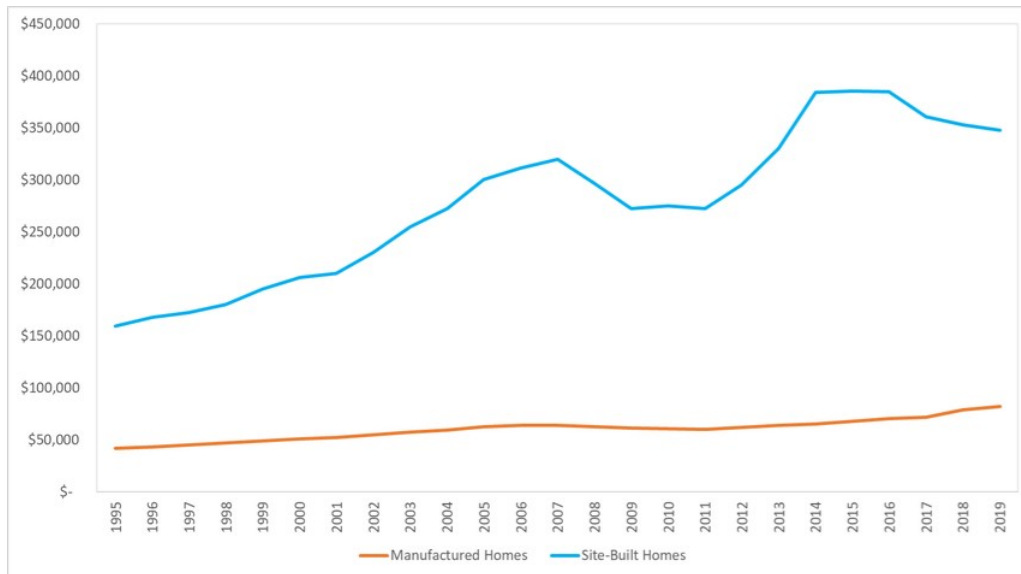


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Source: U.S. Census Bureau, the Institute for Building Technology and Safety, and the Manufactured Housing Institute.

Manufactured homes are an attractive alternative for consumers as new single-family home prices continue to rise at a rapid rate. As shown in the chart below, there is a growing gap between the average sale price for new single-family homes (including the land on which they were built) and the price of the average manufactured home; management sees this gap as an opportunity for the industry.

**Average Sale Price Comparison**

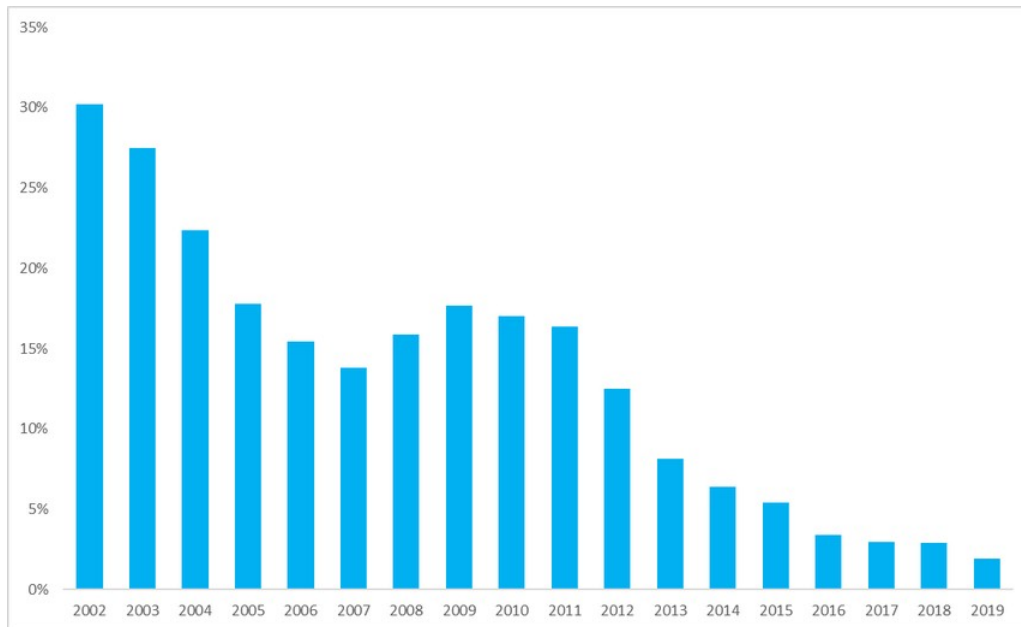


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Source: U.S. Census Bureau, the Institute for Building Technology and Safety, and the Manufactured Housing Institute.

Additionally, innovative engineering and design, as well as efficient production techniques, including the advent and development of the “tiny house” market, continue to position manufactured homes as a viable housing alternative. Demand for high-quality affordable housing below \$150,000 has also been driven by increasing rental rates for housing, higher prices for site-built homes, decreasing percentages of home ownership among portions of the U.S. population and stagnant U.S. wage growth.

**Percentage of New Houses Sold Under \$150,000**



Source: U.S. Census Bureau.



The manufactured housing industry shipped 105,800 and 94,400 manufactured homes in 2021 and 2020, respectively, according to data published by the U.S. Census Bureau. Manufactured housing shipments have increased by 30% and 34%, respectively, over the past five years and represent approximately 7% of total completed privately owned housing units.

**Manufactured Home Shipments vs. Total Completed Housing**



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Source: U.S. Census Bureau

### **Our Competitive Advantages**

We offer a complete solution for affordable manufactured housing. We believe that we differentiate ourselves from our competition and have been able to grow our business as a result of the following key competitive strengths:

- **Quality and Variety of Housing Designs.** Based on more than 60 combined years of industry experience, our co-founders have developed an operating model that enables the efficient production of quality, customizable manufactured homes. All of our homes are constructed in one of our three U.S.-based manufacturing facilities. By utilizing an assembly-line process that employs from approximately 150 to 275 individuals per facility, we are able to manufacture a home in approximately three to six days and, are on average producing approximately 75 home sections, or 62 fully-completed homes depending on product mix, in total per week. We utilize local market research to design homes that meet the specific needs of our customers and offer a variety of structural and decorative customization options, including, among others, fireplaces, central air conditioning, overhead heat ducts, stipple-textured ceilings, decorative woodgrain vinyl floors, wood cabinetry and energy conservation elements. Additionally, our homes have vaulted ceilings in every room, have numerous proprietary advantages such as our copyrighted “furniture friendly” floor plans and, in most cases, are wider, have taller ceilings and a steeper roof pitch than our competitors’ products. Taken together, we believe our ability to offer our customers a range of home sizes and styles, as well as sophisticated design and customization, allows us to accommodate virtually all reasonable customer requests. Our vertical integration allows us the ability to respond quickly to our customers’ needs and modify designs during the construction process.

- ***Manufacturing Facilities Strategically Located Near Customers in Key Markets.*** Our three manufacturing facilities are strategically located to allow us to serve our 176 independent and 13 company-owned retail locations primarily across 15 states. Currently, we have a manufacturing plant in Fort Worth, Texas that measures 97,000 square feet in size and produced 1,095 homes in 2021 and 1,043 homes in 2020, a manufacturing plant in Commerce, Texas that measures 130,000 square feet in size and produced 732 homes in 2021 and 691 homes in 2020, and a manufacturing plant in Eatonton, Georgia that measures 388,000 square feet in size and produced 1,046 homes in 2021 and 1,097 homes in 2020. Once our homes are constructed and equipped at our facilities, we have the ability to transport the finished products directly to customers ensuring timely and efficient delivery of our manufactured homes. We currently have approximately 60 company-owned trucks, which transported approximately 77% of our production during 2021 to manufactured home communities, our company-owned retail locations and independent dealers.
- ***Expansive and Growing Distribution Network.*** We distribute our products primarily in the southern United States through a network of independent retail locations, company-owned retail locations and direct sales to owners of manufactured home communities. Our first company-owned retail location opened in June 2016. We believe our company-owned stores will, on average, carry higher gross margins.
- ***Competitive Production Strategies and Direct Sourcing.*** We develop and maintain the resources necessary to build custom homes efficiently that incorporate unique and varied customer-requested features. We are constantly seeking ways in which to directly source materials to be used in the manufacturing process, which allows us to ensure the materials are of high-quality and can be customized to meet our customers' needs. Customization enables us to attract additional retailers and consumers who seek individualized homes that are assembled on a factory production line. When these custom homes are sold through company-owned retail stores, we expect to capture higher gross margins.
- ***Available Financing for our Customers.*** Our financial position allows us to develop and offer financing solutions to our customers in connection with their purchase of our homes. We offer three types of financing solutions to our customers. We provide floor plan financing for our independent retailers, which takes the form of a consignment arrangement between the retailer and us. We also provide consumer financing for our products sold to end-users through both independent and our company-owned retail locations, and we provide financing to community owners that buy our products for use in their rental housing communities. Our company has been providing floor plan financing to our independent retailers since our formation and we now have 176 independent retailers using our consignment solution. We now have more than 3,300 customers that purchased their homes utilizing our retail financing solutions. The average interest rates of our retail financing loans were approximately 13.5% and 13.8% at December 31, 2021 and 2020, respectively. The repossession rates for our retail financing loans, measured by units, was approximately 1.5% and 2.9% for 2021 and 2020, respectively.
- ***Support for Owners of Manufactured Home Communities.*** We provide manufacturing and financing solutions for owners of manufactured home communities in connection with the development of communities in our geographic market area. Such development projects can vary, but generally include custom park development financing and large purchase orders of manufactured homes. We also make loans to community owners for the purpose of acquiring or developing properties and, as part of the arrangement, these community owners contract to buy homes from us. These loans typically range in term from two to five years and carry interest at 5.00% to 12.0%. For the years ended December 31, 2021 and 2020, we had provided additional loans to owners of manufactured home communities for development purposes with a total amount outstanding of \$42,100,000 and \$14,685,000, respectively. These financing solutions are structured to give us an attractive return on investment, when coupled with the gross margin we realize on products specifically targeted for these new manufactured housing communities.
- ***Strong Alignment of Interests through Co-Founders' Ownership.*** We believe that a strong alignment of interests with stockholders and investors exists through the ownership of a significant percentage of our outstanding shares by our co-founders, Curtis D. Hodgson (Executive Chairman of the Board) and Kenneth

E. Shipley (President and Chief Executive Officer). Messrs. Hodgson and Shipley acquired their ownership in 2005 when they founded the company. Each individual has received a minimal annual salary (\$50,000). Messr. Shipley continues to receive a minimal annual salary (\$50,000). In January 2022, Messr. Hodgson entered into an amended and restated employment agreement which provides him with an annual salary of \$200,000 and a signing bonus of 150,000 shares of restricted stock, which vested upon grant. Under this new agreement, he is also eligible for an annual incentive bonus and equity awards. By providing structural and economic alignment with the performance of our company, Messrs. Hodgson's and Shipley's continuing controlling interests are directly aligned with those of our investors. We believe the combination of these characteristics has promoted long-term planning, an enhanced culture among our customers, strategic partners and employees, and ultimately the creation of value for our investors.

## **Our Growth Strategy**

We have a strong operating history of investing in successful growth initiatives over the past 17 years. We believe that the solution we are able to provide for our customers, as a result of the vertical integration of our company, enhances our brand recognition as a leading producer, results in higher and more efficient utilization of our manufacturing factories and expands our direct-to-consumer outreach on the competitive advantages of our wide variety of customizable homes. This operational focus has provided us with sustainable net sales and net income growth over the years. Our growth strategy includes the following key initiatives:

- ***Expand Financing Solutions for Our Customers.*** We recognize that offering financing solutions to our customers is an important component of being a vertically integrated company that provides affordable manufactured housing. Providing financing improves our responsiveness to the needs of prospective purchasers while also providing us with opportunities for loan origination and servicing revenues, which act as additional drivers of net income for us. During the years ended December 31, 2021 and 2020, we financed approximately 46% and 62% of the homes we sold to consumers, respectively. We intend to expand financing and leasing solutions to manufactured housing community-owner customers, in a manner that includes developing new sites for products in or near urban locations where there is a shortage of sites to place our products.
- ***Continue to Focus on Innovation and Customization for Core Customer Groups.*** Our production strategy is focused on continually developing the resources necessary to efficiently build homes that incorporate unique, varied and innovative customer preferences. We are constantly seeking ways to directly source materials to be used in the manufacturing process, which allows us to ensure we have quality materials that can be customized to meet our customers' needs. Our principal focus is on designing and building highly functional and durable products that appeal to families of all sizes.
- ***Seek Additional Agreements with Owners of Manufactured Home Communities.*** Community housing developments provide us with large, concentrated sales opportunities. These projects vary in size and density but generally include sales of 30 to 300 homes. We believe there are significant growth opportunities to work with our development partners on such projects and view these opportunities as an important driver for both the sale of more homes and for financing bulk purchases of those homes by community owners.
- ***Pursue Selective Development Opportunities.*** We seek to grow through selective acquisition of developable land in proximity to our manufacturing footprint which will serve as a future revenue stream for the underlying land as well as ensuring high utilization of our expertise in manufacturing and distribution. In April 2018, we acquired approximately 420 acres of raw land located in Bastrop County near Austin, Texas for \$4.2 million. In November 2018, we acquired approximately 69 acres of raw land located near Adkins, Texas for \$0.8 million. In July and August 2019, we acquired approximately 140 acres of raw land in Johnson County, Texas for \$0.9 million. In September 2020, we acquired approximately 80 acres of raw land in Wise County, Texas for \$0.9 million. In February 2021, we acquired approximately 233 acres of raw land in Bexar County, Texas for \$1.6 million. We have secured a permit for a wastewater plant for the land in Bastrop County and we intend to begin construction in 2022. Upon

completion, the wastewater plant can serve 1,075 home sites. We will continue to evaluate opportunities to develop the remaining land, or to provide financing to third party developers of additional manufactured housing communities in order to provide locations for manufactured homes for our customers.

- **Focus on our Retail Process.** As of December 31, 2021, we distribute our products primarily across 15 states through a combination of 13 company-owned retail locations and 176 independent retail locations. We believe that a focused network of company-owned retail locations will allow us to be more responsive and improve the customer experience at all stages, from manufacturing and design to sales, financing and customer service. We believe our company-owned stores will, on average, carry higher gross margins due to our ability to select critical markets and develop highly-trained sales representatives who possess a deep understanding of our business and customer needs.

## **Our Products**

**Overview.** We are the sixth largest producer of manufactured homes in the United States as ranked by number of homes manufactured based on information available from the Manufactured Housing Institute and IBTS for the twelve month period ending September 30, 2021. We produce a wide variety of homes that can be used by our customers in a number of ways. We build a variety of sizes and floor plans of residential homes and tiny houses. We work collaboratively with our partners to meet diverse housing needs, such as residences on privately-owned land and in manufactured home communities, recreational and vacation properties, such as hunting cabins, and accommodations for workforces in oilfields and other industries.

**Manufacturing and Quality Design.** We utilize local market research to design homes that meet the specific requirements of our customers and our homes are designed after extensive field research and consumer feedback. We frequently introduce new floor plans, decor, exterior design, features and accessories to appeal to changing consumer trends and we offer an assortment of customizations to match each customer's individual tastes. Each home typically contains a living room, dining area, kitchen, 1 to 5 bedrooms and 1 to 3<sup>1</sup>/<sub>2</sub> bathrooms, and each home can be customized to include certain features including, among others, fireplaces, central air conditioning, mini-split climate control, overhead heat ducts, stipple-textured ceilings, decorative wood grain vinyl floors, wood cabinetry and energy conservation elements.

The manufactured homes we build are constructed in accordance with the construction and safety standards of HUD. Our Texas factories are certified to build homes according to the Texas Industrialized Housing and Buildings law (known as the Texas Modular Code) and our Georgia factory is certified to build homes according to Georgia state construction codes. In addition to traditional manufactured homes, we offer a diverse assortment of tiny houses, which are recreational structures between 320 and 399 square feet in size that are used as temporary dwellings, can be pulled by a pick-up truck and are generally aesthetically similar to larger homes. Our tiny houses are built in a variety of models and floor plans and typically range from 1 to 3 bedrooms with 1 to 2 bathrooms. Tiny houses do not need to be built to HUD standards.

**Manufacturing Process.** Our manufactured homes are entirely constructed and equipped at our three factories. Our homes are constructed using high-volume production techniques and employ approximately 150 to 275 employees at each facility. Most of our homes are constructed in one or more sections (or floors) on a steel chassis. Each section is assembled in stages beginning with the construction of the chassis, followed by the addition of other constructed and purchased components and ending with a final quality control inspection. The efficiency of the production process and the benefits of constructing homes in a controlled factory environment enable us to produce homes in less time and at a lower cost per-square-foot than traditional home building. The finished home is then transported directly to a customer at a retail sales center, work site or manufactured home community. During the years ended December 31, 2021 and 2020 we sold 3,635 and 3,814 home sections, including 230 and 151 tiny houses, respectively.

**Manufacturing Facilities.** We currently operate three manufacturing facilities located in Fort Worth, Texas, Commerce, Texas and Eatonton, Georgia, each of which range in size from approximately 97,000 to 388,000 square feet. The production schedules for our manufacturing facilities are based on wholesale orders received from distributors, which fluctuate from week to week. In general, our facilities are structured to operate on one 8- to 9-hour shift per day,

five days per week. We currently manufacture a typical home in approximately three to six production days. For the years ended December 31, 2021 and 2020, we produced, on average, approximately 75 home sections per week, or 62 fully-completed homes.

**Raw Materials and Suppliers.** The principal materials used in the production of our manufactured homes include wood, wood products, steel, aluminum, gypsum wallboard, windows, doors, fiberglass insulation, carpet, vinyl, fasteners, plumbing materials, appliances and electrical items. We currently buy these materials from various third-party manufacturers and distributors. We procure multiple sources of supplies for all key materials in order to mitigate any supply chain risk. We intend to continue seeking greater direct sourcing of materials from original manufacturers. This will allow us to save costs, gain greater control over the quality of the materials we use in our products and increase customization to meet our customers' changing preferences. The inability to obtain any materials used in the production of our homes, whether resulting from material shortages, limitation of supplier facilities or other events affecting production of component parts, may affect our ability to meet or maintain production requirements. Pricing and availability of certain raw materials were volatile during 2021 due to a number of factors in the economic environment. We continue to monitor and react to inflation in these materials by maintaining a focus on our product pricing in response to higher materials costs.

**Warranties.** We provide the retail home buyer with a one-year limited warranty from the date of purchase covering defects in material or workmanship in home structure, plumbing and electrical systems. Our warranty does not extend to installation and setup of the home, which is generally arranged by the retailer. Appliances, carpeting, roofing and similar items are warranted by their original manufacturer for various lengths of time. At this time, we do not provide any warranties with respect to tiny houses.

## Distribution

As of December 31, 2021, we distribute our manufactured homes primarily across 15 states through a network of 176 independent retail locations, 13 company-owned retail locations and direct sales to owners of manufactured home communities. As is common in the industry, our independent distributors typically sell manufactured homes produced by other manufacturers in addition to our manufactured homes. Additionally, some independent retailers operate multiple sales outlets. During the years ended December 31, 2021 and 2020, no independent retailer accounted for 10% or more of our manufacturing sales.

Below is a list of the states in which we sold most of our manufactured homes and the approximate percentage of those sales to our total product sales:

Location	% of 2021 Total Net Sales	% of 2020 Total Net Sales
Texas	50 %	46 %
Georgia	16 %	8 %
Louisiana	8 %	4 %
Alabama	5 %	3 %
North Carolina	2 %	5 %
Oklahoma	2 %	4 %
New Mexico	2 %	3 %
Florida	2 %	2 %
South Carolina	2 %	2 %
Kansas	1 %	5 %
Michigan	— %	8 %

In 2021 and 2020, we also sold homes in Arkansas, Arizona, Colorado, Iowa, Illinois, Indiana, Kentucky, Minnesota, Mississippi, Missouri, Nebraska, Ohio, Pennsylvania, Tennessee, Utah, Virginia and Wisconsin. We continually seek to increase our wholesale shipments by growing sales at our existing independent retailers and by finding new independent retailers to sell our homes. We provide comprehensive sales training to retail sales associates and bring them to our manufacturing facilities for product training and to view new product designs as they are developed. These training seminars facilitate the sale of our homes by increasing the skill and knowledge of the retail sales consultants. Additionally, we display our products at trade shows and support our retailers through the distribution of floor plan literature, brochures, decor selection displays and point of sale promotional material, as well as internet-based marketing assistance. We believe we have the most comprehensive printed catalog of manufactured housing products in the industry.

Our independent retailers generally either pay cash to purchase inventory or finance their inventory needs through our consignment arrangements or financed sales. Certain of our independent retailers finance a portion of their inventory through wholesale floor plan financing arrangements with third parties. In such cases, we verify the order with the third party, then manufacture the home and ship it to the retailer. Payment is due from the third-party lender upon shipment of the product to the retailer and, depending on the terms of each arrangement, we may or may not have limited repurchase obligations associated with this inventory. The maximum amount of our contingent obligations under such repurchase agreements was approximately \$4,908,000 and \$140,000 as of December 31, 2021 and 2020, respectively, without reduction for the resale value of the homes.

Approximately 57% of our 2021 product sales were attributable to our independent retail distributors, 13% to our company-owned retail locations and 30% directly to owners of manufactured housing communities. Approximately 39% of our 2020 product sales were attributable to our independent retail distributors, 12% to our company-owned retail locations and 49% to direct sales to owners of manufactured housing communities.

As of December 31, 2021, we operate 13 company-owned retail locations. Our company-owned locations allow us to improve the customer experience through all steps of the buying process, from manufacturing and design to sales, financing and customer service. This also gives us a direct window into consumer preferences and lending opportunities. We believe that our company-owned stores will, on average, be more productive than our independent retail locations and carry higher gross margins.

### **Sales and Marketing**

Our corporate marketing efforts focus on increasing our brand awareness and communicating our commitment to quality along with the many other competitive advantages our company offers. Our marketing strategy is to offer several lines of manufactured homes that appeal to a wide range of home buyers, continually elevate awareness of our brand and generate demand for our products. We rely on a number of channels in this area, including digital advertising, email marketing, social media and affiliate marketing, as well as through various strategic partnerships. We maintain our website at [www.legacyhousingcorp.com](http://www.legacyhousingcorp.com).

Our sales and marketing strategy focuses on households with annual incomes of less than \$60,000 which includes young families, working class families and persons age 50 and older. We also market to other types of customers, including owners of manufactured home communities, buyers interested in tiny houses, recreational buyers and houses for workforces or man-camp housing. Additionally, we continue to be well-positioned to react to any increase in demand for affordable, quickly-delivered manufactured homes as a result of unforeseen harsh weather conditions and similar events. All of our customers are located in the United States. During the year ended December 31, 2021, no customer accounted for more than 10% of our net sales. During the year ended December 31, 2020, one customer accounted for 29% of our net sales and no other customer accounted for more than 10% of our net sales.

### **Financing Solutions for Our Customers**

We offer three types of financing solutions:

- **Floor Plan Financing.** We consign inventory or provide wholesale financing to our independent retailers.



- **Consumer Financing.** We provide consumer financing for our products sold to end-users through both independent and our company-owned retail locations.
- **Manufactured Housing Community Financing.** We provide financing to community owners that buy or lease our products for use in their rental housing communities.

#### Overview of Consumer and MHP Financing Options as of December 31, 2021

(\$ in thousands)

	Principal Amount Outstanding	Number of Loans	Contractual Rate or Monthly Fee	Average Remaining Term
Consumer Financing	\$ 129,119	3,334	13.5% average contractual rate	151 months
MHP Community Financing	\$ 103,438	530	7.6% average contractual rate	59 months

We also offer inventory floor plan financing to retailers that takes the form of a consignment arrangement. As of December 31, 2021, we had \$12,541,000 of inventory under consignment to our retailers.

**Three Types of Financing.** Offering financing solutions to our dealers and customers generally improves our responsiveness to the needs of prospective purchasers while also providing us with opportunities for loan origination and servicing revenues, which acts as an additional driver of net income for us.

