UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2024

o **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: 001-39936

United Homes Group, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**85-3460766**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

917 Chapin Road
Chapin, South Carolina 29036
(Address of principal executive offices)

(844) 766-4663
(Registrant’s telephone number)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Class A Common Shares, par value $0.0001 per share	UHG	The Nasdaq Stock Market LLC
Warrants, each whole warrant exercisable for one Class A Common Share, each at an exercise price of $11.50 per share	UHGWW	The Nasdaq Stock Market LLC

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 x No o

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	o	Accelerated filer	x
Non-accelerated filer	o	Smaller reporting company	x
		Emerging growth company	x

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. o

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

As of November 8, 2024, 11,435,170 Class A Common Shares, par value $0.0001 per share, and 36,973,876 Class B Common Shares, par value $0.0001 per share, were issued and outstanding.

FORM 10-Q

UNITED HOMES GROUP, INC.

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Cautionary Note Regarding Forward-Looking Statements

Certain statements contained in this Quarterly Report on Form 10-Q, other than historical facts, may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We intend for all such forward-looking statements to be covered by the applicable safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act and Section 21E of the Exchange Act, as applicable. Such statements include, in particular, statements about our plans, strategies, and prospects and are subject to certain risks and uncertainties, including known and unknown risks, which could cause actual results to differ materially from those projected or anticipated. Therefore, such statements are not intended to be a guarantee of our performance in future periods. Such forward-looking statements can generally be identified by our use of forward-looking terminology such as "may," "will," "should," "could," "would," "expect," "intend," "plan," "anticipate," "estimate," "believe," "seek," "continue," or other similar words. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date this report is filed with the Securities and Exchange Commission ("SEC"). We cannot guarantee the accuracy of any such forward-looking statements contained in this Form 10-Q, and we do not intend to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. For further information regarding risks and uncertainties associated with our business, and important factors that could cause our actual results to vary materially from those expressed or implied in such forward-looking statements, please refer to the factors listed and described in this report and in our other SEC filings.

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

UNITED HOMES GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

		September 30, 2024		December 31, 2023
ASSETS				
Cash and cash equivalents	$	25,818,156	$	56,671,471
Accounts receivable, net		2,913,219		1,661,206
Inventories		164,461,543		182,809,702
Real estate inventory not owned		11,010,256		—
Due from related party		—		88,000
Related party note receivable		551,979		610,189
Income tax receivable		2,483,582		—
Lot deposits		45,748,632		33,015,812
Investment in joint venture		2,443,734		1,430,177
Property and equipment, net		955,369		1,073,961
Operating right-of-use assets		2,392,662		5,411,192
Deferred tax asset		5,559,864		2,405,417
Prepaid expenses and other assets		8,992,846		7,763,565
Goodwill		9,279,676		5,706,636
Total Assets	**$**	**282,611,518**	**$**	**298,647,328**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Accounts payable	$	20,825,459	$	38,680,764
Homebuilding debt and other affiliate debt		72,196,208		80,451,429
Liabilities from real estate inventory not owned		8,627,228		—
Due to related party		167,349		—
Operating lease liabilities		2,583,802		5,565,320
Other accrued expenses and liabilities		11,679,818		8,353,824
Income tax payable		—		1,128,804
Derivative liabilities		77,161,397		127,610,943
Convertible Notes payable		69,580,943		68,038,780
Total Liabilities		**262,822,204**		**329,829,864**
Commitments and contingencies (Note 12)				
Preferred Stock, \$0.0001 par value; 40,000,000 shares authorized; none issued or outstanding.		—		—
Class A common stock, \$0.0001 par value; 350,000,000 shares authorized; 11,434,050 and 11,382,282 shares issued and outstanding on September 30, 2024, and December 31, 2023, respectively.		1,143		1,138
Class B common stock, \$0.0001 par value; 60,000,000 shares authorized; 36,973,876 shares issued and outstanding on September 30, 2024, and December 31, 2023, respectively.		3,697		3,697
Additional paid-in capital		7,527,316		2,794,493
Retained earnings (Accumulated deficit)		12,257,158		(33,981,864)
Total Stockholders' equity		**19,789,314**		**(31,182,536)**
Total Liabilities and Stockholders' equity	**$**	**282,611,518**	**$**	**298,647,328**

The accompanying unaudited Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

UNITED HOMES GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Revenue, net of sales discounts	$ 118,643,955	$ 87,728,091	$ 328,902,237	$ 304,646,422
Cost of sales	96,260,928	70,317,796	270,847,467	246,540,874
Gross profit	**22,383,027**	**17,410,295**	**58,054,770**	**58,105,548**
Selling, general and administrative expense	18,690,057	13,629,713	55,358,040	46,652,432
Net income from operations	**3,692,970**	**3,780,582**	**2,696,730**	**11,453,116**
Other expense, net	(3,710,079)	(1,199,140)	(9,255,039)	(3,291,755)
Equity in net earnings from investment in joint venture	419,312	293,923	1,075,983	930,405
Change in fair value of derivative liabilities	(7,784,965)	149,703,161	50,650,309	184,981,652
(Loss) income before taxes	**(7,382,762)**	**152,578,526**	**45,167,983**	**194,073,418**
Income tax (benefit) expense	(43,527)	1,735,839	(1,071,039)	2,372,300
Net (loss) income	**$ (7,339,235)**	**$ 150,842,687**	**$ 46,239,022**	**$ 191,701,118**
Basic and diluted (loss) earnings per share				
Basic	$ (0.15)	$ 3.12	$ 0.96	$ 4.29
Diluted	$ (0.15)	$ 2.35	$ 0.86	$ 3.61
Basic and diluted weighted-average number of shares				
Basic	48,389,085	48,356,057	48,375,213	44,723,915
Diluted	48,389,085	64,806,024	63,406,166	54,155,557

The accompanying unaudited Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

UNITED HOMES GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY [1]
(Unaudited)

	Common stock				Additional paid-in capital	Retained earnings (Accumulated deficit)	Total Stockholders' equity
	Class A		Class B				
	Shares	Amount	Shares	Amount			
Balance as of December 31, 2023	**11,382,282**	**$ 1,138**	**36,973,876**	**$ 3,697**	**$ 2,794,493**	**$ (33,981,864)**	**$ (31,182,536)**
Exercise of employee stock options	1,307	—	—	—	6,427	—	6,427
Issuance of shares related to restricted stock units	14,000	1	—	—	(1)	—	—
Stock-based compensation expense	—	—	—	—	1,509,965	—	1,509,965
Net income	—	—	—	—	—	24,938,224	24,938,224
Balance as of March 31, 2024	**11,397,589**	**$ 1,139**	**36,973,876**	**$ 3,697**	**$ 4,310,884**	**$ (9,043,640)**	**$ (4,727,920)**
Exercise of employee stock options	2,614	—	—	—	7,341	—	7,341
Forfeiture of stock options under the 2023 Plan	—	—	—	—	4,950	—	4,950
Issuance of shares related to performance stock units	5,567	1	—	—	(1)	—	—
Taxes related to net share settlement of performance stock units	—	—	—	—	(19,179)	—	(19,179)
Stock-based compensation expense	—	—	—	—	1,840,127	—	1,840,127
Net income	—	—	—	—	—	28,640,033	28,640,033
Balance as of June 30, 2024	**11,405,770**	**$ 1,140**	**36,973,876**	**$ 3,697**	**$ 6,144,122**	**$ 19,596,393**	**$ 25,745,352**
Exercise of employee stock options	18,486	2	—	—	51,922	—	51,924
Forfeiture of stock options under the 2023 Plan	—	—	—	—	2,901	—	2,901
Issuance of shares related to restricted stock units	9,794	1	—	—	(1)	—	—
Taxes related to net share settlement of restricted stock units	—	—	—	—	(28,202)	—	(28,202)
Recognition of derivative liability related to equity incentive plan	—	—	—	—	(211,370)	—	(211,370)
Stock-based compensation expense	—	—	—	—	1,567,944	—	1,567,944
Net loss	—	—	—	—	—	(7,339,235)	(7,339,235)
Balance as of September 30, 2024	**11,434,050**	**$ 1,143**	**36,973,876**	**$ 3,697**	**$ 7,527,316**	**$ 12,257,158**	**$ 19,789,314**

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	Common stock						
	Class A		Class B			Retained earnings	Total
					Additional paid-	(Accumulated	Stockholders'
	Shares	Amount	Shares	Amount	in capital	deficit)	equity
Balance as of December 31, 2022(1)	**373,471**	**$ 37**	**36,973,876**	**$ 3,697**	**$ 1,422,630**	**$ 57,577,672**	**$ 59,004,036**
Distributions and net transfer to shareholders and Other Affiliates	—	—	—	—	—	(4,193,093)	(4,193,093)
Stock-based compensation expense	—	—	—	—	51,079	—	51,079
Forfeiture of private placement warrants	—	—	—	—	890,001	—	890,001
Issuance of common stock upon the reverse recapitalization, net of transaction costs	8,492,528	850	—	—	17,869,735	—	17,870,585
Issuance of common stock related to PIPE Investment	1,333,962	133	—	—	9,501,782	—	9,501,915
Issuance of common stock related to lock-up agreement	421,099	42	—	—	4,194	—	4,236
Recognition of derivative liability related to earnout	—	—	—	—	(242,211,404)	—	(242,211,404)
Recognition of derivative liability related equity incentive plan	—	—	—	—	(1,189,685)	—	(1,189,685)
Earnout stock-based compensation expense for UHG employee options	—	—	—	—	4,448,077	—	4,448,077
Transaction costs related to reverse recapitalization	—	—	—	—	(2,932,426)	—	(2,932,426)
Reclassification of negative APIC related to the reverse recapitalization	—	—	—	—	212,146,017	(212,146,017)	—
Net loss	—	—	—	—	—	(204,504,328)	(204,504,328)
Balance as of March 31, 2023	**10,621,060**	**$ 1,062**	**36,973,876**	**$ 3,697**	**$ —**	**$ (363,265,766)**	**$ (363,261,007)**
Stock-based compensation expense	—	—	—	—	410,530	—	410,530
Exercise of stock options under the 2023 Plan	12,643	1	—	—	132,411	—	132,412
Forfeiture of stock options under the 2023 Plan	—	—	—	—	479,742	—	479,742
Exercise of stock warrants	748,020	75	—	—	(75)	—	—
Transaction costs related to equity issuance	—	—	—	—	(257,721)	—	(257,721)
Net income	—	—	—	—	—	245,362,759	245,362,759
Balance as of June 30, 2023	**11,381,723**	**$ 1,138**	**36,973,876**	**$ 3,697**	**$ 764,887**	**$ (117,903,007)**	**$ (117,133,285)**
Stock-based compensation expense	—	—	—	—	1,106,014	—	1,106,014
Exercise of stock options under the 2023 Plan	560	—	—	—	1,567	—	1,567
Recognition of derivative liability related equity incentive plan	—	—	—	—	(89,454)	—	(89,454)
Net income	—	—	—	—	—	150,842,687	150,842,687
Balance as of September 30, 2023	**11,382,283**	**$ 1,138**	**36,973,876**	**$ 3,697**	**$ 1,783,014**	**$ 32,939,680**	**$ 34,727,529**

(1) The shares of the Company's common stock, prior to the Business Combination (as defined in Note 1) have been retroactively restated to reflect the exchange ratio of approximately 373.47:1 ("Exchange Ratio") established in the Business Combination.

The accompanying unaudited Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

UNITED HOMES GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2024	**2023**
Cash flows from operating activities:		
Net income	$ 46,239,022	$ 191,701,118
Adjustments to reconcile net income to net cash flows from operating activities:		
Credit loss	46,360	87,786
Investment earnings in joint venture	(1,075,983)	(930,405)
Depreciation expense	150,340	154,474
Loss (gain) on disposal of property and equipment	20,000	(1,892)
Loss on extinguishment of debt	103,754	—
Gain on lease modification	(197,427)	—
Amortization of intangible assets	288,957	—
Amortization of deferred financing costs	1,062,455	694,219
Amortization of discount on Convertible Notes	1,542,163	860,432
Amortization of discount on private investor debt	59,638	—
Non-cash interest income	—	(26,002)
Stock compensation expense	4,918,036	6,015,700
Amortization of operating lease right-of-use assets	1,008,706	627,120
Provision for deferred income taxes	(3,154,447)	2,668,586
Change in fair value of contingent earnout liability	(50,864,422)	(191,222,357)
Change in fair value of warrant liabilities	344,821	6,667,249
Change in fair value of equity incentive plan	(130,707)	(426,544)
Change in fair value of contingent consideration	(828,000)	—
Net change in operating assets and liabilities:		
Accounts receivable	(1,298,373)	(28,774)
Related party receivable	88,000	1,359,902
Inventories	17,816,019	48,838,741
Lot deposits	(9,677,320)	(17,882,022)
Prepaid expenses and other assets	(239,245)	460,845
Accounts payable	(18,132,403)	2,456,057
Operating lease liabilities	(774,266)	(623,446)
Income tax receivable/ payable	(3,549,960)	(5,444,286)
Due to related parties	167,349	—
Other accrued expenses and liabilities	4,106,613	(517,917)
Net cash flows (used in) provided by operating activities	**(11,960,320)**	**45,488,584**
Cash flows from investing activities:		
Purchases of property and equipment	(31,750)	(59,229)
Proceeds from the sale of property and equipment	—	66,100
Proceeds from promissory note issued for sale of property and equipment	—	62,190
Payments on business acquisitions	(12,742,895)	(2,166,516)
Proceeds from related party note receivable	58,210	—
Net cash flows used in investing activities	**(12,716,435)**	**(2,097,455)**
Cash flows from financing activities:		
Proceeds from homebuilding debt	57,000,000	42,500,000
Repayments of homebuilding debt	(65,956,663)	(90,055,992)

Proceeds from sale of real estate inventory not owned	18,049,656	—
Repayments of liabilities from real estate inventory not owned	(9,275,936)	—
Repayments on private investor loans	(4,012,000)	—
Payment of deferred financing costs	(2,044,553)	(3,240,984)
Proceeds from exercise of employee stock options	62,936	5,765
Proceeds from other affiliate debt	—	136,773
Distributions and net transfer to shareholders and Other Affiliates	—	(17,896,302)
Proceeds from Convertible Note, net of transaction costs	—	71,500,000
Proceeds from PIPE investment and lock up	—	4,720,427
Proceeds from Business Combination, net of SPAC transaction costs	—	30,336,068
Payment of equity issuance costs	—	(257,721)
Payment of transaction costs	—	(12,134,293)
Net cash flows (used in) provided by financing activities	**(6,176,560)**	**25,613,741**
Net change in cash and cash equivalents	(30,853,315)	69,004,870
Cash and cash equivalents, beginning of year	56,671,471	12,238,835
Cash and cash equivalents, end of year	**$ 25,818,156**	**$ 81,243,705**
Supplemental cash flow information:		
Cash paid for interest	$ 16,174,037	$ 12,265,939
Cash paid for income taxes	$ 5,633,368	$ 5,299,436
Supplemental disclosures of non-cash activities:		
Modification to existing lease	2,212,222	(40,968)
Termination of existing lease	95,035	—
Noncash exercise of employee stock options	2,756	128,214
Forfeiture of employee stock options	7,851	(479,742)
Taxes related to net share settlement of performance stock units	19,179	—
Taxes related to net share settlement of restricted stock units	28,202	—
Settlement of equity awards	5	—
Additions of right-of-use lease assets and liabilities	—	272,543
Promissory note issued for sale of property and equipment	—	665,020
Settlement of co-obligor debt to affiliates	—	8,340,545
Release of guarantor from GSH to shareholder	—	2,841,034
Non-cash distribution to owners of Other Affiliates	—	12,671,122
Earnest money receivable from Other Affiliates	—	2,521,626
Recognition of previously capitalized deferred transaction costs	—	2,932,426
Recognition of derivative liability related to earnout	—	242,211,404
Recognition of derivative liability related to equity incentive plan	211,370	1,279,139
Recognition of warrant liability upon Business Combination	—	1,531,000
Forfeiture of private placement warrants upon Business Combination	—	(890,001)
Issuance of common stock upon the reverse recapitalization	—	39,933,707
Recognition of deferred tax asset upon Business Combination	—	1,870,310
Recognition of income tax payable upon Business Combination	—	701,871
Recognition of assumed assets and liabilities upon Business Combination, net	—	3,588,110
Noncash exercise of stock warrants	—	75
Total non-cash activities	**$ 2,576,620**	**$ 320,077,435**

The accompanying unaudited Notes to the Condensed Consolidated Financial Statements are an integral part of these statements.

UNITED HOMES GROUP, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Nature of operations and basis of presentation

The Company and Nature of Business

United Homes Group, Inc. ("UHG" or the "Company"), a Delaware corporation, is a homebuilding business which operates with a land-light strategy. The Company is a former blank check company incorporated on October 7, 2020 under the name DiamondHead Holdings Corp. ("DHHC") as a Delaware corporation formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses.

UHG constructs single-family residential homes and has active operations in South Carolina, North Carolina, and Georgia, offering a range of residential products including entry-level attached and detached homes, first-time move up attached and detached homes and second move-up detached homes. The constructed homes appeal to a wide range of buyer profiles, from first-time to lifestyle buyers. The Company's primary objective is to provide customers with homes of exceptional quality and value while maximizing its return on investment. The Company has grown by expanding its market share in existing markets and by expanding into markets contiguous to the current active markets.

Business Combination

On September 10, 2022, DHHC entered into a Business Combination Agreement (the "Business Combination Agreement") with Hestia Merger Sub, Inc., a South Carolina corporation and wholly owned subsidiary of DHHC ("Merger Sub"), and Great Southern Homes, Inc., a South Carolina corporation ("GSH").

Upon the consummation of the transaction on March 30, 2023 ("Closing Date"), Merger Sub merged with and into GSH with GSH surviving the merger as a wholly owned subsidiary of the Company ("Business Combination"). As a result of the Business Combination, GSH is now a wholly owned subsidiary of DHHC, which has changed its name to United Homes Group, Inc.

