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As filed with the Securities and Exchange Commission on December 11, 2018

Registration No. 333-228288

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

AMENDMENT NO. 2

to

FORM S-1

REGISTRATION STATEMENT
under the Securities Act of 1933

Legacy Housing Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

2451
(Primary Standard Industrial
Classification Number)

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

Legacy Housing Corporation
1600 Airport Freeway, #100
Bedford, Texas 76022
(817) 799-4900

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Curtis D. Hodgson
Kenneth E. Shipley
Co-Chief Executive Officers
Legacy Housing Corporation
1600 Airport Freeway, #100
Bedford, Texas 76022
(817) 799-4900

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee
Common Stock, par value \$0.001 per share	\$51,318,750	\$6,219.83(3)

- (1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.
- (2) Includes shares the underwriters have the option to purchase to cover over-allotments, if any.
- (3) A registration filing fee of \$8,362.80 was previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a) may determine.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion—Dated December 11, 2018

PRELIMINARY PROSPECTUS

3,500,000 Shares



Legacy Housing Corporation

Common Stock

This is the initial public offering of common stock of Legacy Housing Corporation. Prior to this offering, no public market has existed for our common stock. We are offering 3,500,000 shares. We currently estimate that the initial public offering price will be between \$10.75 and \$12.75 per share. We intend to list our shares of common stock for trading on The Nasdaq Global Market under the symbol "LEGH."

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 15.

	Per Share	Total
Initial public offering price	\$	\$
Underwriting discounts and commissions (1)	\$	\$
Proceeds to us, before expenses	\$	\$

(1) Please see the section of this prospectus entitled "Underwriting" for additional information regarding underwriter compensation.

We have granted the underwriters the right to purchase up to 525,000 additional shares of common stock from us at the initial public offering price less underwriting discounts and commissions to cover over-allotments, if any. The underwriter can exercise this option within 30 days after the date of this prospectus.

We are an "emerging growth company" as defined under U.S. federal securities laws and, as such, may elect to comply with certain reduced public company reporting requirements after this offering.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of our common stock to purchasers on or about _____, 2018.

B. Riley FBR

Oak Ridge Financial

National Securities Corporation

The date of this prospectus is _____, 2018.



Single Wide



- Housing for residential buyers
- 613 – 1,226 sq. ft.
- 1 – 3 bedrooms
- 1 – 2 full bathrooms
- Dimensions: 16x44 – 16x84

Double Wide



- Housing for residential buyers
- 1,227 – 2,669 sq. ft.
- 1 – 5 bedrooms
- 1 – 3.5 bathrooms
- Dimensions: 32x44 – 36x80

18 Wide



- Housing for residential buyers
- 1,120 – 1,130 sq. ft.
- 2 – 4 bedrooms
- 2 full bathrooms
- Dimensions: 18x68 – 18x80

Oilfield Housing



- Designed for oilfield employee housing
- 966 – 1,330 sq. ft.
- 3 – 6 bedrooms
- Dimensions: 14x74 – 18x80

Tiny House



- Housing for residential buyers
- 399 sq. ft.
- 1 – 3 bedrooms
- 1 – 2 full bathrooms
- Dimensions: 12x44

Hunting Cabins



- Customizable floor plan for recreational use
- 399 – 1,773 sq. ft.
- 1 – 3 bedrooms
- Dimensions: 12x44 – 32x64

Park Housing



- MHP financing program; bulk sales to mobile home parks straight from production
- 950 – 1,165 sq. ft.
- 3 bedroom

Legacy Housing Corporation, the nation's fourth largest producer of manufactured housing, offers its customers an array of quality, affordable homes

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About this Prospectus

Neither we nor the underwriters have authorized anyone to provide you with information that is different from that contained in this prospectus or in any free writing prospectus we may authorize to be delivered or made available to you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We and the underwriter are offering to sell shares of common stock and seeking offers to buy shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date on the front of this prospectus, regardless of the time of delivery of this prospectus or any sale of shares of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

For investors outside the United States: Neither we nor the underwriters have done anything that would permit this offering, or possession or distribution of this prospectus, in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of common stock and the distribution of this prospectus outside of the United States. See "Underwriting."

Unless otherwise indicated, information in this prospectus concerning economic conditions, our industry, our markets and our competitive position is based on a variety of sources, including information from third-party industry analysts and publications and our own estimates and research. Some of the industry and market data contained in this prospectus are based on third-party industry

publications. This information involves a number of assumptions, estimates and limitations. The sources of the third-party industry publications referred to in this prospectus are:

- The United States Census Bureau;
- The Institute for Building Technology and Safety, an independent nonprofit corporation that works on behalf of government entities ("IBTS"); and
- The Manufactured Housing Institute, an independent industry organization.

The industry publications, surveys and forecasts and other public information generally indicate or suggest that their information has been obtained from sources believed to be reliable. None of the third-party industry publications used in this prospectus were prepared on our behalf. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors." These and other factors could cause results to differ materially from those expressed in these publications.

PROSPECTUS SUMMARY

This summary highlights information contained in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our common stock, you should carefully read this entire prospectus, including our financial statements and the related notes thereto and the information set forth under the sections "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes thereto, in each case included in this prospectus. Some of the statements in this prospectus constitute forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements."

Unless the context requires otherwise, the words "we," "us," "our," "our company" and "our business" refer to Legacy Housing Corporation, a Delaware corporation, and prior to the Corporate Conversion described in this prospectus, Legacy Housing, Ltd., a Texas limited partnership.

Our Company

Legacy Housing Corporation, formerly Legacy Housing, Ltd., builds, sells and finances manufactured homes and "tiny houses" that are distributed through a network of independent retailers and company-owned stores and are sold directly to manufactured home communities. We are the fourth largest producer of manufactured homes in the United States as ranked by number of homes manufactured based on information available from the Manufactured Housing Institute and Institute for Building Technology and Safety for the second quarter of 2018. With current operations focused primarily in the southern United States, we offer our customers an array of quality homes ranging in size from approximately 390 to 2,667 square feet consisting of 1 to 5 bedrooms, with 1 to 3^{1/2} bathrooms. Our homes range in price, at retail, from approximately \$22,000 to \$95,000. In 2017, we sold 3,274 home sections (which are entire modules or single floors). During the first nine months of 2018, we have sold 3,045 home sections. We commenced operations in 2005 and have experienced strong sales growth and increased our equity holders' capital at a compound annual growth rate, or CAGR, of approximately 25% between 2009 and 2017. We currently have the largest backlog of orders in our company's 13-year history.

Our homes address the significant need in the United States for affordable housing. This need for affordable housing is being driven by a nationwide trend of increasing rental rates for housing, higher prices for site-built homes and decreasing percentages of home ownership among portions of the U.S. population. Our customers typically have annual household incomes of less than \$60,000 and include young and working class families, as well as persons age 55 and older. In 2016, there were approximately 63,799,000 households in the United States with annual household incomes of less than \$60,000, representing a majority of all U.S. households, according to the Current Population Survey and 2017 Annual Social and Economic Supplement published by the U.S. Census Bureau.

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

Our homes are marketed under our premier "Legacy" brand name and, as of September 30, 2018, are sold primarily across 15 states through a network of 115 independent retail locations and 11 company-owned retail locations and through direct sales to owners of manufactured home communities. Our 11 company-owned retail locations, including our nine Heritage Housing stores and two Tiny House Outlet stores, exclusively sell our Legacy branded homes. During 2017, 62% of our manufactured homes were sold in Texas, followed by 8% in Georgia, 8% in Colorado, 5% in Oklahoma, and 4% in Louisiana. For the nine months ended September 30, 2018, our largest sales occurred in Texas (59%), Georgia (12%), Louisiana (9%), and Oklahoma (4%). We plan to deepen our distribution channel by using a portion of the net proceeds from this offering to expand our company-owned retail locations in new and existing markets.

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

Our total net revenue and net income for the nine months ended September 30, 2018 were \$127.2 million and \$18.7 million, which was a 47% and 12% increase, respectively, over our total net revenue and net income for the nine months ended September 30, 2017 of \$86.8 million and \$16.7 million respectively. Our total net revenue and net income for the year ended December 31, 2017 were approximately \$128.7 million and \$26.3 million, compared to total net revenue and net income for the year ended December 31, 2016 of \$110.5 million and \$17.3 million.

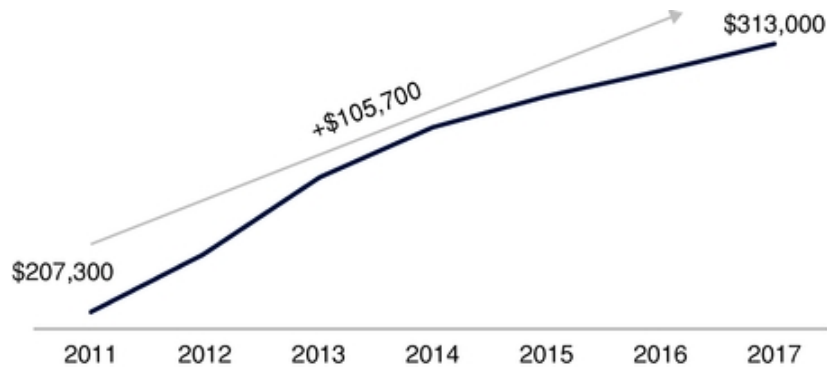
Our company was founded in 2005 by Curtis D. Hodgson and Kenneth E. Shipley, our Co-Chief Executive Officers, who together have more than 60 years of combined experience in the manufactured housing industry. We are based in Bedford, Texas (between Dallas and Fort Worth) and, as of September 30, 2018, we had approximately 800 employees.

Our Market Opportunity

Manufactured housing provides a competitive alternative to other forms of affordable housing, whether new or existing, or located in urban, suburban or rural areas. In 2017, approximately 9.9% of all new single-family home starts built in the United States were manufactured homes, according to the Manufactured Housing Institute ("MHI"). We believe the segment of the U.S. population that manufactured homes most competitively addresses is households with annual incomes of less than \$60,000, which includes young families, working class families and persons age 55 and older. Households in this income bracket comprised a majority of total U.S. households in 2017. Our target population age segments, which include ages 20-39 and 50-69, represent the fastest growing age segments from 2007 to 2017 according to the U.S. Census Bureau.