**Floor Plan Financing.** We provide floor plan or wholesale financing for most of our independent retailers for products we manufacture and for pre-owned products. This wholesale financing is a consignment from us to our independent retailers. The retailers pay their own freight and pay us a monthly fee ranging from 0.5% to 1.4% per month of the wholesale invoice amount of the home. They are also obligated to pay \$1,000 toward the invoice amount each year after the consignment with the first \$1,000 reduction due one year following consignment. During 2021, we collected \$2,000,000 from the independent retailers. Upon sale, the independent retailer is obligated to pay us the invoice amount, less any prepaid reductions, prior to moving the home away from their retail location. If they provide certain documentation to us, we allow them to move the home to their customer's location and we notify the customer's lending source to pay us the amount due upon funding of the loan. We have proprietary technology that we install in many consigned homes that gives us the ability to determine if a consigned home has been moved from the retail location without permission. The independent dealer is free to terminate the consignment agreement by giving us 90-days' advance notice if it is current on all its obligations to us. Our wholesale consignment contracts allow us to defer income recognition until we are paid in full. For the years ended December 31, 2021 and 2020, we recorded consignment sales of \$63,496,000 and \$43,801,000, respectively. Consignment sales are recorded when a house under one of our consignment agreements is sold to the end consumer.

Certain of our wholesale factory-built housing sales to independent retailers are purchased through wholesale floor plan financing arrangements. Under a typical floor plan financing arrangement, an independent financial institution specializing in this line of business provides the retailer with a loan for the purchase price of the home and maintains a security interest in the home as collateral. The financial institution customarily requires us, as the manufacturer of the home, to enter into a separate repurchase agreement with the financial institution under which we are obligated, upon default by the retailer and under certain other circumstances, to repurchase the financed home at declining prices over the term of the repurchase agreement (which is typically 24 months). The price at which we may be obligated to repurchase a home under these agreements is based upon the amount financed, plus certain administrative and shipping expenses. Our obligation under these repurchase agreements ceases upon the purchase of the home by the retail customer. The maximum amount of contingent obligations under our repurchase agreements (without reduction for the resale value of the homes) as of December 31, 2021 was \$4,908,000. The risk of loss under these agreements is spread over many retailers and is further reduced by the resale value of the homes. We carry no reserve for this contingent liability.

**Consumer Financing.** Sales of factory-built homes are significantly affected by the availability and cost of consumer financing. There are three basic types of consumer financing in the factory-built housing industry: (i) chattel or personal property loans, for purchasers of a home without any underlying land involved (generally HUD code homes), (ii) non-conforming mortgages for purchasers of a home and the land on which the home is placed, and (iii) conforming mortgage loans which comply with the requirements of the Federal Housing Administration (“FHA”), Veterans Affairs or GSE loans. At the present time, we currently offer only chattel loans.

We provide retail consumer financing to consumers who purchase our full-size manufactured homes and tiny houses and dealer incentive arrangements to encourage independent retailers to use our financing product. Under these arrangements, once a customer executes a home purchase agreement with Legacy financing, we pay to the retailer 80% of the retailer’s gross margin through these consignment arrangements and we retain 20% of the retail gross margins in the consignment portfolio. We transfer the consigned value of the home to the consignment portfolio as our contribution to the consignment arrangement. The retailer is obligated to remarket any repossessions associated with consignment transactions, and obtain 90% of the outstanding balance on the home at the time of repossession. We charge each dealer in the consignment arrangement fees for servicing the loans and receive a preferred return of 10% to 12% per annum for amounts we invest. Upon payback of our contribution, fees and preferred returns, we split the remaining balance with the independent retailer according to a negotiated formula which is accounted for as the dealer incentive liability. As of December 31, 2021, we owned 3,334 retail consumer loans with an average principal balance of \$38,728. Our average remaining term on these loans as of December 31, 2021 was 151 months and the average percentage rate (APR) of interest was 13.5%. Our average loan-to-value (“LTV”) at the time of loan origination, which is based on the gross sales price to the borrower, was 84% for the consumer financing portfolio as of December 31, 2021. We have not financed, and have no current plans to finance, new homes manufactured by our competitors in the ordinary course of our business.

All loan applications go through an underwriting process conducted at our corporate headquarters to evaluate credit risk that takes into account numerous factors including the down payment, FICO score, monthly income, and total housing payment coverage of the borrower. The interest rates on approved loans are determined by a buyer’s credit score and down payment amount. We use payment history to monitor the credit quality of the consumer loans on an ongoing basis.

**Manufactured Housing Community Financing.** We provide financing to owners of manufactured housing communities for our products that they buy in order to rent to their residents. These loans generally have a ten-year term and can have a fixed or variable interest rate. Approximately 85% of these loans have a fixed interest rate ranging from 6.9% to 8.9%. The remaining loans bear interest at the prime rate plus 4%, with a floor and a ceiling. Down payments, delivery expenses and installation expenses are negotiated on a case-by-case basis. As of December 31, 2021 and 2020, loans outstanding from manufactured home communities totaled \$102,992,000 and \$136,340,000, which comprised 530 and 589 loans, respectively. Our average remaining term on these loans as of December 31, 2021 and 2020 was approximately six years.

We also make loans to community owners for the purpose of acquiring or developing properties and, as part of the arrangement, these community owners contract to buy homes from us. These loans typically range in term from two to five years and carry interest at 5.00% to 12.0%. For the year ended December 31, 2021, we originated loans to owners of manufactured home communities for lot development purposes with a total amount of \$34,069,000.

## **Competition**

The manufactured housing industry is highly competitive at both the manufacturing and retail levels, with competition based upon several factors, including price, product features, reputation for service and quality, depth of distribution, promotion, merchandising and the terms of retail and wholesale consumer financing. We compete with other producers of manufactured homes and new producers continue to enter the market. We also compete with companies offering for sale homes repossessed from wholesalers or consumers and we compete with new and existing site-built homes, as well as apartments, townhouses and condominiums.



In addition to our company, there are a number of other national manufacturers competing for a significant share of the manufactured housing market in the United States, including Clayton Homes, Inc., Cavco Industries, Inc. and Skyline Champion Corporation. Certain of these competitors possess greater financial, manufacturing, distribution and marketing resources than we do. For the past 17 years, the industry has experienced a trend towards consolidation and, as a result, the bulk of the market share is controlled by a small number of companies. We are the country's sixth largest producer of manufactured homes. Accordingly, we believe we have a significant opportunity to expand in this industry by effectively growing our market share.

Among lenders to manufactured home buyers, there are significant competitors including national, regional and local banks, independent finance companies, mortgage brokers and mortgage banks such as 21st Mortgage Corporation, an affiliate of Clayton Homes, Inc., Berkshire Hathaway, Inc., Triad Finance Corporation and CU Factory Built Lending, LP. Certain of these competitors are larger than us and have access to substantially more capital and cost efficiencies.

### **Protection of Proprietary Technology**

We rely on a combination of copyright and trade secret laws in the United States and other jurisdictions, as well as confidentiality procedures and contractual provisions, to protect our proprietary information, technology and brands. We protect our proprietary information and technology, in part, by requiring certain of our employees to enter into agreements providing for the maintenance of confidentiality and the assignment of rights to inventions made by them while employed by us. We also may enter into non-disclosure and invention assignment agreements with certain of our technical consultants to protect our confidential and proprietary information and technology. We cannot assure you that our confidentiality agreements with our employees and consultants will not be breached, that we will be able to effectively enforce these agreements, that we will have adequate remedies for any breach of these agreements, or that our trade secrets and other proprietary information and technology will not be disclosed or will otherwise be protected.

Our intellectual property includes copyrights issued by the U.S. Copyright Office for many of our floor plans. We are not currently aware of any claims of infringement or other challenges to our intellectual property rights.

### **Government Regulation**

**General.** Our company operates in a regulated industry, and there are many federal, state and local laws, codes and regulations that impact our business. Governmental authorities have the power to enforce compliance with their regulations, and violations may result in the payment of fines, the entry of injunctions or both. Although we believe that our operations are in substantial compliance with the requirements of all applicable laws and regulations, we are unable to predict the ultimate cost of compliance with all applicable laws and enforcement policies.

**Federal Manufactured Homes Regulations.** Our manufactured homes are subject to a number of federal, state and local laws, codes and regulations. Construction of manufactured housing is governed by the National Manufactured Housing Construction and Safety Standards Act of 1974, and the regulations issued under such act by HUD. The HUD regulations, known collectively as the Federal Manufactured Home Construction and Safety Standards, cover all aspects of manufactured home construction, including structural integrity, fire safety, wind loads, thermal protection and ventilation. Our Texas manufacturing facilities, and the plans and specifications of the HUD-compliant homes they produce, have been approved by a HUD-certified inspection agency. Further, an independent HUD-certified third-party inspector regularly reviews our manufactured homes for compliance with HUD regulations during construction. Failure to comply with applicable HUD regulations could expose us to a wide variety of sanctions, including mandated closings of our manufacturing facilities. We believe our manufactured homes are in substantial compliance with all present HUD requirements. Manufactured homes are typically built with wood products that contain formaldehyde resins. HUD regulates the allowable concentrations of formaldehyde in certain products used in manufactured homes and requires manufacturers to warn purchasers as to formaldehyde-associated risks. The Environmental Protection Agency ("EPA") and other governmental agencies have in the past evaluated the effects of formaldehyde. We use materials in our manufactured homes that meet HUD standards for formaldehyde emissions and believe we comply with HUD and other applicable government regulations in this regard.

**Transportation and Zoning Regulations.** The transportation of manufactured homes on highways is subject to regulation by various federal, state and local authorities. Such regulations may prescribe size and road use limitations and impose lower than normal speed limits and various other requirements. Our manufactured homes (including our tiny houses) are also subject to local zoning and housing regulations. In certain cities and counties in areas where our homes are sold, local governmental ordinances and regulations have been enacted which restrict the placement of manufactured homes on privately-owned land or which require the placement of manufactured homes in manufactured home communities. Such ordinances and regulations may adversely affect our ability to sell homes for installation in communities where they are in effect. A number of states have adopted procedures governing the installation of manufactured homes. Utility connections are subject to state and local regulations which must be complied with by the retailer or other person installing the home.

**Warranty Regulations.** Certain warranties we issue may be subject to the Magnuson-Moss Warranty Federal Trade Commission Improvement Act, which regulates the descriptions of warranties on consumer products. For example, warranties that are subject to the act must be included in a single easy-to-read document that is generally made available prior to purchase. The act also prohibits certain attempts to disclaim or modify implied warranties and the use of deceptive or misleading terms. The description and substance of our warranties are also subject to a variety of state laws and regulations. A number of states require manufactured home producers to post bonds to ensure the satisfaction of consumer warranty claims.

**Financial Services Regulations.** A variety of laws affect the financing of the homes we manufacture. The Federal Consumer Credit Protection Act and Regulation Z promulgated under that act require written disclosure of information relating to such financing, including the amount of the annual percentage interest rate and the finance charge. The Federal Fair Credit Reporting Act also requires certain disclosures to potential customers concerning credit information used as a basis to deny credit. The Federal Equal Credit Opportunity Act and Regulation B promulgated under that act prohibit discrimination against any credit applicant based on certain specified grounds. The Real Estate Settlement Procedures Act and Regulation X promulgated under that act require certain disclosures regarding the nature and costs of real estate settlements. The Federal Trade Commission has adopted or proposed various Trade Regulation Rules dealing with unfair credit and collection practices and the preservation of consumers' claims and defenses. Installment sales contracts, direct loans and mortgage loans eligible for inclusion in a Ginnie Mae program are subject to the credit underwriting requirements of the FHA. The American Housing Rescue and Foreclosure Prevention Act provides assistance for the housing industry, including manufactured homes, including, among other things, increased loan limits for chattel (home-only Title I) loans. Recent FHA guidelines provide Ginnie Mae the ability to securitize manufactured home FHA Title I loans to allow lenders to obtain new capital, which can then be used to fund new loans for our customers. The Secure and Fair Enforcement for Mortgage Licensing Act established requirements for the licensing and registration of all individuals that are Mortgage Loan Originators ("MLOs"). Traditionally, manufactured housing retailers have assisted home buyers with securing financing for the purchase of homes, including negotiating rates and the terms for their loans. Under the act, however, these activities are prohibited unless performed by a registered or licensed MLO. A variety of state laws also regulate the form of financing documents and the allowable deposits, finance charge and fees chargeable pursuant to financing documents. Regulation C of the Home Mortgage Disclosure Act, among other things, requires certain financial institutions, including non-depository institutions, to collect, record, report and disclose information about their mortgage lending activity, which is used to identify potential discriminatory lending patterns and enforce anti-discrimination statutes.

The Dodd-Frank Wall Street Reform and Consumer Protection Act was passed into law and established the Consumer Financial Protection Bureau ("CFPB") regulates consumer financial products and services. Certain CFPB mortgage finance rules apply to consumer credit transactions secured by a dwelling, including real property mortgages and chattel loans secured by manufactured homes. These rules, among other things, define standards for origination of "Qualified Mortgages," establish specific requirements for lenders to prove borrowers' ability to repay, outline conditions under which Qualified Mortgages are subject to safe harbor limitations on liability to borrowers and establish interest rates and other cost parameters for determining which Qualified Mortgages fall under safe harbor protection. While many manufactured homes are financed with agency-conforming mortgages in which the ability to repay is verified, and interest rates and other costs are within the safe harbor limits, a significant amount of loans to finance the purchase of manufactured homes, particularly chattel loans and non-conforming land-home loans, fall outside such safe harbors. Additionally, the CFPB rules, among other things, amended the Truth-in-Lending Act and the Real Estate

Settlement Procedures Act by expanding the types of mortgage loans that are subject to the protections of the Home Ownership and Equity Protections Act of 1994 (“HOEPA”) and imposing additional restrictions on mortgages that are covered by HOEPA. As a result, certain manufactured home loans are now subject to HOEPA limits on interest rates and fees. Loans with rates or fees in excess of the limits are deemed “High Cost Mortgages” and provide additional protections for borrowers, including with respect to determining the value of the home. Most loans for the purchase of manufactured homes have been written at rates and fees that would not appear to be considered High Cost Mortgages under these rules and while some lenders may offer loans that are deemed High Cost Mortgages, the rate and fee limits may deter some lenders from offering such loans to borrowers or be reluctant to enter into loans subject to the provisions of HOEPA. Additionally, certain CFPB rules apply to appraisals on principal residences securing higher-priced mortgage loans. Certain loans secured by manufactured homes, primarily chattel loans, could be considered higher-priced mortgage loans. Among other things, the rules require creditors to provide copies of appraisal reports to borrowers prior to loan closing. Compliance with the regulations may constrain lenders’ ability to profitably price certain loans or may cause lenders to incur additional costs to implement new processes, procedures, controls and infrastructure and may cause some lenders to curtail underwriting certain loans altogether. Furthermore, some investors may be reluctant to participate in owning such loans because of the uncertainty of potential litigation and other costs. As a result, some prospective buyers of manufactured homes may be unable to secure necessary financing. Failure to comply with these regulations, changes in these or other regulations, or the imposition of additional regulations, could affect our earnings, limit our access to capital and have a material adverse effect on our business and results of operations.

On May 24, 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act (“Dodd-Frank Reform Act”) was signed into law. The Dodd-Frank Reform Act revises portions of the Dodd-Frank Act, reduces the regulatory burden on smaller financial institutions, including eliminating provisions of the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (“SAFE Act”), and protects consumer access to credit. With the elimination of certain provisions of the SAFE Act, manufactured housing retailers can now assist home buyers with securing financing for the purchase of homes; however, they may not assist in negotiating the financing terms. This will enable buyers to more easily find access to financing and make the overall home buying experience smoother.

On January 25, 2018, HUD announced a top-to-bottom review of its manufactured housing rules as part of a broader effort to identify regulations that may be ineffective, overly burdensome, or excessively costly given the critical need for affordable housing. If certain changes are made, our company may be able to more effectively serve buyers of affordable homes.

In 2017, our lead lender required an extensive review of our retail installment contract and associated procedures, which we use as part of our consumer financing solutions strategy. Based on that review, we improved certain elements of the language used in our contracts, and modified certain aspects of our practices. Although we believe there are no material compliance issues with our forms and procedures, we are subject to the federal and other regulations described above.

### **Seasonality**

Generally, we experience higher sales volume during the months of March through October. Our sales are generally slower during the winter months, and shipments can be delayed in certain geographic market areas that we serve which experience harsh weather conditions.

### **Employees**

As of December 31, 2021, we had approximately 880 employees. Of our employees, approximately 777 individuals are hourly employees and 103 individuals are salaried employees. Our employees are currently not represented by any collective bargaining unit. We believe that our relationship with our employees is good.

### **ITEM 1A. RISK FACTORS.**

Not applicable for smaller reporting companies.

**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

None.

**ITEM 2. PROPERTIES.****Facilities**

The following table sets forth certain information with respect to the facilities where our company operates:

<b>Location</b>	<b>Date of Commencement of Operations</b>	<b>Owned / Leased</b>	<b>Square Feet</b>
<b><i>Manufacturing/Warehouse Facilities</i></b>			
Fort Worth, TX	2005	Owned	96,880
Commerce, TX	2007	Owned	129,600
Eatonton, GA	2016	Leased	388,000
<b><i>Retail Locations</i></b>			
Acworth, GA	2019	Leased	2,369
Albany, GA	2018	Leased	1,536
Asheboro, NC	2017	Leased	1,472
Athens, GA	2016	Leased	2,016
Augusta, GA	2018	Leased	3,136
Canton, TX	2018	Leased	2,362
Jennings, LA	2017	Owned	2,432
Minden, LA	2017	Leased	2,369
Mt. Pleasant, TX	2016	Leased	1,792
Sapulpa, OK	2020	Leased	1,960
Greenville, TX	2016	Owned	1,256
Gainesville, TX	2017	Owned	2,240
Oklahoma City, OK	2016	Owned	2,100
<b><i>Corporate/Regional Headquarters</i></b>			
Bedford, TX	2018	Leased	8,020
Norcross, GA	2018	Leased	3,358

We own the manufacturing facilities and the land on which the facilities are located in Fort Worth, Texas and Commerce, Texas. We believe that these facilities are adequately maintained and suitable for the purposes for which they are used. We currently lease our facility in Eatonton, Georgia from the Putnam Development Authority. In December 2016, we entered into a payment in lieu of taxes (“PILOT”) arrangement commonly offered in Georgia by local community development programs to encourage industry development. The net effect of the PILOT arrangement is to provide us with incentives through the abatement of local, city and county property taxes and to provide financing for improvements of our Georgia plant (the “Project”). As part of the PILOT arrangement, the Putnam County Development Authority provided us with a credit facility for up to \$10 million that can be drawn upon to fund Project improvements and capital expenditures as defined in the credit facility. If funds are drawn, we would pay transaction costs and debt service payments. The credit facility requires interest payments of 6.0% per annum on outstanding balances, which are due each December 1 through maturity on December 1, 2021, at which time all unpaid principal and interest are due. The credit facility is collateralized by the assets of the Project. As of December 31, 2021, we had not drawn down on this credit facility.

We currently operate 13 retail locations. Each retail location sits on approximately five to seven acres of land. We lease 9 of the 13 retail locations we operate in the business, pursuant to leases expiring from 2022 to 2028. Total rent expense for the years ended December 31, 2021 and 2020 was \$698,000 and \$602,000, respectively.

**ITEM 3. LEGAL PROCEEDINGS.**

We are party to certain legal proceedings that have arisen in the ordinary course of our business and are incidental to our business. Certain of the claims pending against us allege, among other things, breach of contract, breach of express and implied warranties, construction defects, deceptive trade practices, product liability and personal injury. Although litigation is inherently uncertain, based on past experience and the information currently available, management does not believe that the currently pending and threatened litigation or claims will have a material adverse effect on our company's financial position, liquidity or results of operations. However, future events or circumstances, currently unknown to management, will determine whether the resolution of pending or threatened litigation or claims will ultimately have a material effect on our financial position, liquidity or results of operations in any future reporting periods.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

#### Market Information

Our common stock has traded on The NASDAQ Global Market under the symbol “LEGH” since December 14, 2018, when we completed our IPO. Prior to that date, there was no public market for our common stock. As of June 24, 2022, there were 14 holders of record of our common stock. This does not include persons who hold our common stock in nominee or “street name” accounts through brokers or banks.

#### Dividends

We did not declare or pay cash dividends during 2021 or 2020. We have no plans to pay any cash dividends on our common stock for the foreseeable future and instead plan to retain earnings, if any, for future operations, to finance the growth of the business and service debt. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that our board of directors may deem relevant.

#### Recent Sales of Unregistered Securities

We did not sell any unregistered equity securities during the period covered by this Form 10-K.

#### Issuer Purchases of Equity Securities

On April 12, 2019 our Board of Directors approved a stock repurchase program. Under the repurchase program, the Company may purchase up to \$10,000,000 of its common stock, share purchases may be made from time to time in the open market or through privately negotiated transactions depending on market conditions, share price, trading volume and other factors. Such purchases, if any, will be made in accordance with applicable insider trading and other securities laws and regulations. These repurchases may be commenced or suspended at any time or from time to time without prior notice.

On April 17, 2019, pursuant to the repurchase program, we acquired 300,000 shares of our common stock at an average price of \$10.20 per share. During the year ended December 31, 2020, the Company purchased 145,065 shares of its common stock at an average price of \$9.77 per share, pursuant to the Company’s repurchase program. As of December 31, 2021, the approximate dollar value of shares that may yet be purchased under this program is \$5,523,000.

### ITEM 6. [RESERVED]

## **ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

*The following discussion should be read in conjunction with the financial statements and accompanying notes and the information contained in other sections of this Form 10-K. It contains forward-looking statements that involve risks and uncertainties, and is based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Our actual results could differ materially from those anticipated by our management in these forward-looking statements as a result of various factors, including those discussed in this Form 10-K and in our Registration Statement on Form S-1, particularly under the heading “Risk Factors.”*

### **Overview**

Legacy Housing Corporation builds, sells and finances manufactured homes and “tiny houses” that are distributed through a network of independent retailers and company-owned stores and are sold directly to manufactured housing communities. We are the sixth largest producer of manufactured homes in the United States as ranked by number of homes manufactured based on information available from the Manufactured Housing Institute and IBTS for the twelve month period ending September 30, 2021. With current operations focused primarily in the southern United States, we offer our customers an array of quality homes ranging in size from approximately 395 to 2,667 square feet consisting of 1 to 5 bedrooms, with 1 to 3<sup>1</sup>/<sub>2</sub> bathrooms. Our homes range in price, at retail, from approximately \$33,000 to \$180,000. During 2021, we sold 3,635 home sections (which are entire homes or single floors that are combined to create complete homes) and in 2020, we sold 3,814 home sections.

The Company has one reportable segment. All of our activities are interrelated, and each activity is dependent and assessed based on how each of the activities of Company supports the others. For example, the sale of manufactured homes includes providing transportation and consignment arrangements with dealers. We also provide financing options to the customers to facilitate such sale of homes. In addition, the sale of homes is directly related to financing provided by us. Accordingly, all significant operating and strategic decisions by the chief operating decision-maker, the Executive Chairman of the Board, are based upon analyses of our company as one segment or unit.

We believe our company is one of the most vertically integrated in the manufactured housing industry, allowing us to offer a complete solution to our customers, from manufacturing custom-made homes using quality materials and distributing those homes through our expansive network of independent retailers and company-owned distribution locations, to providing tailored financing solutions for our customers. Our homes are constructed in the United States at one of our three manufacturing facilities in accordance with the construction and safety standards of the U.S. Department of Housing and Urban Development (“HUD”). Our factories employ high-volume production techniques that allow us to produce, on average, approximately 75 home sections, or 62 fully-completed homes depending on product mix, in total per week. We use quality materials and operate our own component manufacturing facilities for many of the items used in the construction of our homes. Each home can be configured according to a variety of floor plans and equipped with such features as fireplaces, central air conditioning and state-of-the-art kitchens.