GSH's business historically consisted of both homebuilding operations and land development operations. In anticipation of the Business Combination, GSH separated its land development operations and its homebuilding operations across separate entities in an effort to adopt best practices in the homebuilding industry associated with ownership and control of land and lots and production efficiency. Unless otherwise indicated or the context otherwise requires, references in this quarterly report on Form 10-Q to "Legacy UHG" refer to the homebuilding operations of GSH prior to the consummation of the Business Combination.

Basis of Presentation

The Condensed Consolidated Financial Statements included in this report reflect (i) the historical operating results of Legacy UHG prior to the Business Combination; (ii) the combined results of UHG and DHHC following the Closing; (iii) the assets and liabilities of UHG and DHHC, and Legacy UHG at their historical cost; and (iv) the Company's equity structure for all periods presented.

Prior to the Closing Date, Legacy UHG's historical financial records, including the historical Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations, and Condensed Consolidated Statements of Cash Flows of Legacy UHG, were prepared on a carve-out basis in accordance with generally accepted accounting principles in the United States of America ("GAAP"). The Condensed Consolidated Statements of Changes in Stockholders' Equity were adjusted for the retroactive application of the reverse recapitalization using the Exchange Ratio. After March 30, 2023, no carve-out amounts were included in UHG's financial statements.

Periods prior to the Business Combination

Prior to the Business Combination until the Closing Date, Legacy UHG had historically transacted with affiliates that were owned by the shareholders of GSH. Legacy UHG has categorized the various affiliates based on the nature of the transactions with Legacy UHG and their primary operations. The categories are as follows:

Land Development Affiliates - Land development affiliates' primary operations consist of acquiring and developing raw parcels of land for vertical home construction. Upon completion, the land development affiliates transfer the developed lots to Legacy UHG in a non-cash transaction.

Other Operating Affiliates - Other operating affiliates' operations consist of acquiring and developing land, purchasing constructed houses for rental properties, leasing activities, and purchasing model homes to be maintained during the sell down period of a community.

Collectively, these are referred to as "Other Affiliates" in these financial statements and represented as related parties (see *Note 9 - Related party transactions*).

All assets, liabilities, revenues, and expenses directly associated with the activity of Legacy UHG are included in these financial statements. In addition, a portion of Legacy UHG's corporate expenses including stock-based compensation were allocated to Legacy UHG based on direct usage when identifiable or, when not directly identifiable, on the basis of proportional cost of sales or employee headcount, as applicable. The corporate expense allocations include the cost of corporate functions and resources provided by or administered by GSH including, predominately, costs associated with executive management, finance, accounting, legal, human resources, and costs associated with operating GSH's office buildings. The corporate expense allocation requires significant judgment and management believes the basis on which the corporate expenses have been allocated reasonably reflects the utilization of services provided to Legacy UHG during the periods presented.

In addition, all significant transactions between Legacy UHG and GSH have been included in these financial statements. The aggregated net effect of transactions between Legacy UHG and GSH are settled within Retained earnings (Accumulated deficit) on the Condensed Consolidated Balance Sheets and the Condensed Consolidated Statements of Changes in Stockholders' Equity as they were not expected to be settled in cash. These amounts were reflected in the Statements of Cash Flows within Distributions and net transfer to shareholders and Other Affiliates and, when transactions were historically not settled in cash, in non-cash activities.

The results reported in these financial statements would not be indicative of Legacy UHG's future performance, primarily because prior to the Business Combination, the lots developed by affiliates were not transferred to the homebuilding operations of GSH at a market rate. As such, these results do not necessarily reflect what the financial position, results of operations and cash flows would have been had it operated as an independent company during all the periods presented.

Note 2 - Summary of significant accounting policies

Unaudited Interim Condensed Consolidated Financial Statements - The accompanying Condensed Consolidated Financial Statements of the Company have been prepared in accordance with GAAP for interim financial information and the rules and regulations of Regulation S-X of the Securities and Exchange Commission ("SEC"). Accordingly, certain information, notes, and disclosures normally included in the annual financial statements prepared under GAAP have been condensed or omitted in accordance with SEC rules and regulations. Therefore, these Condensed Consolidated Financial Statements should be read in conjunction with the financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASU") of the Financial Accounting Standards Board ("FASB"). The accompanying Condensed Consolidated Financial Statements as of September 30, 2024 and for the three and nine months ended September 30, 2024 and 2023 are unaudited. The unaudited interim Condensed Consolidated Financial Statements have been prepared on the same basis as the audited annual financial statements and, in the opinion of management, the accompanying unaudited Condensed Consolidated Financial Statements reflect all adjustments, which include only normal recurring adjustments, considered necessary for the fair presentation of the Company's results for the interim periods presented. The financial data and other information disclosed in these notes related to the three and nine months ended September 30, 2024 and 2023 are also unaudited. The Condensed Consolidated Balance Sheet at December 31, 2023 was derived from audited annual financial statements but does not contain all of the note disclosures from the annual financial statements. Other than policies noted below in this Note, there have been no significant changes to the significant accounting policies disclosed since the Company's previous annual financial statements. The results for the three and nine months ended September 30, 2024 and 2023 are not necessarily indicative of results to be expected for the year ended December 31, 2024, any other interim periods, or any future year or period.

Emerging Growth Company - The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company's financial statements with another public company which is not an emerging growth company that has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Principles of Consolidation – The Condensed Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries. Intercompany transactions and balances have been eliminated upon consolidation. The Company's fiscal year end is December 31, and, unless otherwise stated, all years and dates refer to the fiscal year.

Use of Estimates – The preparation of the accompanying Condensed Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Management continually evaluates the estimates used to prepare the Condensed Consolidated Financial Statements and updates those estimates as necessary. In general, UHG's estimates are based on historical experience, on information from third party professionals, and other various assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ materially from those estimates made by management.

Inventories and Cost of Sales – The carrying value of inventory is stated at cost unless events and circumstances indicate the carrying value may not be recoverable. Inventory consists of pre-acquisition land costs, land under development, developed lots, homes under construction, and finished homes.

– Pre-acquisition land costs - Pre-acquisition land costs include due diligence costs (such as environmental testing, surveys, engineering, and entitlement costs) related to potential land acquisitions. Costs related to finished lots or land under development held by third-party land bank partners incurred prior to the Company's purchase of the land, including closing costs, lot option fees, property taxes and due diligence costs are also capitalized into pre-acquisition land costs.
– Land under development - On a limited basis, the Company acquires raw parcels of land already zoned for its intended use to develop into finished lots, and includes land acquisition costs, direct improvement costs, capitalized interest, and real estate taxes.
– Developed lots - This inventory consists of land that has been developed for or acquired by the Company and where vertical construction is imminent. Developed lot costs are typically allocated to individual residential lots on a per lot basis based on specific costs incurred for the acquisition of the lot.
– Homes under construction - At the time construction of the home begins, developed lots are transferred to homes under construction within inventory. This inventory represents costs associated with active homebuilding activities which include, predominately, field labor, materials and overhead costs related to home construction, capitalized interest, real estate taxes and land option fees.
– Finished homes - This inventory represents substantially completed but unsold homes at the end of the reporting period. Costs incurred in connection with completed homes including associated selling, general, and administrative costs are expensed as incurred.

Real estate inventory not owned - In 2024, the Company entered into a land banking arrangement which resulted in the Company selling certain finished lots it owns to a land banker and simultaneously entering into option agreements to repurchase those finished lots. In accordance with ASC 606, *Revenue from contracts with customers*, these transactions are considered a financing arrangement rather than a sale because of the Company's options to repurchase these finished lots at a higher price. The amounts recognized as Liabilities from real estate inventory not owned represent the net cash received from the land banking arrangement, consistent with ASC 606. The Liabilities from real estate inventory not owned are excluded from the Company's debt covenant calculations.

Intangible Assets - Intangible assets are recorded within Prepaid expenses and other assets on the Condensed Consolidated Balance Sheets, and consist of the estimated fair value of tradenames, architectural designs, and noncompete agreements acquired in connection with acquisitions. The identified finite-lived intangible assets are amortized over their respective estimated useful lives. Amortization expense associated with intangible assets is recorded to Selling, general and administrative expense in the Condensed Consolidated Statement of Operations. The estimated useful life of each asset group is summarized below:

Asset Group	Estimated Useful Lives
Tradenames	7 years
Architectural Designs	3 to 7 years
Non-compete Agreement	2 years

Unconsolidated Variable Interest Entities - Pursuant to ASC 810, *Consolidation*, and subtopics related to the consolidation of variable interest entities ("VIEs"), management analyzes the Company's investments and transactions under the variable interest model to determine if they are VIEs and, if so, whether the Company is the primary beneficiary. Management determines whether the Company is the primary beneficiary of a VIE at the time it becomes involved with a VIE and reconsiders that conclusion if changes to the Company's involvement arise. To make this determination, management considers factors such as whether the Company could direct finance, determine or limit the scope of the entity, sell or transfer property, direct development or direct other operating decisions. The primary beneficiary is defined as the entity having both of the following characteristics: 1) the power to direct the activities that most significantly impact the VIE's performance, and 2) the obligation to absorb losses and right to receive the returns from the VIE that would be potentially significant to the VIE. Management consolidates the entity if the Company is the primary beneficiary or if a standalone primary beneficiary does not exist and the Company and its related parties collectively meet the definition of a primary beneficiary. If the investment does not qualify as a VIE under the variable interest model, management then evaluates the entity under the voting interest model to assess if consolidation is appropriate.

The Company has a shared services agreement with a related party that operates in the land development business in which the Company will provide accounting, IT, HR, and other administrative support services and receive property maintenance services, due diligence and negotiation assistance with purchasing third party finished lots. Management has analyzed and concluded that it has a variable interest in this entity through the services agreement that provides the Company with the obligation to absorb losses and the right to receive benefits based on fees that are below market rates. Management determined the related party is a VIE, however, the Company is not the primary beneficiary of the VIE as it does not have the power to direct the VIE's most significant activities. Accordingly, the Company does not consolidate the VIE. As of September 30, 2024 and December 31, 2023, the Company recognized a payable of $133,174 and a receivable of $88,000 related to the shared services agreement included within Due to and Due from related party on the Condensed Consolidated Balance Sheets, respectively.

The Company enters into lot option contracts with unrelated third party and related party land developers, and land bank option contracts to procure land or lots for the construction of homes. Under these option contracts, the Company funds a stated deposit in consideration for the right, but not the obligation, to purchase land or lots at a future point in time at predetermined prices. Such contracts allow the Company to defer acquiring portions of properties owned by land sellers or land bank partners until the Company has determined whether and when to exercise the option, which may serve to reduce the Company's financial risks associated with long-term land holdings. Under the terms of the option contracts, the option deposits are not refundable. Management determined it holds a variable interest through its potential to absorb some of the land seller and land bank partners' first dollar risk of loss by placing a non-refundable deposit.

Management determined that these counterparties to option contracts are VIEs, however the Company is not the primary beneficiary and therefore does not consolidate these VIEs. The creditors of the entities with which the Company has option agreements have no recourse against the Company and the maximum exposure to loss due to its involvement with the VIEs is limited to the non-refundable lot deposits, capitalized pre-acquisition costs, and, for certain land bank option contracts, potential performance obligations and cost overruns relative to the property under option.

As of September 30, 2024 and December 31, 2023 the Company recognized $ 45,748,632 and $33,015,812, respectively, of assets related to option contracts included within Lot deposits and $2,616,624 and zero, respectively, of pre-acquisition land costs included within Inventories on the Condensed Consolidated Balance Sheets. In certain instances where the Company has entered into option agreements to purchase developed lots from a land bank partner, the Company may also enter into an agreement to complete the development of the lots on behalf of the land bank partner at a fixed cost. The Company may be at risk for cost overruns related to the development of the property under option.

In limited circumstances, the Company may transfer developed lots it owns to a land banker and simultaneously enter into an option contract to repurchase those lots. In this instance, consistent with ASC 606, the Company is required to continue recognizing the finished lots sold on its Condensed Consolidated Balance Sheets as the transaction is accounted for as a financing arrangement rather than a sale. At the time the Company sells finished lots to the land banker and simultaneously enters into option contracts to repurchase those finished lots, the net cash received by the land banker represents approximately 80% of the carrying value of the associated finished lots. In these circumstances, management determined it holds a variable interest in the land banker through its potential to absorb some of the third-party's first dollar risk of loss by not receiving an amount equal to or greater than the value of the associated finished lots the Company continues to recognize on its Condensed Consolidated Balance Sheets as Real estate inventory not owned. Management determined that the land banker is a VIE, however, the Company is not the primary beneficiary of the VIE as it does not have the power to direct the VIE's significant activities related to land development. The maximum exposure to loss with respect to the sale and subsequent repurchase of lots to the land banker is limited to the value of the Real estate inventory not owned not financed by the land banker, which was $2,383,028 as of September 30, 2024.

Stock-based Compensation – The Company recognizes stock-based compensation expense within Selling, general and administrative expense in the Condensed Consolidated Statements of Operations for certain stock-based payment arrangements, which include stock options, restricted stock units ("RSUs"), performance-based restricted stock units ("PSUs") and stock warrants.

In accordance with *ASC 718, Compensation - Stock Compensation*, stock-based compensation expense for all stock-based payment awards is based on the grant date fair value. For any awards that do not contain a market condition, the Company estimates fair value using a Black-Scholes option pricing model. For any awards that contain a market condition, the Company estimates fair value using a Monte Carlo simulation model. The grant date fair value of RSUs is the closing price of UHG's common stock on the date of the grant. See *Note 14 - Stock-based compensation* for further details.

The Company recognizes expense for stock-based payment awards based on their varying vesting conditions as follows:

– Awards with service-based vesting conditions only - Expense is recognized on a straight-line basis over the requisite service period of the award.
– Awards with performance-based vesting conditions - Expense is not recognized until it is determined that it is probable the performance-based conditions will be met. When achievement of a performance-based condition is probable, a catch-up expense will be recorded as if the award had been vesting on a straight-line basis from the award date. The award will continue to be expensed on a straight-line basis until the probability of achieving the performance-based condition changes, if applicable.
– Awards with graded vesting conditions and market or performance-based vesting conditions - Expense is recognized using the graded vesting method over the requisite service period of the award.
– Awards with no service or performance-based vesting conditions - Expense is recognized immediately upon the grant date of the award.

Revenue Recognition - The Company recognizes revenue in accordance with ASC 606. For the three months ended September 30, 2024 and 2023, revenue recognized at a point in time from speculative homes totaled $118,153,571, and $84,644,068, respectively, and revenue recognized over time from land owned by customers totaled $490,384, and $3,084,023, respectively. For the nine months ended September 30, 2024 and 2023, revenue recognized at a point in time from speculative homes totaled $327,130,759, and $294,749,743, respectively, and revenue recognized over time from land owned by customers totaled $1,771,478, and $9,896,679, respectively.

Advertising – The Company expenses advertising and marketing costs as incurred and includes such costs within Selling, general, and administrative expense in the Condensed Consolidated Statements of Operations. For the three months ended September 30, 2024 and 2023, the Company incurred $723,563 and $511,505, respectively, in advertising and marketing costs. For the nine months ended September 30, 2024 and 2023, the Company incurred $2,307,098 and $1,485,185, respectively.

Recently Issued Accounting Pronouncements – In November 2023, the FASB issued ASU 2023-07, *Segment Reporting - Improvements to Reportable Segment Disclosures*, which improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods beginning after December 15, 2024. Early adoption is permitted. The guidance is to be applied retrospectively to all prior periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The Company is currently evaluating the potential impact of adopting this new guidance on the Company's financial disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which modifies the rules on income tax disclosures to require entities to disclose (1) specific categories in the rate reconciliation, (2) the income or loss from continuing operations before income tax expense or benefit (separated between domestic and foreign) and (3) income tax expense or benefit from continuing operations (separated by federal, state and foreign). ASU 2023-09 also requires entities to disclose their income tax payments to international, federal, state and local jurisdictions, among other changes. The guidance is effective for annual periods beginning after December 15, 2025. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. ASU 2023-09 should be applied on a prospective basis, but retrospective application is permitted. The Company is currently evaluating the potential impact of adopting this new guidance on the Company's financial disclosures.

In November 2024, the FASB issued ASU 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures,* which requires entities to disclose specified details about costs and expenses within the notes to the financial statements. This ASU mandates that entities, at each interim and annual period, disclose (1) the amounts of (a) inventory purchases, (b) employee compensation, (c) depreciation, (d) intangible asset amortization, and (e) depletion, depreciation, and amortization for oil and gas activities included within each relevant expense caption presented on the income statement within continuing operations. Entities are also required to (2) combine certain disclosures already mandated under GAAP with these new requirements, (3) provide qualitative descriptions of expenses that are not disaggregated quantitatively, and (4) disclose total selling expenses and, annually, the definition of selling expenses. The guidance is effective for annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating the potential impact of adopting this new guidance on the Company's financial disclosures.

Note 3 - Segment reporting

An operating segment is defined as a component of an enterprise for which separate financial information is available and for which segment results are evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing performance. UHG primarily operates in the homebuilding business and is organized and reported by division. The identification of reporting segments is based primarily on similarities in economic and geographic characteristics, product types, regulatory environments, and methods used to sell and construct homes.

The Company has two reportable segments: South Carolina and Other. The South Carolina reporting segment primarily represents UHG's South Carolina homebuilding operations. This segment operates in the Upstate, Midlands, and Coastal regions of South Carolina, as well as a smaller presence in Georgia. The Other segment consists of UHG's homebuilding operations in Raleigh, NC and mortgage operations conducted through a mortgage banking joint venture, Homeowners Mortgage, LLC, which do not meet the quantitative thresholds to be disclosed separately.