The comparatively low cost of fully-equipped manufactured housing is attractive to these consumers with an all-in average cost per square foot that is less than half of a new site-built home structure (excluding land) in 2017, according to U.S. Census Bureau data. Additionally, innovative engineering and design, as well as efficient production techniques, including the advent and development of the "tiny house" market, continue to position manufactured homes as a viable housing alternative. Demand for high-quality affordable housing has also been driven by increasing rental rates for housing, higher prices for site-built homes, decreasing percentages of home ownership among portions of the U.S. population and stagnant U.S. wage growth at lower income levels.

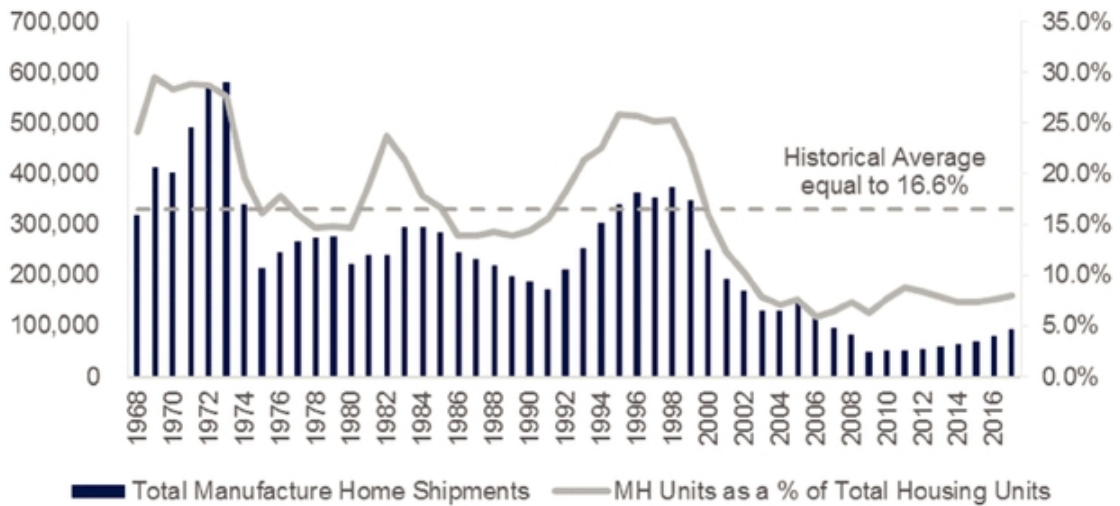
Average Price Difference of New Site-Built Homes (Including Land) vs. New Manufactured Home



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

Total manufactured housing shipments remain well below historical levels dating back to the late 1960s but have steadily increased from 49,717 manufactured home shipments in 2009 to 92,891 manufactured home shipments in 2017. Total annualized MH shipments during the first half of 2018 exceeded 100,000, according to data published by the U.S. Census Bureau, IBTS and MHI. Since 2009, the annual average sale price of a new site-built home (including the land on which it is built) increased approximately 42%, while the annual average sale price of a new manufactured home grew at a more modest pace, increasing approximately 14%, providing ample room for future growth.

Manufactured Home Shipments vs. Total Completed Housing



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

We believe expanded and improved financing options will support further growth for manufactured housing sales. There has been limited financing and no secondary loan market for manufactured homes after financial institutions exited the market from 1999 through 2002. Some financial institutions recently announced new financing programs for manufactured homes and Fannie Mae and Freddie Mac have added new pilot programs to buy chattel loans beginning in early 2019.

Our Growth Strategy

We have a strong operating history of investing in successful growth initiatives over the past 13 years. We believe that the solution we are able to provide for our customers, as a result of the vertical integration of our company, enhances our brand recognition as a leading producer, results in higher and more efficient utilization of our manufacturing factories and expands our direct-to-consumer outreach for our wide variety of customizable homes. This operational focus has provided us with sustained net sales and net income growth over the years. Our growth strategy includes the following key initiatives:

- **Broaden and Deepen Our Retail Presence in Key Geographic Areas.** As of September 30, 2018, we distribute our products primarily across 15 states through a combination of 11 company-owned retail locations and 115 independent retail locations. We believe that a more robust network of company-owned retail locations will allow us to be more responsive and improve the customer experience at all stages, from manufacturing and design to sales, financing and customer service. We believe our company-owned stores will, on average, be more productive than our independent retail locations and generate higher gross margins due to our ability to select attractive markets and develop highly-trained sales representatives who possess a deep understanding of our business and customer needs.
- **Expand Financing Solutions for Our Customers.** We recognize that offering financing solutions to our customers is an important component of being a vertically integrated company that provides affordable manufactured housing. Providing financing improves our responsiveness to the needs of prospective purchasers while also providing us with opportunities for loan origination and servicing revenues, which act as additional drivers of net revenue for us. With a portion of the net proceeds of this offering, we intend to expand our financing solutions to manufactured housing community-owner customers, in a manner that includes developing new sites for products in or near urban locations where there is a shortage of sites to place our products.
- **Continue to Focus on Innovation and Customization for Core Customer Groups.** Our production strategy is focused on continually developing the resources necessary to efficiently build homes that incorporate unique, varied and innovative customer preferences. We are constantly seeking ways to directly source materials to be used in the manufacturing process, which allows us to ensure we utilize and employ quality materials that can be customized to meet our customers' needs. Our principal focus is on designing and building highly functional and durable products that appeal to families of all sizes.
- **Seek Additional Agreements with Owners of Manufactured Home Communities.** Community housing developments provide us with large, concentrated sales opportunities. These projects vary in size and density but generally include 30 to 300 homes. We believe there are significant growth opportunities to work with our development partners on such projects and view these opportunities as an important driver for both the sale of additional manufactured homes and for financing bulk purchases of those homes by community owners.
- **Pursue Selective Acquisitions.** We seek to grow through selective acquisitions of existing manufactured home retailers in both existing markets and new markets that exhibit strong and reliable long-term fundamentals. We have no current agreements or understandings regarding an acquisition. We also regularly evaluate opportunities related to our affordable housing business in our geographic markets. In April 2018, we acquired approximately 420 acres of raw land located near Austin, Texas for \$4.21 million. We are in the process of securing the required approvals to develop a manufactured housing community on the land. We expect to begin development of the community in the first quarter of 2019. We will continue to evaluate opportunities to develop, or to provide financing to third party developers of, additional

manufactured housing communities in order to provide locations for manufactured homes for our customers.

Our Products

We are the fourth largest producer of manufactured homes in the United States. We build a variety of sizes and floor plans of residential homes and tiny houses. We work collaboratively with our partners to meet diverse housing needs, such as residences on privately-owned land and in manufactured home communities, recreational and vacation properties, such as hunting cabins, and accommodations for workforces in oilfields and other industries.

We utilize local market research to design homes that meet the specific requirements of our customers and our homes are designed after extensive field research and consumer feedback. We frequently introduce new floor plans, decor, exterior design, features and accessories to appeal to changing consumer trends and we offer an assortment of customizations to match each customer's individual tastes. Each home typically contains a living room, dining area, kitchen, 1 to 5 bedrooms and 1 to 3^{1/2} bathrooms, and each home can be customized to include certain features including, among others, fireplaces, central air conditioning, overhead heat ducts, stipple-textured ceilings, decorative wood grain vinyl floors, wood cabinetry and energy conservation elements. In addition to traditional manufactured homes, we offer a diverse assortment of tiny houses, which are structures between 320 and 400 square feet in size that are used as dwellings, can be pulled by a pick-up truck, and are generally aesthetically similar to larger homes. Our tiny houses are built in a variety of models and floor plans and typically range from 1 to 3 bedrooms with 1 to 2 bathrooms. Our manufactured homes (other than tiny homes and oilfield housing) are constructed in accordance with the construction and safety standards of HUD, Texas factories are certified to build homes according to the Texas Industrialized Housing and Buildings law (known as the Texas Modular Code) and our Georgia factory is certified to build homes according to Georgia state construction codes.

Our manufactured homes are primarily constructed and equipped at our three factories. Our homes are constructed using high-volume production techniques and employ approximately 150 to 275 employees at each facility. Most of our homes are constructed in one or more sections (or floors) on a steel chassis. Each section is assembled in stages beginning with the construction of the chassis, followed by the addition of other constructed and purchased components and ending with a final quality control inspection. The efficiency of the production process and the benefits of constructing homes in a controlled factory environment enable us to produce homes in less time and at a lower cost per-square-foot than traditional home building. The finished home is then transported directly to a customer at a retail sales center, work site or manufactured home community. During the first nine months of 2018 and for the year 2017, we sold 3,045 and 3,274 home sections, including 200 and 366 tiny houses, respectively.

We currently operate three manufacturing facilities located in Fort Worth, Texas, Commerce, Texas and Eatonton, Georgia, each of which range in size from approximately 97,000 to 388,000 square feet. The production schedules for our manufacturing facilities are based on wholesale orders received from distributors, which fluctuate from week to week. In general, our facilities are structured to operate on one 8- to 9-hour shift per day, five days per week. We currently manufacture a typical home in approximately three to six production days. As of the date of this prospectus, we produced, on average, approximately 75 home sections per week, or approximately 62 fully-completed homes.

Distribution

We currently distribute our manufactured homes primarily in the southern United States through a network of independent retail locations, company-owned retail locations and direct sales to owners of manufactured home communities. As is common in the industry, our independent distributors typically

sell manufactured homes produced by other manufacturers in addition to our manufactured homes. Additionally, some independent retailers operate multiple sales outlets. During the first nine months of 2018 and the year 2017, no independent retailer accounted for 10% or more of our manufacturing net sales.

Approximately 69% of our product sales during the nine months ended September 30, 2018 were attributable to our independent retail distributors, 9% to our company-owned retail locations and 22% to direct sales to owners of manufactured housing communities. Approximately 73% of our 2017 product sales were attributable to our independent retail distributors, 6% to our company-owned retail locations and 21% directly to owners of manufactured housing communities.

We continually seek to increase our wholesale shipments by growing sales at our existing independent retailers and by finding new independent retailers to sell our homes. We provide comprehensive sales training to retail sales associates and bring them to our manufacturing facilities for product training and to view new product designs as they are developed. These training seminars facilitate the sale of our homes by increasing the skill and knowledge of the retail sales consultants. Additionally, we display our products at trade shows and support our retailers through the distribution of floor plan literature, brochures, decor selection displays and point of sale promotional material, as well as internet-based marketing assistance. We believe we have the most comprehensive printed catalog of manufactured housing products in the industry.