Our homes are marketed under our premier “Legacy” brand name and currently are sold primarily across 15 states through a network of 176 independent retail locations, 13 company-owned retail locations and through direct sales to owners of manufactured home communities. Our 13 company-owned retail locations, including 11 Heritage Housing stores and two Tiny House Outlet stores exclusively sell our homes. During 2021, approximately 50% of our manufactured homes were sold in Texas, followed by 16% in Georgia, 8% in Louisiana and 5% in Alabama. During 2020, 46% of our manufactured homes were sold in Texas, followed by 8% in Georgia, 8% in Michigan, 5% in Kansas and 5% in North Carolina. We plan to deepen our distribution channel by using cash from operations and borrowings from our lines of credit to expand our company-owned retail locations in new and existing markets.

We offer three types of financing solutions to our customers. We provide floor plan financing for our independent retailers, which takes the form of a consignment arrangement between the retailer and us. We also provide consumer financing for our products which are sold to end-users through both independent and company-owned retail locations, and we provide financing solutions to manufactured housing community owners that buy our products for use in their manufactured housing communities. Our ability to offer competitive financing options at our retail locations



provides us with several competitive advantages and allows us to capture sales which may not have otherwise occurred without our ability to offer consumer financing.

### Corporate Conversion

Prior to January 1, 2018, we were a Texas limited partnership named Legacy Housing, Ltd. Effective January 1, 2018, we converted into a Delaware corporation pursuant to a statutory conversion, or the Corporate Conversion, and changed our name to Legacy Housing Corporation. All of our outstanding partnership interests were converted on a proportional basis into shares of common stock of Legacy Housing Corporation. Effective December 31, 2019, the Company reincorporated from a Delaware corporation to a Texas corporation. For more information, see “Corporate Conversion” in Note 1.

Following the Corporate Conversion, Legacy Housing Corporation continues to hold all of the property and assets of Legacy Housing, Ltd. and all of the debts and obligations of Legacy Housing, Ltd. continue as the debts and obligations of Legacy Housing Corporation. The purpose of the Corporate Conversion was to reorganize our corporate structure so that the top-tier entity in our corporate structure is a corporation rather than a limited partnership and so that our existing owners own shares of our common stock rather than partnership interests in a limited partnership. Except as otherwise noted, the financial statements included in this Form 10-K are those of Legacy Housing Corporation.

### Factors Affecting Our Performance

We believe that the growth of our business and our future success depend on various opportunities, challenges, trends and other factors, including the following:

- We have purchased several properties in our market area for the purpose of developing manufactured housing communities and subdivisions. As of December 31, 2021, these properties include the following (\$'s in thousands):

Location	Description	Date of Acquisition	Land	Improvements	Total
Bastrop County, Texas	400 Acres	April 2018	\$ 4,400	\$ 1,001	\$ 5,401
Bexar County, Texas	100 Acres	November 2018	1,300	114	1,414
Horseshoe Bay, Texas	133 Acres	Various 2018-2019	2,431	1,970	4,401
Johnson County, Texas	91.5 Acres	July 2019	445	16	461
Venus, Texas	50 Acres	August 2019	422	7	429
Wise County, Texas	81.5 Acres	September 2020	889	-	889
Bexar County, Texas	233 Acres	February 2021	1,550	102	1,652
			\$ 11,437	\$ 3,210	\$ 14,647

- We also expect to provide financing solutions to a select group of our manufactured housing community-owner customers in a manner that includes developing new sites for products in or near urban locations where there is a shortage of sites to place our products. These solutions will be structured to give us an attractive return on investment when coupled with the gross margin we expect to make on products specifically targeted for sale to these new manufactured housing communities.
- Finally, our financial performance will be impacted by our ability to fulfill current orders for our manufactured homes from dealers and customers. Currently, our two Texas manufacturing facilities are operating at or near peak capacity, with limited ability to increase the volume of homes produced at those plants. Our Georgia manufacturing facility has unutilized square footage available and with additional investment can add capacity to increase the number of homes that can be manufactured. We intend to increase production at the Georgia facility over time, particularly in response to orders increasingly being generated from new markets in Florida and the Carolinas. In order to maintain our growth, we will need to be able to continue to properly estimate anticipated future volumes when making commitments regarding



the level of business that we will seek and accept, the mix of products that we intend to manufacture, the timing of production schedules and the levels and utilization of inventory, equipment and personnel.

- The coronavirus pandemic is an evolving threat to the economy and all businesses. At this time both the duration of the pandemic and the magnitude of the economic consequences are unknown. Risks to the Company include but are not limited to:
  - increased loan losses or deferred loan payments as loan obligors suffer cash flow issues resulting from reduced employment, reduced rental income or unit sales, or other factors;
  - reduced sales volume as potential customers are unable to shop for new homes or cannot qualify for a home purchase, retail dealers or company stores reduce or stop operations, or MHP owners reduce their future home purchases;
  - reduced production resulting from factors such as the spread of the illness through the Company's workforce, reduced product demand, or government-mandated closures of our factories, company-owned stores, or retail lots of independent dealers who carry our products;
  - delays in development projects as zoning, regulatory, and permitting decisions are likely to be postponed and the expected negative impact of the pandemic on the construction industry;
  - reduced raw material availability related to global supply chain disruption from the pandemic, including possible border closures;
  - decreased cash flow from operations which could negatively affect our liquidity;
  - an outbreak of illness among our management and accounting staff could negatively affect our ability to maintain operations, operate our financial systems, delay our statutory reporting, and reduce our internal control of financial reporting.

We continue to monitor government responses to support the economy and evaluate how those actions might mitigate the risks noted above.

### **Critical Accounting Policies and Estimates**

Our management's discussion and analysis of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following accounting policies are critical to our operating results or may affect significant judgments and estimates used in the preparation of our financial statements.

#### ***Allowance for Loan Losses—Consumer Loan Receivable***

The allowance for loan losses reflects management's estimate of losses inherent in the consumer loans that may be uncollectible based upon review and evaluation of the consumer loan portfolio as of the date of the balance sheet. A reserve is calculated after considering, among other things, the loan characteristics, including the financial condition of borrowers, the value and liquidity of collateral, delinquency and historical loss experience.

The allowance for loan losses is comprised of two components: the general reserve and specific reserves. Our calculation of the general reserve considers the historical loss rate for the last three years, adjusted for the estimated loss discovery period and any qualitative factors both internal and external to our company. Specific reserves are determined based on probable losses on specific classified impaired loans.

Our policy is to place a loan on nonaccrual status when there is a clear indication that the borrower's cash flow may not be sufficient to meet payments as they become due, which is normally when either principal or interest is past due and remains unpaid for more than 90 days. Management implemented this policy based on an analysis of historical data and performance of loans and the likelihood of recovery once principal or interest payments became delinquent and were aged more than 90 days. Payments received on nonaccrual loans are accounted for on a cash basis, first to interest and then to principal, as long as the remaining book balance of the asset is deemed to be collectible. The accrual of interest resumes when the past due principal or interest payments are brought within 90 days of being current.

Impaired loans are those loans where it is probable we will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impaired loans, or portions thereof, are charged-off when deemed uncollectible. A loan is generally deemed impaired if it is more than 90 days past due on principal or interest, is in bankruptcy proceedings, or is in the process of repossession. A specific reserve is created for impaired loans based on fair value of underlying collateral value, less estimated selling costs. We use certain factors to determine the value of the underlying collateral for impaired loans. These factors are: (1) the length of time the unit was unsold after construction; (2) the amount of time the house was occupied; (3) the cooperation level of the borrowers, i.e., loans requiring legal action or extensive field collection efforts will reduce the value; (4) units located on private property present additional value loss because it tends to be more expensive to remove units from private property as opposed to a manufactured home park; (5) the length of time the borrower has lived in the house without making payments; (6) location and size, including market conditions; and (7) the experience and expertise of the particular dealer assisting in collection efforts.

Collateral for repossessed loans is acquired through foreclosure or similar proceedings and is recorded at the estimated fair value of the home, less the costs to sell. At repossession, the fair value of the collateral is computed based on the historical recovery rates of previously charged-off loans; the loan is charged off and the loss is charged to the allowance for loan losses. At each reporting period, the fair value of the collateral is adjusted to the lower of the amount recorded at repossession or the estimated sales price less estimated costs to sell, based on current information.

#### ***Allowance for Loan Losses—MHP Notes***

MHP Notes are stated at amounts due from customers net of allowance for loan losses. We determine the allowance by considering several factors including the aging of the past due balance, the customer's payment history, and our previous loss history. We establish an allowance reserve composed of specific and general reserve amounts that are deemed to be uncollectible. Historically we have not experienced material losses on the MHP Notes.

#### ***Inventories***

Inventories consist of raw materials, work-in-process, and finished goods and are stated at the lower of cost or net realizable value. Raw materials cost approximates the first-in first-out method. Finished goods and work-in-process are based on a standard cost system that approximates actual costs using the specific identification method.

Estimates of the lower of cost and net realizable value of inventory are determined by comparing the actual cost of the product to the estimated selling prices in the ordinary course of business based on current market and economic conditions, less reasonably predictable costs of completion, disposal, and transportation of the inventory.

We evaluate inventory based on historical experience to estimate our inventory not expected to be sold in less than a year. We classify our inventory not expected to be sold in one year as non-current.

### ***Property, Plant and Equipment***

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of each asset. Estimated useful lives for significant classes of assets are as follows: buildings and improvements, 30 to 39 years; vehicles, 5 years; machinery and equipment, 7 years; and furniture and fixtures, 7 years. Repair and maintenance charges are expensed as incurred. Expenditures for major renewals or betterments which extend the useful lives of existing property, plant, and equipment are capitalized and depreciated. We periodically evaluate the carrying value of long-lived assets to be held and used and when events and circumstances warrant such a review. The carrying value of long-lived assets is considered impaired when the anticipated undiscounted cash flow from such assets is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived assets. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that the fair values are based primarily on independent appraisals and preliminary or definitive contractual arrangements less costs to dispose.

### ***Revenue Recognition***

#### ***Direct Sales***

Revenue from homes sold to independent retailers that are not financed and not under a consignment arrangement are generally recognized upon execution of a sales contract and when the home is shipped, at which time title passes to the independent retailer and collectability is reasonably assured. These types of homes are generally either paid for prior to shipment or floor plan financed through a third party lender by the independent retailer through standard industry arrangements, which can include repurchase agreements.

#### ***Commercial Sales***

Revenue from homes sold to mobile home parks under commercial loan programs involving funds provided by our company is recognized when the home is shipped, at which time title passes to the customer and a sales and financing contract is executed, down payment received, and collectability is reasonably assured.

#### ***Consignment Sales***

We provide floor plan financing for independent retailers, which takes the form of a consignment arrangement. Sales under a consignment agreement are recognized as revenue when we enter into a sales contract and receive full payment for cash sales, and title passes; or, upon execution of a sales and financing contract, with a down payment received from and upon delivery of the home to the final individual customer, at which time title passes and collectability is reasonably assured. For homes sold to customers through independent retailers under consignment arrangements and financed by us, a percentage of profit is paid to the independent retailer up front as a commission for sale and also reimburses certain direct expenses incurred by the independent retailer for each transaction. Such payments are recorded as cost of product sales in our statement of operations.

#### ***Retail Store Sales***

Revenue from direct retail sales through company-owned retail locations are generally recognized when the customer has entered into a legally binding sales contract, payment is received, the home is delivered at the customer's site, title has transferred, and collection is reasonably assured. Retail sales financed by us are recognized as revenue upon the execution of a sales and financing contract with a down payment received and upon delivery of the home to the final customer, at which time title passes and collectability is reasonably assured.

Revenue is recognized net of sales taxes.

**Product Warranties**

We provide retail home buyers with a one-year warranty from the date of purchase on manufactured inventory. Product warranty costs are accrued when the covered homes are sold to customers. Product warranty expense is recognized based on the terms of the product warranty and the related estimated costs. Factors used to determine the warranty liability include the number of homes under warranty and the historical costs incurred in servicing the warranties. The accrued warranty liability is reduced as costs are incurred and warranty liability balance is included as part of accrued liabilities in our balance sheet.

**Results of Operations**

The following discussion should be read in conjunction with the information set forth in the financial statements and the accompanying notes appearing elsewhere in this Form 10-K.

**Comparison of Years ended December 31, 2021 and 2020 (in thousands)**

	Year ended December 31,		\$ change	% change
	2021	2020		
Net revenue:				
Product sales	\$ 165,995	\$ 147,502	\$ 18,493	12.5 %
Consumer and MHP loans interest	27,195	25,360	1,835	7.2 %
Other	4,317	3,862	455	11.8 %
Total net revenue	197,507	176,724	20,783	11.8 %
Operating expenses:				
Cost of product sales	114,050	109,723	4,327	3.9 %
Selling, general administrative expenses	23,306	19,068	4,238	22.2 %
Dealer incentive	1,235	336	899	267.6 %
Income from operations	58,916	47,597	11,319	23.8 %
Other income (expense)				
Non-operating interest income	2,095	915	1,180	129.0 %
Miscellaneous, net	503	288	215	74.7 %
Gain on settlement, net	—	1,075	(1,075)	%
Interest expense	(887)	(1,053)	166	(15.8)%
Total other	1,711	1,225	486	39.7 %
Income before income tax expense	60,627	48,822	11,805	24.2 %
Income tax expense	(10,756)	(10,827)	71	(0.7)%
Net income	\$ 49,871	\$ 37,995	\$ 11,876	31.3 %

Product sales primarily consist of direct sales, commercial sales, consignment sales and retail store sales. Product sales increased \$18.5 million, or 12.5%, in 2021 as compared to 2020. This change was driven by higher average sales price partially offset by lower unit volumes.

Net revenue attributable to our factory-built housing consisted of the following in 2021 and 2020:

	Year Ended December 31, (in thousands)		\$ Change	% Change
	2021	2020		
Net revenue:				
Products sold	\$ 165,995	\$ 147,502	\$ 18,493	12.5 %
Total products sold	3,011	3,379	(368)	(10.9)%
Net revenue per product sold	\$ 55.1	\$ 43.7	\$ 11.5	26.3 %

In 2021, our net revenue per product sold increased 26.3% because of increases to our product prices due to rising material and labor costs, which resulted in higher home sales prices and more revenue generated per home sold. We had increases in consignment sales, direct sales, and sales through our company-owned retail stores. These increases were partially offset by declines in sales to manufactured home communities. Sales through our company-owned retail stores and sales to manufactured home communities have higher margins than our direct sales and consignment sales. Other product sales increased \$5.6 million, or 115.0% and is primarily due to an increase in direct freight, molding revenue and miscellaneous sales income partially offset by a decrease in parts sales.

Consumer and MHP loans interest income grew \$1.8 million, or 7.2%, in 2021 as compared to 2020 and is related to our average increase in outstanding consumer loan portfolio and MHP Note portfolio. Between December 31, 2021 and December 31, 2020 our consumer loan portfolio increased by \$13.7 million. Between September 29, 2021 and December 31, 2020 our MHP Note portfolio increased by \$19.4 million. On September 30, 2021, we collected \$44.9 million in principal payment from one of our MHP borrowers. As a result of this payment, MHP loan interest income is expected to decrease during 2022 as compared to 2021.

Other revenue primarily consists of commercial lease rents, consignment fees and servicer fee revenue. Other revenue increased \$0.5 million or 11.8% primarily due to a \$0.4 million increase in commercial lease rents and a \$0.1 million increase in miscellaneous other revenue, net.

The cost of product sales increased \$4.3 million, or 3.9%, in 2021 as compared to 2020. The increase in costs is primarily related to increases in the cost of materials and labor in 2021 and was materially passed along to our end-customer.

Selling, general and administrative expenses increased \$4.2 million, or 22.2%, in 2021 as compared to 2020. This increase was primarily due to \$2.4 million increase in salaries and incentive costs, a \$0.3 million increase in rent and facility costs, a \$0.3 million increase in consulting and professional fees, a \$0.3 million increase in depreciation & amortization expense, a \$0.2 million increase in warranty costs, a \$1.0 million increase in legal expenses, and a net \$0.1 million increase in other miscellaneous costs. These increases were partially offset by a \$0.4 million decrease in advertising and promotions.

Dealer incentive expense increased \$0.9 million, or 267.6% in 2021 as compared to 2020.

Other income (expense), net increased \$0.5 million, or 39.7%, in 2021, as compared to 2020. This increase was primarily due to an increase of \$1.2 million in non-operating interest income, an increase of \$0.2 million in miscellaneous income, net, and a decrease of \$0.2 million in interest expense. These increases were partially offset by a \$1.1 million gain in the second quarter of 2020 due to the settlement of a lawsuit with a previous vendor for the Company.

Income tax expense was \$10.8 million for 2021 and 2020. The effective tax rate for the year ended December 31, 2021 was 17.7% and primarily differs from the federal statutory rate of 21% primarily due to a federal tax credit for energy efficient construction and partially offset by state income taxes. The effective tax rate for the year ended December 31, 2020 was 22.2% and primarily differs from the federal statutory rate of 21% primarily due to state income taxes net of a federal tax credit for energy efficient construction.

## **Liquidity and Capital Resources**

### **Cash and Cash Equivalents**

We consider all cash and highly liquid investments with an original maturity of three months or less to be cash equivalents. We maintain cash balances in bank accounts that may, at times, exceed federally insured limits. We have not incurred any losses from such accounts and management considers the risk of loss to be minimal. We believe that cash flow from operations, cash and cash equivalents at December 31, 2021, and availability on our lines of credit will be sufficient to fund our operations and provide for growth for the next 12 to 18 months and into the foreseeable future. In 2020, we negotiated a new credit agreement with Capital One, N.A. that expanded and extended our credit availability

(see *Indebtedness – Capital One Revolver*, below). As of December 31, 2021, we had approximately \$1.0 million in cash and cash equivalents, compared to \$0.8 million as of December 31, 2020.

#### *Cash Flow Activities*

	Year Ended December 31, (in thousands)	
	2021	2020
Net cash provided by (used in) operating activities	\$ 60,296	\$ (1,838)
Net cash used in investing activities	\$ (31,942)	\$ (2,718)
Net cash used in financing activities	\$ (28,080)	\$ 3,600
Net change in cash and cash equivalents	\$ 274	\$ (956)
Cash and cash equivalents at beginning of period	\$ 768	\$ 1,724
Cash and cash equivalents at end of period	\$ 1,042	\$ 768

#### **Comparison of Cash Flow Activities from 2021 to 2020**

Net cash provided by operating activities increased \$62.1 million during the year ended December 31, 2021, compared to 2020, primarily as a result of increased MHP principal collections, decreased MHP originations, and increased customer deposits and escrow. The increase in cash used in operating activities was partially offset by increased volume of consumer loan originations net of principal collections, increased inventories, increased accounts receivable and decreased payables.

Net cash used in investing activities of \$31.9 million in 2021 was primarily attributable to \$36.8 million used for loans to third parties for the development of manufactured housing parks and \$6.0 million used for the acquisition of property plant and equipment. These were offset by collections of \$9.0 million of loans we made to third parties for the development of manufactured housing parks and collections of \$1.8 million from our purchased consumer loans.

Net cash used in financing activities of \$28.1 million in 2021 was attributable to net payments of \$28.2 million on our lines of credit offset by \$0.1 million received from the exercise of stock options.

#### *Indebtedness*

**Capital One Revolver.** At December 31, 2019, we had a revolving line of credit (“Revolver 1”) with Capital One, N.A. with a maximum credit limit of \$45,000,000 and a maturity date of May 11, 2020. On March 30, 2020, we entered into an agreement with Capital One, N.A. to replace Revolver 1 with a new revolving line of credit (“New Revolver”). The New Revolver has a maximum credit limit of \$70,000,000 and a maturity date of March 30, 2024. For the period January 1, 2020 through March 30, 2020, Revolver 1 accrued interest at one-month LIBOR plus 2.40%. Amounts available under Revolver 1 were subject to a formula based on eligible consumer loans and MHP Notes and were secured by all accounts receivable and the consumer loans receivable and MHP Notes.

The New Revolver accrues interest at one-month LIBOR plus 2.00%. The interest rates in effect as of December 31, 2021 and 2020 were 2.10% and 2.15%, respectively. As with Revolver 1, amounts available under the New Revolver are subject to a formula based on eligible consumer loans and MHP Notes and are secured by all accounts receivable and the consumer loans receivable and MHP Notes. The amount of available credit under the New Revolver was \$61,841,000 as of December 31, 2021. In connection with the New Revolver, we paid certain arrangement fees and other fees of approximately \$0.3 million, which were capitalized as unamortized debt issuance costs and will be amortized to interest expense over the life of the New Revolver.

For the years ended December 31, 2021 and 2020, interest expense under the Capital One Revolvers was \$887,000 and \$1,020,000, respectively. The outstanding balance as of December 31, 2021 and 2020 was \$8,159,000 and \$36,174,000, respectively. We were in compliance with all financial covenants as of December 31, 2021, including that we maintain a tangible net worth of at least \$120,000,000 and that we maintain a ratio of debt to EBITDA of 4-to-1, or less.

On June 21, 2022, we received a Reservation of Rights notice from Capital One, N.A. The letter stated that the New Revolver was in default. The default condition occurred due to our failure to timely file the 10K and deliver certain financial statements to Capital One, N.A. On July 28, 2022, we executed a forbearance agreement with Capital One, N.A.

**Veritex Community Bank Revolver.** In April 2016, we entered into an agreement with Veritex Community Bank to secure an additional revolving line of credit of \$15,000,000 (“Revolver 2”). Revolver 2 accrues interest at one-month LIBOR plus 2.50% and all unpaid principal and interest is due at maturity on April 4, 2021. Revolver 2 is secured by all finished goods inventory excluding repossessed homes. Amounts available under Revolver 2 are subject to a formula based on eligible inventory. On May 12, 2017, we entered into an agreement to increase the maximum borrowing availability under Revolver 2 to \$20,000,000. On October 15, 2018, Revolver 2 was amended to extend the maturity date from April 4, 2019 to April 4, 2021. In April 2020, this note was paid in full and the facility was terminated. The amount of available credit under Revolver 2 was \$12,028,000 and the interest rates in effect as of March 31, 2020 was 4.17%. For the year ended December 31, 2020 interest expense was \$17,000. The outstanding balance as of March 31, 2020 was \$2,001,000. We were in compliance with all financial covenants as of March 31, 2020 including that we maintain a tangible net worth of at least \$80,000,000.

**PPP Loan.** On April 10, 2020, we Company entered into a loan with Peoples Bank as the lender in an aggregate principal amount of \$6,545,700 (the “Loan”) pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act. The Loan was evidenced by a promissory note (the “Note”) dated April 10, 2020 and had a maturity date of April 10, 2022. The Note had an interest rate of 1.000% per annum, with the first six months of interest deferred. Principal and interest were payable monthly commencing on November 10, 2020 and could be prepaid by us at any time prior to maturity with no prepayment penalties. On May 1, 2020, this loan was paid in full.

**PILOT Agreement.** In December 2016, we entered into a Payment in Lieu of Taxes (“PILOT”) agreement commonly offered in Georgia by local community development programs to encourage industry development. The net effect of the PILOT agreement is to provide us with incentives through the abatement of local, city and county property taxes and to provide financing for improvements to our Georgia plant (the “Project”). In connection with the PILOT agreement, the Putman County Development Authority provides a credit facility for up to \$10,000,000, which can be drawn upon to fund Project improvements and capital expenditures as defined in the agreement. If funds are drawn, we would pay transactions costs and debt service payments. The PILOT agreement requires interest payments of 6.00% per annum on outstanding balances, which were due each December 1 through maturity on December 1, 2021, at which time all unpaid principal and interest are due. The PILOT agreement is collateralized by the assets of the Project. As of December 31, 2021, we had not drawn down on this credit facility.

### Contractual Obligations

The following table is a summary of contractual cash obligations as of December 31, 2021:

Contractual Obligations	Payments Due by Period (in thousands)				
	Total	2022	2023 - 2024	2025 - 2026	After 2026
Lines of credit	\$ 8,159	—	8,159	—	—
Operating lease obligations	\$ 2,914	632	1,066	831	385

### Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, net sales, results of operations, liquidity or capital expenditures. However, we do have a repurchase agreement with a financial institution providing inventory financing for independent retailers of our products. Under this agreement, we have agreed to repurchase homes at declining prices over the term of the agreement (24 months). Our obligation under this repurchase agreement ceases upon the purchase of the home by the retail customer. The maximum amount of our contingent obligations under such repurchase agreements was approximately

\$4,908,000 and \$140,000 as of December 31, 2021 and 2020, respectively, without reduction for the resale value of the homes. We may be required to honor contingent repurchase obligations in the future and may incur additional expense as a consequence of these repurchase agreements. We consider our obligations on current contracts to be immaterial and accordingly we have not recorded any reserve for repurchase commitment as of December 31, 2021.