The CODM reviews the results of operations, including total revenue and pretax income, to assess profitability and allocate resources. The following tables summarize revenues and pre-tax income by segment for the three and nine months ended September 30, 2024, and 2023 as well as total assets by segment as of September 30, 2024 and December 31, 2023, with reconciliations to the amounts reported for the consolidated Company, where applicable:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues [1]:				
South Carolina	$ 114,650,455	$ 87,678,091	$ 316,804,885	$ 304,596,422
Other	4,412,812	343,923	13,173,335	980,405
Total segment revenues	119,063,267	88,022,014	329,978,220	305,576,827
Reconciling items from investment in joint venture	(419,312)	(293,923)	(1,075,983)	(930,405)
Consolidated revenues	**$ 118,643,955**	**$ 87,728,091**	**$ 328,902,237**	**$ 304,646,422**

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Income before taxes:				
South Carolina	$ 8,500,235	$ 8,503,722	$ 21,901,008	$ 24,243,945
Other	(84,259)	175,228	(1,313,368)	811,710
Total segment income before taxes	8,415,976	8,678,950	20,587,640	25,055,655
Corporate reconciling items (2):				
Unallocated corporate overhead	(3,637,545)	(3,005,534)	(11,023,866)	(5,709,234)
Stock-based compensation expense	(1,567,945)	(1,106,014)	(4,918,036)	(5,964,621)
Corporate investment income	94,528	614,060	445,244	1,435,372
Corporate interest expense	(2,902,811)	(2,374,756)	(10,573,308)	(5,794,065)
Other	—	68,659	—	68,659
Change in fair value of derivative liabilities	(7,784,965)	149,703,161	50,650,309	184,981,652
Consolidated income before taxes	**$ (7,382,762)**	**$ 152,578,526**	**$ 45,167,983**	**$ 194,073,418**

	Assets		Goodwill	
	As of September 30, 2024	As of December 31, 2023	As of September 30, 2024 (3)	As of December 31, 2023
South Carolina	$ 231,427,100	$ 255,633,338	$ 8,779,676	$ 5,206,636
Other	22,718,926	16,985,564	500,000	500,000
Total segment assets	254,146,026	272,618,902	9,279,676	5,706,636
Corporate reconciling items (2):				
Cash and cash equivalents	9,545,438	13,958,645	—	—
Deferred tax asset	4,339,676	3,568,601	—	—
Operating lease right-of-use assets	2,134,248	4,907,617	—	—
Capitalized interest (4)	—	1,933,447	—	—
Prepaid expenses and other assets	2,013,586	1,547,267	—	—
Income tax receivable	10,297,497	—	—	—
Other	135,047	112,849	—	—
Consolidated assets	**$ 282,611,518**	**$ 298,647,328**	**$ 9,279,676**	**$ 5,706,636**

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(1) The Company's revenue includes revenue recognized at a point in time from production home closings, as well as revenue recognized over time from construction activities on land owned by customers. For the three and nine months ended September 30, 2024 revenues for the South Carolina segment consisted of both point in time and over time revenue, and revenues for the Other segment consisted of primarily point in time revenue. For the three and nine months ended September 30, 2023 all point in time and primarily all over time revenue was recognized at the South Carolina segment.

(2) The corporate reconciling items included prior to consolidated income before taxes include unallocated corporate overhead (which includes public company expenses, corporate general and administrative expenses, and consulting fees), stock-based compensation expense, corporate interest income and expense, changes in fair value of derivative liabilities, and other corporate level items. Similarly, reconciling items included prior to consolidated assets include corporate cash and cash equivalents, deferred tax assets attributable to the corporate entity, and operating lease right-of-use assets. The Company's overhead functions, such as accounting, treasury, and human resources, are centrally performed and the costs and related assets are not allocated to the Company's operating segments. Corporate interest expense primarily consists of interest charges on the Convertible Notes. Prior to the merger with DHHC, Legacy UHG did not have a corporate function and therefore did not maintain any corporate level accounts. Following the merger, the Company has implemented a corporate level accounting function, resulting in the need for certain reconciling adjustments which did not exist prior to the Business Combination.

(3) In 2024, the Company acquired selected assets of Creekside Custom Homes, LLC, which resulted in the acquisition of goodwill. See *Note 4 - Business acquisitions* for further details.

(4) Capitalized interest represents unallocated capitalized interest associated with the Company's Convertible Notes payable, which was entered into in 2023. See *Note 13 - Convertible Notes payable* for further details.

Note 4 - Business acquisitions

Creekside Custom Homes, LLC

On January 26, 2024, the Company completed the acquisition of selected assets of Creekside Custom Homes, LLC, a South Carolina corporation ("Creekside") (the "Creekside Acquisition") for $12,742,895 in cash. The acquisition allows UHG to further expand its presence in the coastal region of South Carolina, particularly in the Myrtle Beach, South Carolina area.

The acquisition was accounted for as a business combination under ASC 805, *Business Combinations* under the acquisition method, and the results of operations have been included in the Condensed Consolidated Financial Statements since the date of acquisition. The purchase price for the acquisition was allocated based on estimated fair value of the acquired assets and assumed liabilities as of January 26, 2024. The amounts for intangible assets were based on third-party valuations performed. The Company recognized the excess purchase price over the fair value of the net assets acquired as goodwill of $3,573,040 (all of which is tax deductible). The goodwill arising from the acquisition consists largely of the expected synergies from expanding the Company's market presence in South Carolina and the experience and reputation of the acquired management team.

For the three and nine months ended September 30, 2024 , the Company recorded Revenue of $4,667,900 and $11,761,753, respectively, and Net income of $64,230 and $357,055, respectively, related to Creekside operations. Transaction costs of $ 533,695 related to this transaction were expensed as incurred within the Selling, general and administrative expense line item in the Condensed Consolidated Statement of Operations.

The purchase price allocation is preliminary and subject to change during its measurement period. The Company has not yet completed its evaluation and determination of certain assets acquired and liabilities assumed, primarily (i) the final valuation of intangible assets, and (ii) the final assessment and valuation of certain other assets acquired and liabilities assumed, such as inventory, which could also impact goodwill during the measurement period. Although not expected to be significant, such adjustments may result in changes in the valuation of assets and liabilities acquired.

The purchase price allocation as of September 30, 2024 is as follows:

	Purchase Price Allocation
Inventories	$ 10,478,116
Lot deposits	3,055,500
Property and equipment, net	20,000
Intangible assets	442,000
Goodwill	3,573,040
Liabilities	(4,825,761)
Total purchase price	**$ 12,742,895**

Rosewood Communities, Inc.

On October 25, 2023, the Company completed the acquisition of 100% of the common stock of Rosewood Communities, Inc., a South Carolina corporation ("Rosewood") (the "Rosewood Acquisition") for a purchase price of $24,681,948, of which $22,674,948 was in cash. The remaining purchase price was related to a $300,000 warranty cost reserve and contingent consideration based on 25% of the EBITDA attributable to Rosewood's business through December 31, 2025. The initial estimate of the contingent consideration was approximately $1,707,000. The acquisition allows the Company to further expand its presence in the Upstate region of South Carolina.

The acquisition was accounted for as a business combination under ASC 805 under the acquisition method, and the results of operations have been included in the Condensed Consolidated Financial Statements since the date of acquisition. The purchase price for the acquisition was allocated based on estimated fair value of the assets and liabilities as of October 25, 2023. The amounts for intangible assets were based on third-party valuations performed. The Company recognized the excess purchase price over the fair value of the net assets acquired as goodwill of $5,206,636 (all of which is tax deductible). The goodwill arising from the acquisition consists largely of the expected synergies from expanding the Company's market presence in South Carolina and the experience and reputation of the acquired management team.

Transaction costs of $515,282 related to this transaction were expensed as incurred within the Selling, general and administrative expense line item in the Condensed Consolidated Statement of Operations.

The final purchase price allocation is as follows:

	Purchase Price Allocation
Cash acquired	$ 543,421
Inventories	23,672,172
Lot deposits	912,220
Other assets	58,681
Property and equipment, net	703,872
Intangible assets	1,380,000
Goodwill	5,206,636
Liabilities	(7,795,054)
Total purchase price	**$ 24,681,948**

In connection with the Rosewood acquisition, the Company recorded contingent consideration based on the estimated EBITDA attributable to Rosewood's business through December 31, 2025. The measurement of contingent consideration was based on projected cash flows such as revenues, gross margin, overhead expenses and EBITDA and discounted to present value. The Company recorded the fair value of the contingent consideration within Other accrued expenses and liabilities on the acquisition date. The estimated earn-out payments are subsequently remeasured to fair value at each reporting date based on the estimated future earnings of the acquired entity and the re-assessment of risk-adjusted discount rates. Maximum potential exposure for contingent consideration is not estimable based on the contractual terms of the contingent consideration agreement, which allows for a percentage payout based on a potentially unlimited range of EBITDA.

Herring Homes, LLC

On August 18, 2023, the Company completed the acquisition of selected assets of Herring Homes, LLC ("Herring Homes"), a North Carolina homebuilder, for a purchase price of $2,166,516 in cash. The acquisition allows the Company to expand its presence into the Raleigh, North Carolina market.

The acquisition was accounted for as a business combination under ASC 805 under the acquisition method, and the results of operations have been included in the Condensed Consolidated Financial Statements since the date of acquisition. The purchase price for the acquisition was allocated based on estimated fair value of the assets and liabilities as of August 18, 2023. The Company recognized the excess purchase price over the fair value of the net assets acquired as goodwill of $500,000. The goodwill arising from the acquisition consists largely of the expected synergies from establishing a market presence in Raleigh and the experience and reputation of the acquired management team. The remaining basis of $1,666,516 is primarily comprised of the fair value of the acquired developed lots and lot purchase agreement deposits with limited other assets and liabilities. Transaction costs were not material and were expensed as incurred.

The Company entered into an agreement with Herring Homes to provide certain services including providing the use of UHG employees to finish unacquired work in progress inventory and treasury management in exchange for fees outlined in the agreement. Subsequent to the acquisition, UHG acquired 50 lots and 12 homes under construction in separate transactions for a fair value of $ 4.9 million and $5.9 million, respectively, in the Raleigh, North Carolina market.

Unaudited Pro Forma Financial Information

The following unaudited pro forma condensed consolidated results of operations are provided for illustrative purposes only and have been presented as if the Creekside acquisition had occurred on January 1, 2023. The disclosure of Rosewood is included for comparative purposes and reflects revenue and net income balances as if the acquisition closed on January 1, 2022. Unaudited pro forma net income adjusts the operating results of the stated acquisitions to reflect the additional costs that would have been recorded assuming the fair value adjustments had been applied as of the beginning of the year preceding the year of acquisition, including the tax-effected amortization of the inventory step-up and transaction costs. This unaudited pro forma information should not be relied upon as being indicative of the historical results that would have been obtained if the acquisition had occurred on that date, nor of the results that may be obtained in the future.

Unaudited Pro Forma	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Total Revenue	$ 118,643,955	$ 108,285,055	$ 330,201,342	$ 365,782,960
Net (loss) income	$ (7,229,643)	$ 153,794,777	$ 47,214,614	$ 198,274,651

Note 5 - Fair value measurement

Certain assets and liabilities measured and reported at fair value under GAAP are classified in a three-level hierarchy that prioritizes the inputs used in the valuation process. Categorization within the valuation hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The hierarchy is based on the observability and objectivity of the pricing inputs as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Significant directly observable data (other than Level 1 quoted prices) or significant indirectly observable data through corroboration with observable market data. Inputs would normally be (i) quoted prices in active markets for similar assets or liabilities, (ii) quoted prices in inactive markets for identical or similar assets or liabilities or (iii) information derived from or corroborated by observable market data.

Level 3 – Prices or valuation techniques that require significant unobservable data inputs. These inputs would normally be the Company's own data and judgments about assumptions that market participants would use in pricing the asset or liability.

Due to the short-term nature of the Company's Cash and cash equivalents, Accounts receivable, and Accounts payable, the carrying amounts of these instruments approximate their fair value. Lot deposits are recorded at the agreed-upon contract value, which approximates fair value. The interest rates on the Homebuilding debt and other affiliate debt vary and are the greater of either a reference rate plus an applicable margin, or the base rate plus the aforementioned applicable margin. Refer to *Note 8 - Homebuilding debt and other affiliate debt* for additional detail on the determination of these instruments' interest rate. As the reference rate of the Homebuilding debt and other affiliate debt at any point in time is reflective of the current interest rate environment the Company operates in, the carrying amount of these instruments approximates their fair value.

The Convertible Notes payable is presented on the Condensed Consolidated Balance Sheet at its amortized cost and not at fair value. As of September 30, 2024, the fair value of the Convertible Notes is $121,700,000. See *Note 13 - Convertible Notes payable* for further details on how the fair value was estimated.

All other financial instruments except for Derivative private placement warrants liability, Contingent earnout liability, Derivative stock option liability, Contingent consideration, and Convertible Notes payable are classified within Level 1 or Level 2 of the fair value hierarchy because the Company values these instruments either based on recent trades of securities in active markets or based on quoted market prices of similar instruments and other significant inputs derived from or corroborated by observable market data.

The estimated fair value of the Derivative private placement warrants liability, Contingent earnout liability, Derivative stock option liability, Contingent consideration, and Convertible Notes payable is determined using Level 3 inputs. The models and significant assumptions used in preparing the valuations are disclosed in *Note 16 - Warrant liability, Note 15 - Earnout shares, Note 14 - Stock-based compensation*, and *Note 13 - Convertible Notes payable* respectively.

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2024 and December 31, 2023 and indicates the fair value hierarchy of the valuation.

	Fair Value Measurements as of September 30, 2024			
	Level 1	Level 2	Level 3	Total
Contingent earnout liability	$ —	$ —	$ 64,702,340	$ 64,702,340
Derivative private placement warrant liability	—	—	3,352,328	3,352,328
Derivative public warrant liability	8,622,413	—	—	8,622,413
Derivative stock option liability	—	—	484,316	484,316
Total derivative liability	**8,622,413**	**—**	**68,538,984**	**77,161,397**
Contingent consideration	—	—	1,060,000	1,060,000
Total fair value	**$ 8,622,413**	**$ —**	**$ 69,598,984**	**$ 78,221,397**

	Fair Value Measurements as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Contingent earnout liability	$ —	$ —	$ 115,566,762	$ 115,566,762
Derivative private placement warrant liability	—	—	3,292,996	3,292,996
Derivative public warrant liability	8,336,925	—	—	8,336,925
Derivative stock option liability	—	—	414,260	414,260
Total derivative liability	**8,336,925**	**—**	**119,274,018**	**127,610,943**
Contingent consideration	—	—	1,888,000	1,888,000
Total fair value	**$ 8,336,925**	**$ —**	**$ 121,162,018**	**$ 129,498,943**

Transfers to/from Levels 1, 2 and 3 are recognized at the beginning of the reporting period. There were no transfers to/from levels during the nine month period ended September 30, 2024 and the year ended December 31, 2023.

The following table presents a roll forward of the Level 3 liabilities measured at fair value on a recurring basis:

	Contingent earnout liability	Derivative private placement warrant liability	Derivative stock option liability	Contingent consideration
Liability at January 1, 2024	**$ 115,566,762**	**$ 3,292,996**	**$ 414,260**	**$ 1,888,000**
Exercise of liability awards	—	—	(2,756)	—
Change in fair value	(26,439,827)	29,667	(85,125)	(875,000)
Liability at March 31, 2024	**$ 89,126,935**	**$ 3,322,663**	**$ 326,379**	**$ 1,013,000**
Forfeitures	—	—	(4,950)	—
Change in fair value	$ (27,568,356)	$ (1,216,332)	(79,626)	24,000
Liability at June 30, 2024	**$ 61,558,579**	**$ 2,106,331**	**$ 241,803**	**$ 1,037,000**
Forfeitures	—	—	(2,901)	—
Recognition	—	—	211,370	—
Change in fair value	3,143,761	1,245,997	34,044	23,000
Liability at September 30, 2024	**$ 64,702,340**	**$ 3,352,328**	**$ 484,316**	**$ 1,060,000**

Note 6 - Inventories

The following table and descriptions summarize the Company's inventory as of September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
Pre-acquisition land costs	$ 2,926,546	$ —
Land under development	—	8,846,666
Developed lots	19,090,112	26,380,906
Homes under construction	53,528,286	100,929,615
Finished homes	88,916,599	46,652,515
Total inventory	**$ 164,461,543**	**$ 182,809,702**

Developed lots that were self developed or purchased at fair value from third parties and related parties was $ 19,090,112 and $22,046,804 as of September 30, 2024 and December 31, 2023, respectively.

The Company capitalizes into Inventories interest costs incurred on homes under construction during the construction period until they are substantially complete. A summary of capitalized interest is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Capitalized interest at beginning of the period:	**$ 2,775,576**	**$ 847,951**	**$ 3,026,083**	**$ 1,250,460**
Interest incurred	5,676,512	4,779,675	16,318,405	12,343,274
Interest expensed:				
Included in cost of sales	(1,524,748)	(1,531,318)	(6,696,856)	(6,078,117)
Directly to interest expense	(3,649,306)	(2,039,512)	(9,369,598)	(5,458,821)
Capitalized interest at end of the period:	**$ 3,278,034**	**$ 2,056,796**	**$ 3,278,034**	**$ 2,056,796**

Note 7 - Property and equipment

Property and equipment consisted of the following as of September 30, 2024 and December 31, 2023:

Asset Group	September 30, 2024	December 31, 2023
Buildings	$ 170,867	$ 170,867
Furniture and fixtures	505,441	507,972
Land	63,000	63,000
Leasehold improvements	96,667	81,605
Machinery and equipment	146,822	146,822
Office equipment	50,337	36,780
Vehicles	524,546	563,455
Total Property and equipment	**$ 1,557,680**	**$ 1,570,501**
Less: Accumulated depreciation	(602,311)	(496,540)
Property and equipment, net	**$ 955,369**	**$ 1,073,961**

Depreciation expense, included within Selling, general and administrative expense on the Condensed Consolidated Statements of Operations was $49,383 and $23,594 for the three months ended September 30, 2024 and 2023, respectively, and $ 150,340 and $154,474 for the nine months ended September 30, 2024, and 2023, respectively.