In addition to our expansive independent retailer channel, we have attractive growth opportunities to expand our company-owned locations. We currently have 12 company-owned retail locations, of which 11 stores are operational and one store is under lease with operations expected to commence by the end of 2018. Our company-owned locations allow us to improve the customer experience through all steps of the buying process, from manufacturing and design to sales, financing and customer service. This also gives us a direct window into consumer preferences and lending opportunities. We believe that our company-owned stores will, on average, be more productive than our independent retail locations and carry higher gross margins.

Financing Solutions for Our Customers

We offer three types of financing solutions:

- **Floor Plan Financing.** We provide floor plan or wholesale financing for our independent retailers, which takes the form of a consignment arrangement between the retailer and us.
- **Consumer Financing.** We provide consumer financing for our products sold to end-users through both independent and our company-owned retail stores.
- **Manufactured Housing Community Financing.** We provide financing to community owners that buy our products for use in their rental manufactured housing communities.

Overview of Consumer and MHP Financing Options as of September 30, 2018 (\$ in thousands)

	Principal Amount Outstanding	Number of Loans	Contractual Rate or Monthly Fee	Average Remaining Term
Consumer Financing	\$ 97,067	2,781	14% average contractual rate	134 months
MHP Community Financing	\$ 59,795	364	Typically prime rate + 4.0% with 8% floor	88 months

We also offer inventory floor plan financing to our retailers that takes the form of a consignment arrangement between the independent retailer and us. As of September 30, 2018, we had \$28,428,000 of inventory under consignment to our retailers.

All consumer loan applications go through an underwriting process conducted at our corporate headquarters to evaluate credit risk that takes into account numerous factors including the down payment, FICO score, and monthly income and total housing payment of the borrower. The interest rates on approved loans are determined by a buyer's credit history and down payment amount. We use payment history to monitor the credit quality of the consumer loans on an ongoing basis. Offering financing solutions to our dealers and customers generally improves our responsiveness to the needs of prospective purchasers while also providing us with opportunities for loan origination and servicing revenues, which acts as an additional driver of net income for us. Certain of our wholesale factory-built housing sales to independent retailers are purchased through floor plan financing arrangements between the retailer and an independent financial institution who requires us, as the manufacturer of the home, to enter into a separate repurchase agreement under which we are obligated, upon certain circumstances, to repurchase the financed home.

Sales of factory-built homes are significantly affected by the availability and cost of consumer financing. There are three basic types of consumer financing in the factory-built housing industry: (i) chattel, or personal property loans, for purchasers of a home without any underlying land involved (generally HUD code homes), (ii) non-conforming mortgages for purchasers of a home and the land on which the home is placed, and (iii) conforming mortgage loans which have lower loan limits than non-conforming mortgages and comply with the requirements of the Federal Housing Administration ("FHA"), Veterans Affairs or government-sponsored enterprise ("GSE") loans. At the present time, we currently offer only chattel loans. We intend to fill some of the demand for consumer financing by increasing the pace of our consumer lending for products we build. As our own network of company-owned retail centers becomes a larger share of our production, we will be able to couple our consumer-financing solutions with increased levels of anticipated sales from our own centers.

Our financing solutions are designed solely for the purpose of financing products we build and sell through our sales channels. We do not intend to offer financing to the market in general, but, rather, we expect to continue to limit our financing to products built in our factories and products sold by us.

Our Competitive Advantages

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

- **Quality and Variety of Housing Designs.** Based on more than 60 combined years of industry experience, our co-founders have developed an operating model that enables the efficient production of quality, customizable manufactured homes. All of our homes are constructed in one of our three U.S.-based manufacturing facilities. By utilizing an assembly-line process we are able to manufacture a home in approximately three to six days and, as of the date of this prospectus, are producing on average approximately 75 home sections, or 62 fully-completed homes depending on product mix, in total per week at our three facilities. We utilize local market research to design homes that meet the specific needs of our customers and offer a variety of structural and decorative customization options, including, among others, fireplaces, central air conditioning, overhead heat ducts, stipple-textured ceilings, decorative wood grain vinyl floors, wood cabinetry and energy conservation elements. Additionally, our homes have vaulted ceilings in every room, have numerous proprietary advantages such as our copyrighted "furniture friendly" floor plans and, in most cases, are wider, have taller ceilings and a steeper roof pitch than our competitors' products.

- **Manufacturing Facilities Strategically Located Near Customers in Key Markets.** Our three manufacturing facilities are strategically located to allow us to serve our 115 independent and 11 company-owned retail locations. Currently, we have a manufacturing plant in Fort Worth, Texas that measures 97,000 square feet in size and produced 1,073 homes in 2017 and 831 homes in the first nine months of 2018, a manufacturing plant in Commerce, Texas that measures 130,000 square feet in size and produced 1,077 homes in 2017 and 834 homes through the nine months ended September 30, 2018, and a manufacturing plant in Eatonton, Georgia that measures 388,000 square feet in size and produced 744 homes in 2017 and 751 homes in the first nine months of 2018. Once our homes are constructed and equipped at our facilities, we have the ability to transport the finished products directly to customers through a fleet of company-owned trucks, ensuring timely and efficient delivery of our manufactured homes.
- **Expansive and Growing Distribution Network.** We distribute our products primarily in the southern United States through a network of independent retail locations, company-owned retail locations and direct sales to owners of manufactured home communities. Our first company-owned retail location opened in June 2016 and we plan to significantly expand our company-owned retail footprint over the next two years. Increasing the mix of company-owned locations allows us to improve the customer experience through all the steps of the buying process, from manufacturing and design to sales, financing and customer service.
- **Competitive Production Strategies and Direct Sourcing.** We develop and maintain the resources necessary to efficiently build custom homes that incorporate unique and varied customer-requested features. We are constantly seeking ways in which to directly source materials to be used in the manufacturing process, which allows us to ensure the materials are of high-quality and can be customized to meet our customers' needs. Customization enables us to attract additional retailers and consumers who seek individualized homes that are assembled on a factory production line. When these custom homes are sold through company-owned retail stores, we expect to capture higher gross margins.
- **Available Financing for our Customers.** Our strong financial position allows us to develop and offer financing solutions to our customers in connection with their purchase of our homes. We offer three types of financing solutions to our customers. We provide floor plan financing for our independent retailers, which takes the form of a consignment arrangement between the retailer and us. We also provide consumer financing for our products sold to end-users through both independent and our company-owned retail locations, and we also provide financing to manufactured housing community owners that buy our products for use in their rental housing communities.
- **Support for Owners of Manufactured Home Communities.** We provide manufacturing and financing solutions for owners of manufactured housing communities in connection with their development of communities in our geographic market area. Such development projects can vary, but generally include custom park development financing and large purchase orders of manufactured homes. These financing solutions are structured to give us an attractive return on investment, when coupled with the gross margin we realize on products specifically targeted for these new manufactured housing communities. Subsequent to September 30, 2018, we began a pilot program under which we offered minimum eight-year leases to a small number of manufactured housing communities. We have entered into only seven of these leases in the fourth quarter of 2018 as we are determining the feasibility of the leasing program as an option for our manufactured housing community customers. This leasing program is currently not material to our financials or overall operation; however, we will continue to evaluate the viability of this option in future periods.

- **Strong Alignment of Interests through Co-Founders' Ownership.** We believe a strong alignment of interests with stockholders and investors exists through the ownership of a significant percentage of our outstanding shares by Curtis D. Hodgson and Kenneth E. Shipley, our co-founders and Co-Chief Executive Officers. Messrs. Hodgson and Shipley acquired their ownership in 2005 when they founded the company and have not sold any of their shares to date. Each individual has received a minimal salary (\$50,000) during the past several years and their overall compensation structure has incentivized them to continue to focus on the performance of our company. By providing structural and economic alignment with the performance of our company, Messrs. Hodgson and Shipley's continuing controlling interests are directly aligned with those of our investors. We believe the combination of these characteristics has promoted long-term planning and an enhanced culture among our customers, strategic partners and employees, which we believe will ultimately create value for our investors.

Selected Risks Associated with Our Business

Investing in our common stock involves a high degree of risk. You should carefully consider all the information in this prospectus prior to investing in our common stock. These risks are discussed more fully in the section entitled "Risk Factors" immediately following this prospectus summary. These risks and uncertainties include, but are not limited to, the following:

- the highly competitive and, nature of the industry in which we operate and our inability to compete effectively against larger manufactured home builders;
- our dependence on independent retailers to market and sell a substantial portion of our manufactured homes;
- the risk involved in our vertically integrated lines of business, including our failure to adequately assess and monitor the credit risks of our customers who purchase our products using our financial services;
- our concentration in the southern United States, and notably in Texas, of substantially all of our operations and our potential inability to effectively expand the reach of our existing products to new customers and new markets;
- our ability to attract and retain collaborative partners for community development projects;
- changes in regulations, including zoning ordinances and lending rules may adversely impact our business; and
- adverse changes in employment levels, employment growth, interest rates, consumer confidence, land availability and development costs, apartment and rental housing vacancy levels, inflation and the health of the economy in general.

Implications of Being an "Emerging Growth Company"

As a company with less than \$1.07 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" under the Jumpstart our Business Startups Act of 2012, commonly known as the JOBS Act. An emerging growth company may take advantage of certain reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. In particular, as an emerging growth company we:

- are not required to obtain an attestation and report from our auditors on our management's assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act;

- are not required to provide a detailed narrative disclosure discussing our compensation principles, objectives and elements and analyzing how those elements fit with our principles and objectives (commonly referred to as "compensation discussion and analysis");
- are not required to obtain a non-binding advisory vote from our stockholders on executive compensation or golden parachute arrangements (commonly referred to as the "say-on-pay," "say-on-frequency" and "say-on-golden-parachute" votes);
- are exempt from certain executive compensation disclosure provisions requiring a pay-for-performance graph and CEO pay ratio disclosure;
- may present only two years of audited financial statements and only two years of related Management's Discussion & Analysis of Financial Condition and Results of Operations, or MD&A; and
- are eligible to claim longer phase-in periods for the adoption of new or revised financial accounting standards under §107 of the JOBS Act.