#### **Recent Accounting Pronouncements**

For information regarding recently issued and adopted accounting pronouncements, see Note 2, Summary of Significant Accounting Policies, to our December 31, 2021 financial statements included in Part II, Item 8, Financial Statements and Supplementary Data, of this Form-10K.

#### **Emerging Growth Company Status**

We are an “emerging growth company,” as defined in the JOBS Act. Section 107 of the JOBS Act provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an “emerging growth company” can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of these exemptions until we are no longer an emerging growth company or until we affirmatively and irrevocably opt out of this exemption.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not applicable for smaller reporting companies.



**ITEM 8. FINANCIAL STATEMENTS**

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**Report of Independent Registered Public Accounting Firm (PCAOB ID: 410)**

Audit Committee, Board of Directors and Shareholders  
Legacy Housing Corporation  
Bedford, Texas

***Opinion on the financial statements***

We have audited the accompanying balance sheet of Legacy Housing Corporation (the Company) as of December 31, 2021, and the related statements of operations, changes in stockholders' equity and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for year then ended, in conformity with accounting principles generally accepted in the United States of America.

***Basis for opinion***

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provide a reasonable basis for our opinion.

**/s/ Weaver, LLP**

We have served as the Company's auditor since 2021.

Dallas, Texas  
August 3, 2022

**Report of Independent Registered Public Accounting Firm (PCAOB ID: 686)**

Audit Committee, Board of Directors and Shareholders  
Legacy Housing Corporation  
Bedford, Texas

***Opinion on the financial statements***

We have audited the accompanying balance sheet of Legacy Housing Corporation (the Company) as of December 31, 2020, the related statements of operations, changes in stockholders' equity and cash flows for the year ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for year then ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

***Basis for opinion***

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provide a reasonable basis for our opinion.

/s/ **BKD**, LLP

We served as the Company's auditor from 2019 to 2021.

Dallas, Texas  
March 17, 2021

LEGACY HOUSING CORPORATION

BALANCE SHEETS (in thousands, except share data)

	December 31, 2021	December 31, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,042	\$ 768
Accounts receivable, net	8,614	3,536
Current portion of consumer loans	6,080	5,348
Current portion of notes receivable from mobile home parks ("MHP")	10,049	12,468
Current portion of other notes receivable	21,070	2,054
Inventories	41,230	27,224
Prepaid expenses and other current assets	4,456	3,234
Total current assets	92,541	54,632
Consumer loans, net	119,543	106,572
Notes receivable from mobile home parks ("MHP")	92,943	123,872
Other notes receivable, net	20,930	13,050
Inventories, net	2,678	8,656
Other assets	10,516	9,218
Property, plant and equipment, net	27,516	22,616
Total assets	<u>\$ 366,667</u>	<u>\$ 338,616</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 4,155	\$ 10,197
Accrued liabilities	20,686	14,860
Customer deposits	7,749	3,620
Escrow liability	9,350	7,729
Total current liabilities	41,940	36,406
Long-term liabilities:		
Lines of credit	7,993	36,174
Deferred income taxes, net	3,004	1,971
Accrued liabilities, net of current portion	—	630
Dealer incentive liability	4,336	4,242
Total liabilities	57,273	79,423
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, \$.001 par value, 10,000,000 shares authorized: no shares issued or outstanding	—	—
Common stock, \$.001 par value, 90,000,000 shares authorized; 24,654,621 and 24,639,125 issued and 24,209,556 and 24,194,060 outstanding at December 31, 2021 and December 31, 2020, respectively	25	25
Treasury stock at cost, 445,065 shares at December 31, 2021 and December 31, 2020	(4,477)	(4,477)
Additional paid-in-capital	175,623	175,293
Retained earnings	138,223	88,352
Total stockholders' equity	309,394	259,193
Total liabilities and stockholders' equity	<u>\$ 366,667</u>	<u>\$ 338,616</u>

See accompanying notes to financial statements

**LEGACY HOUSING CORPORATION****STATEMENTS OF OPERATIONS (in thousands, except share and per share data)**

	<b>Year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Net revenue:		
Product sales	\$ 165,995	\$ 147,502
Consumer and MHP loans interest	27,195	25,360
Other	4,317	3,862
Total net revenue	<u>197,507</u>	<u>176,724</u>
Operating expenses:		
Cost of product sales	114,050	109,723
Selling, general and administrative expenses	23,306	19,068
Dealer incentive	1,235	336
Income from operations	<u>58,916</u>	<u>47,597</u>
Other income (expense):		
Non-operating interest income	2,095	915
Miscellaneous, net	503	288
Gain on settlement, net	—	1,075
Interest expense	(887)	(1,053)
Total other	<u>1,711</u>	<u>1,225</u>
Income before income tax expense	<u>60,627</u>	<u>48,822</u>
Income tax expense	(10,756)	(10,827)
Net income	<u>\$ 49,871</u>	<u>\$ 37,995</u>
Weighted average shares outstanding:		
Basic	24,204,437	24,226,128
Diluted	24,275,989	24,236,395
Net income per share:		
Basic	\$ 2.06	\$ 1.57
Diluted	\$ 2.05	\$ 1.57

See accompanying notes to financial statements.

**LEGACY HOUSING CORPORATION**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

(in thousands, except share data)

	Common Stock		Treasury stock	Additional paid-in-capital	Retained earnings	Total
	Shares	Amount				
Balances, December 31, 2019	<u>24,620,079</u>	<u>\$ 25</u>	<u>\$ (3,060)</u>	<u>\$ 175,067</u>	<u>\$ 50,357</u>	<u>\$ 222,389</u>
Share based compensation expense and stock units vested	19,046	—	—	226	—	226
Purchase of treasury stock	—	—	(1,417)	—	—	(1,417)
Net income	—	—	—	—	37,995	37,995
Balances, December 31, 2020	<u>24,639,125</u>	<u>25</u>	<u>(4,477)</u>	<u>175,293</u>	<u>88,352</u>	<u>259,193</u>
Share based compensation expense and stock units vested	15,496	—	—	230	—	230
Proceeds from exercise of stock options	—	—	—	100	—	100
Net income	—	—	—	—	49,871	49,871
Balances, December 31, 2021	<u>24,654,621</u>	<u>25</u>	<u>(4,477)</u>	<u>175,623</u>	<u>138,223</u>	<u>309,394</u>

See accompanying notes to financial statements

**LEGACY HOUSING CORPORATION**  
**STATEMENTS OF CASH FLOWS (in thousands)**

	<u>Year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<b>Operating activities:</b>		
Net income	\$ 49,871	\$ 37,995
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense	1,587	1,212
Amortization of debt discount and issuance costs	814	(637)
Provision for accounts receivable	246	97
Provision for long term inventory	(188)	620
Sale of leased property	(98)	—
Provision for loan loss—consumer loans	725	819
Deferred income taxes	1,033	205
Share based payment expense	230	226
Gain on sale of land	—	(66)
Changes in operating assets and liabilities:		
Accounts receivable	(5,325)	(1,481)
Consumer loans originations	(25,998)	(19,247)
Consumer loans principal collections	10,473	11,196
Notes receivable MHP originations	(46,230)	(68,349)
Notes receivable MHP principal collections	78,957	23,529
Inventories	(7,840)	2,658
Prepaid expenses and other current assets	(1,221)	1,918
Other assets	(1,739)	(5,205)
Accounts payable	(6,042)	5,027
Accrued liabilities	4,589	6,682
Customer deposits	4,737	2,053
Escrow liability	1,621	199
Dealer incentive liability	94	(1,289)
Net cash provided by (used in) operating activities	<u>60,296</u>	<u>(1,838)</u>
<b>Investing activities:</b>		
Purchases of property, plant and equipment	(5,952)	(2,845)
Proceeds from sale of land	—	30
Issuance of notes receivable	(36,806)	(5,082)
Notes receivable collections	9,026	4,358
Purchases of loans	—	(487)
Collections from purchased loans	1,790	1,308
Net cash used in investing activities	<u>(31,942)</u>	<u>(2,718)</u>
<b>Financing activities:</b>		
Proceeds from exercise of stock options	100	—
Treasury stock purchase	—	(1,417)
Proceeds from issuance of note payable	—	6,546
Principal payments on note payable	—	(6,546)
Proceeds from lines of credit	96,088	67,698
Payments on lines of credit	(124,268)	(62,681)
Net cash provided by (used in) financing activities	<u>(28,080)</u>	<u>3,600</u>
Net increase (decrease) in cash and cash equivalents	274	(956)
Cash and cash equivalents at beginning of period	768	1,724
Cash and cash equivalents at end of period	<u>\$ 1,042</u>	<u>\$ 768</u>

	<u>Year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 873	\$ 985
Cash paid for taxes	\$ 8,195	\$ 6,728
<b>Supplemental disclosure of non-cash transactions:</b>		
Note receivable received in exchange of asset	\$ —	\$ 290

See accompanying notes to financial statements



**LEGACY HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**  
**(Dollars in thousands, except per share amounts)**

**1. NATURE OF OPERATIONS**

Legacy Housing Corporation (the “Company”) was formed on January 1, 2018 as a Delaware corporation through a corporate conversion of Legacy Housing, Ltd., (the “Partnership”) a Texas limited partnership formed in May 2005. Effective December 31, 2019, the Company reincorporated from a Delaware corporation to a Texas corporation. The Company is headquartered in Bedford, Texas.

The Company (1) manufactures and provides for the transport of mobile homes, (2) provides wholesale financing to dealers and mobile home parks and (3) provides retail financing to consumers and (4) is involved in financing and developing new manufactured home communities. The Company manufactures its mobile homes at plants located in Fort Worth, Texas, Commerce, Texas and Eatonton, Georgia. The Company relies on a network of dealers to market and sell its mobile homes. The Company also sells homes directly to dealers and mobile home parks.

In December 2018, the Company sold 4,000,000 shares of its common stock through an initial public offering (“IPO”) at \$12.00 per share. Proceeds from the IPO, net of \$4,504 of underwriting discounts and offering expenses paid by the Company, were \$43,492. In January 2019, the Company sold an additional 600,000 shares of its common stock as part of the IPO at \$12.00 per share. Proceeds from the January 2019 issuance, net of \$505 of underwriting discounts and offering expenses paid by the Company, were \$6,695.

On April 17, 2019, the Company purchased 300,000 shares of its common stock at the price of \$10.20 per share, pursuant to the Company’s repurchase program. During the year ended December 31, 2020, the Company purchased 145,065 shares of its common stock at an average price of \$9.77 per share, pursuant to the Company’s repurchase program. Under the repurchase program, the Company may purchase up to \$10,000 of its common stock. Share purchases may be made from time to time in the open market or through privately negotiated transactions depending on market conditions, share price, trading volume and other factors. Such purchases, if any, will be made in accordance with applicable insider trading and other securities laws and regulations. These repurchases may be commenced or suspended at any time or from time to time without prior notice.

**Corporate Conversion**

Effective January 1, 2018, the Partnership converted into a Delaware corporation pursuant to a statutory conversion and changed its name to Legacy Housing Corporation. In order to consummate the corporate conversion completed on January 1, 2018, a certificate of conversion was filed with the Secretary of State of the State of Delaware and with the Secretary of State of the State of Texas. Holders of partnership interests in Legacy Housing, Ltd. received an initial allocation, on a proportional basis, of 20,000,000 shares of common stock of Legacy Housing Corporation.

Following the corporate conversion, Legacy Housing Corporation continues to hold all property and assets of Legacy Housing, Ltd. and all of the debts and obligations of Legacy Housing, Ltd. On the effective date of the corporate conversion, the officers of Legacy Housing, Ltd. became the officers of Legacy Housing Corporation. As a result of the corporate conversion, The Company is now a federal corporate taxpayer.

**Basis of Presentation**

The financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported net income.

**Use of Estimates**

The preparation of our financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure

**LEGACY HOUSING CORPORATION**  
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of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of income and expenses during the reporting period. Material estimates that are susceptible to significant change in the near term primarily relate to the determination of accounts receivable, loans to mobile home parks, consumer loans and notes receivable, inventory obsolescence, income taxes, fair value of financial instruments and contingent liabilities. Actual results could differ from these estimates.

**Segment Reporting**

The Company has one reportable segment. All of the Company's activities are interrelated, and each activity is dependent and assessed based on how each of the activities of the Company supports the others. For example, the sale of manufactured homes is done through wholesale and retail operations that include providing transportation and consignment arrangements with dealers. The Company also provides financing options to the customers to facilitate such sale of homes. In addition, the sale of homes is directly related to financing provided by the Company. Accordingly, all significant operating and strategic decisions by the chief operating decision-maker, the Executive Chairman of the Board, are based upon analyses of the Company as one segment or unit.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash and Cash Equivalents**

The Company considers all cash and highly liquid investments with an original maturity of three months or less to be cash equivalents. The Company maintains cash balances in bank accounts that may, at times, exceed federally insured limits. The Company has not incurred any losses from such accounts and management considers the risk of loss to be minimal. As of December 31, 2021, the Company had one bank account that exceeded the FDIC limit by an aggregate amount of \$490.

**Accounts Receivable**

Included in accounts receivable are receivables from direct sales of mobile homes and sales of parts and supplies to customers, consignment fees and interest receivables.

Accounts receivables are generally due within 30 days and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines the allowance by considering several factors, including the aging of the past due balance, the customer's payment history, and the Company's previous loss history. The Company establishes an allowance for doubtful accounts for amounts that are deemed to be uncollectible. At December 31, 2021 and 2020, the allowance for doubtful accounts totaled \$343 and \$97, respectively.

**Consumer Loans Receivable**

Consumer loans receivable result from financing transactions entered into with retail consumers of mobile homes sold through independent retailers and company-owned retail locations. Consumer loans receivable generally consist of the sales price and any additional financing fees, less the buyer's down payment. Interest income is recognized monthly per the terms of the financing agreements. The average contractual interest rate per loan was approximately 13.5% as of December 31, 2021 and 13.8% as of December 31, 2020. Consumer loans receivable have maturities that range from 2 to 30 years.

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Loan applications go through an underwriting process which considers credit history to evaluate credit risk of the consumer. Interest rates on approved loans are determined based on consumer credit score, payment ability and down payment amount.

The Company uses payment history to monitor the credit quality of the consumer loans on an ongoing basis.

The Company may also receive escrow payments for property taxes and insurance included in its consumer loan collections. The liabilities associated with these escrow collections totaled \$9,350 and \$7,729 as of December 31, 2021 and 2020, respectively, and are included in escrow liability in the balance sheets.

*Allowance for Loan Losses—Consumer Loans Receivable*

The allowance for loan losses reflects management's estimate of losses inherent in the consumer loans that may be uncollectible based upon review and evaluation of the consumer loan portfolio as of the date of the balance sheet. An allowance for loan losses is determined after giving consideration to, among other things, the loan characteristics, including the financial condition of borrowers, the value and liquidity of collateral, delinquency and historical loss experience.

The allowance for loan losses is comprised of two components: the general reserve and specific reserves. The Company's calculation of the general reserve considers the historical loss rate for the last three years, adjusted for the estimated loss discovery period and any qualitative factors both internal and external to the Company. Specific reserves are determined based on probable losses on specific classified impaired loans.

The Company's policy is to place a loan on nonaccrual status when there is a clear indication that the borrower's cash flow may not be sufficient to meet payments as they become due, which is normally when either principal or interest is past due and remains unpaid for more than 90 days. Management implemented this policy based on an analysis of historical data, current performance of loans and the likelihood of recovery once principal or interest payments became delinquent and were aged more than 90 days. Payments received on nonaccrual loans are accounted for on a cash basis, first to interest and then to principal, as long as the remaining book balance of the asset is deemed to be collectible. The accrual of interest resumes when the past due principal or interest payments are brought within 90 days of being current. As of December 31, 2021 and 2020, total principal outstanding for consumer loans on nonaccrual status was \$1,239 and \$1,603, respectively.

Impaired loans are those loans where it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impaired loans, or portions thereof, are charged off when deemed uncollectible. A loan is generally deemed impaired if it is more than 90 days past due on principal or interest, is in bankruptcy proceedings, or is in the process of repossession. A specific reserve is created for impaired loans based on fair value of underlying collateral value, less estimated selling costs. The Company used various factors to determine the value of the underlying collateral for impaired loans. These factors were: (1) the length of time the unit was unsold after construction; (2) the amount of time the house was occupied; (3) the cooperation level of the borrowers, i.e., loans requiring legal action or extensive field collection efforts; (4) units located on private property as opposed to a manufactured home park; (5) the length of time the borrower has lived in the house without making payments; (6) location, size, and market conditions; and (7) the experience and expertise of the particular dealer assisting in collection efforts.

Collateral for repossessed loans is acquired through foreclosure or similar proceedings and is recorded at the estimated fair value of the home, less the costs to sell. At repossession, the fair value of the collateral is computed based on the historical recovery rates of previously charged-off loans; the loan is charged off and the loss is charged to the allowance for loan losses. At each reporting period, the fair value of the collateral is adjusted to the lower of the amount recorded at repossession or the estimated sales price less estimated costs to sell, based on current information.

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Repossessed homes totaled \$517 and \$1,395 as of December 31, 2021 and 2020, respectively, and are included in other assets in the balance sheets.

**Notes Receivable from Mobile Home Parks**

The notes receivable from mobile home parks (“MHP Notes” or “Notes”) relate to mobile homes sold to mobile home parks and financed through notes receivable. The Notes have varying maturity dates and call for monthly principal and interest payments. The interest rate on the MHP Notes can be fixed or variable. Approximately \$83,000 of the Notes have a fixed interest rate ranging from 6.9% to 8.9%. The remaining Notes have a variable rate typically set at 4.0% above prime with a minimum of 8.0%. The average interest rate per loan was approximately 7.6% and 7.7% as of December 31, 2021 and 2020, respectively with maturities that range from 1 to 19 years. The collateral underlying the Notes are individual mobile homes which can be repossessed and resold. The MHP Notes are generally personally guaranteed by the borrowers with substantial financial resources.

As of December 31, 2021, the Company had concentrations of MHP Notes with two independent third-parties and their respective affiliates that equaled 10.4% and 30.1% of the principal balance outstanding, all of which was secured by the mobile homes. As of December 31, 2020, the Company had concentrations of MHP Notes with one independent third-party and its affiliates that equaled 52.9% of the principal balance outstanding, all of which was secured by the mobile homes.

*Allowance for Loan Losses—MHP Notes*

MHP Notes are stated at amounts due from customers, net of allowance for loan losses. The Company determines the allowance by considering several factors including the aging of the past due balance, the customer’s payment history, and the Company’s previous loss history. The Company establishes an allowance reserve composed of specific and general reserve amounts. There were minimal past due balances on the MHP Notes as December 31, 2021 and 2020 and no charge offs were recorded for MHP Notes for the years ended December 31, 2021 and 2020, respectively. Allowance for loan loss is considered immaterial and accordingly no provision is recorded against the MHP Notes as of December 31, 2021 and 2020.

There were no impaired MHP Notes for the years ended December 31, 2021 and 2020, respectively, and there were no repossessed homes balances as of December 31, 2021 and 2020, respectively. Collateral for repossessed loans is acquired through foreclosure or similar proceedings and is recorded at the estimated fair value of the home, less the costs to sell.

**Other Notes Receivable**

Other notes receivable relate to various notes issued to mobile home park owners and dealers, which are not directly tied to sale of mobile homes. The other notes have varying maturity dates and call for monthly principal and interest payments. The other notes are collateralized by mortgages on real estate, units being financed and used as offices, as well as vehicles, and are typically personally guaranteed by the borrowers. The interest rate on the other notes are fixed and range from 5.00% to 12.00%. The Company reserves for estimated losses on the other notes based on current economic conditions that may affect the borrower’s ability to pay, the borrower’s financial strength, and historical loss experience. As of December 31, 2021 and 2020, the allowance for loan losses on other notes was \$74 and \$75, respectively. There were no past due balances for other notes as of December 31, 2021 and 2020, respectively, and there were no impaired balances for other notes as of December 31, 2021 and 2020, respectively.

**LEGACY HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Inventories**

Inventories consist of raw materials, work-in-process, and finished goods and are stated at the lower of cost or net realizable value. The cost of raw materials is based on the first-in first-out method. Finished goods and work-in-process are based on a standard cost system that approximates actual costs using the specific identification method.

Estimates of the lower of cost and net realizable value of inventory are determined by comparing the actual cost of the product to the estimated selling prices in the ordinary course of business based on current market and economic conditions, less reasonably predictable costs of completion, disposal, and transportation of the inventory. For the periods ending, December 31, 2021 and 2020, the Company recorded an insignificant amount of inventory write-down.

The Company evaluates inventory based on historical experience to estimate its inventory not expected to be sold in less than a year. The Company classifies its inventory not expected to be sold in one year as non-current. As of December 31, 2021 and 2020, non-current inventory was \$2,678 and \$8,656, respectively.

**Property, Plant, and Equipment**

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of each asset. Estimated useful lives for significant classes of assets are as follows: buildings and improvements, 30 to 39 years; vehicles, 5 years; machinery and equipment, 7 years; and furniture and fixtures, 7 years. Repair and maintenance charges are expensed as incurred. Expenditures for major renewals or betterments which extend the useful lives of existing property, plant and equipment are capitalized and depreciated.

**Impairment of Long-Lived Assets**

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Assets are grouped at the lowest level in which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. In such cases, if the future undiscounted cash flows of the underlying assets are less than the carrying amount, then the carrying amount of the long-lived asset will be adjusted for impairment to a level commensurate with a discounted cash flow analysis of the underlying asset or its determinable fair value. No impairment for long-lived assets was recorded for the years ended December 31, 2021 and 2020.

**Dealer Incentive Liability**

Under a dealer agreement with qualifying independent retailers, a portfolio is created for houses sold by the independent retailer with consumer loan arrangements financed by the Company. The independent retailer is eligible to a receive dealer incentive, which is a portion of total collections expected on a consumer loan portfolio after the Company's contribution (collection thresholds set per the terms of dealer agreement which includes Legacy's initial contribution, plus an allocation of interest and other agreed upon periodic fees) is met.

A dealer incentive liability is recorded in the Company's balance sheet based on total outstanding balance of individual dealer loan portfolios at period end, less the remaining portion of the Company's contribution in respective portfolios. As of December 31, 2021 and 2020, the dealer incentive liability was \$4,336 and \$4,242, respectively. Dealer incentive expense for the years ended December 31, 2021 and 2020 totaled \$1,235 and \$336, respectively, and is included in the Company's statements of operations.

**LEGACY HOUSING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Product Warranties**

The Company provides retail home buyers with a one-year warranty from the date of purchase on manufactured inventory. Product warranty costs are accrued when the covered homes are sold to customers. Product warranty expense is recognized based on the terms of the product warranty and the related estimated costs. Factors used to determine the warranty liability include the number of homes under warranty and the historical costs incurred in servicing the warranties. The accrued warranty liability is reduced as costs are incurred and warranty liability balance is included as part of accrued liabilities in the Company's balance sheet.

A tabular presentation of the activity within the warranty liability account for the years ended December 31, 2021 and 2020 is presented below:

	<u>2021</u>	<u>2020</u>
Warranty liability, beginning of period	\$ 2,594	\$ 3,078
Product warranty accrued	2,152	1,834
Warranty costs incurred	<u>(1,870)</u>	<u>(2,318)</u>
Warranty liability, end of period	<u>\$ 2,876</u>	<u>\$ 2,594</u>

**Advertising Costs**

The Company expenses all advertising and marketing expenses in the period incurred. Advertising costs for the years ended December 31, 2021 and 2020 were \$367 and \$1,193, respectively.