Note 8 - Homebuilding debt and other affiliate debt

Prior to the Business Combination, Legacy UHG, jointly with its Other Affiliates considered to be under common control, entered into debt arrangements with financial institutions. These debt arrangements are in the form of revolving lines of credit and are generally secured by land (developed lots and undeveloped land) and homes (under construction and finished). Legacy UHG and certain related Other Affiliates were collectively referred to as the Nieri Group. The Nieri Group entities were jointly and severally liable for the outstanding balances under the revolving lines of credit, however, Legacy UHG was deemed the primary obligor. Legacy UHG was considered the primary legal obligor of such debt as it was the sole cash generating entity and responsible for repayment of the debt.

A portion of the revolving lines of credit were drawn down for the sole operational benefit of the Nieri Group and Other Affiliates outside of Legacy UHG ("Other Affiliates' debt"). During the nine months ended September 30, 2024 and 2023, Other Affiliates borrowed zero and $136,773, respectively. These amounts are recorded on the Condensed Consolidated Statements of Cash Flows, financing activities section, with borrowings presented as Proceeds from other affiliate debt and repayments as Repayments of other affiliate debt. On February 27, 2023, Legacy UHG paid off Wells Fargo debt associated with Other Affiliates in the amount of $8,340,545 and on February 28, 2023, Legacy UHG was released as a co-obligor from the Anderson Brothers debt associated with Other Affiliates in anticipation of the Business Combination. As a result there is no remaining debt balance associated with Other Affiliates as of September 30, 2024. Post Business Combination, the Company no longer enters into debt arrangements with Other Affiliates of Legacy UHG. As discussed further below, in connection with the Business Combination, the Wells Fargo Syndication line was amended and restated to exclude any members of the Nieri Group and Other Affiliates of Legacy UHG from the borrower list.

The advances from the revolving construction line, reflected as Homebuilding debt - Wells Fargo Syndication, are used to build homes and are repaid incrementally upon individual home sales. The revolving construction line is collateralized by the homes under construction and developed lots. The revolving construction line is fully secured, and the availability of funds is based on the inventory value at the time of the draw request. Interest is accrued based on the total syndication balance and is paid monthly. As the average construction time for homes is less than one year, all outstanding debt is considered short-term as of September 30, 2024 and December 31, 2023.

The following table and descriptions summarize the Company's debt as of September 30, 2024 and December 31, 2023:

	September 30, 2024	
	Weighted average interest rate	**Homebuilding Debt - Wells Fargo Syndication**
Wells Fargo Bank	8.52 %	$ 19,553,139
Regions Bank	8.52 %	16,544,965
Flagstar Bank	8.52 %	15,040,877
United Bank	8.52 %	12,032,701
Third Coast Bank	8.52 %	9,024,526
Total debt on contracts		**$ 72,196,208**

	December 31, 2023			
	Weighted average interest rate	**Homebuilding Debt - Wells Fargo Syndication**	**Private Investor Debt**	**Total**
Wells Fargo Bank	8.13 %	$ 20,907,306	$ —	$ 20,907,306
Regions Bank	8.13 %	17,690,798	—	17,690,798
Flagstar Bank	8.13 %	16,082,543	—	16,082,543
United Bank	8.13 %	12,866,035	—	12,866,035
Third Coast Bank	8.13 %	9,649,526	—	9,649,526
Other notes payable		—	3,255,221	3,255,221
Total debt on contracts		**$ 77,196,208**	**$ 3,255,221**	**$ 80,451,429**

Homebuilding Debt - Wells Fargo Syndication

In July 2021, the Nieri Group entities entered into a $150,000,000 Syndicated Credit Agreement ("Syndicated Line") with Wells Fargo Bank, National Association ("Wells Fargo"). The Syndicated Line was a three-year revolving credit facility with a maturity date of July 2024, and an option to extend the maturity date for one year that could be exercised upon approval from Wells Fargo. The Syndicated Line also included a $ 2,000,000 letter of credit as a sub-facility subjected to the same terms and conditions as the Syndicated Line.

The Syndicated Line was amended and restated ("First Amendment") on March 30, 2023 ("Amendment Date") in connection with the Business Combination and made GSH the sole borrower of the Syndicated Line. An additional amendment and restatement ("Second Amendment") was entered into on August 10, 2023 in which UHG became a co-borrower of the Syndicated Line, the maximum borrowing capacity was increased to $240,000,000, and the maturity date was extended to August 10, 2026. In addition, Wells Fargo Bank and Regions Bank increased their participation in the Syndicated Line, three lenders exited the Syndicated Line, and three lenders joined as new participants of the Syndicated Line. On December 22, 2023 the Company entered into the First Amendment to the Second Amended and Restated Credit Agreement and amended two financial covenants. On January 26, 2024, the Company entered into the Second Amendment to the Second Amended and Restated Credit Agreement. As a result of this amendment the Company established a process for the joinder of additional subsidiary borrowers of the Company, and Rosewood was joined, jointly and severally with the Company and GSH, as a borrower to the Syndicated Line. On August 2, 2024 (the "Third Amendment Effective Date"), the Company entered into the Third Amendment to the Second Amended and Restated Credit Agreement and Omnibus Amendment to Loan Documents ("Third Amendment") which extended the maturity date to August 2, 2027 except with respect to two non-extending lenders (representing $73,333,333 of the committed amount), reduced the borrowing capacity to $220,000,000, and amended three financial covenants. No other significant terms of the arrangements were changed as a result of these amendments other than those relating to the interest rate terms described below. The financial covenants referenced below are reflective of these amendments.

The interest rates on the borrowings under the Syndicated Line vary based on the Company's leverage ratio. In connection with the First Amendment, the benchmark interest rate was converted from LIBOR to Secured Overnight Financing Rate ("SOFR"), with no changes in the applicable rate margins. The interest rate is based on the greater of either LIBOR prior to Amendment Date or SOFR post Amendment Date plus an applicable margin (ranging from 275 basis points to 350 basis points) based on the Company's leverage ratio as determined in accordance with a pricing grid, or the base rate plus the aforementioned applicable margin.

The remaining availability to be drawn down on the Syndicated Line was $63,174,454 as of September 30, 2024 and $24,398,576 as of December 31, 2023. The Company pays a fee ranging between 15 and 30 basis points per annum depending on the unused amount of the Syndicated Line. The fee is computed on a daily basis and paid quarterly in arrears.

The Syndicated Line contains financial covenants, including (a) a minimum tangible net worth of no less than the sum of (i) $70 million, plus (ii) 25% of positive actual consolidated earnings earned in any fiscal quarter end, (iii) 100% of new equity contributed to the Company, (iv) 100% of any increase in tangible net worth resulting from an equity issuance upon the conversion or exchange of any security constituting indebtedness that is convertible or exchangeable, or is being converted or exchanged, for equity interests; and (v) 100% of the amount of any repurchase of equity interests in the Company, (b) a maximum leverage covenant that prohibits the leverage ratio from exceeding 2.25 to 1.00, except for up to two quarterly measurement periods in which the ratio shall not exceed 2.50 to 1.00 during the period beginning on the Third Amendment Effective Date and ending on December 31, 2025, (c) a minimum debt service coverage ratio of no less than 1.50 to 1.00 for the period from and after June 30, 2024 until June 30, 2025, and a minimum of 2.00 to 1.00 thereafter, and permits a minimum Debt Service Coverage Ratio of no less than 1.35 to 1.00 for up to two quarterly measurement periods during the period beginning on the Third Amendment Effective Date and ending on June 30, 2025, (d) a minimum liquidity amount of not less the greater of $37,500,000 from and after June 30, 2024, provided that during any period in which the debt service coverage ratio is less than 1.50 to 1.00, the minimum liquidity threshold will be at least (i) $ 45,000,000, or (ii) an amount equal to 1.50x the trailing twelve month interest incurred and (e) unrestricted cash of not less than $15,000,000 at all times. The Company was in compliance with all debt covenants as of September 30, 2024 and December 31, 2023.

In connection with the amendments of the Syndicated Line, the Company incurred debt issuance costs, of which $ 1,846,473 has been deferred and is being amortized over the remaining life of the Syndicated Line. The amendments are accounted for as modifications of an existing line of credit under ASC 470, *Debt*, for any lenders that continue to participate in the Syndicated Line. As a result, any previously unamortized deferred costs related to those lenders will continue to be amortized over the remaining life of the Syndicated Line. For lenders that no longer participate or did not renew as of the Third Amendment Date, the Company expensed all or some of the remaining unamortized deferred costs associated with their portion of the Syndicated Line. The Company recognized $371,470 and $358,325 of amortized deferred financing costs within Other expense, net for the three months ended September 30, 2024 and 2023, respectively. For the nine months ended September 30, 2024 and 2023, the Company recognized $1,009,480 and $694,219, respectively. Outstanding deferred financing costs related to the Company's Homebuilding debt were $3,807,362 and $2,970,369 as of September 30, 2024 and December 31, 2023, respectively, and are included in Prepaid expenses and other assets on the Condensed Consolidated Balance Sheets as the debt is a revolving arrangement.

Homebuilding Debt - Other

As a result of the Creekside acquisition, the Company assumed a series of construction loans with a financial institution. During the third quarter of 2024, the Company settled the remaining construction loans with the financial institution. No gain or loss on extinguishment of debt was recorded as part of the transaction.

Private Investor Debt

The Company had other borrowings with private investors totaling zero and $3,255,221 as of September 30, 2024 and December 31, 2023, respectively, which were comprised of other notes payable and mortgage loans acquired in the normal course of business. During the second quarter of 2024, the Company settled the remaining private investor debt and recognized a loss on extinguishment of debt amounting to $103,754.

Note 9 - Related party transactions

Prior to the Business Combination, Legacy UHG transacted with Other Affiliates that were owned by the shareholders of GSH. Those Other Affiliates included Land Development Affiliates and Other Operating Affiliates (see *Note 1 - Nature of operations and basis of presentation).*

Post Business Combination, the Company continues to transact with these parties, however, they are no longer considered affiliates of the Company. Land Development Affiliates and Other Operating Affiliates of Legacy UHG (post Business Combination) meet the definition of related parties of the Company as defined in ASC 850-10-20.

Prior to the Business Combination, Legacy UHG maintained the cash management and treasury function for its Other Affiliates. Cash receipts from customers and cash disbursements made to vendors were recorded through one centralized bank account. Legacy UHG recorded a Due from Other Affiliate when cash was disbursed, generally to a vendor, on behalf of an affiliate. Conversely, Legacy UHG recorded a Due to Other Affiliate when cash was received from a customer on behalf of an affiliate. The balances were settled through equity upon the consummation of the Business Combination.

The below table summarizes Legacy UHG transactions with the Land Development Affiliates and Other Operating Affiliates for the nine months ended September 30, 2023. There were no such transactions with Land Development Affiliates and Other Operating Affiliates for the three months ended September 30, 2023 and the three and nine months ended September 30, 2024, respectively.

	Nine Months Ended September 30, 2023		
	Land Development Affiliates	**Other Operating Affiliates**	**Total**
Financing cash flows:			
Land development expense	$ (384,349)	$ —	$ (384,349)
Other activities	(225,392)	(422,342)	(647,734)
Total financing cash flows	**$ (609,741)**	**$ (422,342)**	**$ (1,032,083)**
Non-cash activities			
Settlement of co-obligor debt to Other Affiliates	$ 8,340,545	$ —	$ 8,340,545
Release of guarantor from GSH to shareholder	2,841,034	—	2,841,034
Credit for earnest money deposits	2,521,626	—	2,521,626
Total non-cash activity	**$ 13,703,205**	**$ —**	**$ 13,703,205**

Land development expense – Represents costs that were paid for by Legacy UHG that relate to the Land Development Affiliates' operations. The Land Development Affiliates acquire raw parcels of land and develop them so that Legacy UHG can build houses on the land.

Other activities – Represent other transactions with Legacy UHG's Other Affiliates. This includes, predominately, rent expense incurred for leased model homes and payment of real estate taxes.

Settlement of co-obligor debt to Other Affiliates – The amount represents the settlement of Wells Fargo debt associated with Other Affiliates.

Release of guarantor from GSH to shareholder – The amount represents that Legacy UHG was released as a co-obligor from the Anderson Brothers debt associated with Other Affiliates.

Credit for earnest money deposits – The amount represents credit received from a Legacy UHG affiliate in relation to lot deposits that Legacy UHG paid on behalf of the affiliate.

Sale-leaseback

In December 2022, Legacy UHG closed on 19 sale-leaseback transactions with related parties, whereby it is the lessee. The leases commenced on January 1, 2023. The Company is responsible for paying the operating expenses associated with the model homes while under lease. The rent expense associated with related party sale-leaseback agreements was $64,200 and $116,975 for the three months ended September 30, 2024 and 2023, respectively, and $230,300 and $368,825 for the nine months ended September 30, 2024 and 2023, respectively.

Leases

In addition to the transactions above, Legacy UHG has entered into four separate operating lease agreements with a related party, including a lease of an office space used for its corporate headquarters. During the second quarter of 2024, the Company modified the lease of its corporate headquarters to reduce the leased space for the premises, which was accounted for as a lease modification and partial termination. The Company recorded a gain of $197,427 as a result of the modification. The terms of the related party leases, including rent expense and future minimum payments, are described in *Note 12 - Commitments and contingencies*. As of September 30, 2024, the Company has an outstanding receivable of $ 37,068 with the related party, which is presented within Due to related party on the Condensed Consolidated Balance Sheets.

Services agreement

The Company shares office spaces with a related party and certain employees of the Company provide services to the same related party. As such, the Company allocates certain shared costs to the related party in line with a predetermined methodology based on headcount. During the three months ended September 30, 2024 and 2023, the Company allocated overhead costs to the related party in the amount of $245,516 and $64,614, respectively, and $406,273 and $375,805 for the nine months ended September 30, 2024 and 2023, respectively. The Company was charged for property maintenance, consulting, and land development management services in the amount of $253,564 and zero for the three months ended September 30, 2024, and 2023, and $621,974 and $71,672 for the nine months ended September 30, 2024 and 2023, respectively, by the same related party. The remaining balance outstanding as of September 30, 2024 and December 31, 2023 was a payable of $133,174 and a receivable of $88,000, respectively, and is presented within Due to and Due from related party on the Condensed Consolidated Balance Sheets.

General contracting

The Company has been engaged as a general contractor by several related parties. For the three months ended September 30, 2024 and 2023, Revenue of $114,187 and $1,002,900, respectively, and Cost of sales of $ 95,156 and $953,802, respectively, were recognized in the Condensed Consolidated Statement of Operations. For the nine months ended September 30, 2024, and 2023, Revenue of $641,064 and $2,435,186, respectively, and Cost of sales of $531,357 and $2,165,259, respectively, were recognized in the Condensed Consolidated Statement of Operations.

Other

During the three and nine months ended September 30, 2024, the Company recognized Revenue of $ 629,700 within the Condensed Consolidated Statement of Operations related to speculative homes purchased by related parties.

During the three and nine months ended September 30, 2024, the Company paid certain land closing costs on behalf of a related party to transfer the land to one of the Company's land banking partners. As of September 30, 2024, the Company has capitalized $163,570 of closing costs within Pre-acquisition costs on the Condensed Consolidated Balance Sheets related to this transaction.

The Company utilizes a related party vendor to perform certain civil engineering services. For the three months ended September 30, 2024 and 2023, expenses of $84,878 and $13,125, respectively, and for the nine months ended

September 30, 2024, and 2023, $84,878 and $61,037, respectively, were recognized in the Condensed Consolidated Statement of Operations.

During the three and nine months ended September 30, 2024, the Company utilized a related party vendor to perform certain consulting services. For the three and nine months ended September 30, 2024, expenses of $40,815 and $95,748, respectively, were recognized in the Condensed Consolidated Statement of Operations.

The Company utilized a related party vendor for certain aviation services. For the three and nine months ended September 30, 2024, expenses of zero and $12,038, respectively, were recognized in the Condensed Consolidated Statement of Operations. For the three and nine months ended September 30, 2023, the company did not incur any expenses related to aviation services. The remaining balance outstanding for reimbursed services as of September 30, 2024 and December 31, 2023 was a receivable of $2,893 is presented within Due to related party on the Condensed Consolidated Balance Sheets.

Note 10 - Lot deposits

The Company's land-light strategy is accomplished in two ways - lot option contracts with unrelated third party and related party land developers and land bank option contracts. Most option contracts require the Company to pay a nonrefundable cash deposit of approximately 15% - 20% of the agreed-upon fixed purchase price of the developed lots. In exchange for the deposit, the Company receives the right to purchase the finished developed lot at a preestablished price over a specified period of time. Such agreements enable the Company to defer acquiring portions of properties owned by land sellers and land bank partners until the Company determines whether and when to complete such acquisition, which may serve to reduce financial risks associated with long-term land holdings.

As of September 30, 2024 all interests in option contracts, including with related parties, are recorded within Lot deposits on the Condensed Consolidated Balance Sheet and presented in the table below. The following table provides a summary of the Company's interest in option contracts as of September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
Lot deposits	$ 45,748,632	$ 33,015,812
Remaining purchase price	322,705,100	231,333,171
Total contract value	**$ 368,453,732**	**$ 264,348,983**

Out of the lot deposits outstanding as of September 30, 2024 and December 31, 2023, $ 7,446,531 and $28,363,053, respectively, are with related parties.

The Company has the right to cancel or terminate the option contracts at any time for any reason. The legal obligation and economic loss resulting from a cancellation or termination is limited to the amount of the deposits paid and any capitalized pre-acquisition costs. The cancellation or termination of a option contract results in the Company recording a write-off of the nonrefundable deposit to Cost of sales. For the three and nine months ended September 30, 2024, the Company had $20,000 and $343,000 forfeited option contract deposits, respectively. For the three and nine months ended September 30, 2023, the Company had zero forfeited option contract deposits. The deposits placed by the Company pursuant to the option contracts are deemed to be a variable interest. See *Note 2 - Summary of significant accounting policies* for the policy and conclusions about unconsolidated variable interest entities.