We intend to take advantage of these reduced reporting requirements and exemptions, including the longer phase-in periods for the adoption of new or revised financial accounting standards under §107 of the JOBS Act. Our election to use the phase-in periods may make it difficult to compare our financial statements to those of non-emerging growth companies and other emerging growth companies that have opted out of the phase-in periods under §107 of the JOBS Act. Please see "Risk Factors," at page 26 ("We are an 'emerging growth company'. . .").

Certain of these reduced reporting requirements and exemptions were already available to us due to the fact that we also qualify as a "smaller reporting company" under SEC rules. For instance, smaller reporting companies are not required to obtain an auditor attestation and report regarding internal control over financial reporting; are not required to provide a compensation discussion and analysis; are not required to provide a pay-for-performance graph or CEO pay ratio disclosure; and may present only two years of audited financial statements and related MD&A disclosure.

Under the JOBS Act, we may take advantage of the above-described reduced reporting requirements and exemptions for up to five years after our initial sale of common equity pursuant to a registration statement declared effective under the Securities Act of 1933, or such earlier time that we no longer meet the definition of an emerging growth company. In this regard, the JOBS Act provides that we would cease to be an "emerging growth company" if we have more than \$1.07 billion in annual revenue, have more than \$700 million in market value of our common stock held by non-affiliates, or issue more than \$1 billion in principal amount of non-convertible debt over a three-year period. Further, under current SEC rules we will continue to qualify as a "smaller reporting company" for so long as we have a public float (i.e., the market value of common equity held by non-affiliates) of less than \$250 million as of the last business day of our most recently completed second fiscal quarter.

Corporate Information and Incorporation

We were originally organized in May 2005 as Legacy Housing, Ltd., a Texas limited partnership. Effective January 1, 2018, we converted into a Delaware corporation and changed our name to Legacy Housing Corporation, which is referred to herein as the Corporate Conversion. In conjunction with the conversion, all of our outstanding partnership interests were converted on a proportional basis into shares of common stock. As a result of the Corporate Conversion, we are now a federal corporate taxpayer as opposed to a pass-through entity for tax purposes. For more information, see the section entitled "Corporate Conversion."

Our principal executive offices are located at 1600 Airport Freeway, #100, Bedford, Texas 76022, and our telephone number is (817) 799-4900. You may access our website at www.legacyhousingcorp.com. Information contained on, or accessible through, our website is not part of this prospectus and is not incorporated in this prospectus by reference.

THE OFFERING

The summary below describes the principal terms of this offering. The "Description of Capital Stock" section of this prospectus contains a more detailed description of the common stock.

Common stock offered by us	3,500,000 shares.
Underwriters' over-allotment option	We have granted the underwriters a 30-day option to purchase up to an additional 525,000 shares of our common stock from us at the price to public less underwriting discounts and commissions to cover over-allotments, if any.
Common stock to be outstanding after this offering	23,500,000 shares (or 24,025,000 shares if the underwriters' option to purchase additional shares from us is exercised in full).(1)
Use of proceeds after expenses	<p>We estimate that the net proceeds of the sale of our common stock in this offering will be approximately \$37.3 million (or approximately \$43.1 million if the underwriters exercise their option in full to purchase additional shares of our common stock), based on an assumed initial public offering price of \$11.75 per share, which is the midpoint of the price range listed on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.</p> <p>We intend to use the net proceeds of this offering to expand our retail presence in the southern United States and surrounding geographic markets, provide financing solutions to select housing community-owner customers, repay debt, possible acquisitions for expansion geographically or into affordable housing niches, and the balance for working capital and general corporate purposes. See "Use of Proceeds" for more information.</p>
Dividend policy	We have never declared or paid any cash dividends on our common stock. We anticipate that we will retain any earnings to support operations and to finance the growth and development of our business. Accordingly, we do not expect to pay cash dividends on our common stock in the foreseeable future.
Risk factors	Investing in our common stock involves a high degree of risk. See "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
Nasdaq trading symbol	"LEGH"(2)

- (1) In this prospectus, except as otherwise indicated, the number of shares of our common stock that will be outstanding immediately after this offering and the other information based thereon:
- assumes an initial public offering price of \$11.75 per share of common stock (the midpoint of the estimated public offering price range set forth on the cover page of this prospectus);

- excludes 2,500,000 shares of our common stock reserved for future issuance under our 2018 Incentive Compensation Plan; and
- no exercise of the underwriters' option to purchase up to 525,000 additional shares from us in this offering to cover over-allotments, if any.

(2) We have reserved the trading symbol "LEGH" in connection with our application to have our common stock listed for trading on The Nasdaq Global Market.

SUMMARY FINANCIAL DATA

In the following tables, we provide our summary financial data. We have derived the summary statements of operations for the years ended December 31, 2017 and 2016 from our audited financial statements appearing in this prospectus. The summary statements of operations for the nine months ended September 30, 2018 and 2017 and the summary balance sheet data as of September 30, 2018 are derived from our condensed financial statements included elsewhere in this prospectus. We have prepared the condensed financial statements on the same basis as the audited financial statements and have included, in our opinion, all adjustments consisting only of normal recurring adjustments that we consider necessary for a fair statement of the financial information set forth in those statements. Our historical results are not necessarily indicative of the results to be expected in the future. When you read this summary financial data, it is important that you read it together with "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in conjunction with the financial statements, related notes and other financial information included in this prospectus.

	Nine Months ended September 30, (in thousands)		Year ended December 31, (in thousands)	
	2018 (unaudited)	2017	2017	2016 (restated)
Statement of Operations Data:				
Revenue, net				
Product sales	\$ 110,498	\$ 73,015	\$ 109,750	\$ 93,394
Consumer and MHP loans interest	13,653	11,478	15,647	13,739
Other	3,088	2,287	3,339	3,412
Total Net Revenue	127,239	86,780	128,736	110,545
Operating expenses:				
Cost of product sales	83,323	56,524	82,498	77,329
Selling, general & administrative expenses	14,768	11,641	17,105	13,580
Dealer incentive	459	821	1,038	1,211
Income from Operations	28,689	17,794	28,095	18,425
Other income (expense):				
Non-operating interest income	189	224	272	214
Miscellaneous, net	122	354	149	102
Interest expense	(2,027)	(1,531)	(2,044)	(1,244)
Total Other	(1,716)	(953)	(1,623)	(928)
Income before state income tax expense	26,973	16,841	26,472	17,497
State Income Tax Expense	(8,238)	(107)*	(124)	(158)
Net Income	\$ 18,735	\$ 16,734	\$ 26,348	\$ 17,339

* We were a partnership in 2017 and, therefore, a pass-through entity with respect to taxes. However, the pro forma tax provision for 2017 reflects a total of \$6.0 million would have been the tax expense in 2017 if we had been a corporation, and the pro forma net income as of September 30, 2017 would have been \$10.7 million.

	As of September 30, 2018	
	Actual(1)	As Adjusted(2)
	(in thousands)	
	(unaudited)	
Balance Sheet Data:		
Cash and cash equivalents	\$ 449	\$ 37,769
Working capital	45,041	82,361
Total assets	233,656	270,976
Total indebtedness	62,036	62,036
Total stockholders' equity	\$ 143,006	\$ 180,326

- (1) Actual balance sheet data presents balance sheet data on an actual basis without any adjustments to reflect subsequent or anticipated events.
- (2) As adjusted balance sheet data presents balance sheet data on an as-adjusted basis for Legacy Housing Corporation reflecting the receipt by us of the net proceeds from the sale of 3,500,000 shares of common stock in this offering at an assumed initial public offering price of \$11.75 per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us and excluding the exercise of the underwriters' over-allotment option, as if each had occurred on September 30, 2018.

RISK FACTORS

An investment in our common stock involves a high degree of risk. In addition to the other information contained in this prospectus, prospective investors should carefully consider the following risks before investing in our common stock. If any of the following risks actually occur, as well as other risks not currently known to us or that we currently consider immaterial, our business, operating results and financial condition could be materially adversely affected. As a result, the trading price of our common stock could decline, and you may lose all or part of your investment in our common stock. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements. See "Cautionary Note Regarding Forward-looking Statements" in this prospectus. In assessing the risks below, you should also refer to the other information contained in this prospectus, including the financial statements and the related notes, before deciding to purchase any shares of our common stock.

Risks Related to Our Business and the Manufactured Housing Industry

The manufactured housing industry is highly competitive, and increased competition and greater consolidation may result in lower sales for us.

The manufactured housing industry is highly competitive. Competition at both the manufacturing and retail levels is based upon several factors, including, among others, price, product features, reputation for service and quality, brand recognition, merchandising, terms of retailer promotional programs and the terms of retail customer financing. Numerous companies produce manufactured homes in our markets. In addition, our homes compete with repossessed homes and new homes that are offered for sale in the geographic markets in which we operate. Certain of our manufacturing competitors also have their own retail distribution systems and consumer finance and insurance operations. We believe that where wholesale floor plan financing is available, it is relatively easy for new retailers to enter into our markets as competitors. In addition, our products compete with other forms of low- to moderate-cost housing, including new and existing site-built homes, apartments, townhouses and condominiums. If we are unable to compete effectively in this environment, our manufactured housing sales could be adversely impacted.

Our industry has been in a state of consolidation over the past 15 years and a significant portion of the market share is held by a relatively small number of companies, some of which have greater financial resources than we do, a greater ability to borrow funds to provide financing and the ability to accept more risk than we can prudently manage. If the industry continues to further consolidate, we may not be able to grow at the pace we would like, which could adversely impact our results of operations.

We may not be able to effectively manage our growth, and any failure to do so may have an adverse effect on our business and operating results.

Since commencing operations in 2005, we have grown rapidly, with home sales growing 800% from 380 home sections in 2005 to 3,274 home sections in 2017. Our future operating results may depend on our ability to effectively manage our growth, which is dependent, in part, upon our ability to, among other things:

- stabilize and manage an increasing number of relationships across the regions in which we operate while maintaining a high level of customer satisfaction, and building and enhancing our brand;
- identify and supervise a number of suitable third parties on which we rely to provide certain services that are critical to our success;
- attract, integrate and retain new management and operations personnel;

- absorb costs that are out of our control, including litigation, legal compliance, real estate taxes and insurance and interest rate levels and volatility;
- respond quickly enough to changing demands that our growth will impose on management; and
- continue to improve our operational and financial controls and reporting procedures and systems.