**Fair Value Measurements**

The Company accounts for its investments and derivative instruments in accordance with ASC 820-10, *Fair Value Measurement*, which among other things provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurement) and the lowest priority to unobservable inputs (Level III measurements). The three levels of fair value hierarchy under ASC 820-10, *Fair Value Measurement*, are as follows:

Level I	Quoted prices are available in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
Level II	Significant observable inputs other than quoted prices in active markets for which inputs to the valuation methodology include: (1) Quoted prices for similar assets or liabilities in active markets; (2) Quoted prices for identical or similar assets or liabilities in inactive markets; (3) Inputs other than quoted prices that are observable; (4) Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level II input must be observable for substantially the full term of the asset or liability.
Level III	Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

The asset or liability fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

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The Company has used derivatives to manage risks related to interest rate movements. The Company does not enter into derivative contracts for speculative purposes. Interest rate swap contracts are recognized as assets or liabilities on the balance sheets and are measured at fair value. The fair value was calculated and provided by the lender, a Level II valuation technique. Management reviewed the fair values for the instruments as provided by the lender and determined the related asset and liability to be an accurate estimate of future gains and losses to the Company. The Company is not a party to any interest rate swaps as of December 31, 2021.

**Fair Value of Financial Instruments**

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, consumer loans, MHP Notes, other notes, accounts payable, lines of credit, notes payable, and dealer portion of consumer loans.

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate their respective fair values because of the short-term maturities or expected settlement dates of these instruments. This is considered a Level I valuation technique. The lines of credit, notes payable and part of the MHP Notes have variable interest rates that reflect market rates and their fair value approximates their carrying value. This is considered a Level II valuation technique. The Company also assessed the fair value of the consumer loans receivable, the fixed rate MHP Notes and the other notes based on the discounted value of the remaining principal and interest cash flows. The Company determined that the fair value of the consumer loan portfolio was approximately \$125,600 compared to the book value of \$125,623 as of December 31, 2021, and a fair value of approximately \$115,000 compared to the book value of \$111,920 as of December 31, 2020. The Company determined that the fair value of the fixed rate MHP Notes was approximately \$83,000 compared to the book value of \$83,773 as of December 31, 2021, and a fair value of approximately \$108,000 compared to the book value of \$109,806 as of December 31, 2020. The Company determined that the fair value of the fixed rate other notes was approximately \$38,500 compared to the book value of \$38,886 as of December 31, 2021, and a fair value of approximately \$15,000 compared to the book value of \$15,104 as of December 31, 2020. This is a Level III valuation technique.

**Revenue Recognition**

*Product sales*, primarily consist of sales of mobile homes to consumers and mobile home parks through various sales channels, which include Direct Sales, Commercial Sales, Consignment Sales, and Retail Store Sales. Direct Sales include homes sold directly to independent retailers or customers that are not financed by the Company and are not sold under a consignment arrangement. These types of homes are generally paid for prior to shipment. Commercial Sales include homes sold to mobile home parks under commercial loan programs or paid for upfront. The Company provides floor plan financing for independent retailers, which takes the form of a consignment arrangement. Consignment Sales are considered sales of consigned homes from independent dealers to individual customers. Retail Store Sales are homes sold through Company-owned retail locations. Consignment Sales and Retail Sales of homes may be financed by the Company, by a third party, or in paid in cash.

Revenue from product sales is recognized at a point in time when the performance obligation under the terms of a contract with our customers is satisfied which typically occurs upon delivery and transfer of title of the home, as this depicts when control of the promised good is transferred to our customers. For financed sales by the Company, the individual customer enters into a sales and financing contract and is required to make a down payment. These financed sales contain a significant financing component and any interest income is separately recorded in the statement of operations.

Revenue is measured as the amount of consideration expected to be received in exchange for transferring the homes to the customers. Sales and other similar taxes collected concurrently with revenue-producing activities are excluded from revenue.



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The Company made an accounting policy election to account for any shipping and handling costs that occur after the transfer of control as a fulfillment cost that is accrued when control is transferred. Warranty obligations associated with the sale of a unit are assurance-type warranties for a period of twelve months that are a guarantee of the home's intended functionality and, therefore, do not represent a distinct performance obligation within the context of the contract. The Company has elected to use the practical expedient to expense the incremental costs of obtaining a contract if the amortization period of the asset that the Company would have otherwise recognized is one year or less. Contract costs, which include commissions incurred related to the sale of homes, are expensed at the point-in-time when the related revenue is recognized.

For the years ended December 31, 2021 and 2020, sales to an independent third-party and its affiliates accounted for \$9,165 or 5.5% and \$41,263 or 28.7% of our product sales, respectively.

For the years ended December 31, 2021 and 2020, total cost of product sales included \$11,303 and \$24,165 of costs, mainly relating to up front dealer commission and reimbursed dealer expenses for consignment sales and certain other similar costs incurred for retail store and commercial sales.

*Other revenue* consists of consignment fees, service fees and other miscellaneous income. Consignment fees are charged to independent retailers on a monthly basis for homes held by the independent retailers pursuant to a consignment arrangement until the home is sold to an individual customer. Consignment fees are determined as a percentage of the home's wholesale price to the independent dealer. Revenue recognition for consignment fees are recognized over time using the output method as it provides a faithful depiction of the Company's performance toward completion of the performance obligation under the contract and the value transferred to the independent retailer for the time the home is held under consignment. Revenue for service fees and miscellaneous income is recognized at a point in time when the performance obligation is satisfied.

*Disaggregation of Revenue.* The following table summarizes customer contract revenues disaggregated by source of the revenue for the years ended December 31, 2021 and 2020:

	2021	2020
Product sales:		
Direct sales	\$ 25,173	\$ 11,203
Commercial sales	46,835	70,186
Consignment sales	63,496	43,801
Retail store sales	20,011	17,436
Other (1)	10,480	4,876
Total product sales	<u>165,995</u>	<u>147,502</u>
Consumer and MHP loans interest:		
Interest - consumer installment notes	16,658	15,979
Interest - MHP notes	10,537	9,381
Total consumer and MHP loans interest	<u>27,195</u>	<u>25,360</u>
Other	4,317	3,862
Total net revenue	<u>\$ 197,507</u>	<u>\$ 176,724</u>

(1) Other product sales revenue from ancillary products and services including parts, freight and other services



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**Reserve for Repurchase Commitments**

In accordance with customary business practice in the manufactured housing industry, the Company has entered into certain repurchase agreements with certain financial institutions and other credit sources who provide floor plan financing to industry retailers, which provided that the Company will be obligated, under certain circumstances, to repurchase homes sold to retailers in the event of a default by a retailer in its obligation to such credit sources. The Company's obligation under these repurchase agreements ceases upon the purchase of the home by the retail customer. The Company applies ASC 460, *Guarantees* and ASC 450-20, *Loss Contingencies*, to account for its liability for repurchase commitments. The Company considers its current obligations on current contracts to be immaterial and accordingly have not recorded any reserve for repurchase commitments as of December 31, 2021 and 2020.

**Other Income, Net**

Other income primarily consists of interest related to other notes receivable balances and interest income earned on cash balances, reduced by interest expenses.

**Interest Income**

Interest on consumer loans, MHP Notes and other notes is recognized using the effective-interest method on the daily balances of the principal amounts outstanding and recorded as part of total revenue. Fees associated with the origination of loans and certain direct loan origination costs are netted and the net amount is deferred and recognized over the life of the loan as an adjustment of yield.

**Share-Based Compensation**

The Company accounts for share-based compensation in accordance with the provisions of ASC 718, *Compensation—Stock Compensation*. Share-based compensation expense is recognized based on the award's estimated grant date fair value in order to recognize compensation cost for those shares expected to vest. The Company has elected to record forfeitures as they occur. Compensation cost is recognized on a straight-line basis over the vesting period of the awards and adjusted as forfeitures occur.

The fair value of each option grant with only service-based conditions is estimated using the Black-Scholes pricing model. The fair value of each restricted stock unit (the "RSU") is calculated based on the closing price of the Company's common stock on the grant date.

The fair value of stock option awards on the date of grant is estimated using the Black-Scholes option pricing model, which requires the Company to make certain predictive assumptions. The risk-free interest rate is based on the implied yield of U.S. Treasury zero-coupon securities that correspond to the expected life of the award. As a recently formed public entity with a small public float and limited trading of its common shares on the NASDAQ Global Market, it was not practicable for the Company to estimate the volatility of its common shares; therefore, management estimated volatility based on the historical volatilities of a small group of companies considered as close to comparable to the Company as available, all equally weighted, over the expected life of the option. Management concluded that this group is more characteristic of the Company's business than a broad industry index. The expected life of awards granted represents the period of time that the awards are expected to be outstanding based on the "simplified" method, which is allowed for companies that cannot reasonably estimate the expected life of options based on its historical award exercise experience. The Company does not expect to pay dividends on its common stock.

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**Shipping and Handling Costs**

Shipping and handling costs incurred to deliver product to our customers are included as a component of cost of product sales in the statement of operations. Shipping and handling costs for the years ended December 31, 2021 and 2020 were \$1,981 and \$706, respectively.

**Income Taxes**

The Company is subject to U.S. federal and state income taxes as a corporation. Prior to the corporate conversion, the Partnership was treated as a flow-through entity for U.S. federal income tax purposes, and as such, was generally not subject to U.S. federal income tax at the entity level. Rather, the tax liability with respect to its taxable income was passed through to its partners. Accordingly, prior to the corporate conversion, the Partnership only recorded a provision for Texas franchise tax as the Partnership's taxable income was included in the income tax returns of the individual partners.

Income tax expense for the Company is recognized for the tax effects of the transactions reported in the financial statements and consist of taxes currently due, plus deferred taxes. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will be either taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

A valuation allowance, if needed, reduces deferred tax assets to the expected amount most likely to be realized. Realization of deferred tax assets is dependent upon the generation of a sufficient level of future taxable income and recoverable taxes paid in prior years. Although realization is not assured, management believes it is more likely than not that the deferred tax assets will be realized. In addition, management does not believe there are any unrecorded deferred tax liabilities that are material to the financial statements.

The determination of the provision for income taxes requires significant judgment, use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items and the probability of sustaining uncertain tax positions. The benefits of uncertain tax positions are recorded in the Company's financial statements only after determining a more-likely-than-not probability that the uncertain tax positions will withstand challenge, if any, from taxing authorities. When facts and circumstances change, the Company reassesses these probabilities and records any changes through the provision for income taxes. The Company recognizes interest and penalties relating to uncertain tax provisions as a component of tax expense. For the periods presented, management has determined there are no material uncertain tax positions which was performed for the tax years that remain subject to examination by major tax jurisdictions as of December 31, 2021, which includes the tax years 2018, 2019 and 2020.

**Concentrations**

Financial instruments that potentially subject the Company to concentrations of credit risk are accounts receivable, consumer loans, MHP Notes and other notes receivable. Management believes that its credit policies are adequate to minimize potential credit risk related to accounts receivable and other notes receivable. The consumer loans are secured by the mobile homes that were financed through the loans. The MHP Notes are secured by mobile homes, other assets, and are personally guaranteed. The MHP Notes personal guarantor may cover multiple parks and each park is treated as a customer. As of December 31, 2021, the Company had concentrations of MHP Notes with two independent third-parties and their respective affiliates that equaled 10.4% and 30.1% of the principal balance outstanding, all of which was secured by the mobile homes. As of December 31, 2020, the Company had concentrations of MHP Notes with one independent third-party and its affiliates that equaled 52.9% of the principal balance outstanding, all of which was secured by the mobile homes.

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**Recent Accounting Pronouncements**

The Company has elected to use longer phase-in periods for the adoption of new or revised financial accounting standards under the JOBS Act as an emerging growth company.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and an asset representing its right to use the underlying asset for the lease term. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous requirements. The Company plans to use longer phase-in period for adoption and accordingly this ASU is effective for the Company's fiscal year beginning January 1, 2022. Modified retrospective application and early adoption is permitted. The Company expects that the adoption of this standard will result in a material increase to assets and liabilities on the balance sheet but will not have a material impact on the statement of operations. While the Company is continuing to assess all the effects of adoption, it currently believes the most significant effects relate to (i) the recognition of new right-of-use assets and lease liabilities on its balance sheet for its property and equipment operating leases and (ii) providing significant new disclosures about its leasing activities.

In June 2016, the FASB issued an accounting standards update ASU 2016-13 *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available for sale debt securities, credit losses should be measured in a manner similar to current GAAP, however Topic 326 will require that credit losses be presented as an allowance rather than as a write-down and affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The Company plans to use longer phase-in period for adoption and accordingly this ASU is effective for the Company's fiscal year beginning January 1, 2023. The Company is continuing to evaluate the impact of the adoption of this ASU and is uncertain of the impact on the financial statements and disclosures at this point in time.

From time to time, new accounting pronouncements are issued by the FASB and other regulatory bodies that are adopted by the Company as of the specified effective dates. Unless otherwise discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company's Financial Statements upon adoption.

**3. CONSUMER LOANS RECEIVABLE**

Consumer loans receivable, net of allowance for loan losses and deferred financing fees, consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Consumer loans receivable	\$ 129,119	\$ 115,639
Loan discount and deferred financing fees	(2,612)	(2,814)
Allowance for loan losses	(884)	(905)
Consumer loans receivable, net	<u>\$ 125,623</u>	<u>\$ 111,920</u>

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The following table presents a detail of the activity in the allowance for loan losses for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Allowance for loan losses, beginning of period	\$ 905	\$ 913
Provision for loan losses	725	819
Charge offs	(746)	(827)
Allowance for loan losses	<u>\$ 884</u>	<u>\$ 905</u>

The impaired and general reserve for allowance for loan losses at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Total consumer loans	\$ 129,119	\$ 115,639
Allowance for loan losses	\$ 884	\$ 905
Impaired loans individually evaluated for impairment	\$ 1,239	\$ 1,603
Specific reserve against impaired loans	\$ 533	\$ 558
Other loans collectively evaluated for allowance	\$ 127,880	\$ 114,036
General allowance for loan losses	\$ 351	\$ 347

A detailed aging of consumer loans receivable that are past due as of December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>%</u>	<u>2020</u>	<u>%</u>
Total consumer loans receivable	\$ 129,119	100.0	\$ 115,639	100.0
Past due consumer loans:				
31 - 60 days past due	\$ 594	0.5	\$ 954	0.8
61 - 90 days past due	407	0.3	221	0.2
91 - 120 days past due	114	0.1	141	0.1
Greater than 120 days past due	967	0.7	1,261	1.1
Total past due	<u>\$ 2,082</u>	<u>1.6</u>	<u>\$ 2,577</u>	<u>2.2</u>

#### 4. NOTES RECEIVABLE FROM MOBILE HOME PARKS ("MHP Notes")

MHP Notes are stated at amounts due from customers, net of allowance for loan losses. The Company determines the allowance by considering several factors including the aging of the past due balance, the customer's payment history, and the Company's previous loss history. The Company establishes an allowance reserve composed of specific and general reserve amounts. As of December 31, 2021 and 2020, the MHP Note balance is presented net of unamortized finance fees of \$445 and \$183, respectively. The finance fees are amortized over the life of the MHP Notes.

There were minimal past due balances on the MHP Notes as of December 31, 2021 and 2020, respectively, and no charge offs were recorded for MHP Notes during the for the years ended December 31, 2021 and 2020, respectively. Allowance for loan loss is considered immaterial and accordingly no loss is recorded against the MHP Notes as of December 31, 2021 and 2020.

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**5. OTHER NOTES RECEIVABLE**

Other notes receivable, net of allowance for loan losses and deferred financing fees, consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Outstanding principal balance	\$ 42,074	\$ 15,179
Allowance for loan losses	(74)	(75)
Total	<u>\$ 42,000</u>	<u>\$ 15,104</u>

**6. INVENTORIES**

Inventories consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Raw materials	\$ 15,431	\$ 12,713
Work in progress	714	412
Finished goods (1)	28,195	23,375
Allowance for obsolescence	(432)	(620)
Total	<u>\$ 43,908</u>	<u>\$ 35,880</u>

(1) Finished goods includes \$2,678 and \$8,656 as of December 31, 2021 and 2020, respectively, held for more than twelve months and classified as long-term.

**7. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 14,949	\$ 12,968
Buildings and leasehold improvements	13,722	10,700
Vehicles	1,682	1,664
Machinery and equipment	5,058	4,127
Furniture and fixtures	298	298
Total	35,709	29,757
Less accumulated depreciation	(8,193)	(7,141)
Total property, plant and equipment	<u>\$ 27,516</u>	<u>\$ 22,616</u>

Depreciation expense was \$1,145 with \$450 included as a component of cost of product sales for the year ended December 31, 2021 and \$1,013 with \$409 included as a component of cost of product sales for the year ended December 31, 2020.

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**8. OTHER ASSETS**

Other assets consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Leased property, net of accumulated depreciation	\$ 9,419	\$ 7,218
Prepaid rent	248	274
Other	332	331
Repossessed homes	517	1,395
Total	<u>\$ 10,516</u>	<u>\$ 9,218</u>

Depreciation expense for leased property was \$442 and \$199 for the years ended December 31, 2021 and 2020, respectively.

**9. ACCRUED LIABILITIES**

Accrued liabilities consist of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Warranty reserve	\$ 2,876	\$ 2,594
Litigation reserve	2,764	899
Payroll	1,685	2,428
Portfolio taxes and title	2,467	2,060
Property tax	546	401
Dealer rebates	1,160	215
Sales tax	310	683
Federal and state income taxes	7,445	5,603
Other	1,433	607
Total accrued liabilities	<u>\$ 20,686</u>	<u>\$ 15,490</u>
Accrued liabilities, non-current	<u>—</u>	<u>630</u>
Accrued liabilities, current	<u>\$ 20,686</u>	<u>\$ 14,860</u>

**10. DEBT****Lines of Credit*****Revolver 1***

At December 31, 2019, the Company had a revolving line of credit (“Revolver 1”) with Capital One, N.A. with a maximum credit limit of \$45,000 and a maturity date of May 11, 2020. On March 30, 2020, the Company entered into an agreement with Capital One, N.A. to replace Revolver 1 with a new revolving line of credit (“New Revolver”). The New Revolver has a maximum credit limit of \$70,000 and a maturity date of March 30, 2024. For the period January 1, 2020 through March 30, 2020, Revolver 1 accrued interest at one-month LIBOR plus 2.40%. Amounts available under Revolver 1 were subject to a formula based on eligible consumer loans and MHP Notes and were secured by all accounts receivable and the consumer loans receivable and MHP Notes.

The New Revolver accrues interest at one-month LIBOR plus 2.00%. The interest rates in effect as of December 31, 2021 and 2020 were 2.10% and 2.15%, respectively. As with Revolver 1, amounts available under the New Revolver are subject to a formula based on eligible consumer loans and MHP Notes and are secured by all accounts

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receivable and the consumer loans receivable and MHP Notes. The amount of available credit under the New Revolver was \$61,841 as of December 31, 2021. In connection with the New Revolver, the Company paid certain arrangement fees and other fees of approximately \$295, which were capitalized as unamortized debt issuance costs and will be amortized to interest expense over the life of the New Revolver.

For the years ended December 31, 2021 and 2020, interest expense under the Capital One Revolvers was \$887 and \$1,020, respectively. The outstanding balance as of December 31, 2021 and 2020 was \$8,159 and \$36,174, respectively. The New Revolver requires the Company to comply with certain financial and non-financial covenants. As of December 31, 2021, the Company was in compliance with all financial covenants, including that it maintain a tangible net worth of at least \$120,000 and that it maintain a ratio of debt to EBITDA of 4 to 1, or less. As of December 31, 2021, the Company was not in compliance with certain non-financial covenants and obtained a waiver from Capital One.

***Revolver 2***

In April 2016, the Company entered into an agreement with Veritex Community Bank to secure an additional revolving line of credit of \$15,000 (“Revolver 2”). Revolver 2 accrues interest at one-month LIBOR plus 2.50% and all unpaid principal and interest is due at maturity on April 4, 2021. Revolver 2 is secured by all finished goods inventory excluding repossessed homes. Amounts available under Revolver 2 are subject to a formula based on eligible inventory. On May 12, 2017, the Company entered into an agreement to increase the line of credit to \$20,000. On October 15, 2018, Revolver 2 was amended to extend the maturity date from April 4, 2019 to April 4, 2021. In April 2020, this note was paid in full and the facility was terminated. The amount of available credit under Revolver 2 was \$12,028 at March 31, 2020 and the interest rate in effect as of March 31, 2020 was 4.17%. The Company was in compliance with all required covenants as of March 31, 2020. For the year ended December 31, 2020 interest expense was \$17. The outstanding balance as of March 31, 2020 was \$2,001. The Company was in compliance with the other financial covenants that it maintain a tangible net worth of at least \$80,000 when the facility was terminated.

**PPP Loan**

On April 10, 2020, the Company entered into a loan with Peoples Bank as the lender in an aggregate principal amount of \$6,546 (the “Loan”) pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act. The Loan was evidenced by a promissory note (the “Note”) dated April 10, 2020 and had a maturity date of April 10, 2022. The Note had an interest rate of 1.00% per annum, with the first six months of interest deferred. Principal and interest were payable monthly commencing on November 10, 2020 and could be prepaid by the Company at any time prior to maturity with no prepayment penalties. On May 1, 2020, this loan was paid in full.

**PILOT Agreement**

In December 2016, the Company entered into a Payment in Lieu of Taxes (“PILOT”) agreement commonly offered in Georgia by local community development programs to encourage industry development. The net effect of the PILOT agreement is to provide the Company with incentives through the abatement of local, city and county property taxes and to provide financing for improvements to the Company’s Georgia plant (the “Project”). In connection with the PILOT agreement, the Putman County Development Authority provides a credit facility for up to \$10,000 which can be drawn upon to fund Project improvements and capital expenditures as defined in the agreement. If funds are drawn, the Company would pay transactions costs and debt service payments. The PILOT agreement requires interest payments of 6.00% per annum on outstanding balances, which are due each December 1st through maturity on December 1, 2021, at which time all unpaid principal and interest are due. The PILOT agreement is collateralized by the assets of the Project. As of December 31, 2021, the Company had not drawn on this credit facility.

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**11. INCOME TAXES**

Significant components of the provision for income taxes are as follows (in thousands):

	Year ended December 31,	
	2021	2020
Current:		
Federal	\$ 8,443	\$ 8,885
State	1,280	1,737
Total current income tax provision	<u>9,723</u>	<u>10,622</u>
Deferred:		
Federal	934	189
State	99	16
Total deferred income tax provision	<u>1,033</u>	<u>205</u>
Provision for income taxes	<u>\$ 10,756</u>	<u>\$ 10,827</u>

A reconciliation of the Company's effective tax rate from operations to the U.S. federal income tax rate is as follows:

	Year ended December 31,	
	2021	2020
Federal statutory rate	21.0 %	21.0 %
State income taxes, net of federal tax benefit	1.9	2.8
Energy efficiency credit	(5.2)	(2.3)
Other	-	0.7
Effective tax rate	<u>17.7 %</u>	<u>22.2 %</u>

The tax effects of cumulative temporary differences that give rise to deferred tax assets and liabilities are as follows (in thousands):

	Year ended December 31,	
	2021	2020
Deferred tax assets:		
Allowance for doubtful accounts	\$ 486	\$ 599
Reserve accounts	636	134
State taxes	44	263
Payroll taxes	157	297
Uniform capitalization	58	45
Total deferred tax assets	<u>1,381</u>	<u>1,338</u>
Deferred tax liabilities:		
Installment sale revenue	(853)	(1,006)
Depreciation	(2,998)	(1,740)
Accrued interest receivable	(518)	(526)
Other	(16)	(37)
Total deferred tax liabilities	<u>(4,385)</u>	<u>(3,309)</u>
Net deferred tax liabilities	<u>\$ (3,004)</u>	<u>\$ (1,971)</u>



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## 12. SHARE BASED COMPENSATION

Pursuant to the Legacy Housing Corporation 2018 Incentive Compensation Plan (the “Compensation Plan”), the Company may issue up to 10.0 million equity awards to employees, directors, consultants and nonemployee service providers in the form of stock options, stock and stock appreciation rights. Stock options may be granted with a contractual life of up to ten years. At December 31, 2021, the Company had 9.7 million shares available for grant under the Compensation Plan.