Note 11 - Warranty reserves

The Company establishes warranty reserves to provide for estimated future costs as a result of construction and product defects. Estimates are determined based on management's judgment considering factors such as historical spend and projected cost of corrective action.

The following table provides a summary of the activity related to warranty reserves, which are included in Other accrued expenses and liabilities on the accompanying Condensed Consolidated Balance Sheets as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Warranty reserves at beginning of the period	$ 1,425,754	$ 1,309,863	$ 1,301,796	$ 1,371,412
Reserves provided	311,474	226,407	869,177	754,027
Payments for warranty costs	(173,667)	(162,389)	(607,412)	(751,558)
Warranty reserves at end of the period	**$ 1,563,561**	**$ 1,373,881**	**$ 1,563,561**	**$ 1,373,881**

Note 12 - Commitments and contingencies

Leases

The Company leases several office spaces in South Carolina under operating lease agreements with related parties, and one office space in North Carolina with a third party. The office leases have a remaining lease term of up to five years, some of which include options to extend on a month-to-month basis, and some of which include options to terminate the lease. These options are excluded from the calculation of the ROU asset and lease liability until it is reasonably certain that the option will be exercised. The Company recognized an operating lease expense of $241,903 and $229,407 within Selling, general, and administrative expense on the Condensed Consolidated Statements of Operations for the three months ended September 30, 2024 and 2023, respectively. For the nine months ended September 30, 2024 and 2023, the Company recognized $1,029,744 and $617,194, respectively.

Operating lease expense included variable lease expense of $3,901 and $15,578 for the three months ended September 30, 2024 and 2023, respectively, Operating lease expense included variable lease expense of $21,158 and $36,037 for the nine months ended September 30, 2024 and 2023, respectively. The weighted-average discount rate for the operating leases was 9.41% and 7.25% during the nine months ended September 30, 2024 and 2023, respectively. The weighted-average remaining lease term was 3.74 and 1.91 years for the nine months ended September 30, 2024 and 2023, respectively.

The maturity of the contractual, undiscounted operating lease liabilities as of September 30, 2024 are as follows:

	Lease Payment
2024	$ 248,168
2025	853,942
2026	739,166
2027	696,069
2028 and thereafter	522,052
Total undiscounted operating lease liabilities	**$ 3,059,397**
Interest on operating lease liabilities	(475,595)
Total present value of operating lease liabilities	**$ 2,583,802**

The Company has certain leases which have initial lease terms of twelve months or less (“short-term leases”). The Company elected to exclude these leases from recognition, and these leases have not been included in our recognized operating ROU assets and operating lease liabilities. The Company recorded $29,184 and $73,409 of rent expense related to the short-term leases within Selling, general and administrative expense on the Condensed Consolidated Statements of Operations for the three months ended September 30, 2024 and 2023, respectively, and $106,437 and $256,282 for the nine months ended September 30, 2024 and 2023, respectively.

Litigation

The Company is subject to various claims and lawsuits that may arise primarily in the ordinary course of business, which consist mainly of construction defect claims. In the opinion of management, the disposition of these matters will not have a material adverse effect on the Company’s Condensed Consolidated Financial Statements. When the Company believes that a loss is probable and reasonably estimable, the Company will record an expense and corresponding contingent liability. As of the date of these Condensed Consolidated Financial Statements, management believes that the Company has not incurred a liability as a result of any claims.

Rosewood Proceedings

Rosewood has been named as a co-defendant in a lawsuit alleging negligence/recklessness and breach of certain implied warranties arising out of Rosewood's construction of homes in a subdivision prior to the Company's acquisition of Rosewood. The Company is continuing to gather facts and evaluate the plaintiffs' claims and possible defenses.

The Company believes that a loss related to this matter is reasonably possible; however, the Company cannot estimate the amount or a range of reasonably possible losses for this matter, if any, at this time, due to several factors. These factors include the extent of possible recovery from Rosewood's insurer, allocation of liability among certain co-defendants, and the causation of certain of the plaintiff's alleged damages. While we intend to defend against these claims, there can be no assurance that the ultimate resolution of this litigation will not have a material, adverse effect on our Condensed Consolidated Financial Statements.

Note 13 - Convertible Notes payable

In connection with the closing of the Business Combination, GSH entered into a Note Purchase Agreement, dated March 21, 2023, and effective March 30, 2023, with DHHC and the Convertible Notes Investors, pursuant to which the Convertible Notes Investors agreed to purchase $80.0 million in original principal amount of Notes at a 6.25% original issue discount and were issued an additional 744,588 UHG Class A Common Shares (the "PIPE Investment"). The aggregate proceeds of the PIPE Investment were $75.0 million and were allocated between the securities issued.

The Notes mature on March 30, 2028, and bear interest at a rate of 15%. The Company has the option to pay any accrued and unpaid interest at a rate in excess of 10% either in cash or by capitalizing such interest and adding it to the then outstanding principal amount of the Notes ("PIK Interest"). The Company has elected to pay the full accrued and unpaid interest in excess of 10% in cash rather than PIK Interest. The effective interest rate on the Notes is 20.46%.

The Notes are convertible at the holder's option into UHG Class A Common Shares at any time after March 30, 2024 through March 30, 2028, at a per share price of $5.58 ("Initial Conversion Price"). The Initial Conversion Price is subject to adjustments for certain anti-dilution provisions as provided in the Notes. If an anti-dilution event occurs, the number of shares of common stock issuable upon conversion may be higher than implied by the Initial Conversion Price. Each Note is also convertible at the Company's option into UHG Class A Common Shares, at any time after the second anniversary of the Closing Date if the VWAP per UHG Class A Common Share exceeds $13.50 for 20 trading days in a 30 consecutive trading day period. The Company was not required to bifurcate either of these conversion features as they met the derivative classification scope exception as described in ASC 815-15 *Derivatives and Hedging - Embedded Derivativ* es.

The Notes may be redeemed by the Company at any time prior to 60 days before March 30, 2028, by repaying all principal and interest amounts outstanding at the time of redemption plus a make-whole amount equal to the additional interest that would accrue if the Notes remained outstanding through their maturity date. The Company was not required to bifurcate the embedded redemption feature, as the economic characteristics and risks of the redemption feature were clearly and closely related to the economic characteristics and risk of the Notes in accordance with ASC 815-15.

The Notes also contain additional conversion, redemption, and payment provision features, at the option of the holder, which can be exercised upon contingent events such as the Company defaulting on the Notes, a change of control in the ownership of the Company, or other events requiring indemnification. As the contingent events are either entirely within the Company's control or based on an event for which management considers the probability of occurring as extremely remote, these features which are required to be bifurcated, would likely have minimal or no value, and therefore deemed to not be material to the Condensed Consolidated Financial Statements.

The fair value of the Notes was calculated using a Binomial model and a Monte Carlo model. The PIPE Shares were valued using a Discounted Cash Flow Model. The Company will accrete the value of the discount across the expected term of the Note using the effective interest method.

The below table presents the outstanding balance of the Notes as of September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
Beginning Balance - Par	$ 80,000,000	$ 80,000,000
Unamortized Discount	(10,419,057)	(11,961,220)
Carrying Value	**$ 69,580,943**	**$ 68,038,780**

Interest expense included within Other expense, net on the Condensed Consolidated Statements of Operations was $ 2.3 million and $2.0 million for the three months ended September 30, 2024 and 2023, respectively, and $6.7 million and $5.5 million for the nine months ended September 30, 2024 and 2023, respectively. Interest expense included within Cost of sales on the Condensed Consolidated Statements of Operations was $0.7 million and $0.3 million for the three months ended September 30, 2024 and 2023, respectively, and $ 3.9 million and $0.3 million for the nine months ended September 30, 2024 and 2023, respectively.

The following assumptions were used in the Binomial and Monte Carlo valuation models to determine the estimated fair value of the Notes at the issue date, September 30, 2024 and December 31, 2023, respectively.

	September 30, 2024	December 31, 2023
Risk-free interest rate	3.60 %	3.97 %
Expected volatility	50 %	40 %
Expected dividend yield	— %	— %

Risk-Free Interest Rate – The risk-free interest rate is based on the U.S. Treasury zero coupon bond used to reduce any projected future cash flows derived from the payoff of the Notes as UHG common shares.

Expected Volatility – The Company’s expected volatility was estimated based on the average historical volatility of the Company’s volatility as well as comparable publicly traded companies.

Expected Dividend Yield – The dividend yield is based on the Company’s history and expectation of dividend payouts. The Company does not expect to pay cash dividends to shareholders during the term of the Notes, therefore the expected dividend yield is determined to be zero.

Note 14 - Stock-based compensation

Stock Options

The following table summarizes the activity relating to the Company’s stock options for the nine months ended September 30, 2024:

	Stock Options	Weighted-Average Per Share Exercise Price
Outstanding, December 31, 2023	3,886,248	$ 9.72
Granted	1,806,000	6.97
Exercised	(21,847)	2.81
Forfeited	(549,681)	8.39
Outstanding, September 30, 2024	**5,120,720**	**$ 8.93**
Options exercisable at September 30, 2024	1,058,940	$ 8.70

On February 16, 2024, the Company granted 50,000 performance-based stock options to a non-employee consultant that would vest upon the occurrence of a specified event. The grant date fair value of the options was $1.80, which was determined using the Black-Scholes option-pricing model. In the first quarter, the Company determined the performance condition would not be met and the options were forfeited. No compensation expense related to these stock options was recorded.

On February 26, 2024, the Company granted 272,000 stock options to directors that vest annually in equal installments over three years. The options also include a clause which accelerates the vesting of the options on the date, if any, that the VWAP of the Company’s Class A common stock for 20 out of the preceding 30 consecutive trading days is greater than or equal to $ 12.00. The grant date fair value of the options was $ 3.65 and was determined using the Black-Scholes and Monte Carlo models. As of September 30, 2024, the accelerator had not been triggered.

The Company recognizes stock compensation expense resulting from the equity-based awards over the requisite service period. Stock compensation expense for stock options is recorded based on the estimated fair value of the equity-based award on the grant date using the Black-Scholes valuation model. Stock compensation expense is recognized in the Selling, general and administrative expense line item in the Condensed Consolidated Statements of Operations. Stock compensation expense included in the Condensed Consolidated Statements of Operations for stock options for the three months ended September 30, 2024 and 2023 was $1,355,890 and $1,100,007, respectively, and $4,227,632 and $1,561,616 for the nine months ended September 30, 2024 and 2023, respectively. As of September 30, 2024, there was unrecognized stock compensation expense related to non-vested stock option arrangements totaling $14,912,464. The weighted average period over which the unrecognized stock compensation expense is expected to be recognized is 2.82 years.

Certain stock options issued under the 2023 Plan are issued to individuals who are not employees of the Company and who are not providing goods or services to the Company. These options are recognized in accordance with ASC 815, *Derivatives and Hedging* as a derivative liability and marked to market at each reporting period end. As of September 30, 2024, and December 31, 2023, the derivative liability of stock options amounts to $484,316 and $414,260, respectively, and is included within Derivative liability on the Condensed Consolidated Balance Sheets.

Restricted Stock Units (“RSUs”)

The Company grants time-based RSUs to certain participants under the 2023 Plan that are stock-settled with UHG Class A Common Shares. As RSUs vest for employees, a portion of the award may be withheld to cover employee tax withholdings. The time-based restricted stock units granted under the 2023 Plan typically vest annually over four years. On February 26, 2024 the Company separately granted 14,000 RSUs to certain members of the Board of Directors that immediately vested on the date of the grant.

Stock-based compensation expense included in Selling, general and administrative expense in the Condensed Consolidated Statements of Operations for time-based restricted stock units was $46,872 for the three months ended September 30, 2024 , and $227,251 for the nine months ended September 30, 2024, including $100,240 related to the immediately vested RSUs. For the three and nine months ended September 30, 2023, stock-based compensation expense was $6,007. As of September 30, 2024, there was unrecognized pre-tax compensation expense of $ 586,718 related to time-based restricted stock units that is expected to be recognized over a weighted-average period of 3.16 years.

The following table summarizes the time-based RSU activity for the nine months ended September 30, 2024:

	Shares	Weighted-Average Grant Date Fair Value Per Unit
Outstanding, December 31, 2023	64,593	$ 6.59
Granted	65,700	7.02
Vested	(29,260)	6.86
Forfeited	(6,033)	6.74
Outstanding, September 30, 2024	**95,000**	**$ 6.79**

Performance-Based Restricted Stock Units (“PSUs”)

On February 16, 2024, the Company granted PSUs to certain employees. The Company granted a total of 478,000 PSUs, which will vest upon the date, if any, that the volume weighted average price of the Company’s Class A common stock for 20 out of the preceding 30 consecutive trading days is greater than or equal to $18.00 during the period through March 30, 2028. Certain of the PSUs are also subject to an acceleration clause in which 100% of the grantholders’ PSUs may become vested and settled upon the occurrence of certain termination events. As PSUs vest for employees, a portion of the award may be withheld to cover employee tax withholdings.

The grant date fair value of each such PSU was $ 3.45, which was determined using the Monte Carlo simulation method. Stock-based compensation expense included in the Condensed Consolidated Statements of Operations for PSUs was $165,183 and $463,153 for the three and nine months ended September 30, 2024. As of September 30, 2024, there was unrecognized pre-tax compensation expense of $1,126,433 related to PSUs that is expected to be recognized over a weighted-average period of 1.62 years.

The following table summarizes the PSU activity for the nine months ended September 30, 2024:

	Shares	Weighted-Average Grant Date Fair Value Per Unit
Outstanding, December 31, 2023	—	$ —
Granted	478,000	3.45
Vested	(8,500)	3.45
Forfeited	(17,250)	3.45
Outstanding, September 30 , 2024	**452,250**	**$ 3.45**

Stock warrants

In January 2022, Legacy UHG granted an option to non-employee directors to purchase 1,867,368 stock warrants for $150,000. Each warrant represents one non-voting common share. The warrants are exercisable at $ 4.05 per warrant, which represents an out-of-the-money strike price. The warrants can be exercised for 10 years starting from July 1, 2022. Using the Black-Scholes valuation model, the Company determined the aggregate fair value of these warrants to be approximately $1,376,800 as of the grant date. There were no additional stock warrants granted, and no compensation expense recorded, during the three and nine months ended September 30, 2024 and 2023.

On April 28, 2023, a warrant holder of the stock warrants exercised their warrants. 1,120,421 stock warrants were exercised in a cashless exercise whereby the Company issued 748,020 UHG Class A Common Shares in accordance with the conversion terms. As of September 30, 2024, there are 746,947 stock warrants outstanding.

Earnout Employee Optionholders

The Earnout Shares issuable to holders of equity stock options as of the Closing Date are accounted for as equity classified stock compensation and do not have a requisite service period. During the nine months ended September 30, 2023, the Company recognized a one-time stock-based compensation expense related to the Earnout of $4.4 million, which is excluded from the above stock-based compensation expense table. See *Note 15 - Earnout shares* for the assumptions and inputs used in the valuation of the Earnout Shares.

Note 15 - Earnout shares

During the five year period after the Closing ("Earnout Period"), eligible GSH Equity Holders and Employee Option Holders are entitled to receive up to 20,000,000 Earnout Shares. Additionally, and pursuant to the Sponsor Support Agreement, the Sponsor surrendered 1,886,379 DHHC Class B Shares for the contingent right to receive Earnout Shares. All Earnout Shares issuable to GSH Equity Holders, Employee Option Holders and the Sponsors are subject to the same Triggering Events (defined below).

On the date when the VWAP of one share of the UHG Class A Common Shares quoted on the NASDAQ has been greater than or equal to $12.50, $15.00, $17.50 ("Triggering Event I," "Triggering Event II," and "Triggering Event III," respectively, and together the "Triggering Events") for any 20 trading days within any 30 consecutive trading day period within the Earnout Period, the eligible GSH Equity Holders, Employee Option Holders, and the Sponsors will receive Earnout Shares distributed on a pro-rata basis. For Triggering Event I and Triggering Event II, 37.5% of Earnout Shares will be released and following the achievement of Triggering Event III, 25.0% of Earnout Shares will be released.

There are two units of account within the Earnout Shares depending on the Earnout Holder. If the Earnout Holder is either a GSH Equity Holder or Sponsor, the instrument will be accounted for as a derivative liability. If the Earnout Holder is an Employee Option Holder, the instrument will be accounted for as an equity classified award. The following table summarizes the number of Earnout Shares allocated to each unit of account as of September 30, 2024:

	Triggering Event I	Triggering Event II	Triggering Event III
Derivative Liability	8,060,923	8,060,923	5,373,948
Stock Compensation	146,469	146,469	97,647
Total Earnout Shares	**8,207,392**	**8,207,392**	**5,471,595**

As of December 31, 2023, the fair value of the Earnout Shares was $ 6.20 per share issuable upon Triggering Event I, $ 5.21 per share issuable upon Triggering Event II and $4.39 per share issuable upon Triggering Event III.

As of September 30, 2024, the fair value of the Earnout Shares was $ 3.52 per share issuable upon Triggering Event I, $ 2.90 per share issuable upon Triggering Event II and $2.41 per share issuable upon Triggering Event III.

The estimated fair value of the Earnout Shares was determined using a Monte Carlo simulation using a distribution of potential outcomes on a daily basis over the Earnout Period. The assumptions used in the valuation of these instruments, using the most reliable information available, include:

Inputs	September 30, 2024	December 31, 2023
Current stock price	$ 6.14	$ 8.43
Stock price targets	$12.50, $15.00, $17.50	$12.50, $15.00, $17.50
Expected life (in years)	3.50	4.25
Earnout period (in years)	3.50	4.25
Risk-free interest rate	3.60 %	4.00 %
Expected volatility	50 %	40 %
Expected dividend yield	— %	— %

For the three and nine months ended September 30, 2024, the change in fair value of the earnout shares resulted in a loss of $ 3.1 million and a gain of $50.9 million, primarily resulting from changes in the company's stock price. For the three and nine months ended September 30, 2023 the change in fair value of the earnout shares resulted in a gain of $148.7 million and $191.2 million, primarily resulting from changes in the company's stock price.