We can provide no assurance that we will be able to grow our business efficiently or effectively, or without incurring significant additional expenses. Any failure to do so may have an adverse effect on our business and operating results.

If we are unable to establish or maintain relationships with independent retailers who sell our homes, our net sales could decline.

As of September 30, 2018, approximately 69% of our sales of manufactured homes were to independent retailers. As is common in the industry, independent retailers may also sell homes produced by competing manufacturers. We may not be able to establish relationships with new independent retailers or maintain good relationships with independent retailers that currently sell our homes. Even if we do establish and maintain relationships with independent retailers, these retailers are not obligated to sell our homes exclusively and may choose to sell our competitors' homes instead. The independent retailers with whom we have relationships can cancel these relationships on short notice. In addition, these retailers may not remain financially solvent, as they are subject to industry, economic, demographic and seasonal trends similar to those faced by us. If we do not establish and maintain relationships with solvent independent retailers in one or more of our markets, net sales in those markets could decline.

If we are unable to successfully increase the size of our company-owned retail network, our relationships with independent retailers who sell our homes will continue to be critical to our company's success.

As part of our growth strategy, we intend to further develop our network of company-owned retail locations through which we sell our products. As of September 30, 2018, we have 11 retail locations, however, we also work closely with our independent distributors and we have a deep understanding of the retail and distribution process with respect to our products. Our additional retail locations will be competing with existing retailers and distributors who have been operating in this space for a significant time and have other advantages, including the ability to sell products from other manufacturers. As such, our additional retail locations may not be successful. If we are unable to build a more robust retail presence, we will need to continue to rely heavily on our network of independent distributors for our distribution needs and those relationships will continue to be a critical component of the success of the business and any deterioration of those relationships could negatively impact our results of operations.

Curtis D. Hodgson and Kenneth E. Shipley possess specialized knowledge about our business and we would be adversely impacted if either one were to become unavailable to us.

We believe that our ability to execute our business strategy will depend to a significant extent upon the efforts and abilities of Curtis D. Hodgson and Kenneth E. Shipley, our Co-Chief Executive Officers. Mr. Hodgson, who is an attorney and engineer, oversees our day-to-day business operations including strategic planning, and possesses technical expertise regarding our manufacturing processes that would be difficult to replace. Mr. Shipley, who oversees our sales and distribution including our company-owned retail locations, has specialized knowledge regarding the manufactured home industry and dealer and customer contacts that our other officers do not possess. If Messrs. Hodgson or Shipley were to become unavailable to us, our operations would be adversely affected and our relationship with lenders, business partners and industry participants would be weakened. Further, the loss of either

Mr. Hodgson or Mr. Shipley would be negatively perceived in the capital markets. We do not have "key-man" life insurance for our benefit on the lives of either Messrs. Hodgson or Shipley.

Our operations are concentrated in the southern United States, which exposes us to regional economic, social and other risks.

Our operations are concentrated in the southern United States, most notably Texas. Due to the concentrated nature of our operations, there could be instances where these regions are negatively impacted by economic, natural, social or population changes that could, in turn, negatively impact the results of our business more than other companies that are more geographically dispersed. We have a significant presence in Texas with one manufacturing facility located in Fort Worth, Texas and another located in Commerce, Texas. As of September 30, 2018, we sold our manufactured homes primarily in 15 states, of which approximately 59% of the homes were sold in Texas.

Further, as of December 31, 2017, our consumer loan contracts were secured by manufactured homes primarily located in 15 states, of which 80% of the homes were located in Texas. As of September 30, 2018, approximately 79% of the homes that secured our loan contracts were located in Texas. Loan contracts secured by collateral that is geographically concentrated could experience higher rates of delinquencies, default and foreclosure losses than loan contracts secured by collateral that is more geographically dispersed. Our total loans in Texas under delinquency, default or foreclosure, which are loans that are past due more than 30 days on principal or interest payment, were approximately 1.8% (measured in units) and 1.8% (measured in dollar amount) as of September 30, 2018, and 1.8% (measured in units) and 1.5% (measured in dollar amount) as of December 31, 2017. This compares to our rates of delinquencies, default and foreclosure losses for our total loans in other states as of September 30, 2018 of approximately 3.1% (measured in units) and 2.4% (measured in dollar amount), and in 2017 of approximately 3.2% (measured in units) and 2.9% (measured in dollar amount). The aggregate unit number and aggregate dollar amount used in the measurement of these rates were 2,237 and 2,083 units and \$76,815,000 and \$71,508,000 in Texas during the first nine months of 2018 and as of December 31, 2017, respectively, and 544 and 497 units and \$20,246,000, and \$18,357,000 in all other states during the first nine months of 2018 and as of December 31, 2017, respectively. Delinquency, default and foreclosure rates are measured at the end of each month and simply represent those accounts that are past due and do not represent actual losses. An account that is only due for the current month (or not due until a future month) is considered current. Based on the foregoing, a decline in the economic and social conditions in Texas and surrounding states could have an adverse impact on our results of operations.

We operate and will continue to operate primarily in the single-family properties sector of the real estate industry, which exposes us to downturns in the single-family properties sector or declines in the broader housing industry.

Our business is focused and will continue to be focused in the single-family properties sector of the real estate industry. A downturn or slowdown in the rental demand for single-family housing caused by adverse economic, regulatory or environmental conditions, or other events, in our markets may have a greater impact on the value of our properties or our operating results than if we had more fully diversified product line. We believe that there are seasonal fluctuations in rental demand with demand higher in the spring and summer than in the late fall and winter. Such seasonal fluctuations may impact our operating results.

As a participant in the homebuilding industry, we are subject to market forces beyond our control. These market forces include employment levels, employment growth, interest rates, consumer confidence, development costs, apartment and rental housing vacancy levels, inflation and the health of the general economy. Unfavorable changes in any of the above factors or other issues could have an adverse effect on our net sales and earnings.

The cyclical and seasonal nature of the manufactured housing industry causes our net sales and operating results to fluctuate, and we expect this cyclicity and seasonality to continue in the future.

The manufactured housing industry is highly cyclical and seasonal and is influenced by many national and regional economic and demographic factors, including the availability of consumer financing for home buyers, the availability of wholesale financing for retailers, seasonality of demand, consumer confidence, interest rates, demographic and employment trends, income levels, housing demand, general economic conditions, including inflation and recessions, and the availability of suitable home sites.

As a result of these economic, demographic and other factors, our net sales and operating results have fluctuated in the past, and we expect them to continue to fluctuate in the future on a quarterly basis. Moreover, we could experience quarterly operating losses during cyclical downturns in the manufactured housing market.

Additionally, our quarterly and annual results are impacted by sporadic and unpredictable purchases of our homes resulting from acts of nature or other catastrophic events that cause damage to living accommodations. For example, in 2017, we built and shipped approximately \$3.8 million of homes as a subcontractor operating under a contract with the Federal Emergency Management Association, or FEMA, to provide housing for victims of hurricane Harvey.

Our operating results could be affected by market forces and declining housing demand.

As a homebuilder, we are subject to market forces affecting the homebuilding industry that are beyond our control. These market forces include employment levels, employment growth, interest rates, consumer confidence, land availability and development costs, apartment and rental housing vacancy levels, inflation and the general health of the economy. Unfavorable changes to one or more of these factors could have an adverse effect on our results of operations.

Failure to find collaborative partners for community development projects could adversely affect us.

Part of our growth strategy is to increase our involvement in community housing development projects. Participation in these projects requires that we find collaborative partners who are seeking to develop communities of affordable manufactured housing. Given the highly-competitive environment in which we operate, we cannot guarantee that we will be able to secure or continue such partnerships, which could have an adverse impact on our results of operations.

Our results of operations can be adversely affected by labor shortages and the pricing and availability of raw materials.

The homebuilding industry has from time to time experienced labor shortages and other labor-related issues. A number of factors may adversely affect the labor force available to us and our subcontractors in one or more of our markets, including, among others, high employment levels, construction market conditions and government regulation, which include laws and regulations related to workers' health and safety, wage and hour practices, immigration, and trade and tariff policies. An overall labor shortage or a lack of skilled or unskilled labor could cause significant increases in costs or delays in construction of homes, which could have a material adverse effect upon our net sales and results of operations.

Our results of operations can be affected by the pricing and availability of raw materials. Although we attempt to increase the sales prices of our homes in response to higher materials costs, such increases may lag behind the escalation of materials costs. Sudden increases in price and lack of availability of raw materials can be caused by natural disaster or other market forces. The tariffs recently imposed by the federal government on certain products used by us, including steel and

aluminum, have not had any material impact on our operations, but prolonged or increased tariffs could impact the pricing and availability of certain materials. Although we have not recently experienced any production halts, severe or prolonged shortages of some of our most important building materials, which include wood and wood products, gypsum wallboard, steel, insulation and other petroleum-based products, have occurred. There can be no assurance that sufficient supplies of these and other raw materials will continue to be available to us.

Our involvement in vertically integrated lines of business, including manufactured housing financial services, exposes us to the risk that may not be able to adequately measure or limit our credit risk, which could lead to unexpected losses.

We are a vertically integrated business that not only manufactures affordable housing, but also provides delivery services and financing for customers. We offer manufactured home chattel loans to purchasers of our homes sold by independent retailers. We make loans to borrowers that we believe are creditworthy based on our underwriting guidelines. However, the ability of these customers to repay their loans may be affected by a number of factors, including, among others, national, regional and local economic conditions, changes or continued weakness in specific industry segments, natural hazard risks affecting the region in which the borrower resides, and employment, financial or life circumstances. If our customers are unable to repay their loans as a result of these or other factors, the performance of our loan portfolio may be adversely affected.

If customers do not repay their loans, we may repossess or foreclose on the secured property in order to liquidate our loan collateral and minimize losses. The homes we manufacture are subject to fluctuating market values, and proceeds realized from liquidating repossessed or foreclosed homes are highly susceptible to adverse movements in collateral values. During the first nine months of 2018 and the year 2017, we repossessed or foreclosed on 51 and 64 homes, respectively, representing approximately \$1,622,000 and \$2,272,000 in repossessed home amounts in those respective periods. Home price depreciation and elevated levels of unemployment may result in additional defaults and exacerbate actual loss severities upon collateral liquidation beyond those normally experienced by us.