In February 2019, the Company granted 120,000 restricted shares of its common stock to members of senior management. The shares were granted on February 7, 2019 and had a grant date fair value of \$1,636. The shares vest at a rate of 14.3% annually, beginning on February 7, 2019, and becoming fully vested on February 7, 2025. During the second quarter of 2020, 42,857 of these restricted shares were forfeited due to the departure of a member of senior management.

The Company granted 2,936 restricted shares of its common stock to the independent directors on the Company’s Board of Directors. The shares were granted on February 7, 2019 and became fully vested on December 13, 2019.

In August 2019, the Company granted 39,526 restricted shares of its common stock to a member of senior management. The shares were granted on August 2, 2019 and had a grant date fair value of \$496. The shares vest at a rate of 20.0% annually, beginning on August 2, 2020, becoming fully vested on August 2, 2024. This grant was canceled during the second quarter of 2020 due to the departure of the member of senior management.

In March 2020, the Company granted 1,903 restricted shares of its common stock to the independent directors on the Company’s Board of Directors. The shares were granted on March 27, 2020 and had a grant date fair value of \$18. The shares became fully vested on December 13, 2020.

In December 2020, the Company granted 2,022 restricted shares of its common stock to the independent directors on the Company’s Board of Directors. The shares were granted on December 2, 2020 and had a grant date fair value of \$30. The shares became fully vested on October 4, 2021.

In November 2021, the Company granted 1,202 restricted shares of its common stock to the independent directors on the Company’s Board of Directors. The shares were granted on November 30, 2021 and had a grant date fair value of \$30. The shares become fully vested on October 24, 2022.

The following is a summary of restricted stock units (the “RSU”) activity (in thousands, except per unit data):

	<b>Number of Units</b>	<b>Weighted Average Grant Date Fair Value Per Unit</b>
Nonvested, January 1, 2021	45	\$ 13.68
Granted	1	\$ 24.99
Vested	(11)	\$ 13.86
Nonvested, December 31, 2021	<u>35</u>	\$ 14.01

As of December 31, 2021, approximately 35,000 RSUs remained unvested. Unrecognized compensation expense related to these RSUs at December 31, 2021 was \$390 and is expected to be recognized over 2.95 years.

In February 2019, the Company granted 58,694 incentive stock options to a member of senior management at an exercise price of \$13.63 per share. The options vest at a rate of 12.5% annually, beginning on February 7, 2019, and

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becoming fully vested on February 7, 2026. All options expire ten years after the date of grant. Weighted-average assumptions used in the Black-Scholes option pricing model for stock options granted were as follows: risk free interest rate of 2.41%; dividend yield of 0.00%; expected volatility of common stock of 65.0% and expected life of options of 7.9 years. During the second quarter of 2020, these options were forfeited due to the departure of a senior manager.

In August 2020, the Company granted 34,626 incentive stock options to a member of senior management at an exercise price of \$14.44 per share. The options vest at a rate of 20.0% annually, beginning on August 10, 2021, and becoming fully vested on August 10, 2025. All options expire ten years after the date of grant. Weighted-average assumptions used in the Black-Scholes option pricing model for stock options granted were as follows: risk free interest rate of 0.24%; dividend yield of 0.00%; expected volatility of common stock of 75.0% and expected life of options of 6.5 years.

In September 2021, the Company granted 55,490 incentive stock options to a member of management at an exercise price of \$18.02 per share. The options vest at a rate of 10.0% annually, beginning on September 23, 2022, and becoming fully vested on September 23, 2031. All options expire ten years after the date of grant. Weighted-average assumptions used in the Black-Scholes option pricing model for stock options granted were as follows: risk free interest rate of 1.41%; dividend yield of 0.00%; expected volatility of common stock of 75.0% and expected life of options of 7.8 years.

The following is a summary of option activity (in thousands, except per unit data):

	Number of Units	Weighted Average Exercise Price Per Unit	Weighted Average Grant Date Fair Value Per Unit	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding, January 1, 2021, nonvested	35	\$ 14.44	\$ 8.67	9.61	
Granted	55	\$ 18.02	\$ 14.07	9.73	
Exercised	(7)	\$ 14.44	\$ 8.67	—	
Outstanding, December 31, 2021, nonvested	83	\$ 16.83	\$ 12.27	9.36	\$ 802
Exercisable, December 31, 2021	—	\$ —	\$ —	—	\$ —

As of December 31, 2021, approximately 83,000 options remain nonvested. Unrecognized compensation expense related to these options at December 31, 2021 was \$976 and is expected to be recognized over 9.36 years.

On March 31, 2020, the Company filed a registration statement on Form S-8 to register with the SEC approximately 2.3 million shares of Legacy common stock available for issuance under the 2018 Incentive Compensation Plan. The registration statement became effective upon filing.

### 13. COMMITMENTS AND CONTINGENCIES

As of January 1, 2020, the Company instituted a self-insured health benefits plan with a stop-loss policy, which provides medical benefits to employees electing coverage under the plan. The Company estimates and records costs for incurred but not reported medical claims and claim development. This reserve is based on historical experience and other assumptions, some of which are subjective. The Company will adjust its self-insured medical benefits reserve based on actual experience, estimated costs and changes to assumptions. At December 31, 2021 and 2020, the Company accrued a \$373 and \$110 liability for incurred but not reported claims, respectively.

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The Company is contingently liable under terms of repurchase agreements with financial institutions providing inventory financing for independent retailers of its products. These arrangements, which are customary in the industry, provide for the repurchase of products sold to retailers in the event of default by the retailer. The Company's obligation under these repurchase agreements ceases upon the purchase of the home by the retail customer. The maximum amount for which the Company was liable under such agreements approximated \$4,908 and \$140 at December 31, 2021 and 2020, respectively, without reduction for the resale value of the homes. The Company considers its obligations on current contracts to be immaterial and accordingly have not recorded any reserve for repurchase commitment as of December 31, 2021 or 2020.

*Leases.* The Company leases facilities under operating leases that typically have 10-year terms. These leases usually offer the Company a right of first refusal that affords the Company the option to purchase the leased premises under certain terms in the event the landlord attempts to sell the leased premises to a third party. Rent expense was \$698 and \$602 for the years ended December 31, 2021 and 2020, respectively. The Company also subleases properties to third parties, ranging from 3-year to 11-year terms with various renewal options. Rental income from the subleased property is included in other revenue in the Company's statements of operations and was approximately \$394 and \$343 for the years ended December 31, 2021 and 2020, respectively.

Future minimum lease commitments under all non-cancelable operating leases for each of the next five years at December 31, 2021, are as follows:

2022	\$ 632
2023	583
2024	483
2025	447
2026	384
Thereafter	385
Total	<u>\$ 2,914</u>

#### **Legal Matters**

The Company is party to certain legal proceedings that arise in the ordinary course and are incidental to its business. Certain of the claims pending against the Company in these proceedings allege, among other things, breach of contract and warranty, product liability and personal injury. The Company has determined that it is probable that it has some liability related to the claims. The Company's reasonable estimate of this liability is a range between \$2,613 and \$5,038 and has included legal reserves of \$2,764 and \$899 as of December 31, 2021 and 2020, respectively, in accrued liabilities on the accompanying balance sheets. Although litigation is inherently uncertain, based on past experience and the information currently available, management does not believe that the currently pending and threatened litigation or claims will have a material adverse effect on the Company's financial position, liquidity or results of operations. However, future events or circumstances currently unknown to management will determine whether the resolution of pending or threatened litigation or claims will ultimately have a material effect on the Company's financial position, liquidity or results of operations in any future reporting periods.

#### **14. DERIVATIVES**

On February 2, 2012, the Company entered into a master interest rate swap agreement. The Company elected not to designate the interest rate swap agreements as cash flow hedges and, therefore, gains or losses on the agreements as well as the other offsetting gains or losses on the hedged items attributable to the hedged risk are recognized in current earnings. ASC 815-10, *Derivatives and Hedging*, requires derivative instruments to be measured at fair value and recorded in the statements of financial position as either assets or liabilities. The Company entered into interest rate swap agreement with Capital One Bank on June 12, 2017 to fix the variable rate portion for \$8,000 of the line of credit. This

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interest rate swap agreement matured on May 11, 2020. Included in the statements of operations for the years ended December 31, 2020 is a loss of \$15 which was the result of the changes in the fair values of the interest rate swap agreement.

#### 15. EARNINGS PER SHARE

Basic earnings per common share (“EPS”) is computed based on the weighted-average number of common shares outstanding during the reporting period. Diluted EPS is based on the weighted-average number of common shares outstanding plus the number of additional shares that would have been outstanding had the dilutive common shares been issued. The following table reconciles the numerators and denominators used in the computations of both basic and diluted EPS.

	Year ended December 31,	
	2021	2020
Numerator:		
Net income (in 000's)	\$ 49,871	\$ 37,995
Denominator:		
Basic weighted-average common shares outstanding	24,204,437	24,226,128
Effect of dilutive securities:		
Restricted stock grants	12,846	—
Stock options	58,706	10,267
Diluted weighted-average common shares outstanding	24,275,989	24,236,395
Earnings per share attributable to Legacy Housing Corporation		
Basic	\$ 2.06	\$ 1.57
Diluted	\$ 2.05	\$ 1.57

The diluted earnings per share calculation excludes zero and 35,935 potential shares related to stock grants and stock options for the years ended December 31, 2021 and 2020, respectively, because the effect of including these potential shares would be antidilutive.

#### 16. RELATED PARTY TRANSACTIONS

Bell Mobile Homes, a retailer owned by one of the Company’s significant shareholders, purchases manufactured homes from the Company. Accounts receivable balances due from Bell Mobile Homes were \$1 and \$1 as of December 31, 2021 and 2020, respectively. Accounts payable balances due to Bell Mobile Homes for maintenance and related services were \$49 and \$61 as of December 31, 2021 and 2020, respectively. Home sales to Bell Mobile Homes were \$3,724 and \$2,631 for the years ended December 31, 2021 and 2020, respectively.

ShIPLEY Bros., Ltd. (“ShIPLEY Bros.”), a retailer owned by one of the Company’s significant shareholders, purchases manufactured homes from the Company. Home sales to ShIPLEY Bros. were \$2,825 and \$1,786 as of December 31, 2021 and 2020, respectively. There were no accounts receivable balances or accounts payable balances due from/to ShIPLEY Bros. as of December 31, 2021 and 2020, respectively.

#### 17. SUBSEQUENT EVENTS

On January 5, 2022, the Company entered into an amended and restated employment agreement (the “Employment Agreement”) with Curtis D. Hodgson, Executive Chairman of the Company. The Employment Agreement provides for a term that commences on January 1, 2022 and expires on June 16, 2024, unless earlier terminated (the “Employment Period”). Pursuant to the Employment Agreement, Mr. Hodgson will continue to serve in his current

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position with the Company, as set forth above, and will have duties, responsibilities, and authority that are customary to such position.

The Employment Agreement provides for Mr. Hodgson to receive a base salary of \$200,000 per year and a signing bonus of 150,000 shares of restricted stock, which shall be vested upon grant. Mr. Hodgson is also eligible for an annual incentive bonus and equity awards. The annual incentive bonus will be determined by the Board but will not exceed 100% of Mr. Hodgson's base salary. An equity award of 175,000 shares of the Company's restricted stock will be granted if the Company's stock price reaches and remains for a period of fifteen consecutive market days at a closing price of \$36 per share. An additional equity award of 175,000 shares of the Company's restricted stock will be granted if the Company's stock price reaches and remains for a period of fifteen consecutive market days at a closing price of \$48 per share.

On May 30, 2022, the Company submitted to Nasdaq a plan to regain compliance with Nasdaq Listing Rule 5250(c)(1) (the "Rule") regarding the Company's failure to file timely Form 10-K for the period ending December 31, 2021 and Form 10-Q for the period ending on March 31, 2022. On June 9, 2022, the Company received a response from Nasdaq informing the Company that Nasdaq granted an exception to the filing requirements set forth in the Rule that allows the Company to file these reports and any other required filings as required by the Rule on or before September 27, 2022.

On June 21, 2022, the Company received a Reservation of Rights notice from Capital One, N.A. The letter stated that the Company's New Revolver was in default. The default condition occurred due to the Company's failure to timely file the 10K and deliver certain financial statement to Capital One, N.A. On July 28, 2022, the Company executed a forbearance agreement with Capital One, N.A.

In connection with the preparation of these financial statements, an evaluation of subsequent events was performed through the date of filing. The Company recently updated its management of escrow collections. Historically, escrow collections were deposited in an unsegregated deposit account subject to the Company's credit agreement with Capital One, N.A. On June 28, 2022, the Company segregated escrow collections by purchasing an \$8.5M certificate of deposit that is not subject to the credit agreement. The certificate of deposit principal amount will be adjusted periodically. The Company will continue to hold escrow collections separately from its other operating funds where required by law.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

**ITEM 9A. CONTROLS AND PROCEDURES.**

**Evaluation of Disclosure Controls and Procedures**

We are subject to the periodic reporting requirements of the Exchange Act which requires designing disclosure controls and procedures to provide reasonable assurance that information we disclose in reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Report. Based on the evaluation of our disclosure controls and procedures as of December 31, 2021, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of such date due to material weaknesses in internal control over financial reporting.

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance of the reliability of financial reporting and of the preparation of financial statements for external reporting purposes, in accordance with U.S. generally accepted accounting principles. Internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and disposition of assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with the authorization of its management and directors; and (3) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on its financial statements.

Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2021. In making this assessment, management used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework (2013). These criteria are in the areas of control environment, risk assessment, control activities, information and communication, and monitoring. Management's assessment included extensive documentation, evaluating and testing the design and operating effectiveness of its internal controls over financial reporting. Based on management's processes and assessment, as described above, management has concluded that, as of December 31, 2021, our internal control over financial reporting was not effective.

**Material Weaknesses in Internal Control Over Financial Reporting**

As previously disclosed in our Annual report on Form 10-K filed with the SEC on March 17, 2021, we identified material weaknesses in our internal control over financial reporting during the preparation of our financial statements for the year ended December 31, 2020. Under standards established by the PCAOB, a material weakness is a deficiency or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected and corrected on a timely basis. The material weaknesses in internal control over financial reporting have not been fully remediated as of December 31, 2021.

The material weaknesses in financial reporting as of December 31, 2021 are summarized as follows:

- We determined that we did not have sufficient accounting systems and procedures in place, particularly in the areas of revenue recognition; processing of accounts payable; prepaid expenses; and inventory costing and management.
- We determined that we did not have sufficient systems and processes to support timely preparation of financial statements for compliance with U.S. GAAP and SEC.
- We determined that we did not have sufficient policies and procedures to ensure the appropriate review and approval of user access rights to our accounting system; and lack of approval of journal entries and segregation of duties in our financial reporting process.
- We determined that our information technology infrastructure does not provide sufficient safeguards required by the COBIT framework.

#### **Remediation Efforts to Address Previously-Identified Material Weaknesses**

In connection with these material weaknesses, we are in the process of taking remediation action, including the evaluation and implementation of appropriate processes and procedures with respect to key areas, including inventory costing and revenue recognition. We are also in the process of implementing remediation measures, including designing internal controls over financial reporting, defining user access rights and journal entry processes and approvals, and implementing more robust financial reporting databases and systems.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the fourth quarter of fiscal 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **Inherent Limitations in Effectiveness of Controls**

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures, or our internal controls, will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake or fraud. Additionally, controls can be circumvented by individuals or groups of persons or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements in our public reports due to error or fraud may occur and not be detected.

#### **Exemption from Auditor Attestation on Internal Controls**

This Report on Form 10-K does not include an attestation report of our independent registered public accounting firm due to a transition period established by rules of the SEC for newly public companies and emerging growth companies.

**ITEM 9B. OTHER INFORMATION.**
**Restatement of Previously Issued Condensed Financial Statements (unaudited)**

The Company has restated these financial statements to correct; (i) an overstatement of costs errantly assigned to accounts payable for inventory received but not invoiced for the period ended March 31, 2021 and for the period ended June 30, 2021, (ii) an understatement of costs errantly assigned to accounts payable for inventory received but not invoiced for the period ended September 30, 2021, (iii) an overstatement of prepaid inventory and an understatement of cost of product sales and property, plant & equipment for the period ended September 30, 2021, (iv) an overstatement in finished goods inventory and an understatement of cost of product sales for the period ending September 30, 2021, (v) a reclassification between prepaid expenses and other current assets and other assets for the period ended March 31, 2021, for the period ended June 30, 2021 and for the period ended September 30, 2021, (vi) a reclassification between prepaid expenses and other current assets and lines of credit for the period ended March 31, 2021, for the period ended June 30, 2021 and for the period ended September 30, 2021, (vii) change in accrued liabilities and income tax expense for the period ended March 31, 2021, for the period ended June 30, 2021 and for the period ended September 30, 2021.

The decision to restate the Company's financial statements previously reported on its Quarterly Report on Form 10-Q for the first quarter of 2021, its Quarterly Report on Form 10-Q for the second quarter of 2021, and its Quarterly Report on Form 10-Q for the third quarter of 2021 was approved by, and with the continuing oversight of, the Company's Audit Committee.

The effects of the restatement on the line items within the Company's condensed balance sheet as of March 31, 2021, as of June 30, 2021 and as of September 30, 2021 are as follows:

	March 31, 2021			June 30, 2021			September 30, 2021		
	As Originally Reported	Adjustments	As Restated	As Originally Reported	Adjustments	As Restated	As Originally Reported	Adjustments	As Restated
<b>Current assets:</b>									
Inventories	\$ 31,915	\$ —	\$ 31,915	\$ 39,702	\$ —	\$ 39,702	\$ 36,951	\$ (257)	\$ 36,694
Prepaid expenses and other current assets	\$ 3,649	\$ (553)	\$ 3,096	\$ 3,860	\$ (535)	\$ 3,325	\$ 5,805	\$ (2,286)	\$ 3,519
Total current assets:	\$ 60,847	\$ (553)	\$ 60,294	\$ 69,731	\$ (535)	\$ 69,196	\$ 83,437	\$ (2,543)	\$ 80,894
Other assets	\$ 8,794	\$ 332	\$ 9,126	\$ 9,533	\$ 332	\$ 9,865	\$ 10,862	\$ 332	\$ 11,194
Property, plant and equipment, net	\$ 24,070	\$ —	\$ 24,070	\$ 24,422	\$ —	\$ 24,422	\$ 26,428	\$ 47	\$ 26,475
Total assets:	\$ 356,918	\$ (221)	\$ 356,697	\$ 373,794	\$ (203)	\$ 373,591	\$ 348,989	\$ (2,164)	\$ 346,825
<b>Current liabilities:</b>									
Accounts payable	\$ 9,422	\$ (2,023)	\$ 7,399	\$ 8,193	\$ (2,288)	\$ 5,905	\$ 6,170	\$ (1,983)	\$ 4,187
Accrued liabilities	\$ 13,677	\$ 346	\$ 14,023	\$ 14,701	\$ 390	\$ 15,091	\$ 17,073	\$ (24)	\$ 17,049
Total current liabilities:	\$ 36,264	\$ (1,677)	\$ 34,587	\$ 37,376	\$ (1,898)	\$ 35,478	\$ 38,937	\$ (2,007)	\$ 36,930
<b>Long-term liabilities:</b>									
Lines of credit	\$ 45,347	\$ (221)	\$ 45,126	\$ 49,675	\$ (203)	\$ 49,472	\$ 8,281	\$ (185)	\$ 8,096
Total liabilities:	\$ 88,657	\$ (1,898)	\$ 86,759	\$ 93,042	\$ (2,101)	\$ 90,941	\$ 53,349	\$ (2,192)	\$ 51,157
<b>Stockholders' equity:</b>									
Retained earnings	\$ 97,376	\$ 1,677	\$ 99,053	\$ 109,803	\$ 1,898	\$ 111,701	\$ 124,536	\$ 28	\$ 124,564
Total stockholders' equity	\$ 268,261	\$ 1,677	\$ 269,938	\$ 280,752	\$ 1,898	\$ 282,650	\$ 295,640	\$ 28	\$ 295,668
Total liabilities and stockholders' equity	\$ 356,918	\$ (221)	\$ 356,697	\$ 373,794	\$ (203)	\$ 373,591	\$ 348,989	\$ (2,164)	\$ 346,825



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The effects of the restatement on the line items within the Company's condensed statement of operations for the three months ended March 31, 2021, for the three months ended June 30, 2021 and for the three months ended September 30, 2021 are as follows:

	<u>Three Months Ended March 31, 2021</u>			<u>Three Months Ended June 30, 2021</u>			<u>Three Months Ended September 30, 2021</u>		
	<u>As Originally Reported</u>	<u>Adjustments</u>	<u>As Restated</u>	<u>As Originally Reported</u>	<u>Adjustments</u>	<u>As Restated</u>	<u>As Originally Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
Operating expenses:									
Cost of product sale	\$ 24,024	\$ (2,023)	\$ 22,001	\$ 28,608	\$ (265)	\$ 28,343	\$ 33,392	\$ 2,284	\$ 35,676
Income from operations	\$ 10,660	\$ 2,023	\$ 12,683	\$ 14,702	\$ 265	\$ 14,967	\$ 17,612	\$ (2,284)	\$ 15,328
Income before income tax expense	\$ 10,886	\$ 2,023	\$ 12,909	\$ 14,882	\$ 265	\$ 15,147	\$ 17,998	\$ (2,284)	\$ 15,714
Income tax expense	\$ (1,862)	\$ (346)	\$ (2,208)	\$ (2,454)	\$ (44)	\$ (2,498)	\$ (3,265)	\$ 544	\$ (2,721)
Net income	\$ 9,024	\$ 1,677	\$ 10,701	\$ 12,428	\$ 221	\$ 12,649	\$ 14,733	\$ (1,740)	\$ 12,993
Net income per share:									
Basic	\$ 0.37	\$ 0.07	\$ 0.44	\$ 0.51	\$ 0.01	\$ 0.52	\$ 0.61	\$ (0.07)	\$ 0.54
Diluted	\$ 0.37	\$ 0.07	\$ 0.44	\$ 0.51	\$ 0.01	\$ 0.52	\$ 0.61	\$ (0.07)	\$ 0.54

The effects of the restatement on the line items within the Company's condensed statement of operations for the six months ended June 30, 2021 and for the nine months ended September 30, 2021 are as follows:

	<u>Six Months Ended June 30, 2021</u>			<u>Nine Months Ended September 30, 2021</u>		
	<u>As Originally Reported</u>	<u>Adjustments</u>	<u>As Restated</u>	<u>As Originally Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
Operating expenses:						
Cost of product sale	\$ 52,632	\$ (2,288)	\$ 50,344	\$ 86,024	\$ (4)	\$ 86,020
Income from operations	\$ 25,362	\$ 2,288	\$ 27,650	\$ 42,972	\$ 4	\$ 42,976
Income before income tax expense	\$ 25,768	\$ 2,288	\$ 28,056	\$ 43,764	\$ 4	\$ 43,768
Income tax expense	\$ (4,317)	\$ (390)	\$ (4,707)	\$ (7,581)	\$ 154	\$ (7,427)
Net income	\$ 21,451	\$ 1,898	\$ 23,349	\$ 36,183	\$ 158	\$ 36,341
Net income per share:						
Basic	\$ 0.89	\$ 0.07	\$ 0.96	\$ 1.50	\$ —	\$ 1.50
Diluted	\$ 0.89	\$ 0.07	\$ 0.96	\$ 1.49	\$ 0.01	\$ 1.50

The effects of the restatement on the line items within the condensed statement of cash flows for the three months ended March 31, 2021, for the six months ended June 30, 2021 and for the nine months ended September 30, 2021 are as follows:

	Three months March 31, 2021			Six months June 30, 2021			Nine months September 30, 2021		
	As Originally Reported	Adjustments	As Restated	As Originally Reported	Adjustments	As Restated	As Originally Reported	Adjustments	As Restated
<b>Operating activities:</b>									
Net income	\$ 9,024	\$ 1,677	\$ 10,701	\$ 21,451	\$ 1,898	\$ 23,349	\$ 36,183	\$ 158	\$ 36,341
Inventories	\$ (3,502)	\$ —	\$ (3,502)	\$ (8,864)	\$ —	\$ (8,864)	\$ (4,595)	\$ 257	\$ (4,338)
Prepaid expenses and other current assets	\$ (433)	\$ 553	\$ 120	\$ (893)	\$ 535	\$ (358)	\$ (2,571)	\$ 2,286	\$ (285)
Other assets	\$ (5)	\$ (332)	\$ (337)	\$ (876)	\$ (332)	\$ (1,208)	\$ (2,352)	\$ (332)	\$ (2,684)
Accounts payable	\$ (775)	\$ (2,023)	\$ (2,798)	\$ (2,004)	\$ (2,288)	\$ (4,292)	\$ (4,027)	\$ (1,983)	\$ (6,010)
Accrued liabilities	\$ (1,183)	\$ 346	\$ (837)	\$ (792)	\$ 390	\$ (402)	\$ 1,583	\$ (154)	\$ 1,429
Net cash provided by (used in) operating activities	\$ (1,692)	\$ 221	\$ (1,471)	\$ (4,978)	\$ 203	\$ (4,775)	\$ 50,226	\$ 232	\$ 50,458
<b>Investing activities:</b>									
Purchases of property, plant and equipment	\$ (1,717)	\$ —	\$ (1,717)	\$ (2,330)	\$ —	\$ (2,330)	\$ (4,596)	\$ (47)	\$ (4,643)
Net cash used in investing activities	\$ (6,127)	\$ —	\$ (6,127)	\$ (8,482)	\$ —	\$ (8,482)	\$ (22,348)	\$ (47)	\$ (22,395)
<b>Financing activities:</b>									
Payments on lines of credit	\$ (13,208)	\$ (221)	\$ (13,429)	\$ (32,608)	\$ (203)	\$ (32,811)	\$ (103,165)	\$ (185)	\$ (103,350)
Net cash provided by (used in) financing activities	\$ 9,459	\$ (221)	\$ 9,238	\$ 13,501	\$ (203)	\$ 13,298	\$ (27,793)	\$ (185)	\$ (27,978)

## Restated Results of Operations

### *Comparison of Three Months ended March 31, 2021 and 2020*

The cost of product sales increased \$0.1 million, or 0.6%, during the three months ended March 31, 2021 as compared to the same period in 2020.