As none of the earnout Triggering Events have occurred as of September 30, 2024, no shares have been distributed.

Note 16 - Warrant liability

Immediately prior to the Closing Date, 2,966,670 of the 5,933,333 Private Placement Warrants were forfeited. The remaining 2,966,663 Private Placement Warrants were recognized as a liability on the Closing Date at fair value. The Private Placement Warrant liability is recognized in accordance with ASC 815 as a derivative liability and marked to market at each reporting period end. The change in fair value of the private placement warrant liability for the three and nine months ended September 30, 2024 resulted in a loss of $1.2 million and $0.1 million, respectively. For the three and nine months ended September 30, 2023 the change in fair value resulted in a gain of $0.3 million and a loss of $ 2.3 million, respectively. These changes are included in Change in fair value of derivative liabilities on the Condensed Consolidated Statement of Operations.

The Private Placement Warrants were valued using the following assumptions under the Monte Carlo method:

Inputs	September 30, 2024	December 31, 2023
Current stock price	$ 6.14	$ 8.43
Exercise price	$ 11.50	$ 11.50
Expected life (in years)	3.50	4.25
Risk-free interest rate	3.60 %	4.00 %
Expected volatility	50 %	40 %
Expected dividend yield	—	—

The Public Warrants were initially recognized as a liability on the Closing Date at a fair value. The Public Warrant liability is recognized in accordance with ASC 815 as a derivative liability and marked to market at each reporting period end. The change in fair value of the public warrant liability for the three and nine months ended September 30, 2024 resulted in a loss of $3.4 million and $0.3 million, respectively. For the three and nine months ended September 30, 2023, the change in fair value of the public warrant liability resulted in a gain of $0.3 million and loss of $ 4.4 million, respectively. These changes are included in Change in fair value of derivative liabilities on the Condensed Consolidated Statement of Operations.

Note 17 - Income taxes

The Company recognized an income tax benefit for the three and nine months ended September 30, 2024 of $ 43,527 and $1,071,039, respectively, as compared to an income tax expense of $1,735,839 and $2,372,300 for the three and nine months ended September 30, 2023. At the end of each interim period, the Company estimates the effective tax rate expected to be applicable for the full fiscal year and this rate is applied to the results for the year-to-date period, and then adjusted for any discrete period items. Excluding discrete items related to fair value adjustments on derivative liabilities, the Company's estimated effective tax rate as of September 30, 2024 is 17.0% as compared to 26.2% as of September 30, 2023. This differs from the federal statutory rate of 21.0% primarily due to state income tax expense and nondeductible expenses.

Note 18 - Employee benefit plan

Effective January 1, 2021, UHG sponsored an elective safe harbor 401(k) contribution plan covering substantially all employees who have completed three consecutive months of service. The plan provides that the Company will match up to the first 3% of the participant's base salary rate at 100% and 50% of the next 2% for a maximum contribution of 4%. In addition, participants become 100% vested with respect to employer contributions after completing six years of service starting in 2021. Administrative costs for the plan were paid by the Company.

Total contributions paid to the plans for UHG's employees for the three months ended September 30, 2024 and 2023 were approximately $84,942, and $51,570, respectively, and $256,818 and $168,682 for the nine months ended September 30, 2024 and 2023, respectively. These amounts are recorded in Selling, general and administrative expenses on the Condensed Consolidated Statements of Operations.

Note 19 - Earnings per share

The Company computes basic net earnings per share using net income attributable to Company common stockholders and the weighted average number of common shares outstanding during each period.

The weighted average number of shares of common stock outstanding prior to the Business Combination have been retroactively adjusted by the Exchange Ratio to give effect to the reverse recapitalization treatment of the Business Combination. The equity structure of the Company for the three and nine months ended September 30, 2024 and 2023 reflects the equity structure of DHHC, including the equity interests issued by DHHC to effect the business combination.

The following table sets forth the computation of the Company's basic and diluted net earnings per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	$ (7,339,235)	$ 150,842,687	$ 46,239,022	$ 191,701,118
Basic income available to common shareholders	$ (7,339,235)	$ 150,842,687	$ 46,239,022	$ 191,701,118
Effect of dilutive securities:				
Add back:				
Interest on Convertible Notes payable, net of tax	—	1,752,570	8,143,156	4,276,020
Change in fair value of stock options - liability classified, net of tax	—	(250,156)	(95,900)	(306,489)
Diluted income available to common shareholders	$ (7,339,235)	$ 152,345,101	$ 54,286,278	$ 195,670,649
Weighted-average number of common shares outstanding - basic	48,389,085	48,356,057	48,375,213	44,723,915
Effect of dilutive securities:				
Convertible Notes	—	16,000,000	14,336,917	8,379,450
Stock options - equity classified	—	—	365,389	206,271
Stock options - liability classified	—	43,259	37,480	70,894
Stock warrants	—	406,708	281,307	775,027
Restricted stock units	—	—	9,860	—
Weighted-average number of common shares outstanding - diluted	48,389,085	64,806,024	63,406,166	54,155,557
Net earnings per common share:				
Basic	$ (0.15)	$ 3.12	$ 0.96	$ 4.29
Diluted	$ (0.15)	$ 2.35	$ 0.86	$ 3.61

The following table summarizes potentially dilutive outstanding securities for the three months ended September 30, 2024 and 2023 that were excluded from the calculation of diluted EPS, because their effect would have been anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Stock warrants	237,427	—	—	—
Private placement warrants	2,966,663	2,966,663	2,966,663	23,618
Public warrants	8,625,000	8,625,000	8,625,000	68,664
Stock options - equity classified	4,864,266	3,914,673	4,419,683	—
Stock options - liability classified	109,796	—	25,167	—
Restricted stock units	55,005	14,477	33,691	4,826
Convertible Notes	14,336,918	—	—	—
Total anti-dilutive features	31,195,075	15,520,813	16,070,204	97,108

The Company's 21,886,379 Earnout Shares and 452,250 PSUs are excluded from the anti-dilutive table above for the three and nine months ended September 30, 2024 and 2023, as the underlying shares remain contingently issuable as the Earnout Triggering Events and performance-based conditions, respectively, have not been satisfied.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

References to the "Company," "UHG," "our," "us" or "we" refer to United Homes Group, Inc. The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and the notes thereto contained elsewhere in this report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements."

Overview

UHG designs, builds and sells homes in South Carolina, North Carolina and Georgia. The geographical markets in which UHG presently operates its homebuilding business are high-growth markets, with substantial in-migrations and employment growth. Prior to the Business Combination (discussed below), GSH's business historically consisted of both homebuilding operations and land development operations. In 2023, GSH separated its land development operations and homebuilding operations across separate entities in an effort to adopt best practices in the homebuilding industry associated with ownership and control of land and lots and production efficiency. Following the separation of the land development business, which is now primarily conducted by affiliated land development companies (collectively, the "Land Development Affiliates") that are outside of the corporate structure of UHG, it employs a land-light lot operating strategy, with a focus on the design, construction and sale of entry-level, first move-up and second move-up single-family houses. UHG principally builds detached single-family houses, and, to a lesser extent, attached single-family houses, including duplex houses and town houses.

UHG's pipeline currently consists of approximately 8,600 lots, which includes lots that are owned or controlled by related parties and which UHG expects to obtain the contractual right to acquire, in addition to lots that UHG may acquire from third party lot option contracts or land bank option contracts.

Since its founding in 2004, UHG has delivered approximately 15,000 homes and currently builds in 55 active subdivisions at prices that generally range from approximately $200,000 to approximately $600,000. For the three months ended September 30, 2024 and 2023, UHG had 341 and 272 net new orders, and generated approximately $118.6 million and $87.7 million in revenue on 369 and 283 closings, respectively. For the nine months ended September 30, 2024 and 2023, UHG had 1048 and 1,002 net new orders, and generated approximately $328.9 million and $304.6 million in revenue on 1,017 and 996 closings, respectively.

UHG's strategy to grow its business is multifaceted. UHG expects to grow organically, both arising out of its historical operations and through expansion of its business verticals. UHG's business verticals positioned to further drive the Company's growth include its mortgage joint venture Homeowners Mortgage, LLC (the "Joint Venture") and its build-to-rent ("BTR") platform, pursuant to which UHG will continue to work together with institutional investors for development of BTR communities. UHG expects that continued operation of the Joint Venture will add to UHG's revenue and EBITDA growth, improve buyer traffic conversion, and reduce backlog cancellation rates. In addition, UHG plans to continue to execute its external growth strategy, expanding into new markets and increasing community count via targeted acquisitions of complementary private homebuilders and homebuilding operations.

UHG revenues increased from approximately $87.7 million for the three months ended September 30, 2023 to $118.6 million for the three months ended September 30, 2024. For the three months ended September 30, 2024, UHG generated net loss of approximately $7.3 million, which included $7.8 million related to the change in fair value of derivative liabilities, gross profit of 18.9%, adjusted gross profit of 20.6%, and adjusted EBITDA margin of 7.6%, representing a decrease of $158.1 million, a decrease of 0.9%, a decrease of 1.5%, and a decrease of 2.4%, respectively, from the three months ended September 30, 2023.

UHG revenues increased from approximately $304.6 million for the nine months ended September 30, 2023 to $328.9 million for the nine months ended September 30, 2024. For the nine months ended September 30, 2024, UHG generated net income of approximately $46.2 million, which included $50.7 million related to the change in fair value of derivative liabilities, gross profit of 17.7%, adjusted gross profit of 20.7%, and adjusted EBITDA margin of 7.3%, representing decrease of $145.5 million, a decrease of 1.4%, a decrease of 0.5%, and a decrease of 2.7%, respectively, from the nine months ended September 30, 2023.

Adjusted gross profit, EBITDA, adjusted EBITDA, and EBITDA margin are not financial measures under generally accepted accounting principles in the United States of America ("GAAP"). See "*Non-GAAP Financial Measures*" for an explanation of how UHG computes these non-GAAP financial measures and for reconciliations to the most directly comparable GAAP financial measure.

In recent years the homebuilding industry has faced headwinds due to macro-economic factors, such as rising inflation and the Federal Reserve's response of raising interest rates beginning in March 2022 and continuing through July 2023. As a result, new home demand has been negatively impacted by affordability concerns from higher mortgage rates. In response to softer demand for new homes, UHG introduced additional sales incentives, mostly in the form of buyer financing incentives such as mortgage rate buy downs, mortgage forward commitments, or cash incentives applied against closing costs. While the Federal Reserve reduced its federal funds rate in September 2024, the 10-year Treasury Yield has increased, resulting in mortgage rates remaining elevated. While UHG cannot predict the extent to which the aforementioned factors will impact its performance, it believes that its land-light business model positions it well to effectively navigate market volatility.

Business Combination

On March 30, 2023 (the "Closing Date"), UHG consummated the previously announced business combination (the "Business Combination") contemplated by the Business Combination Agreement, dated as of September 10, 2022 (the "Business Combination Agreement"), by and among DiamondHead Holdings Corp., a Delaware corporation ("DHHC" and, after the consummation of the Business Combination, United Homes Group, Inc. ("UHG" or the "Company")), Hestia Merger Sub, Inc., a South Carolina corporation and wholly owned subsidiary of DHHC ("Merger Sub"), and Great Southern Homes, Inc., a South Carolina corporation ("GSH"). Pursuant to the terms of the Business Combination Agreement, Merger Sub merged with and into GSH, with GSH surviving the merger as a wholly owned subsidiary of the Company. In connection with the consummation of the Business Combination on the Closing Date, DHHC changed its name from DHHC to United Homes Group, Inc.

Unless otherwise indicated or the context otherwise requires, references in this quarterly report on Form 10-Q to "Legacy UHG" refer to the homebuilding operations of GSH prior to the consummation of the Business Combination.

Prior to the Closing Date, Legacy UHG's historical financial records, including the historical financial position, results of operations, and cash flows of Legacy UHG were prepared on a carve-out basis in accordance with GAAP. The carve-out methodology was used since Legacy UHG's inception until the Closing date. Refer to *Note 1 - Nature of operations and basis of presentation* of the Notes to the Condensed Consolidated Financial Statements included elsewhere in this quarterly report for more information on the Business Combination and Basis of Presentation.

Recent Developments

Creekside Custom Homes Acquisition

On January 26, 2024, the Company completed the acquisition of selected assets of Creekside Custom Homes, LLC, a South Carolina corporation ("Creekside") (the "Creekside Acquisition") for $12,742,895 in cash. In the preliminary purchase allocation, UHG recognized the excess purchase price over the fair value of the net assets acquired as goodwill of $3,573,040. The goodwill arising from the acquisition consists largely of the expected synergies from expanding the Company's market presence in South Carolina and the experience and reputation of the acquired management team. The remaining basis is primarily comprised of the fair value of inventory, lot purchase agreement deposits acquired, and intangible assets of $10,478,116, $3,055,500, and $442,000 respectively, offset by $4,825,761 of liabilities acquired.

Components of Results of Operations

There have been no material changes to the components of our results of operations described in *Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations* of the most recent Annual Report filed with the SEC.

Results of Operations

Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

The following table presents summary results of operations for the periods indicated:

	Three Months Ended September 30,			
	2024	2023	Amount Change	% Change
Statements of Operations				
Revenue, net of sales discounts	$ 118,643,955	$ 87,728,091	$ 30,915,864	35.2 %
Cost of sales	96,260,928	70,317,796	25,943,132	37.0 %
Selling, general and administrative expense	18,690,057	13,629,713	5,060,344	37.5 %
Other expense, net	(3,710,079)	(1,199,140)	(2,510,939)	209.4 %
Equity in net earnings from investment in joint venture	419,312	293,923	125,389	42.7 %
Change in fair value of derivative liabilities	(7,784,965)	149,703,161	(157,488,126)	(105.2)%
(Loss) Income before taxes	$ (7,382,762)	$ 152,578,526	$ (159,961,288)	(104.8)%
Income tax (benefit) expense	(43,527)	1,735,839	(1,779,366)	(102.5)%
Net (loss) income	$ (7,339,235)	$ 150,842,687	$ (158,181,922)	(104.8)%
Other Financial and Operating Data:				
Active communities at end of period [(a)]	55	53	2	3.8 %
Home closings	369	283	86	30.4 %
Average sales price of homes closed [(b)]	$ 320,199	$ 315,836	$ 4,363	1.4 %
Net new orders (units)	341	272	69	25.4 %
Cancellation rate	12.8 %	14.7 %	(1.9)%	(12.9)%
Backlog	220	282	(62)	(22.0)%
Gross profit	$ 22,383,027	$ 17,410,295	$ 4,972,732	28.7 %
Gross profit % [(c)]	18.9 %	19.8 %	(0.9)%	(4.5)%
Adjusted gross profit [(d)]	$ 24,480,958	$ 19,388,940	$ 5,092,018	26.3 %
Adjusted gross profit % [(c)]	20.6 %	22.1 %	(1.5)%	(6.8)%
EBITDA[(d)]	$ (1,634,820)	$ 156,561,832	$ (158,196,652)	(101.0)%
EBITDA margin % [(c)]	(1.4)%	178.5 %	(179.9)%	(100.8)%
Adjusted EBITDA [(d)]	$ 8,978,713	$ 8,797,192	$ 181,521	2.1 %
Adjusted EBITDA margin % [(c)]	7.6 %	10.0 %	(2.4)%	(24.0)%

(a) UHG had ten and six communities in closeout for the three months ended September 30, 2024 and 2023. These communities are not included in the count of "Active communities at end of period."

(b) Average sales price of homes closed, excluding the impact of percentage of completion revenues and build to rent revenues.

(c) Calculated as a percentage of revenue

(d) Adjusted gross profit, EBITDA and adjusted EBITDA are non-GAAP financial measures. For definitions of adjusted gross profit, EBITDA and adjusted EBITDA and a reconciliation to the most directly comparable financial measures calculated and presented in accordance with GAAP, see "*Non-GAAP Financial Measures.*"

Revenues: Revenues for the three months ended September 30, 2024 were $118.6 million, an increase of $30.9 million, or 35.2%, from $87.7 million for the three months ended September 30, 2023 . The increase in revenues was primarily attributable to the increase in production-built home closings and an increase in average sales price of production-built homes. The increase in the number of home closings was primarily due the Company's increased sales efforts, particularly on finished inventory. The average sales price of production-built homes closed for the three months ended September 30, 2024 was $320,199, an increase of $4,363, or 1.4%, from the average sales price of production-built homes closed of $315,836 for the three months ended September 30, 2023 .

Cost of Sales and Gross Profit: Cost of sales for the three months ended September 30, 2024 was $96.3 million, an increase of $26.0 million, or 37.0%, from $70.3 million for the three months ended September 30, 2023 . The increase in Cost of sales was largely attributable to an increase in number of homes closed. UHG closed 369 homes during the three months ended September 30, 2024, an increase of 86 home closings, or 30.4%, as compared to 283 homes closed during the three months ended September 30, 2023 .

Gross profit for the three months ended September 30, 2024 was $22.4 million, an increase of $5.0 million, or 28.7%, from $17.4 million for the three months ended September 30, 2023. Gross profit as a percentage of revenue for the three months ended September 30, 2024 was 18.9%, a decrease of 0.9%, as compared 19.8% for the three months ended September 30, 2023. The decrease is attributable to higher cost of sales due to: i) higher level of incentives; and ii) amortization of purchase price accounting adjustments related to our acquisitions, partially offset by a reduction in non-recurring remediation costs.