If we are unable to provide consumer financing, the demand for our homes could be substantially reduced.

We provide financing to individual buyers, dealers and manufactured housing community developers who buy our manufactured homes. During the first nine months of 2018 and for the year 2017, we financed approximately 33% and 38%, respectively, of all homes we sold. We are dependent on third party lenders to provide us the capital to make these loans. We currently have two credit facilities, under which we have available credit, as of September 30, 2018, of \$3,990,000 and \$3,000,000, respectively. Our borrowing capacity under one of these credit facilities is dependent on the value of our eligible consumer loans and MHP Notes, which is dependent on the market value of those loans. There can be no assurance that we will be able to extend these credit facilities when they mature or that we will be able to obtain additional financing, if needed, on terms acceptable to us.

Some of the loans we have originated or may originate in the future may not have a liquid market, or the market may contract rapidly and the loans may become illiquid. Although we offer loan products and price our loans at levels that we believe are marketable at the time of credit application approval, market conditions for home-only loans may deteriorate rapidly and significantly. Our ability to respond to changing market conditions is bound by credit approval and funding commitments we make in advance of loan completion. In this environment, it is difficult to predict the types of loan products and characteristics that may be susceptible to future market curtailments and tailor our loan offerings accordingly. As a result, no assurance can be given that the market value of our loans will not decline in the future.

The business of lending is inherently risky, including risks that the principal of or interest on any loan will not be repaid timely or at all or that the value of any collateral supporting the loan will be insufficient to cover our outstanding exposure. These risks may be affected by the strength of the borrower's business sector and local, regional and national market and economic conditions. Many of our loans are made to small and medium-sized businesses that may be less able to withstand competitive, economic and financial pressures than larger borrowers. Our risk management practices, such as monitoring the concentration of our loans within specific industries and our credit approval practices, may not adequately reduce credit risk, and our credit administration personnel, policies and procedures may not adequately adapt to changes in economic or any other conditions affecting customers and the quality of the loan portfolio. A failure to effectively measure and limit the credit risk associated with our loan portfolio could lead to unexpected losses and have a material adverse effect on our business, financial condition and results of operations.

In addition, while we currently distribute our products through independent distributors, part of our growth strategy is to develop a network of company-owned retail locations through which we will sell our products. This will further increase our vertical integration and possibly subject us to further risks. There is a risk that our retail locations will not be successful and may negatively impact our relationships with our distributors.

We have contingent repurchase obligations related to wholesale financing provided to industry retailers.

In accordance with customary business practice in the manufactured housing industry, we have entered into two repurchase agreements with various financial institutions and other credit sources who provide floor plan financing to industry retailers, which provide that we will be obligated, under certain circumstances, to repurchase homes sold to retailers in the event of a default by a retailer in its obligation to such credit sources. Under these agreements, we have agreed to repurchase homes at declining prices over the term of the agreement (24 months). Our obligation under these repurchase agreements ceases upon the purchase of the home by the retail customer. The maximum amount of our contingent obligations under such repurchase agreements was approximately \$2,394,000 and \$1,765,000 as of September 30, 2018 and December 31, 2017, respectively, without reduction for the resale value of the homes. We may be required to honor contingent repurchase obligations in the future and may incur additional expense as a consequence of these repurchase agreements.

A continued constrained consumer financing market could result in reduced demand for our homes.

The substantial majority of consumers who buy our manufactured homes have historically secured retail financing from third-party lenders. Home-only financing is at times more difficult to obtain than financing for site-built homes. The availability, terms and costs of retail financing depend on the lending practices of financial institutions, governmental policies and economic and other conditions, all of which are beyond our control. Over the last decade, home-only lenders have tightened credit underwriting standards and increased interest rates for loans to purchase manufactured homes, which have reduced lending volumes and negatively impacted revenue for manufactured home sellers. Most of the national lenders who have historically provided home-only loans have exited the manufactured housing sector of the home loan industry.

Changes in laws or other events that adversely affect liquidity in the secondary mortgage market could hurt our business. The GSEs and the FHA play significant roles in insuring or purchasing home mortgages and creating or insuring investment securities that are either sold to investors or held in their portfolios. These organizations provide significant liquidity to the secondary market. Any new federal laws or regulations that restrict or curtail their activities, or any other events or conditions that alter the roles of these organizations in the housing finance market could affect the ability of our customers to obtain mortgage loans or could increase mortgage interest rates, fees, and credit

standards, which could reduce demand for our homes and/or the loans that we originate and adversely affect our results of operations.

Our allowance for loan losses may prove to be insufficient to absorb potential losses in our loan portfolio.

We maintain an allowance for loan losses that represents management's judgment of probable losses and risks inherent in our loan portfolio. As of September 30, 2018, our allowance for loan losses totaled approximately \$663,000, which represents approximately 0.7% of our total loans held for investment. The level of the allowance reflects management's continuing evaluation of general economic conditions, diversification and seasoning of the loan portfolio, historic loss experience, identified credit problems, delinquency levels and adequacy of collateral. The determination of the appropriate level of our allowance for loan losses is inherently highly subjective and requires management to make significant estimates of and assumptions regarding current credit risks and future trends, all of which may undergo material changes.

Inaccurate management assumptions, deterioration of economic conditions affecting borrowers, new information regarding existing loans, identification or deterioration of additional problem loans, acquisition of problem loans and other factors (including third-party review and analysis), both within and outside of our control, may require us to increase our allowance for loan losses. In addition, our regulators, as an integral part of their periodic examination, review our methodology for calculating, and the adequacy of, our allowance for loan losses and may direct us to make additions to the allowance based on their judgments about information available to them at the time of their examination. Further, if actual charge-offs in future periods exceed the amounts allocated to our allowance for loan losses, we may need additional provisions for loan losses to restore the adequacy of our allowance for loan losses. Finally, the measure of our allowance for loan losses depends on the adoption and interpretation of accounting standards. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies."

The availability of wholesale financing for industry retailers is limited due to a reduced number of floor plan lenders and reduced lending limits.

Manufactured housing retailers generally finance their inventory purchases with wholesale floor plan financing provided by lending institutions. The availability of wholesale financing is significantly affected by the number of floor plan lenders and their lending limits. Reduced availability of floor plan lending negatively affects the inventory levels of our independent retailers to hold and increase inventory, the number of retail sales center locations and overall wholesale demand, and, as a result, adversely affects the number of our homes that independent retailers will be able to acquire.

Our participation in certain financing programs for the purchase of our products by industry retailers, consumers and housing community developers may expose us to additional risk of credit loss, which could adversely impact our liquidity and results of operations.

We are exposed to risks associated with the creditworthiness of certain independent retailers and home buyers, many of whom may be adversely affected by the volatile conditions in the economy and financial markets. These conditions could result in financial instability or other adverse effects. The consequences of such adverse effects could include delinquencies by customers who purchase our products under special financing initiatives, and deterioration of collateral values. In addition, we may incur losses if our collateral cannot be recovered or liquidated at prices sufficient to recover recorded commercial loan notes receivable balances. The realization of any of these factors may adversely affect our cash flow, profitability and financial condition.

We are subject to extensive regulation affecting the production and sale of manufactured housing, which could adversely affect our profitability.

We are subject to a variety of federal, state and local laws and regulations affecting the production and sale of manufactured housing. Our failure to comply with such laws and regulations could expose us to a wide variety of sanctions, including closing one or more manufacturing facilities. Regulatory matters affecting our operations are under regular review by governmental bodies and we cannot predict what effect, if any, new laws and regulations would have on us or the manufactured housing industry. Failure to comply with applicable laws or regulations or the passage in the future of new and more stringent laws, may adversely affect our financial condition or results of operations.

Manufactured homes are subject to various covenants limiting the use of the underlying real estate and local laws and regulatory requirements, including permitting, licensing and zoning requirements. Local regulations, including municipal or local ordinances, restrictions and restrictive covenants imposed by community developers may restrict our use of our properties and may require us to obtain approval from local officials or community standards organizations at any time with respect to our properties, including prior to acquiring any of our properties or when undertaking renovations of any of our existing properties. Additionally, such local regulations may cause us to incur additional costs to renovate or maintain our properties in accordance with the particular rules and regulations. We cannot assure you that existing regulatory policies will not adversely affect us or the timing or cost of any future acquisitions or renovations, or that additional regulations will not be adopted that would increase such delays or result in additional costs. Our business and growth strategies may be materially and adversely affected by our ability to obtain permits, licenses and approvals. Our failure to obtain such permits, licenses and approvals could have a material adverse effect on us and cause the value of our common stock to decline.

If the manufactured housing industry is not able to secure favorable local zoning ordinances, our net sales could decline and our business could be adversely affected.

Manufactured housing communities and individual home placements, including tiny houses, are subject to local zoning ordinances and other local regulations relating to utility service and construction of roadways. In the past, property owners often have resisted the adoption of zoning ordinances permitting the location of manufactured homes in residential areas, which we believe has restricted the growth of the industry. It is possible that manufactured homes may not achieve widespread acceptance and localities may not adopt zoning ordinances permitting the development of manufactured home communities. If the manufactured housing industry is unable to secure favorable local zoning ordinances, our net sales could decline and our business, results of operations and financial condition could be adversely affected.

Our results of operations could be adversely affected by significant warranty and construction defect claims on manufactured housing.

In the ordinary course of our business, we are subject to home warranty and construction defect claims. We record a reserve for estimated future warranty costs relating to homes sold, based upon our assessment of historical experience factors. Construction defect claims may arise a significant period of time after product completion. Although we maintain general liability insurance and reserves for such claims, based on our assessments, which to date have been adequate, there can be no assurance that warranty and construction defect claims will remain at current levels or that such reserves will continue to be adequate. A large number of warranty and construction defect claims exceeding our current levels could have a material adverse effect on our results of operations.

We may become a target of legal demands, litigation (including class actions) and negative publicity by consumer rights organizations, which could directly limit and constrain our operations and may result in significant litigation expenses and reputational harm.