Income tax expense during the three months ended March 31, 2021 was \$2.2 million compared to \$2.6 million for the same period in 2020. The effective tax rate for the three months ended March 31, 2021 was 17.1% and primarily differs from the federal statutory rate of 21% primarily due to a federal tax credit for energy efficient construction and partially offset by state income taxes. The effective tax rate for the three months ended March 31, 2020 was 22.3% and primarily differs from the federal statutory rate of 21% primarily due to state income taxes.

### *Comparison of Three Months ended June 30, 2021 and 2020*

The cost of product sales decreased \$0.3 million, or 1.2%, during the three months ended June 30, 2021 as compared to the same period in 2020.

Income tax expense during the three months ended June 30, 2021 was \$2.5 million compared to \$3.0 million for the same period in 2020. The effective tax rate for the three months ended June 30, 2021 was 16.5% and primarily differs from the federal statutory rate of 21% primarily due to a federal tax credit for energy efficient construction and partially offset by state income taxes. The effective tax rate for the three months ended June 30, 2020 was 23.1% and primarily differs from the federal statutory rate of 21% primarily due to state income taxes.

### *Comparison of Six Months ended June 30, 2021 and 2020*

The cost of product sales decreased \$0.2 million, or 0.4%, during the six months ended June 30, 2021 as compared to the same period in 2020.

Income tax expense during the six months ended June 30, 2021 was \$4.7 million compared to \$5.6 million for the same period in 2020. The effective tax rate for the six months ended June 30, 2021 was 16.7% and primarily differs from the federal statutory rate of 21% primarily due to a federal tax credit for energy efficient construction and partially offset by state income taxes. The effective tax rate for the six months ended June 30, 2020 was 22.7% and primarily differs from the federal statutory rate of 21% primarily due to state income taxes.

***Comparison of Three Months ended September 30, 2021 and 2020***

The cost of product sales increased \$7.8 million, or 28.2%, during the three months ended September 30, 2021 as compared to the same period in 2020. The increase in costs is primarily related to increases in the cost of materials and labor in 2021 and was materially passed along to our end-customer.

Income tax expense during the three months ended September 30, 2021 was \$2.7 million compared to \$2.5 million for the same period in 2020. The effective tax rate for the three months ended September 30, 2021 was 17.3% and primarily differs from the federal statutory rate of 21% primarily due to a federal tax credit for energy efficient construction and partially offset by state income taxes. The effective tax rate for the three months ended September 30, 2020 was 22.7% and primarily differs from the federal statutory rate of 21% primarily due to state income taxes.

***Comparison of Nine Months ended September 30, 2021 and 2020***

The cost of product sales increased \$7.6 million, or 9.7%, during the nine months ended September 30, 2021 as compared to the same period in 2020. The increase in costs is primarily related to increases in the cost of materials and labor in 2021 and was materially passed along to our end-customer.

Income tax expense during the nine months ended September 30, 2021 was \$7.4 million compared to \$8.1 million for the same period in 2020. The effective tax rate for the nine months ended September 30, 2021 was 17.0% and primarily differs from the federal statutory rate of 21% primarily due to a federal tax credit for energy efficient construction and partially offset by state income taxes. The effective tax rate for the nine months ended September 30, 2020 was 22.7% and primarily differs from the federal statutory rate of 21% primarily due to state income taxes.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

**Executive Officers and Directors**

The following table identifies our executive officers and directors as of the date of this filing.

<b>Name</b>	<b>Age</b>	<b>Position (s)</b>
<b><i>Executive Officers and Employee Directors</i></b>		
Curtis D. Hodgson	68	Executive Chairman of the Board
Kenneth E. Shipley	62	Founder, Executive Vice President and Director
R. Duncan Bates	34	President and Chief Executive Officer
Ronald C. Arrington	60	Chief Financial Officer
Jeffrey V. Burt	61	Chief Accounting Officer
<b><i>Non-Employee Directors</i></b>		
Francisco J. Coll	37	Director
Joseph P. Lane	55	Director
Jeffrey K. Stouder	50	Director

The following information provides a brief description of the business experience of each executive officer and director.

#### **Executive Officers and Employee Directors**

**Curtis D. Hodgson** co-founded our company in 2005 and served as our Co-Chief Executive Officer from January 2018 to February 2019, then became our executive Chairman of the Board. He has been a member of our board of directors since January 2018. Prior to that, Mr. Hodgson served as a partner of the company's predecessor, Legacy Housing, Ltd., and controlled its general partner. Over the past 37 years, Mr. Hodgson has owned and operated several manufactured home retail operations and manufactured housing communities in Texas. Mr. Hodgson has significant expertise in the manufactured housing industry. Mr. Hodgson earned a B.S. in Engineering from the University of Michigan and J.D. from The University of Texas.

Mr. Hodgson is the co-founder, executive Chairman and one of our largest stockholders and he was selected to serve on our board of directors due to his decades of experience and deep knowledge of our industry, his leadership and substantial operational and strategic planning expertise. His service as the executive Chairman creates a critical link between management and the board.

**Kenneth E. Shipley** co-founded our company in 2005 with Curtis D. Hodgson. Mr. Shipley was our Co-Chief Executive Officer from January 2018 and, from February 2019 to June 2022, has served as our President and sole Chief Executive Officer. Effective in June 2022, Mr. Shipley became the Executive Vice President of the Company. He has been a member of our board of directors since January 2018, when our company converted to a corporation and prior to that, Mr. Shipley, together with Mr. Hodgson, served as a general partner of the company's predecessor, Legacy Housing, Ltd. Mr. Shipley has more than 30 years of experience in the manufactured home industry. Since 1981, he has also owned and operated Bell Mobile Homes and Shipley Bros. in Lubbock, Texas, a manufactured home retailer.

Mr. Shipley is the co-founder, Executive Vice President and one of our largest stockholders and he was selected to serve on our board of directors due to his decades of experience and knowledge of our industry, his leadership and substantial sales and distribution experience with dealers and customers in the industry. His service as a director and the Executive Vice creates a critical link between management and the board.

**Duncan Bates** joined our company in June 2022 and serves as President and Chief Executive Officer. Mr. Bates most recently served as Senior Vice President, Mergers & Acquisitions of Arcosa Inc., a publicly traded infrastructure products company since August 2018. Under his leadership, Arcosa executed 16 acquisitions and 2 divestitures in a three and ½ year period to reposition its portfolio around growth-oriented, high-margin products. Previously, he served as a Vice President in the Industrials Investment Banking Group at Stephens Inc. from June 2015 to August 2018. From February 2012 to June 2015, he worked in the Energy Investment Banking Group at Seaport Global Securities, LLC. Mr. Bates began his career in New York at Willis Re Inc. in July 2010. Mr. Bates received his B.S. Management degree with a double major in Finance and Legal Studies from Tulane University.

Mr. Bates resigned from the Company's Board upon his appointment as the President and Chief Executive Officer.

**Ronald Arrington** joined our company in May 2022 and serves as Chief Financial Officer. In this capacity, he oversees the financial actions of the Company, as well as oversight of the accounting systems, policies and financial reporting of the Company. Mr. Arrington, in a career spanning more than thirty years, has served as chief financial officer, as well as finance vice president and corporate controller for construction, retail and restaurant franchisee companies, including most recently serving as the Controller for XIT Paving and Construction. He brings extensive experience in operational finance, financial management systems, operational restructuring, and process improvement. Mr. Arrington earned his Bachelor of Business Administration from the University of Texas at Arlington and is a Certified Public Accountant.

**Jeffrey V. Burt** joined our company in September 2010 and serves as Chief Accounting Officer. In this capacity, Mr. Burt oversees all accounting functions with respect to our manufacturing facilities. Mr. Burt began his

career with our company as Controller from 2010 to 2013, then as Chief Financial Officer and Treasurer from April 2013 to July 2019. Prior to joining our company, from 1993 to 2009, Mr. Burt served as Vice President and Chief Financial Officer of Kohner Properties, Inc., a company that manages multi-family housing for owners across the central part of the United States. Mr. Burt has more than 20 years of experience in the real estate and manufactured housing industry and has expertise in the areas of accounting systems, performance reporting tools and evaluations of key performance indicators versus a company's goals. Mr. Burt earned a B.S. degree from the University of Southern Illinois and M.B.A. from the University of Notre Dame.

#### **Non-Employee Directors**

**Jeffrey K. Stouder** was elected to our board of directors at the annual meeting of stockholders, held on December 2, 2020. He has served as the Vice President, Global Controller at E2open, LLC, a leading provider of cloud-based supply chain software and solutions, since August 2019. Previously, he served as the Chief Financial Officer at Global Resale, LLC, a global leader in aftermarket services and reverse logistics for IT hardware, from March 2018 to August 2019. From July 2015 to March 2018, Mr. Stouder served as the Corporate Controller at NBG Home, the largest provider of affordable home décor products, with manufacturing and distribution facilities across the United States and internationally. From 2000 to 2015, he served at Dell, Inc. in various accounting and finance positions including SEC Reporting Manager, Global Sales Controller, and Finance Director for Dell Services. Mr. Stouder began his career at Arthur Andersen LLP in the Dallas office, where he worked in the audit practice as staff, senior, and audit manager from 1994 to 2000. Mr. Stouder received his B.B.A. and M.S. Accounting degrees from Texas Tech University and is a certified public accountant.

Mr. Stouder brings over 25 years of experience in accounting, finance, audit, corporate governance, mergers, and investor relations. His expertise in these areas make him well qualified as a member of the Board.

**Joseph P. Lane** was appointed to our board of directors on December 7, 2021 to fill the vacancy in the Board created by the resignation of Stephen Crawford. Mr. Lane is currently Co-Founder, Chairman, and Chief Executive Officer at Bingie, Inc., a technology and entertainment company offering movie and television content across all streaming platforms. Prior to Mr. Lane's current role, he served as Co-Founder, Chairman, and Chief Executive Officer of Growth Hackers, LLC, an advertising technology company, and he served as Founder, Chairman, and Chief Executive Officer of The Service Vault, LLC, a software company. Prior to his roles with Growth Hackers LLC and The Service Vault, LLC, Mr. Lane founded Lane Custom Homes, LP, a full-service real estate development and homebuilding company and he served as a Principal in JP Lane Investments, structuring partnerships that purchased, owned, and sold single family developments and home sites. Mr. Lane holds a BA in History from the University of Pennsylvania.

Mr. Lane has extensive experience and knowledge of real estate development, homebuilding industry, entertainment technology and the software industry, and this expertise is highly beneficial to our company.

**Francisco J. Coll** was appointed to our board of directors on June 7, 2022 to fill the vacancy in the Board created by the resignation of Duncan Bates. Mr. Coll has served as the President of Universal Air Conditioner, Inc., a wholesale distributor of aftermarket auto parts since March 2015. Previously, he was the US Head of Sales for BTG Pactual, a Brazilian investment bank and asset manager that operates throughout Latin America, from March 2011 until March 2015. Mr. Coll began his career at UBS Investment Bank in the sales & trading and wealth management rotational program in July 2007. Mr. Coll received his B.S. degree in East Asian Studies with a minor in Financial Economics from Vanderbilt University.

Mr. Coll's substantial knowledge in capital markets transactions and risk management solutions make him well qualified as a member of the Board.

## **Board Composition**

Our business and affairs are managed under the direction of our board of directors. The number of directors is determined by our board of directors, subject to the terms of our certificate of incorporation and bylaws. Our board of directors currently consists of five members. The Board of Directors held its inaugural meeting on February 7, 2019.

## **Director Independence**

Our common stock trades on The NASDAQ Global Market. Under Nasdaq rules, independent directors must comprise a majority of a listed company's board of directors. In addition, Nasdaq rules require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and governance committees must be independent. Under Nasdaq rules, a director will only qualify as an "independent director" if, in the opinion of that company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act. In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee: (i) accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the listed company or any of its subsidiaries; or (ii) be an affiliated person of the listed company or any of its subsidiaries.

Our board of directors undertook a review of its composition, the composition of its committees and the independence of each director. Based upon information requested from and provided by each director concerning his or her background, employment and affiliations, including family relationships, our board of directors has determined that Jeffrey K. Stouder, R. Duncan Bates and Joseph P. Lane, representing a majority of our directors, do not have any relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under Nasdaq rules. In making these determinations, our board of directors considered the relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director.

## **Board Committees**

Commencing with the closing of our IPO on December 14, 2018, our board of directors established three standing committees: an audit committee, a compensation committee and a nominating and corporate governance committee. Under Nasdaq rules, the membership of each committee consists entirely of independent directors. Given the date our committees were first established, our committees did not separately meet until early 2019. The following is a brief description of our committees.

***Audit committee.*** In accordance with our audit committee charter, our audit committee oversees our corporate accounting and financial reporting processes and our internal controls over financial reporting; evaluates the independent public accounting firm's qualifications, independence and performance; engages and provides for the compensation of the independent public accounting firm; approves the retention of the independent public accounting firm to perform any proposed permissible non-audit services; reviews our financial statements; reviews our critical accounting policies and estimates and internal controls over financial reporting; and discusses with management and the independent registered public accounting firm the results of the annual audit and the reviews of our quarterly financial statements. We believe that our audit committee members meet the requirements for financial literacy under the current requirements of the Sarbanes-Oxley Act, Nasdaq and SEC rules and regulations. In addition, the board of directors has determined that Jeffrey K. Stouder is qualified as an audit committee financial expert within the meaning of SEC regulations. We have made this determination based on information received by our board of directors. The audit committee is composed of Messrs. Stouder (Chairman), Coll and Lane.

**Compensation committee.** In accordance with our compensation committee charter, our compensation committee reviews and recommends policies relating to compensation and benefits of our officers and employees, including reviewing and approving corporate goals and objectives relevant to compensation of the Chief Executive Officer and other senior officers, evaluating the performance of these officers in light of those goals and objectives and setting compensation of these officers based on such evaluations. The compensation committee also administers the issuance of stock options and other awards under our equity-based incentive plans. We believe that the composition of our compensation committee meets the requirements for independence under, and the functioning of our compensation committee complies with, any applicable requirements of the Sarbanes-Oxley Act, Nasdaq and SEC rules and regulations. We intend to comply with future requirements to the extent they become applicable to us. The compensation committee is composed of Messrs. Lane (Chairman), Coll and Stouder.

**Nominating and governance committee.** In accordance with our nominating and governance committee charter, our nominating and governance committee recommends to the board of directors nominees for election as directors, and meets as necessary to review director candidates and nominees for election as directors; recommends members for each committee of the board; oversees corporate governance standards and compliance with applicable listing and regulatory requirements; develops and recommends to the board governance principles applicable to the company; and oversees the evaluation of the board and its committees. We believe that the composition of our nominating and governance committee meets the requirements for independence under, and the functioning of our compensation committee complies with, any applicable requirements of the Sarbanes-Oxley Act, Nasdaq and SEC rules and regulations. We intend to comply with future requirements to the extent they become applicable to us. The nominating and governance committee is composed of Messrs. Coll (Chairman), Lane and Stouder.

#### **Code of Business Conduct and Ethics**

We adopted a code of business conduct and ethics that applies to all of our officers, directors and employees, including our principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions, which is posted on our website. Our code of business conduct and ethics is a “code of ethics,” as defined in Item 406(b) of Regulation S-K. The information contained on, or accessible from, our website is not part of this Form 10-K by reference or otherwise. We will make any legally required disclosures regarding amendments to, or waivers of, provisions of our code of business conduct and ethics on our website.

#### **Compensation Committee Interlocks and Insider Participation**

None of the members of our compensation committee is an executive officer or employee of our company. None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

#### **Limitations on Director and Officer Liability and Indemnification**

Our certificate of incorporation limits the liability of our directors to the maximum extent permitted by Texas law. Texas law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except liability for:

- any breach of their duty of loyalty to the corporation or its stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions; or
- any transaction from which the director derived an improper personal benefit.

Our certificate of incorporation and our bylaws provide that we are required to indemnify our directors and officers, in each case to the fullest extent permitted by Texas law. Any repeal of, or modification to, our certificate of



incorporation and our bylaws may not adversely affect any right or protection of a director or officer for or with respect to any acts or omissions of such director or officer occurring prior to such amendment or repeal. Our bylaws also provide that we will advance expenses incurred by a director or officer in advance of the final disposition of any action or proceeding, and permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in connection with their services to us, regardless of whether our bylaws permit such indemnification.

We have entered into separate indemnification agreements with our directors and executive officers, in addition to the indemnification provided for in our bylaws. These agreements, among other things, provide that we will indemnify our directors and executive officers for certain expenses (including attorneys' fees), judgments, fines, penalties and settlement amounts incurred by a director or executive officer in any action or proceeding arising out of such person's services as one of our directors or executive officers, or any other company or enterprise to which the person provides services at our request. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

The limitation of liability and indemnification provisions that are contained in our certificate of incorporation and our bylaws may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions. There is no pending litigation or proceeding involving one of our directors or executive officers as to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

#### ITEM 11. EXECUTIVE COMPENSATION.

##### Summary Compensation Table

The following table sets forth summary compensation information for the following persons: (i) all persons serving as our principal executive officers during the years ended December 31, 2021 and 2020, and (ii) our three other most highly compensated executive officers who received compensation during the years ended December 31, 2021 and 2020 of at least \$100,000 and who were executive officers on December 31, 2021 and 2020. We refer to these persons as our "named executive officers" in this Form 10-K. The following table includes all compensation earned by the named executive officers for the respective period, regardless of whether such amounts were actually paid during the period:

Name and Position	Years	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
Curtis D. Hodgson	2021	49,846	—	—	—	—	49,846
Executive Chairman (former Co-Chief Executive Officer)	2020	46,923	—	—	—	—	46,923
Kenneth E. Shipley	2021	49,846	—	—	—	—	49,846
President and Chief Executive Officer (former Co-Chief Executive Officer)	2020	46,923	—	—	—	—	46,923
Jeffrey V. Burt	2021	240,000	10,000	143,735	—	—	393,735
Chief Accounting Officer	2020	230,539	10,000	120,251	—	—	360,790
Thomas J. Kerkaert	2021	173,485	20,000	—	30,885	—	224,370
Chief Financial Officer (1)	2020	59,769	—	—	—	—	59,769
Neal J. Suit	2021	—	—	—	—	—	—
Executive Vice President, General Counsel and Secretary (2)	2020	90,000	—	—	56,421	—	146,421

(1) Mr. Kerkaert joined the Company's as Chief Financial Officer in August 2020.



(2) Mr. Suit left his position as the Company's Executive Vice President and General Counsel in May 2020.

Mr. Hodgson and Mr. Shipley's compensation structure, in light of the fact they have historically only received a relatively nominal salary of \$50,000, is focused on increasing the equity value of our company as their primary compensation is in the value of their ownership interests in the company. Mr. Hodgson, whether individually or through entities or trusts he controls, owned 50% of the partnership interests in the company as of year-end 2017, which interests were converted to an initial allocation of 10,000,000 shares of common stock of the company upon the conversion to a corporation effective January 1, 2018. Mr. Shipley and his family members, whether individually or through an entity Mr. Shipley controls, owned 50% of the partnership interests of the company as of year-end 2017, which interests were converted into an initial allocation of 10,000,000 shares of our common stock of the company upon the conversion to a corporation. Mr. Shipley will continue to be compensated based on a fixed annual salary of \$50,000. In January 2022, Mr. Hodgson entered into an amended and restated employment agreement (see **Employment Agreements** below).

### **Employment Agreements**

On November 27, 2018, we entered into an employment agreement with each of Curtis D. Hodgson and Kenneth E. Shipley to serve as our Co-Chief Executive Officer for an initial term beginning January 1, 2018 and ending December 31, 2021. Following the initial expiration date of the employment agreements, and on each subsequent one year anniversary of such date, the term of the employment agreements will automatically be extended for one year, unless earlier terminated by either party. Generally, since founding our company, Mr. Hodgson has overseen our day-to-day business operations, including strategic planning and manufacturing, and Mr. Shipley has overseen our sales and distribution, including our company-owned retail locations. Under the employment agreements, each executive's annual salary is \$50,000, which is subject to increase at the discretion of our compensation committee. The employment agreements provide for customary provisions for the termination of the executive's employment with us for cause (as defined in the applicable employment agreement) and for any reason other than for cause. The executive will be entitled to receive his salary for the remaining portion of the employment period if he is terminated other than for cause, payable in accordance with our company's regular payroll practices. Additionally, in the event the executive's employment with us is terminated within one year after a change of control (as defined in the applicable employment agreement) for reasons other than cause, we have agreed to pay the executive an amount equal to two years' compensation at his then current rate of pay.

The employment agreements also contain covenants (a) confirming that all intellectual property developed by each executive and relating to our business constitutes our sole and exclusive property, (b) prohibiting each executive from disclosing confidential information regarding our company at any time, (c) restricting each executive from engaging in any activities competitive with our business during his employment with us and for a period of one year thereafter, and (d) preventing each executive from recruiting, soliciting or hiring away employees of our company for a period of two years after his employment with us. The employment agreements are governed by the laws of the State of Delaware. On December 31, 2021, Mr. Shipley's employment agreement was automatically extended for one year. In January 2022, Mr. Hodgson entered into an amended and restated employment agreement which provides him with an annual salary of \$200,000 and a signing bonus of 150,000 shares of restricted stock, which vested upon grant. Under this new agreement, he is also eligible for an annual incentive bonus at the discretion of our compensation committee and he is eligible for equity awards if the Company's stock price achieves certain targets.

On February 7, 2019, our board of directors separated the roles of Chief Executive Officer and Chairman of the Board, consistent with corporate governance best practices. Mr. Hodgson transitioned from his role as our Co-Chief Executive Officer to become our executive Chairman of the Board and Mr. Shipley became our sole Chief Executive Officer and President. Mr. Hodgson, as an executive Chairman, will remain actively involved in our management in this role, including with respect to overall corporate strategy and manufactured home park development and financing.

## Outstanding Equity Awards at December 31, 2021

The following table shows outstanding option awards held by the named executive officers as of December 31, 2021.