Adjusted Gross Profit: Adjusted gross profit, a non-GAAP measure, is gross profit less capitalized interest expensed in cost of sales, amortization included in homebuilding cost of sales (primarily adjustments resulting from the application of purchase accounting in connection with acquisitions), severance costs, abandoned project costs, and non-recurring remediation costs. Adjusted gross profit for the three months ended September 30, 2024 was $24.5 million, an increase of $5.1 million, or 26.3%, as compared to $19.4 million for the three months ended September 30, 2023. Adjusted gross profit as a percentage of revenue for the three months ended September 30, 2024 was 20.6%, a decrease of 1.5%, as compared to 22.1% for the three months ended September 30, 2023. The decrease in adjusted gross profit as a percentage of revenue was attributable to slightly higher costs of sales which was driven by higher incentives. Adjusted gross profit is a non-GAAP financial measure. For the definition of adjusted gross profit and a reconciliation to UHG's most directly comparable financial measure calculated and presented in accordance with GAAP, see *"Non-GAAP Financial Measures."*

Selling, General and Administrative Expense: Selling, general and administrative expense for the three months ended September 30, 2024 was $18.7 million, an increase of $5.1 million, or 37.5%, from $13.6 million for the three months ended September 30, 2023. The increase in selling, general and administrative expense was primarily attributable to an increase of $2.1 million in salaries, wages, and related expenses due to increased headcount from acquisitions, an increase of $2.1 million in commission expense due to an increase in home closings, an increase of $0.5 million in stock compensation expense, and an increase of $0.2 million in advertising costs.

Other Expense, Net: Total Other expense, net for the three months ended September 30, 2024 was $3.7 million, an increase of $2.5 million, from $1.2 million for the three months ended September 30, 2023. The increase in Other expense, net was primarily attributable to a decrease in investment income related to lower cash balances of $0.6 million and an increase in interest expense of $1.6 million.

Equity in Net Earnings from Investment in Joint Venture: Equity in net earnings from investment in joint venture for the three months ended September 30, 2024 was $0.4 million, an increase of $0.1 million, from $0.3 million for the three months ended September 30, 2023.

Change in Fair Value of Derivative Liabilities: Change in fair value of derivative liabilities for the three months ended September 30, 2024 was a loss of $7.8 million as compared to a gain of $149.7 million for the three months ended September 30, 2023. Under ASC 815, derivative liabilities are marked to market each reporting period with changes recognized as gains or losses on the Condensed Consolidated Statement of Operations. The overall decrease is primarily attributable to changes in the fair value of the Earnout Shares, which fluctuates each period due to changes in the Company's stock price.

Income Tax (Benefit) Expense: Income tax benefit for the three months ended September 30, 2024 was de minimis as compared to an expense of $1.7 million for the three months ended September 30, 2023. The Company estimates the effective tax rate expected to be applicable for the full fiscal year and this rate is applied to the results for the year-to-date period, and then adjusted for any discrete period items. The Company's estimated annual effective tax rate for the September 30, 2024 is 17.0% as compared to 26.2% as of September 30, 2023.

Net (Loss) Income: Net loss for the three months ended September 30, 2024 was $7.3 million, a decrease of $158.1 million, or 104.8%, from $150.8 million of income for the three months ended September 30, 2023. The decrease in Net income was primarily attributable to the decrease in income before taxes of $160.0 million, or 104.8%, during the three months ended September 30, 2024 as compared to the three months ended September 30, 2023. This decrease is primarily attributable to the change in fair value of derivative liabilities, partially offset by a decrease in income tax expense of $1.8 million, during the three months ended September 30, 2024 as compared to the three months ended September 30, 2023.

Net New Orders: Net new orders for a period is gross sales of homes less any customer cancellations received during the same period. Sales are recognized when a customer signs a contract and UHG approves such contract. Net new orders for the three months ended September 30, 2024 were 341 units, an increase of 69 units, or 25.4%, from 272 units for the three months ended September 30, 2023.

Cancellation Rate: The cancellation rate is the total cancellations during the period divided by the total number of new sales for homes during the period. The cancellation rate for the three months ended September 30, 2024 was 12.8%, a decrease of 1.9%, from 14.7% for the three months ended September 30, 2023.

Backlog: Backlog consists of homes sold but not yet closed with customers. Backlog represents the number of homes in backlog from the previous period plus sales of homes during the current period less cancellations of existing sales contracts and home closings during the current period. A portion of the homes in backlog will not result in homes delivered due to cancellations. Backlog for the three months ended September 30, 2024 was 220 units, a decrease of 62 units, or 22.0%, from 282 units for the three months ended September 30, 2023 .

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

The following table presents summary results of operations for the periods indicated:

	Nine Months Ended September 30,			
	2024	2023	Amount Change	% Change
Statements of Operations				
Revenue, net of sales discounts	$ 328,902,237	$ 304,646,422	$ 24,255,815	8.0 %
Cost of sales	270,847,467	246,540,874	24,306,593	9.9 %
Selling, general and administrative expense	55,358,040	46,652,432	8,705,608	18.6 %
Other expense, net	(9,255,039)	(3,291,755)	(5,963,284)	181.8 %
Equity in net earnings from investment in joint venture	1,075,983	930,405	145,578	15.6 %
Change in fair value of derivative liabilities	50,650,309	184,981,652	(134,331,343)	(72.6)%
Income before taxes	$ 45,167,983	$ 194,073,418	$ (148,905,435)	(76.7)%
Income tax (benefit) expense	(1,071,039)	2,372,300	(3,443,339)	(145.1)%
Net income	$ 46,239,022	$ 191,701,118	$ (145,462,096)	(75.9)%
Other Financial and Operating Data:				
Active communities at end of period (a)	55	53	2	3.8 %
Home closings	1,017	996	21	2.1 %
Average sales price of homes closed (b)	$ 331,111	$ 314,232	$ 16,879	5.4 %
Net new orders (units)	1,048	1,002	46	4.6 %
Cancellation rate	11.6 %	14.6 %	(3.0)%	(20.5)%
Backlog	220	282	(62)	(22.0)%
Gross profit	$ 58,054,770	$ 58,105,548	$ (50,778)	(0.1)%
Gross profit % (c)	17.7 %	19.1 %	(1.4)%	(7.3)%
Adjusted gross profit (d)	$ 67,939,944	$ 64,630,992	$ 3,308,952	5.1 %
Adjusted gross profit % (c)	20.7 %	21.2 %	(0.5)%	(2.4)%
EBITDA (d)	$ 62,858,105	$ 206,490,991	$ (143,632,886)	(69.6)%
EBITDA margin % (c)	19.1 %	67.8 %	(48.7)%	(71.8)%
Adjusted EBITDA (d)	$ 23,922,370	$ 30,423,664	$ (6,501,294)	(21.4)%
Adjusted EBITDA margin % (c)	7.3 %	10.0 %	(2.7)%	(27.0)%

(a) UHG had ten and six communities in closeout for the nine months ended September 30, 2024 and 2023. These communities are not included in the count of “Active communities at end of period.”

(b) Average sales price of homes closed, excluding the impact of percentage of completion revenues and build to rent revenues.

(c) Calculated as a percentage of revenue

(d) Adjusted gross profit, EBITDA and adjusted EBITDA are non-GAAP financial measures. For definitions of adjusted gross profit, EBITDA and adjusted EBITDA and a reconciliation to the most directly comparable financial measures calculated and presented in accordance with GAAP, see “ UHG's *Management's Discussion and Analysis of Financial Condition and Result of Operations—Non-GAAP Financial Measures.* ”

Revenues: Revenues for the nine months ended September 30, 2024 were $328.9 million, an increase of $24.3 million, or 8.0%, from $304.6 million for the nine months ended September 30, 2023. The increase in revenues was primarily attributable to the increase in production-built home closings and an increase in average sales price of production-built homes. The increase in the number of home closings was due to the Company's increased sales efforts in the third quarter, particularly on finished inventory. The average sales price of production-built homes closed for the nine months ended September 30, 2024 was $331,111, an increase of $16,879, or 5.4%, from the average sales price of production-built homes closed of $314,232 for the nine months ended September 30, 2023 . The increase is primarily attributable to the product mix from acquisitions.

Cost of Sales and Gross Profit: Cost of sales for the nine months ended September 30, 2024 was $270.8 million, an increase of $24.3 million, or 9.9%, from $246.5 million for the nine months ended September 30, 2023. The increase in Cost of sales was largely attributable to an increase in incentives, primarily in the form of mortgage rate buydowns and closing costs, coupled with more home closings. UHG closed 1,017 homes during the nine months ended September 30, 2024, an increase of 21 home closings, or 2.1%, as compared to 996 homes closed during the nine months ended September 30, 2023.

Gross profit for the nine months ended September 30, 2024 and 2023 was consistent at $58.1 million. Gross profit as a percentage of revenue for the nine months ended September 30, 2024 was 17.7%, a decrease of 1.4%, as compared 19.1% for the nine months ended September 30, 2023. The decrease is attributable to higher cost of sales due to: i) higher level of incentives, ii) amortization of purchase price accounting adjustments related to our acquisitions; iii) certain non-recurring costs, such as severance costs from the June 2024 workforce reduction and abandoned project costs; and iv) higher interest expense in cost of sales.

Adjusted Gross Profit: Adjusted gross profit for the nine months ended September 30, 2024 was $67.9 million, an increase of $3.3 million, or 5.1%, as compared to $64.6 million for the nine months ended September 30, 2023. Adjusted gross profit as a percentage of revenue for the nine months ended September 30, 2024 was 20.7%, a decrease of 0.5%, as compared to 21.2% for the nine months ended September 30, 2023. The decrease in adjusted gross profit as a percentage of revenue was attributable to higher costs of sales which was driven by higher incentives. Adjusted gross profit is a non-GAAP financial measure. For the definition of adjusted gross profit and a reconciliation to UHG's most directly comparable financial measure calculated and presented in accordance with GAAP, see *"Non-GAAP Financial Measures."*

Selling, General and Administrative Expense: Selling, general and administrative expense for the nine months ended September 30, 2024 was $55.4 million, an increase of $8.7 million, or 18.6%, from $46.7 million for the nine months ended September 30, 2023. The increase in selling, general and administrative expense was primarily attributable to an increase of $3.3 million in salaries, wages, and related expenses due to increased headcount from public company executives and acquisitions, an increase of $2.4 million in commission expense due to an increase in home closings, an increase of $1.2 million related to severance costs associated with the June 2024 workforce reduction, an increase of $0.9 million in public company expenses to support the Company's growth and meet the regulatory standards of a public company, and an increase of $0.8 million in advertising costs.

Other Expense, Net: Total other expense, net for the nine months ended September 30, 2024 was $9.3 million of expense, an increase of $6.0 million, or 181.8%, from $3.3 million for the nine months ended September 30, 2023. The increase of $6.0 million in other expense, net was primarily attributable to an increase in interest expense of $3.9 million partially from the issuance of the Convertible Notes in March 2023 and a decrease in investment and rebate income of $1.7 million primarily from lower cash balances.

Equity in Net Earnings from Investment in Joint Venture: Equity in net earnings from investment in joint venture for the nine months ended September 30, 2024 was $1.1 million, an increase of $0.2 million, from $0.9 million for the nine months ended September 30, 2023 .

Change in Fair Value of Derivative Liabilities: Change in fair value of derivative liabilities for the nine months ended September 30, 2024 was a gain of $50.7 million as compared to $185.0 million for the nine months ended September 30, 2023. Under ASC 815, derivative liabilities are marked to market each reporting period with changes recognized on the Condensed Consolidated Statement of Operations. The overall increase is primarily attributable to changes in the fair value of the Earnout Shares, which fluctuates each period due to changes in the Company's stock price.

Income Tax (Benefit) Expense: Income tax benefit for the nine months ended September 30, 2024 was $1.1 million as compared to an expense of $2.4 million for the nine months ended September 30, 2023. The Company estimates the effective tax rate expected to be applicable for the full fiscal year and this rate is applied to the results for the year-to-date period, and then adjusted for any discrete period items. The Company's estimated annual effective tax rate for the September 30, 2024 is 17.0% as compared to 26.2% as of September 30, 2023.

Net Income: Net income for the nine months ended September 30, 2024 was $46.2 million, a decrease of $145.5 million, or 75.9%, from $191.7 million for the nine months ended September 30, 2023. The decrease in Net income was primarily attributable to the decrease in income before taxes of $148.9 million, or 76.7%, during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023. This decrease is primarily attributable to the change in fair value of derivative liabilities and an increase in selling, general, and administrative expense, partially offset by a decrease in income tax expense of $3.4 million, during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023.

Net New Orders: Net new orders for the nine months ended September 30, 2024 was 1,048 units, an increase of 46 units, or 4.6%, from 1,002 units for the nine months ended September 30, 2023 .

Cancellation Rate: The cancellation rate for the nine months ended September 30, 2024 was 11.6%, a decrease of 3.0%, from 14.6% for the nine months ended September 30, 2023 .

Non-GAAP Financial Measures

Adjusted Gross Profit

Adjusted gross profit is a non-GAAP financial measure used by management of the Company as a supplemental measure in evaluating operating performance. The Company defines adjusted gross profit as gross profit excluding the effects of capitalized interest expensed in cost of sales, amortization included in homebuilding cost of sales (primarily adjustments resulting from the application of purchase accounting in connection with acquisitions), severance expense in cost of sales, abandoned project costs, and non-recurring remediation costs. The Company's management believes this information is meaningful because it separates the impact that capitalized interest and non-recurring costs directly expensed in cost of sales have on gross profit to provide a more specific measurement of the Company's gross profits. However, because adjusted gross profit information excludes certain balances expensed in cost of sales, which have real economic effects and could impact the Company's results of operations, the utility of adjusted gross profit information as a measure of the Company's operating performance may be limited. Other companies may not calculate adjusted gross profit information in the same manner that the Company does. Accordingly, adjusted gross profit information should be considered only as a supplement to gross profit information as a measure of the Company's performance.

The following table presents a reconciliation of adjusted gross profit to the GAAP financial measure of gross profit for each of the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue, net of sales discounts	$ 118,643,955	$ 87,728,091	$ 328,902,237	$ 304,646,422
Cost of sales	96,260,928	70,317,796	270,847,467	246,540,874
Gross profit	$ 22,383,027	$ 17,410,295	$ 58,054,770	$ 58,105,548
Interest expense in cost of sales	1,524,748	1,531,318	6,696,856	6,078,117
Amortization in homebuilding cost of sales [(a)]	573,183	—	2,434,356	—
Severance expense in cost of sales	—	—	324,540	—
Abandoned project costs	—	—	320,000	—
Non-recurring remediation costs	—	447,327	109,422	447,327
Adjusted gross profit	$ 24,480,958	$ 19,388,940	$ 67,939,944	$ 64,630,992
Gross profit % [(b)]	18.9 %	19.8 %	17.7 %	19.1 %
Adjusted gross profit % [(b)]	20.6 %	22.1 %	20.7 %	21.2 %

(a) Represents expense recognized resulting from purchase accounting adjustments

(b) Calculated as a percentage of revenue

EBITDA and Adjusted EBITDA

Earnings before interest, taxes, depreciation and amortization, or EBITDA, and adjusted EBITDA are supplemental non-GAAP financial measures used by management of the Company. The Company defines EBITDA as net income before (i) capitalized interest expensed in cost of sales, (ii) interest expensed in other (expense) income, net, (iii) depreciation and amortization, and (iv) taxes. The Company defines adjusted EBITDA as EBITDA before stock-based compensation expense, transaction cost expense, severance expense, abandoned project costs, non-recurring remediation costs, amortization included in homebuilding cost of sales (adjustments resulting from the application of purchase accounting in connection with acquisitions), change in fair value of derivative liabilities, and non-recurring loss on disposal of leasehold improvements. Management of the Company believes EBITDA and adjusted EBITDA are useful because they provide a more effective evaluation of UHG's operating performance and allow comparison of UHG's results of operations from period to period without regard to UHG's financing methods or capital structure or other items that impact comparability of financial results from period to period such as fluctuations in interest expense or effective tax rates, levels of depreciation or amortization, or unusual items. EBITDA and adjusted EBITDA should not be considered as alternatives to, or more meaningful than, net income or any other measure as determined in accordance with GAAP. UHG's computations of EBITDA and adjusted EBITDA may not be comparable to EBITDA or adjusted EBITDA of other companies.

The following table presents a reconciliation of EBITDA and adjusted EBITDA to the GAAP financial measure of net income for each of the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net (loss) income	$ (7,339,235)	$ 150,842,687	$ 46,239,022	$ 191,701,118
Interest expense in cost of sales	1,524,748	1,531,318	6,696,856	6,078,117
Interest expense in other expense, net	3,649,305	2,039,512	9,369,598	5,458,821
Depreciation and amortization	522,483	381,917	1,448,777	848,693
Taxes	7,879	1,766,398	(896,148)	2,404,242
EBITDA	$ (1,634,820)	$ 156,561,832	$ 62,858,105	$ 206,490,991
Stock-based compensation expense	1,567,945	1,106,014	4,918,036	6,015,700
Transaction cost expense	687,440	385,180	2,428,344	2,451,298
Severance expense	—	—	1,504,416	—
Abandoned project costs	—	—	320,000	—
Non-recurring remediation costs	—	447,327	109,422	447,327
Amortization in homebuilding cost of sales [(b)]	573,183	—	2,434,356	—
Change in fair value of derivative liabilities	7,784,965	(149,703,161)	(50,650,309)	(184,981,652)
Adjusted EBITDA	$ 8,978,713	$ 8,797,192	$ 23,922,370	$ 30,423,664
EBITDA margin [(a)]	(1.4)%	178.5 %	19.1 %	67.8 %
Adjusted EBITDA margin [(a)]	7.6 %	10.0 %	7.3 %	10.0 %

(a) Calculated as a percentage of revenue

(b) Represents expense recognized resulting from purchase accounting adjustment

Liquidity and Capital Resources

Overview

UHG funds its operations from its current cash holdings and cash flows generated by operating activities, as well as borrowings under the revolving credit facility ("Syndicated Line"), as further described below. As of September 30, 2024, UHG had approximately $25.8 million in cash and cash equivalents, a decrease of $30.9 million, from $56.7 million as of December 31, 2023. As of September 30, 2024 and December 31, 2023, UHG had approximately $63.2 million, and $24.4 million, respectively, in unused committed capacity under its revolving lines of credit, respectively.