Numerous consumer rights organizations exist throughout the country and operate in our markets, and we may attract attention from some of these organizations and become a target of legal demands, litigation and negative publicity. While we intend to conduct our business lawfully and in compliance with applicable consumer laws, such organizations might work in conjunction with trial and pro bono lawyers in one or multiple states to attempt to bring claims against us on a class action basis for damages or injunctive relief and to seek to publicize our activities in a negative light. We cannot anticipate what form such legal actions might take, or what remedies they may seek.

Additionally, such organizations may lobby local county and municipal attorneys or state attorneys general to pursue enforcement or litigation against us, may lobby state and local legislatures to pass new laws and regulations to constrain or limit our business operations, and such actions may adversely impact our business or may generate negative publicity for our business and harm our reputation. If they are successful in any such endeavors, they could directly limit and constrain our operations and may impose on us significant litigation expenses, including settlements to avoid continued litigation or judgments for damages or injunctions.

Our liquidity and ability to raise capital may be limited.

We may need to obtain debt or additional equity financing in the future. The type, timing and terms of the financing selected by us will depend on, among other things, our cash needs, the availability of other financing sources and prevailing conditions in the financial markets. There can be no assurance that any of these sources will be available to us at any time or that they will be available on satisfactory terms.

There have been substantial changes to the Internal Revenue Code, some of which could have an adverse effect on our retail customers and, in turn, on our business.

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act, which contains substantial changes to the Internal Revenue Code, effective January 1, 2018, some of which could have an adverse effect on our retail home buyers and, in turn, on our business. For example, certain tax changes could make purchasing homes less attractive. These include (i) limitations on the ability of our home buyers to deduct property taxes, (ii) limitations on the ability of our home buyers to deduct mortgage interest, and (iii) limitations on the ability of our home buyers to deduct state and local income taxes. Although we believe these limitations primarily impact buyers of more expensive site-built homes than our manufactured housing, nonetheless, tax changes that negatively impact the consequences of home ownership could potentially result in our sale of fewer homes in the future.

We are highly dependent on information systems and systems failures or data security breaches could significantly disrupt our business, which may, in turn, negatively affect us and the value of our common stock.

We use information technology and other computer resources to carry out important operational activities and to maintain our business records. Our computer systems, including our back-up systems, are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches (through cyber-attacks from computer hackers and sophisticated organizations), catastrophic events such as fires, tornadoes and hurricanes and human error. Given the unpredictability of the timing, nature and scope of information technology disruptions, if our computer systems and our backup systems are damaged, breached, or cease to function properly, we could potentially be subject to production downtimes, operational delays, the compromising of confidential or otherwise protected information (including information about our home buyers and business partners),

destruction or corruption of data, security breaches, other manipulation or improper use of our systems and networks or financial losses from remedial actions, any of which could have a material adverse effect on our cash flows, competitive position, financial condition or results of operations.

We are involved in a variety of litigation.

We are involved in a range of legal actions in the ordinary course of business. These actions may include, among others, warranty disputes, labor disputes, issues with regulators and local housing officials, outside vendor disputes and trademark infringement and other intellectual property claims. These actions can be time-consuming and expensive, and may adversely affect our reputation. Although we are not involved in any legal or regulatory proceedings that we expect would have a material adverse effect on our business, results of operations or financial condition, such proceedings may arise in the future.

We have no operating history as a publicly-traded company, and our inexperience could materially and adversely affect us and our stockholders.

We have no operating history as a publicly-traded company. Our board of directors and senior management team will have overall responsibility for our management and only a limited number of our directors or members of our senior management team have prior experience in operating a public company. As a publicly-traded company, we will be required to develop and implement substantial control systems, policies and procedures in order to satisfy our periodic SEC reporting and Nasdaq obligations. We cannot assure you that management's past experience will be sufficient to successfully develop and implement these systems, policies and procedures and to operate our company. Failure to do so could jeopardize our status as a public company, and the loss of such status may materially and adversely affect us and our stockholders.

We may not be able to attract and retain the highly skilled employees we need to support our planned growth, and our compensation expenses may increase.

To execute on our strategy, we must continue to attract and retain highly qualified personnel. Competition for these personnel is intense. We may not be successful in attracting and retaining qualified personnel. We have from time to time in the past experienced, and we expect to continue to experience in the future, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. Many of the companies with which we compete for experienced personnel have greater resources than we do. Highly-qualified personnel are also aggressively recruited by other emerging growth companies, which are especially active in many of the areas and geographic regions in which we operate. In addition, in making employment decisions, job candidates may consider the value of the stock-based compensation they are to receive in connection with their employment. Declines in the value of our common stock could adversely affect our ability to attract or retain key employees and result in increased employee compensation expenses.

Our Co-CEO is the owner of two manufactured home retailers in Texas which could pose potential conflicts of interest.

Kenneth E. Shipley, our co-Chief Executive Officer, is also the owner of Bell Mobile Homes and Shipley Bros., Ltd., manufactured home retailers located in Lubbock, Texas. These retailers are operated primarily by Mr. Shipley's brothers in a relatively small market and sell only Legacy manufactured homes. While we believe that these retailers do not present significant competition to our own chain of company-owned retail locations, Mr. Shipley may have potential conflicts of interest with respect to, among other things, potential business opportunities that may become available to him and/or our company. Moreover, while Mr. Shipley spends substantially all of his business and professional time and efforts with our company, potential conflicts of interest also include the amount

of time and effort devoted by him to the affairs of Bell Mobile Homes and Shipley Bros., Ltd. We may be adversely affected if Mr. Shipley chooses to place the interests of these retailers before those of our company. Failure to resolve any conflicts of interest in favor of our company could adversely affect our business, financial condition and results of operations.

Changes in accounting principles or guidance, or in their interpretations, could result in unfavorable accounting charges or effects, including changes to our previously filed financial statements, which could cause our stock price to decline.

We prepare our financial statements in accordance with accounting principles generally accepted in the United States of America. These principles are subject to interpretation by the SEC and various bodies formed to interpret and create appropriate accounting principles and guidance. A change in these principles or guidance, or in their interpretations, may have a significant negative effect on our reported results and retroactively affect previously reported results, which, in turn, could cause our stock price to decline.

We will incur significantly increased costs as a result of operating as a public company, and our management will be required to devote substantial time to compliance efforts.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. For example, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the accounting and internal controls provisions of the Foreign Corrupt Practices Act of 1977, as amended, and will be required to comply with the applicable requirements of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, as well as rules and regulations subsequently implemented by the SEC and The Nasdaq, including the establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Our management and other personnel will need to devote a substantial amount of time and resources to complying with these requirements. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. In particular, we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act, which will increase when we are no longer an "emerging growth company," as defined by the JOBS Act. These new obligations will require substantial attention from our management team and could divert their attention away from the day-to-day management of our business. We will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge and maintain an internal audit function. We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs. These rules and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors and board committees or as executive officers, and more expensive for us to obtain director and officer liability insurance.

We are exposed to the credit risk of our mobile home park customers, and nonpayment or nonperformance by these parties would reduce our cash flows.

We are subject to risk from loss resulting from our mobile home park ("MHP") customers' nonperformance or nonpayment under their MHP notes. The concentration of credit risk may be affected by changes in economic or other conditions within our industry and may accordingly affect our overall credit risk. Although our MHP notes are secured by mobile homes and other assets and are personally guaranteed, in the event our customers experience a decline in their equity values or there is a lack of availability of alternative debt or equity financing, such conditions may result in a significant reduction in our customers' liquidity and ability to make payments or perform on their MHP notes to

us. As of September 30, 2018, no customer represented more than 20% of our MHP notes, and the largest customer, Gulf Stream Homes of LA, LLC, represented approximately 12% of our outstanding MHP notes. As of December 31, 2017, two customers, Gulf Stream Homes of LA, LLC and MHCA Homes, LLC, together represented more than 20% of our MHP notes, respectively. Any nonpayment or nonperformance by our MHP customers would reduce our cash flows.

We have identified material weaknesses in our internal control over financial reporting and failure to maintain effective internal controls could cause our investors to lose confidence in us and adversely affect the market price of our common stock.

For 2017 and prior periods, we identified certain material weaknesses in our internal controls related to lack of sufficient accounting processes and procedures in place, particularly in the areas of allowance for loan loss, finished goods inventory costing method, and revenue recognition, lack of sufficient experienced personnel to support preparation of financial statements for compliance with U.S. GAAP and SEC rules, and lack of policies and procedures to ensure the appropriate review and approval of user access rights and approval of journal entries in our financial reporting process. In connection with these material weaknesses, we have implemented certain remediation measures, including the adoption of appropriate processes and procedures with respect to key areas, including allowance for loan loss, finished goods inventory costing, and revenue recognition. We are also in the process of implementing remediation measures including providing further training of accounting personnel as well as hiring additional personnel, designing internal controls over financial reporting, including user access rights and journal entry processes and approvals, and researching more robust financial reporting databases and systems for implementation.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our shares.

We are an "emerging growth company" and our election to delay adoption of new or revised accounting standards applicable to public companies may result in our financial statements not being comparable to those of some other public companies. As a result of this and other reduced disclosure requirements applicable to emerging growth companies, our securities may be less attractive to investors.

As a company with less than \$1.07 billion in revenue during our last completed fiscal year, we qualify as an "emerging growth company" under the JOBS Act. An emerging growth company may take advantage of specified reduced reporting requirements that are otherwise generally applicable to public companies. In particular, as an emerging growth company we:

- are not required to obtain an attestation and report from our auditors on our management's assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act;
- are not required to provide a detailed narrative disclosure discussing our compensation principles, objectives and elements and analyzing how those elements fit with our principles and objectives (commonly referred to as "compensation discussion and analysis");
- are not required to obtain a non-binding advisory vote from our stockholders on executive compensation or golden parachute arrangements (commonly referred to as the "say-on-pay," "say-on-frequency" and "say-on-golden-parachute" votes);
- are exempt from certain executive compensation disclosure provisions requiring a pay-for-performance graph and CEO pay ratio disclosure;

- may present only two years of audited financial statements and only two years of related Management's Discussion & Analysis of Financial Condition and Results of Operations, or MD&A; and
- are eligible to claim longer phase-in periods for the adoption of new or revised financial accounting standards under §107 of the JOBS Act.