Name	Vested Shares	Unvested Shares	Total Shares
Curtis D. Hodgson	—	—	—
Kenneth E. Shipley	—	—	—
Jeffrey V. Burt	—	—	—
Thomas J. Kerkaert (1)	6,925	27,701	34,626

- (1) Mr. Kerkaert was awarded options to purchase 34,626 shares of common stock under our 2018 Incentive Compensation Plan. The grant date of the options was August 10, 2020 and the strike price is \$14.44. The options vest at a rate of 20.0% annually, beginning August 10, 2021, until fully vested on August 10, 2025. The options expire on August 10, 2030.

### 2018 Incentive Compensation Plan

Our board of directors and the holders of a majority of our outstanding shares of common stock adopted our 2018 Incentive Compensation Plan (the “Plan”) prior to the closing of our IPO. The purpose of our Plan is to assist us in attracting, motivating, retaining and rewarding high-quality executives and other employees, officers, directors, consultants and other persons who provide services to us. We have set aside an aggregate of 2,500,000 shares of common stock (including stock options) as additional compensation that we expect to award to our officers, directors and key personnel under the terms of our Plan, and this amount will not exceed 10% of the then outstanding shares of our common stock.

*Administration.* Our Plan is to be administered by our Compensation Committee, provided, however, that except as otherwise expressly provided in the Plan, the board of directors may exercise any power or authority granted to the committee under our Plan. Subject to the terms of our Plan, the committee is authorized to select eligible persons to receive awards, determine the type, number and other terms and conditions of, and all other matters relating to, awards, prescribe award agreements (which need not be identical for each participant), and the rules and regulations for the administration of the Plan, construe and interpret the Plan and award agreements, and correct defects, supply omissions or reconcile inconsistencies in them, and make all other decisions and determinations as the committee may deem necessary or advisable for the administration of our Plan.

*Eligibility.* The persons eligible to receive awards under our Plan are the officers, directors, employees, consultants and other persons who provide services to us. An employee on leave of absence may be considered as still in the employ of our company for purposes of eligibility for participation in our Plan.

*Types of Awards.* Our Plan provides for the issuance of stock options, stock appreciation rights, or SARs, restricted stock, deferred stock, dividend equivalents, bonus stock and awards in lieu of cash compensation, other stock-based awards and performance awards. Performance awards may be based on the achievement of specified business or personal criteria or goals, as determined by the committee.

*Shares Available for Awards.* The total number of shares of common stock that may be subject to the granting of awards under our Plan at any time during the term of the Plan will be equal to 2,500,000 shares. This limit will be increased by the number of shares with respect to which awards previously granted under our Plan that are forfeited, expire or otherwise terminate without issuance of shares, or that are settled for cash or otherwise do not result in the issuance of shares, and the number of shares that are tendered (either actually or by attestation) or withheld upon exercise of an award to pay the exercise price or any tax withholding requirements.

*Stock Options and Stock Appreciation Rights.* The committee is authorized to grant stock options, including both incentive stock options, or ISOs, which can result in potentially favorable tax treatment to the participant, and non-qualified stock options, and stock appreciation rights entitling the participant to receive the amount by which the fair

market value of a share of common stock on the date of exercise exceeds the grant price of the stock appreciation right. The exercise price per share subject to an option and the grant price of a stock appreciation right are determined by the committee, but in the case of an ISO must not be less than the fair market value of a share of common stock on the date of grant. For purposes of our Plan, the term “fair market value” means the fair market value of common stock, awards or other property as determined by the committee or under procedures established by the committee. The maximum term of each option or stock appreciation right, the times at which each option or stock appreciation right will be exercisable, and provisions requiring forfeiture of unexercised options or stock appreciation rights at or following termination of employment generally are fixed by the committee, except that no option or stock appreciation right may have a term exceeding ten years.

*Restricted and Deferred Stock.* The committee is authorized to grant restricted stock and deferred stock. Restricted stock is a grant of shares of common stock which may not be sold or disposed of, and which may be forfeited in the event of certain terminations of employment, prior to the end of a restricted period specified by the committee. A participant granted restricted stock generally has all of the rights of a stockholder of our company, unless otherwise determined by the committee. An award of deferred stock confers upon a participant the right to receive shares of common stock at the end of a specified deferral period, subject to possible forfeiture of the award in the event of certain terminations of employment prior to the end of a specified restricted period. Prior to settlement, an award of deferred stock carries no voting or dividend rights or other rights associated with share ownership, although dividend equivalents may be granted, as discussed below.

*Other Terms of Awards.* Awards may be settled in the form of cash, shares of common stock, other awards or other property, in the discretion of the committee. The committee may require or permit participants to defer the settlement of all or part of an award in accordance with such terms and conditions as the committee may establish, including payment or crediting of interest or dividend equivalents on deferred amounts, and the crediting of earnings, gains and losses based on deemed investment of deferred amounts in specified investment vehicles. The committee is authorized to place cash, shares of common stock or other property in trusts or make other arrangements to provide for payment of our obligations under our Plan.

Awards under our Plan are generally granted without a requirement that the participant pay consideration in the form of cash or property for the grant (as distinguished from the exercise), except to the extent required by law. The committee may, however, grant awards in exchange for other awards under our Plan, awards under other company plans or other rights to payment from us, and may grant awards in addition to and in tandem with such other awards, rights or other awards.

*Acceleration of Vesting; Change in Control.* The committee may, in its discretion, accelerate the exercisability, the lapsing of restrictions or the expiration of deferral or vesting periods of any award, and such accelerated exercisability, lapse, expiration and if so provided in the award agreement or otherwise determined by the committee, vesting will occur automatically in the case of a “change in control” of our company, as defined in our Plan (including the cash settlement of stock appreciation rights which may be exercisable in the event of a change in control). In addition, the committee may provide in an award agreement that the performance goals relating to any performance award will be deemed to have been met upon the occurrence of any “change in control.”

*Amendment and Termination.* The board of directors may amend, alter, suspend, discontinue or terminate our Plan or the committee’s authority to grant awards without further stockholder approval, except stockholder approval must be obtained for any amendment or alteration if such approval is required by law or regulation or under the rules of any stock exchange or quotation system on which shares of common stock are then listed or quoted. Thus, stockholder approval may not necessarily be required for every amendment to our Plan which might increase the cost of our Plan or alter the eligibility of persons to receive awards. Stockholder approval will not be deemed to be required under laws or regulations, such as those relating to ISOs, that condition favorable treatment of participants on such approval, although the board of directors may, in its discretion, seek stockholder approval in any circumstance in which it deems such approval advisable. Our Plan will terminate at the earliest of (a) such time as no shares of common stock remain available for issuance under our Plan, (b) termination of our Plan by the board of directors, or (c) the tenth anniversary of the effective date of the Plan. Awards outstanding upon expiration of our Plan will remain in effect until they have been exercised or terminated, or have expired.

It is intended that any amounts payable under the Plan will either be exempt from Section 409A of the Code or will comply with Section 409A (including Treasury regulations and other published guidance related thereto) so as not to subject an employee to payment of any other additional tax, penalty or interest imposed under Section 409A of the Code.

### **Director Compensation**

We currently compensate each non-employee director through annual stock option grants and by paying annual fees for their participation on the board and on respective board committees. Our board members will receive compensation of \$10,000 per quarter, as well as an annual award of \$10,000 in stock option grants that vest as of the next annual meeting or in one year. Our board of directors review director compensation annually or when circumstances exist requiring reexamination and adjust it according to then current market conditions and good business practices.

### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS. TO BE UPDATED**

The following table and accompanying footnotes set forth certain information with respect to the beneficial ownership of our common stock as of March 10, 2022, referred to in the table below as the “Beneficial Ownership Date,” by:

- each person who is known to be the beneficial owner of 5% or more of the outstanding shares of our common stock;
- each of our current directors and director nominees and each of our named executive officers individually; and
- all our current directors, director nominees and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to stock options or warrants held by that person that are currently exercisable or exercisable within 60 days of the Beneficial Ownership Date and shares of restricted stock subject to vesting until the occurrence of certain events are deemed outstanding, but are not deemed outstanding for computing the percentage ownership of any other person. Percentage of beneficial ownership is based on 24,406,020 shares of common stock outstanding as of the Beneficial Ownership Date.

To our knowledge, except as set forth in the footnotes to this table and subject to applicable community property laws, each person named in the table has sole voting and investment power with respect to the shares set forth

opposite such person's name. Except as otherwise indicated, the address of each of the persons in this table is c/o Legacy Housing Corporation, 1600 Airport Freeway, #100, Bedford, Texas 76022.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned	
	Number of Shares	Percentage
<b>Directors and Executive Officers</b>		
Curtis D. Hodgson (1)	6,078,411	25.1 %
Kenneth E. Shipley (2)	3,181,667	13.1 %
Thomas Kerkaert (3)	6,925	*
Jeffrey V. Burt (4)	10,714	*
Robert D. Bates	1,075	*
Joseph P. Lane	400	—
Jeffrey K. Stouder	1,075	*
<b>5% Stockholders</b>		
William Shipley (2)	3,114,072	12.9 %
Douglas Shipley (2)	3,136,667	13.0 %
<b>All directors, director nominees and executive officers as a group (9 persons)</b>	<b>9,280,267</b>	<b>38.3 %</b>

\* Less than 1% of outstanding shares of common stock

- (1) Mr. Hodgson's beneficial ownership includes 1,000,000 shares of common stock owned by Hodgson Ventures, a Texas limited partnership, of which Mr. Hodgson is the general partner, 2,770,594 shares of common stock owned by the Hodgson 2015 Grandchild's Trust, of which Mr. Hodgson shares voting and investment power with respect to such shares and 100,000 shares owned by Cusach, Inc., an entity controlled by Mr. Hodgson.
- (2) Kenneth E. Shipley's beneficial ownership includes 100,000 shares of common stock owned by Shipley Bros., Ltd., an entity controlled by Kenneth E. Shipley. Each of Kenneth E. Shipley's brothers, William Shipley and Douglas Shipley, owns 3,114,072 and 3,136,667 shares of our common stock, respectively, as to which shares Kenneth E. Shipley disclaims any beneficial interest.
- (3) Mr. Kerkaert's beneficial ownership consists of 6,925 shares of common stock underlying stock options, representing 20.0% of the 34,626 stock options granted to him during the five-year period commencing August 10, 2020 under our 2018 Incentive Compensation Plan, which were exercised in September 2021.
- (4) Mr. Burt's beneficial ownership consists of 10,714 shares of common stock, representing 42.9% of the 60,000 shares of common stock granted to him during the seven-year period commencing February 7, 2019 under our 2018 Incentive Compensation Plan, which are currently vested, less 5,143 shares sold during 2019 and 9,857 shares sold during 2020.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

**Transactions and Relationships with Directors, Officers and 5% Stockholders**

Bell Mobile Homes, a retailer owned by one of the Company's significant shareholders, purchases manufactured homes from the Company. Accounts receivable balances due from Bell Mobile Homes were \$1,000 and \$1,000 as of December 31, 2021 and 2020, respectively. Accounts payable balances due to Bell Mobile Homes for maintenance and related services were \$49,000 and \$61,000 as of December 31, 2021 and 2020, respectively. Home

sales to Bell Mobile Homes were \$3,724,000 and \$2,631,000 for the years ended December 31, 2021 and 2020, respectively.

### **Indemnification Agreements**

We have entered into an indemnification agreement with each of our directors and executive officers. The indemnification agreements and our certificate of incorporation and bylaws require us to indemnify our directors and executive officers to the fullest extent permitted by Texas law.

### **Corporate Conversion**

Effective January 1, 2018, we converted to a Delaware corporation and changed our name to Legacy Housing Corporation. Prior to January 1, 2018, we were a Texas limited partnership controlled by our Executive Chairman and President and Chief Executive Officer. Upon the corporate conversion, all of our outstanding partnership interests were exchanged on a proportional basis for shares of common stock of Legacy Housing Corporation. The conversion qualified as a tax free transaction under Section 351 of the Internal Revenue Code. Effective December 31, 2019, the Company converted from a Delaware corporation to a Texas corporation.

### **Policies and Procedures for Transactions with Related Persons**

Our board of directors adopted a written related person transaction policy setting forth the policies and procedures for the review and approval or ratification of related person transactions. Related persons include any executive officer, director or a holder of more than 5% of our common stock, including any of their immediate family members and any entity owned or controlled by such persons. Related person transactions refer to any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships in which (i) we were or are to be a participant, (ii) the amount involved exceeds \$120,000, and (iii) a related person had or will have a direct or indirect material interest. Related person transactions include, without limitation, purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness, and employment by us of a related person, in each case subject to certain exceptions set forth in Item 404 of Regulation S-K under the Securities Act.

The policy provides that in any related person transaction, our audit committee and board of directors will consider all of the available material facts and circumstances of the transaction, including the direct and indirect interests of the related persons, in the event the related person is a director (or immediate family member of a director or an entity with which a director is affiliated), the impact that the transaction will have on a director's independence, the risks, costs and benefits of the transaction to us, and whether any alternative transactions or sources for comparable services or products are available. After considering all such facts and circumstances, our audit committee and board of directors will determine whether approval or ratification of the related person transaction is in our best interests. For example, if our audit committee determines that the proposed terms of a related person transaction are reasonable and at least as favorable as could have been obtained from unrelated third parties, it will recommend to our board of directors that such transaction be approved or ratified. In addition, if a related person transaction will compromise the independence of one of our directors, our audit committee may recommend that our board of directors reject the transaction if it could affect our ability to comply with securities laws and regulations or Nasdaq listing requirements.

Each transaction described above was entered into prior to the adoption of our audit committee charter and the foregoing policy.

### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.**

Weaver, LLP served as our independent registered public accountants for the year ended December 31, 2021 and BKD, LLP served as our independent registered public accountants for the year ended December 31, 2020.

**Audit Fees**

For our fiscal year ended December 31, 2021, we were billed approximately \$77,000 for professional services rendered by Weaver, LLP and for our fiscal year ended December 31, 2020, we were billed approximately \$358,000 for professional services rendered by BKD, LLP. Audit fees consist of the aggregate fees billed for (i) the audit of our annual financial statements included herein (ii) services that are normally provided in connection with statutory and regulatory filings or engagements such as comfort letters, consents and other services, and (iii) accounting consultations.

**Audit Related Fees**

There were no fees for audit related services rendered by our independent auditors for the years ended December 31, 2021 and 2020.

**Tax Fees**

For our fiscal years ended December 31, 2021 and 2020, there were no fees for professional services rendered by our independent auditors for tax compliance, tax advice, and tax planning.

**All Other Fees**

There were no fees that fell into the classification of “Other Fees” for our fiscal years ended December 31, 2021 and 2020.

**Pre-Approval Policies**

Following the appointment of all three current members to the Board’s audit committee, such committee began its activities in December 2018. Prior to then, all of the above services and fees were reviewed and approved by the entire Board. No services were performed before or without approval.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

<u>Exhibit Number</u>	<u>Description</u>
3.1	<a href="#">Amended and Restated Certificate of Incorporation of Legacy Housing Corporation.</a>
3.2	<a href="#">Amended and Restated Bylaws of Legacy Housing Corporation.</a>
4.1	<a href="#">Specimen Common Stock Certificate.</a>
4.2	* <a href="#">Description of Securities of the Registrant</a>
10.1	† <a href="#">2018 Incentive Compensation Plan.</a>
10.2	<a href="#">Promissory Note, dated December 14, 2011, from Legacy Housing, Ltd. to Capital One, N.A.</a>
10.3	<a href="#">Amended and Restated Promissory Note, dated December 12, 2013, from Legacy Housing, Ltd. to Capital One, N.A.</a>
10.4	<a href="#">Second Amended and Restated Promissory Note, dated March 31, 2014, from Legacy Housing, Ltd. to Capital One, N.A.</a>
10.5	<a href="#">Third Amended and Restated Promissory Note, dated May 12, 2017, from Legacy Housing, Ltd. to Capital One, N.A.</a>
10.6	<a href="#">Fourth Amendment to Loan and Security Agreement, dated July 2015, between Legacy Housing, Ltd. and Capital One, N.A.</a>
10.7	<a href="#">Amended and Restated Promissory Note, dated April 4, 2016, from Legacy Housing, Ltd. to Veritex Community Bank.</a>
10.8	<a href="#">Promissory Note, dated April 7, 2011, from Legacy Housing, Ltd. to Woodhaven Bank Fossil Creek, a Branch of Woodhaven National Bank.</a>
10.9	<a href="#">Promissory Note, dated May 24, 2016, from Legacy Housing, Ltd. to Eagle One, LLC.</a>
10.10	<a href="#">Promissory Note, dated February 16, 2016, from Legacy Housing, Ltd. to DT Casualty Insurance Company Ltd.</a>
10.11	<a href="#">Lease Agreement, dated as of December 1, 2016, between Putnam Development Authority and Legacy Housing, Ltd., together with related Option Agreement.</a>
10.12	<a href="#">Bond Purchase Loan Agreement, dated as of December 1, 2016, between Putnam Development Authority and Legacy Housing, Ltd.</a>
10.13	<a href="#">Form of Indemnification Agreement.</a>
10.14	<a href="#">Form of Non-Disclosure, Non-Competition and Non-Solicitation Agreement between Legacy Housing Corporation and its employees.</a>
10.15	† <a href="#">Employment Agreement, dated as of November 27, 2018, between Legacy Housing Corporation and Curtis D. Hodgson.</a>
10.16	† <a href="#">Employment Agreement, dated as of November 27, 2018, between Legacy Housing Corporation and Kenneth E. Shipley.</a>
10.17	<a href="#">Loan and Security Agreement, dated December 14, 2011, between Legacy Housing, Ltd. and Capital One, N.A.</a>
10.18	<a href="#">First Amendment to Loan and Security Agreement, dated December 12, 2013, between Legacy Housing, Ltd. and Capital One, N.A.</a>
10.19	<a href="#">Second Amendment to Loan and Security Agreement, dated March 31, 2014, between Legacy Housing, Ltd. and Capital One, N.A.</a>
10.20	<a href="#">Third Amendment to Loan and Security Agreement, dated May 20, 2014, between Legacy Housing, Ltd. and Capital One, N.A.</a>
10.21	<a href="#">Amendment to Loan and Security Agreement, dated May 12, 2017, between Legacy Housing, Ltd. and Capital One, N.A.</a>
10.22	<a href="#">Loan Agreement, dated April 4, 2016, by and between Legacy Housing, Ltd. and Veritex Bank.</a>
10.23	† <a href="#">Amended and Restated Employment Agreement, dated as of January 5, 2022, between Legacy Housing Corporation and Curtis D. Hodgson (incorporated by reference to Exhibit 10.1 of the registrant's Current Report on Form 8-K filed on January 6, 2022).</a>
14.1	<a href="#">Code of Ethics and Business Conduct.</a>



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<u>Exhibit Number</u>	<u>Description</u>
14.2	<a href="#">Code of Ethics for the CEO and Senior Financial Officers.</a>
31.1	* <a href="#">Rule 13a-14(a)/15d-14(a) Certification.</a>
31.2	* <a href="#">Rule 13a-14(a)/15d-14(a) Certification.</a>
32.1	* <a href="#">Section 1350 Certifications.</a>
32.2	* <a href="#">Section 1350 Certifications.</a>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

Unless otherwise indicated, each document was filed as an exhibit to the Company's Registration Statement on Form S-1 (File No. 333-228288).

† Compensatory plan or agreement.

\* Filed herewith.

(a)2. Financial Statement Schedules

There are no Financial Statement Schedules included with this filing for the reason that they are not applicable or are not required or the information is included in the financial statements or notes thereto.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**LEGACY HOUSING CORPORATION**

By: /s/ R. Duncan Bates  
Name: R. Duncan Bates  
Title: President and Chief Executive Officer  
Date: August 3, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Curtis D. Hodgson</u> Curtis D. Hodgson	Executive Chairman of the Board	August 3, 2022
<u>/s/ Kenneth E. Shipley</u> Kenneth E. Shipley	Executive Vice President and Director ( <i>principal executive officer</i> )	August 3, 2022
<u>/s/ Ronald C. Arrington</u> Ronald C. Arrington	Chief Financial Officer ( <i>principal financial officer</i> )	August 3, 2022
<u>/s/ Jeffrey V. Burt</u> Jeffrey V. Burt	Chief Accounting Officer ( <i>principal accounting officer</i> )	August 3, 2022
<u>/s/ Jeffrey K. Stouder</u> Jeffrey K. Stouder	Director	August 3, 2022
<u>/s/ Joseph P. Lane</u> Joseph P. Lane	Director	August 3, 2022
<u>/s/ Francisco J. Coll</u> Francisco J. Coll	Director	August 3, 2022

**DESCRIPTION OF THE REGISTRANT'S SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF THE  
SECURITIES EXCHANGE ACT OF 1934**

The following description of our securities is intended as a summary only and is qualified in its entirety by reference to our Amended and Restated Certificate of Incorporation and Bylaws as amended, which are filed as exhibits to the annual report on Form 10 K of which this Exhibit 4.2 is a part. We encourage you to read our Articles of Incorporation, our Bylaws and the applicable provisions for additional information.

Unless the context otherwise requires, all references to “we”, “us”, the “Company”, or “Legacy” in this Exhibit 4.2 refer to Legacy Housing Corporation.

**Authorized Capitalization**

Our authorized capital stock consists of 90,000,000 shares of Common Stock, \$0.01 par value per share (“Common Stock”) and 10,000,000 shares of preferred stock, \$0.01 par value per share (“Preferred Stock”) in one or more series. As of December 31, 2021, we had outstanding 24,253,998 shares of our Common Stock and -0- shares of our Preferred Stock.

**Common Stock**

Holder of our Common Stock are entitled to one vote for each share on all matters to be voted upon by the stockholders and there are no cumulative rights. Subject to any preferential rights of any outstanding preferred stock, holders of our Common Stock are entitled to receive ratably the dividends, if any, as may be declared from time to time by the board of directors out of legally available funds. If there is a liquidation, dissolution or winding up of our company, holders of our common stock would be entitled to share in our assets remaining after the payment of liabilities and any preferential rights of any outstanding preferred stock. Holders of our Common Stock have no preemptive or conversion rights or other subscription rights, and there are no redemption or sinking fund provisions applicable to the Common Stock. All outstanding shares of our Common Stock will be fully paid and non-assessable. The rights, preferences and privileges of the holders of our Common Stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of Preferred Stock which we may designate and issue in the future.

**Preferred Stock**

Under the terms of our certificate of incorporation, our board of directors is authorized to issue shares of Preferred Stock in one or more series without stockholder approval. Our board of directors has the discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of Preferred Stock.

The purpose of authorizing our board of directors to issue Preferred Stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of Preferred Stock, while providing flexibility in connection with possible future acquisitions and other corporate purposes, will affect, and may adversely affect, the rights of holders of Common Stock. It is not possible to state the actual effect of the issuance of any shares of Preferred Stock on the rights of holders of Common Stock until the board of directors determines the specific rights attached to that Preferred Stock.

**Transfer Agent and Registrar**

The transfer agent and registrar for our Common Stock is Continental Stock Transfer & Trust Company.

**Exchange Listing**

Our Common Stock is traded on The Nasdaq Global Select Market under the symbol “LEGH.”

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CERTIFICATION

I, Duncan Bates, certify that:

1. I have reviewed this annual report on Form 10-K of Legacy Housing Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2022

/s/ Duncan Bates

Name: Duncan Bates

Title: President and Chief Executive Officer

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CERTIFICATION

I, Ronald Arrington certify that:

1. I have reviewed this annual report on Form 10-K of Legacy Housing Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2022

/s/ Ronald Arrington

Name: Ronald Arrington

Title: Chief Financial Officer

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**Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350  
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the Annual Report on Form 10-K for the year ended December 31, 2021 (the “Report”), I, Duncan Bates, President and Chief Executive Officer of Legacy Housing Corporation (the “Company”) hereby certify that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 3, 2022

/s/ Duncan Bates

\_\_\_\_\_  
Name: Duncan Bates

Title: President and Chief Executive Officer

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**Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350  
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the Annual Report on Form 10-K for the year ended December 31, 2021 (the "Report"), I, Ronald Arrington, Chief Financial Officer of Legacy Housing Corporation (the "Company") hereby certify that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 3, 2022

/s/ Ronald Arrington

\_\_\_\_\_  
Name: Ronald Arrington

Title: Chief Financial Officer

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