As of the Closing Date, UHG received net proceeds from the Business Combination and the PIPE investments ("PIPE Investments") of approximately $94.4 million. UHG has used proceeds received from the Business Combination and the PIPE Investments for general corporate purposes, including corporate operating expenses and for the acquisitions of homebuilders which closed in 2023 and January of 2024. UHG believes that its current cash holdings including proceeds from the Business Combination and PIPE Investments, as well as cash generated from continuing operations, cash available under the Syndicated Line and cash obtained from land banking arrangements, will be sufficient to satisfy its short term and long term cash requirements for working capital to support its daily operations, meet current commitments under its contractual obligations, and support the potential acquisition of complementary businesses.

Cash flows generated by UHG's projects can differ materially in timing from its results of operations, as these depend upon the stage in the life cycle of each project. UHG generally relies upon its revolving lines of credit to fund building costs, and timing of draws is such that UHG may from time to time be in receipt of funds from the Syndicated Line in advance of such funds being utilized. UHG is generally required to make significant cash outlays at the beginning of a project related to lot purchases, permitting, and construction of homes, as well as ongoing property taxes. These costs are capitalized within UHG's real estate inventory and are not recognized in its operating income until a home sale closes. As a result, UHG incurs significant cash outflows prior to the recognition of associated earnings. In later stages of projects, cash inflows could exceed UHG's results of operations, as the cash outflows associated with land purchase and home construction and other expenses were previously incurred.

The Company’s strategy is to acquire developed lots through unrelated and related third party land developers and land bank partners pursuant to lot purchase agreements and land banking arrangements. When entering into these contracts, the Company agrees to purchase finished lots at predetermined prices, time frames, and quantities that match expected selling pace in the community. Most lot purchase agreements require the Company to pay a nonrefundable cash deposit of approximately 15% - 20% of the agreed-upon fixed purchase price of the developed lots. Refer to *Note 10 - Lot deposits* of the Notes to the Condensed Consolidated Financial Statements and “ *Off-Balance Sheet Arrangements”* for additional information.

Capital Resources

The Syndicated Line

The Syndicated Line provides for an aggregate commitment of up to $220.0 million, of which the Company had outstanding borrowings of $72.2 million as of September 30, 2024. The Syndicated Line also includes a $2.0 million letter of credit sub-facility under the same terms and conditions. The Company had $63.2 million of availability under the Syndicated Line, based on its borrowing base of $135.4 million. The borrowing base up to the aggregate commitment generates availability in accordance with the value of the collateral at a given point. The availability under the Syndicated Line, which impacts total liquidity, is reduced by outstanding letters of credit that are not fully cash collateralized. As of September 30, 2024, the Syndicated Line had a weighted average interest rate of 8.52% and will mature on August 2, 2027 except with respect to two non-extending lenders which represent $73.3 million of the committed amount and will mature August 10, 2026.

The Syndicated Line contains various customary representations, warranties by us and covenants that are described in *Note 8 - Homebuilding debt and other affiliate debt* of the Notes to the Condensed Consolidated Financial Statements contained in this report. As of September 30, 2024, the Company was in compliance with all covenants set forth in the Syndicated Line.

Other Homebuilding Debt

As a result of the Creekside acquisition, the Company assumed a series of construction loans with a financial institution. During the third quarter of 2024, the Company settled the remaining construction loans with the financial institution and did not recognize a gain or loss on extinguishment of debt as part of the transaction.

The Company had other borrowings with private investors totaling zero and $3.3 million as of September 30, 2024 and December 31, 2023, respectively, which are comprised of other notes payable and mortgage loans acquired in the normal course of business. During the second quarter of 2024, the Company settled the remaining private investor debt and recognized a loss on extinguishment of debt amounting to $0.1 million.

Convertible Notes

The Company entered into a Convertible Notes Agreement in connection with the closing of the Business Combination. The Notes have an outstanding balance of $69.6 million and $68.0 million, as of September 30, 2024 and December 31, 2023, respectively, and mature on March 30, 2028. The Notes bear interest at a rate of 15%. Future interest payments on the remaining outstanding Notes totaled approximately $53.2 million, with approximately $14.5 million due within the next twelve months. Refer to *Note 13 - Convertible Notes payable* of the Notes to the Condensed Consolidated Financial Statements contained in this report for additional information.

Leases

The Company leases several office spaces in South Carolina under operating lease agreements with related parties, and one office space in North Carolina with a third party. The office leases have a remaining lease term of up to five years, some of which include options to extend on a month-to-month basis, and some of which include options to terminate the lease. These options are excluded from the calculation of the ROU asset and lease liability until it is reasonably certain that the option will be exercised. As of September 30, 2024, the future minimum lease payments required under these leases totaled $3.1 million, with $0.9 million payable within the next twelve months . Further information regarding Company’s leases is provided in *Note 12 - Commitments and contingencies* of the Notes to the Condensed Consolidated Financial Statements.

Cash Flows

The following table summarizes UHG's cash flows for the periods indicated:

	Nine Months Ended September 30,	
	2024	2023
Net cash flows (used in) provided by operating activities	$ (11,960,320)	$ 45,488,584
Net cash flows used in investing activities	(12,716,435)	(2,097,455)
Net cash flows (used in) provided by financing activities	(6,176,560)	25,613,741

Operating Activities

Net cash flows used in operating activities during the nine months ended September 30, 2024 was $12.0 million, as compared to cash flows provided of $45.5 million for the nine months ended September 30, 2023. The difference in cash flows period over period is a decrease of $57.5 million. This change is primarily attributable to a decrease in cash provided by net income adjusted for non-cash transactions of $11.5 million and an increase in cash used by a change in accounts payable of $20.6 million, a decrease in cash provided by inventory of $31.0 million, partially offset by a decrease in cash used by other accrued expenses and liabilities of $4.6 million.

Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2024 was attributable to cash paid to acquire the homebuilding assets of Creekside Custom Homes of $12.7 million. Net cash used in investing activities for the nine months ended September 30, 2023 was attributable to cash paid to acquire certain assets of Herring Homes of $2.2 million.

Financing Activities

Net cash used in financing activities for the nine months ended September 30, 2024 was $6.2 million compared to net cash provided by financing activities of $25.6 million for the nine months ended September 30, 2023 . The difference in cash flows period over period is $31.8 million. During the nine months ended September 30, 2024 cash flows used in financing activities was primarily attributable to repayment of homebuilding debt and land banking arrangements of $79.2 million, partially offset by proceeds from homebuilding debt and land banking arrangements, net of debt issuance costs, of $73.0 million. In contrast, during the nine months ended September 30, 2023 , cash flows provided by financing activities included cash received of $94.4 million as a result of the Business Combination, PIPE, and recapitalization transactions, partially offset by the net repayment of homebuilding debt of $50.7 million and distributions and net transfers to shareholders and Other Affiliates of $17.9 million.

Critical Accounting Estimates

There have been no significant changes to the Company's critical accounting policies during the nine months ended September 30, 2024 as compared to those disclosed in *Management's Discussion and Analysis of Financial Condition and Results of Operations* included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, aside from those included below.

Stock-Based Compensation

As of September 30, 2024, the Company has four types of stock-based compensation outstanding: stock options, restricted stock units ("RSUs"), performance-based restricted stock units ("PSUs") with a market condition and stock warrants. Stock option, RSU, and PSU awards are expensed on a straight-line basis over the requisite service period of the entire award from the date of grant through the period of the last separately vesting portion of the grant. For grants that include graded vesting and either a market or performance condition, the Company utilizes the graded vesting method to recognize compensation expense. The Company accounts for forfeitures when they occur. The Company's stock warrant awards do not contain a service condition and are expensed on the grant date.

The fair value of stock option awards, granted or modified, is determined on the grant date (or modification or acquisition dates, if applicable) at fair value, using the Black-Scholes option pricing model. The fair value and requisite service period of PSU awards with a market condition are determined using a Monte Carlo simulation model. These models require the input of highly subjective assumptions, including the option's expected term and stock price volatility. The grant date fair value of the RSUs is the closing price of UHG's common stock on the date of the grant. Refer to *Note*

14 - Stock-based compensation of the Notes to the Consolidated Financial Statements contained in this report for additional information.

Real Estate Inventory Not Owned

In limited circumstances, the Company may transfer developed lots it owns to a land banker and simultaneously enter into an option contract to repurchase those lots. In this instance, consistent with ASC 606, the Company is required to continue recognizing the finished lots sold on its Condensed Consolidated Balance Sheets as the transaction is accounted for as a financing arrangement rather than a sale. At the time the Company sells finished lots to the land banker and simultaneously enters into option contracts to repurchase those finished lots, the net cash received by the land banker represents approximately 80% of the carrying value of the associated finished lots. In these circumstances, management determined it holds a variable interest in the land banker through its potential to absorb some of the third-party's first dollar risk of loss by not receiving an amount equal to or greater than the value of the associated finished lots the Company continues to recognize on its Condensed Consolidated Balance Sheets as Real estate inventory not owned. Management determined that the land banker is a VIE, however, the Company is not the primary beneficiary of the VIE as it does not have the power to direct the VIE's significant activities related to land development.

Off-Balance Sheet Arrangements

Land-Light Acquisition Strategy

The Company's land-light strategy is accomplished in two ways - lot option contracts with unrelated third party and related party land developers and land bank option contracts. These option contracts grant the right, but not the obligation, to purchase land or lots at a future point in time at predetermined prices from various land developers and land bank partners. The Company has the right to cancel or terminate the option contracts at any time for any reason. The legal obligation and economic loss resulting from a cancellation or termination is limited to the amount of the deposits paid pursuant to such option contracts as well as capitalized pre-acquisition costs such as lot option fees paid to the land bank partner. In certain circumstances, the Company may have a completion obligation under development agreements with land bankers where the Company may be at-risk for certain cost overruns.

UHG's pipeline currently consists of approximately 8,600 lots, which includes lots that are owned or controlled by related parties, and which UHG expects to obtain the contractual right to acquire, in addition to lots that UHG may acquire from third party lot option contracts or land bank option contracts. The risk of loss pertaining to the aggregate purchase price of contractual commitments resulting from non-performance under finished lot purchase agreements is limited to approximately $45.7 million in Lot deposits and $2.9 million of capitalized pre-acquisition costs in Inventories as of September 30, 2024.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

UHG's operations are interest rate sensitive. As overall housing demand is adversely affected by increases in interest rates, a significant increase in interest rates may negatively affect the ability of homebuyers to secure adequate financing. Higher interest rates could adversely affect UHG's revenues, gross profits and net income.

UHG is subject to market risk on its debt instruments primarily due to fluctuations in interest rates. UHG utilizes both fixed-rate and variable-rate debt. For fixed-rate debt, changes in interest rates generally affect the fair value of the debt instrument but not earnings or cash flows. Conversely, for variable-rate debt, changes in interest rates generally do not impact the fair value of the debt instrument, but may affect the Company's future earnings and cash flows. UHG has not entered into, nor does it intend to enter into in the future, derivative financial instruments for trading or speculative purposes or to hedge against interest rate fluctuations.

The interest rate on the borrowings under the Syndicated Line is based upon adjusted daily simple SOFR plus an applicable margin ranging between 275 basis points and 350 basis points, based upon UHG's leverage ratio. Therefore, UHG is exposed to market risks related to fluctuations in interest rates on its outstanding debt under the Syndicated Line. As of September 30, 2024, UHG had $72.2 million outstanding under the Syndicated Line, which carried a weighted average interest rate of 8.52%. A 100 basis point increase in overall interest rates would negatively affect the Company's net income by approximately $0.7 million.

The fair value of the outstanding Notes is subject to market risk and other factors due to the convertible features. The Notes are convertible at the holder's option into UHG Class A Common Shares at any time after March 30, 2024 through March 30, 2028, at $5.58 per share. Going forward, the fair value of the Notes will generally increase as the common stock price increases and will generally decrease as the common stock price declines in value. The Notes are carried at amortized cost and the fair value is presented for disclosure purposes only. The interest and market value changes affect the fair value of the Notes, but do not impact UHG's financial position, cash flows, or results of operations due to the fixed nature of the debt obligation.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

A company's internal controls over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

As of December 31, 2023, UHG identified material weaknesses in its internal controls in the following areas: ineffective tax review controls; lack of second level reviews in business processes; lack of formal control review and documentation required by COSO principles; ineffective Information Technology General Controls ("ITGCs") related to certain systems, applications, and tools used for financial reporting; and the Company did not establish effective user access and segregation of duties controls across financially relevant functions. During 2024 UHG identified a new material weakness around the timely execution of a related party lease transaction upon approval by the Related Party Transactions Committee.

Each of the material weaknesses described above involve control deficiencies that could result in a misstatement of one or more account balances or disclosures that would result in a material misstatements to the UHG financial statements that would not be prevented or detected, and, accordingly, it has determined that these control deficiencies constitute material weaknesses.

UHG is currently in the process of implementing measures and has taken the below steps to address the underlying causes of these material weaknesses and the control deficiencies.

- reviewing and enhancing its system of internal controls across all departments to ensure that financial statement line items and disclosures are addressed by sufficiently precise controls;
- continuing to enhance the adoption of the COSO framework in order to develop and deploy control activities and assess the effectiveness of internal controls over financial reporting;
- assessing and updating its internal controls related to the financial statement review process, including review controls over manual journal entries and account reconciliations;
- evaluating and improving IT general controls over information systems relevant to financial reporting, including privileged access and segregation of duties;
- realigning existing personnel and adding both internal and external personnel to strengthen management's review and documentation over internal control over financial reporting;
- implementing a more thorough second level review process over the tax provision; and
- ensuring timely execution of related party transactions upon approval from the Related Party Transactions Committee.

UHG will continue to review and improve its internal controls over financial reporting to address the underlying causes of the material weaknesses and control deficiencies. Such material weaknesses and control deficiencies will not be remediated until UHG's remediation plan has been fully implemented, and it has concluded that its internal controls are operating effectively for a sufficient period of time.

UHG cannot be certain that the steps it is taking will be sufficient to remediate the control deficiencies that led to its material weaknesses in its internal control over financial reporting or prevent future material weaknesses or control deficiencies from occurring. In addition, UHG cannot be certain that it has identified all material weaknesses and control deficiencies in its internal control over financial reporting or that in the future it will not have additional material weaknesses or control deficiencies in its internal control over financial reporting.

Changes in Internal Control over Financial Reporting

Except for the efforts to begin remediating the material weaknesses described above, there were no changes during the quarter ended September 30, 2024 in UHG's internal control over financial reporting that have materially affected, or are reasonably likely to material affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to *Note 12 - Commitments and contingencies*, incorporated herein by reference, to the Company's Condensed Consolidated Financial Statements included elsewhere in this report.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in Part I, Item 1A in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. We may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) During the quarter ended September 30, 2024, there were no unregistered sales of our securities that were not reported in a Current Report on Form 8-K.

(b) None.

(c) None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

(a) None.

(b) None.

(c) None.

Item 6. Exhibits

The exhibits required to be filed with this report are set forth on the Exhibit Index hereto and incorporated by reference herein.

EXHIBIT INDEX

The following exhibits are included in this report on Form 10-Q for the period ended September 30, 2024 (and are numbered in accordance with Item 601 of Regulation S-K).

Exhibit No.	Description
2.1†	Business Combination Agreement, dated September 10, 2022, by and between DiamondHead Holdings Corp., Merger Sub and Great Southern Homes, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form S-4 filed on February 9, 2023)
3.1	Amended and Restated Certificate of Incorporation of United Homes Group, Inc. (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed on April 5, 2023)
3.2	Amended and Restated Bylaws of United Homes Group, Inc. (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K filed on April 5, 2023)
4.1	Warrant Agreement, dated January 25, 2021, by and between American Stock Transfer & Trust Company and DiamondHead Holdings Corp. (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 25, 2021)
4.2	Senior Convertible Promissory Note, dated March 30, 2023, by and between the Company and Conversant Opportunity Master Fund LP (incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-1 filed on April 28, 2023)
4.3	Senior Convertible Promissory Note, dated March 30, 2023, by and between the Company and Dendur Master Fund Ltd. (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-1 filed on April 28, 2023)
10.1	Third Amendment to the Second Amended and Restated Credit Agreement and Omnibus Amendment to Loan Documents, dated as of August 2, 2024, among United Homes Group, Inc., Great Southern Homes, Inc., Rosewood Communities, Inc., Wells Fargo Bank, National Association, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 8, 2024)
31.1*	Certification of Principal Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002
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)

* Filed or furnished herewith.

† Certain of the exhibits and schedules to the Exhibit have been omitted in accordance with Regulation S-K Item 601(a)(5). The Company agrees to furnish a copy of all omitted exhibits and schedules to the SEC upon its request.

Certain instruments defining rights of holders of long-term debt of the company and its consolidated subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. Upon request, the company agrees to furnish to the SEC copies of such instruments.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITED HOMES GROUP, INC.

(Registrant)

Dated: November 12, 2024

By: /s/ Keith Feldman

Keith Feldman

Chief Financial Officer

(Principal Financial and Accounting Officer)

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James M. Pirrello, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of United Homes Group, Inc.;

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: November 12, 2024	By:	/s/ James M. Pirrello
		James M. Pirrello
		Interim Chief Executive Officer
		(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Keith Feldman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of United Homes Group, Inc.;

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: November 12, 2024

By: /s/ Keith Feldman
Keith Feldman
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADDED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Quarterly Report on Form 10-Q of United Homes Group, Inc. for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission (the “Report”), I, James M. Pirrello, Interim Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as added by §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Date: November 12, 2024	By:	/s/ James M. Pirrello
		James M. Pirrello
		Interim Chief Executive Officer
		(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADDED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report on Form 10-Q of United Homes Group, Inc. for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, Keith Feldman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as added by §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Date: November 12, 2024

By: /s/ Keith Feldman

Keith Feldman
Chief Financial Officer
(Principal Financial and Accounting Officer)