We intend to take advantage of all of these reduced reporting requirements and exemptions, including the longer phase-in periods for the adoption of new or revised financial accounting standards under §107 of the JOBS Act. Our election to use the phase-in periods may make it difficult to compare our financial statements to those of non-emerging growth companies and other emerging growth companies that have opted out of the phase-in periods under §107 of the JOBS Act.

Certain of these reduced reporting requirements and exemptions were already available to us due to the fact that we also qualify as a "smaller reporting company" under SEC rules. For instance, smaller reporting companies are not required to obtain an auditor attestation and report regarding management's assessment of internal control over financial reporting, are not required to provide a compensation discussion and analysis, are not required to provide a pay-for-performance graph or CEO pay ratio disclosure, and may present only two years of audited financial statements and related MD&A disclosure.

Under the JOBS Act, we may take advantage of the above-described reduced reporting requirements and exemptions for up to five years after our initial sale of common equity pursuant to a registration statement declared effective under the Securities Act, or such earlier time that we no longer meet the definition of an emerging growth company. In this regard, the JOBS Act provides that we would cease to be an "emerging growth company" if we have more than \$1.07 billion in annual revenue, have more than \$700 million in market value of our common stock held by non-affiliates, or issue more than \$1 billion in principal amount of non-convertible debt over a three-year period. Under current SEC rules, however, we will continue to qualify as a "smaller reporting company" for so long as we have a public float (i.e., the market value of common equity held by non-affiliates) of less than \$250 million as of the last business day of our most recently completed second fiscal quarter.

We cannot predict if investors will find our securities less attractive due to our reliance on these exemptions. If investors were to find our securities less attractive as a result of our election, we may have difficulty raising all of the proceeds we seek in this offering.

While we currently qualify as an "emerging growth company" under the JOBS Act, once we lose emerging growth company status, the costs and demands placed upon our management are expected to increase.

Following this offering, we will continue to be an emerging growth company until the earliest to occur of (i) the last day of the fiscal year during which we had total annual gross revenue of at least \$1.07 billion (as indexed for inflation), (ii) the last day of the fiscal year following the fifth anniversary of the date of the first sale of common stock under this registration statement, (iii) the date on which we have, during the previous three-year period, issued more than \$1 billion in non-convertible debt, or (iv) the date on which we are deemed to be a "large accelerated filer," as defined under the Exchange Act. Once we lose emerging growth company status, we expect the costs and demands placed upon our management to increase, as we would have to comply with additional disclosure and accounting requirements.

Risks Related to Ownership of Our Common Stock and this Offering

Our stock price may be volatile and your investment could decline in value.

The market price of our common stock following this offering may fluctuate substantially as a result of many factors, some of which are beyond our control. These fluctuations could cause you to

lose all or part of the value of your investment in our common stock. Factors that could cause fluctuations in the market price of our common stock include the following:

- quarterly variations in our results of operations;
- results of operations that vary from the expectations of securities analysts and investors;
- results of operations that vary from those of our competitors;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts;
- publication of research reports about us or the home building industry;
- announcements by us or our competitors of significant contracts, acquisitions or capital commitments;
- announcements by third parties of significant claims or proceedings against us;
- changes affecting the availability of financing in the wholesale and consumer lending markets;
- regulatory developments in the manufactured housing industry;
- significant future sales of our common stock, and additions or departures of key personnel;
- the realization of any of the other risk factors presented in this prospectus; and
- general economic, market and currency factors and conditions unrelated to our performance.

In addition, the stock market in general has experienced significant price and volume fluctuations that have often been unrelated or disproportionate to operating performance of individual companies. These broad market factors may seriously harm the market price of our common stock, regardless of our operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. A class action suit against us could result in significant liabilities and, regardless of the outcome, could result in substantial costs and the diversion of our management's attention and resources.

Our common stock has no prior market and our stock price may decline after the offering.

Prior to this offering, no public market has existed for our common stock. Although we have applied to have our common stock listed on The Nasdaq Global Market, an active trading market for our common stock may not develop or, if it develops, may not be sustained after this offering. Our company and the underwriters will negotiate to determine the initial public offering price. The initial public offering price may be higher than the market price of our common stock after the offering and you may not be able to sell your shares of our common stock at or above the price you paid in the offering. As a result, you could lose all or part of your investment.

Investors purchasing common stock in this offering will experience immediate dilution.

The initial public offering price of shares of our common stock is higher than the pro forma as adjusted net tangible book value per outstanding share of our common stock. You will incur immediate dilution of \$4.08 per share in the pro forma as adjusted net tangible book value of shares of our common stock, based on an assumed initial public offering price of \$11.75 per share, the midpoint of the range set forth on the cover page of this prospectus. To the extent outstanding options are ultimately exercised, there will be further dilution of the common stock sold in this offering.

Future sales, or the perception of future sales, of a substantial amount of our shares of common stock could depress the trading price of our common stock.

If we or our stockholders sell substantial amounts of our shares of common stock in the public market following this offering or if the market perceives that these sales could occur, the market price of shares of our common stock could decline. These sales may make it more difficult for us to sell equity or equity-linked securities in the future at a time and price that we deem appropriate, or to use equity as consideration for future acquisitions.

Immediately upon completion of this offering, based on the number of shares outstanding as of November 30, 2018, we will have 90,000,000 shares of common stock authorized and 23,500,000 shares of common stock outstanding (assuming the underwriters do not exercise their option to purchase additional shares in this offering to cover over-allotments, if any). Of these shares, the 3,500,000 shares to be sold in this offering will be freely tradable. We, our executive officers and directors, and certain of our stockholders have entered into agreements with the underwriters not to sell or otherwise dispose of shares of our common stock for a period of 180 days following completion of this offering, with certain exceptions. Immediately upon the expiration of this lock-up period, 20,000,000 shares will be eligible for resale pursuant to Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"), subject to the volume, manner of sale, holding period and other limitations of Rule 144.

In addition, following the completion of this offering, we intend to file a registration statement on Form S-8 registering the issuance of 2,500,000 shares of common stock reserved for future issuance under our 2018 Incentive Compensation Plan. Shares registered under the registration statement on Form S-8 will be available for sale in the public market subject to vesting arrangements and exercise of options, the lock-up agreements described above and the restrictions of Securities Act Rule 144 in the case of our affiliates.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our stock adversely, or if our actual results differ significantly from our guidance, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. If any of the analysts who may cover us change their recommendation regarding our stock adversely, or provide more favorable relative recommendations about our competitors, our stock price would likely decline. If any analyst who may cover us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

In addition, from time to time, we may release earnings guidance or other forward-looking statements in our earnings releases, earnings conference calls or otherwise regarding our future performance that represent our management's estimates as of the date of release. Some or all of the assumptions of any future guidance that we furnish may not materialize or may vary significantly from actual future results. Any failure to meet guidance or analysts' expectations could have a material adverse effect on the trading price or volume of our stock.

Anti-takeover provisions in our charter documents could discourage, delay or prevent a change in control of our company and may affect the trading price of our common stock.

Our corporate documents, to be effective upon completion of this offering, and the Delaware General Corporation Law contain provisions that may enable our board of directors to resist a change

in control of our company even if a change in control were to be considered favorable by you and other stockholders. These provisions:

- authorize the issuance of "blank check" preferred stock that could be issued by our board of directors to help defend against a takeover attempt;
- establish advance notice requirements for nominating directors and proposing matters to be voted on by stockholders at stockholder meetings;
- provide that stockholders are only entitled to call a special meeting upon written request by 33¹/₃% of the outstanding common stock; and
- require supermajority stockholder voting to effect certain amendments to our certificate of incorporation and bylaws.

In addition, Delaware law prohibits large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or consolidating with us except under certain circumstances. These provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and cause us to take other corporate actions you desire.

Concentration of ownership of our common stock among our existing executive officers, directors and principal stockholders may limit new investors from influencing significant corporate decisions.

Upon completion of this offering, our executive officers, directors and current beneficial owners of 5% or more of our common stock and their respective affiliates will, in aggregate, beneficially own approximately 85.1% of our outstanding shares of common stock. These persons, acting together, would be able to determine the outcome of all matters requiring stockholder approval, including the election and removal of directors and any merger or other significant corporate transactions. The interests of this group of stockholders may not align with our interests or the interests of other stockholders and thereby could control our policies and operations, including the appointment of management, future issuances of our common stock or other securities, the incurrence or modification of debt by us, amendments to our certificate of incorporation and bylaws, and the entering of extraordinary transactions, such as a merger or sale of all or substantially all of our assets. In addition, these majority stockholders will be able to cause or prevent a change of control of our company and could preclude any unsolicited acquisition of our company. This concentration of ownership could deprive you of an opportunity to receive a premium for your shares of common stock as part of a sale of our company and ultimately might affect the market price of our common stock.

We do not expect to pay any dividends on our common stock for the foreseeable future.

We currently expect to retain all future earnings, if any, for future operation, expansion and debt repayment and have no current plans to pay any cash dividends to holders of our common stock for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, our operating results, financial condition, cash requirements, contractual restrictions and other factors that our board of directors may deem relevant. In addition, we must comply with the covenants in our credit agreements in order to be able to pay cash dividends, and our ability to pay dividends generally may be further limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur. As a result, you may not receive any return on an investment in our common stock unless you sell our common stock for a price greater than that which you paid for it.

We may invest or spend the proceeds of this offering in ways with which you may not agree or in ways that may not yield a return.

Our management will have considerable discretion in the application of the net proceeds of this offering, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. The net proceeds may be invested with a view towards long-term benefits for our stockholders and this may not increase our operating results or market value. Until the net proceeds are used, they may be placed in investments that do not produce significant income or that may lose value.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve substantial risks and uncertainties. The forward-looking statements are contained principally in the sections entitled "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," but are also contained in this prospectus. In some cases, you can identify forward-looking statements by the words "may," "might," "will," "could," "would," "should," "expect," "intend," "plan," "aim," "objective," "anticipate," "believe," "estimate," "predict," "project," "potential," "continue," "ongoing," "target," "seek" or the negative of these terms, or other comparable terminology intended to identify statements about the future. Forward-looking statements contained in this prospectus include, but are not limited to, statements about:

- our future financial performance, including our total net sales, cost of sales, operating expenses and profitability;
- the sufficiency of our cash and cash equivalents to meet our liquidity needs;
- our predictions about the manufactured housing industry and market trends;
- our ability to attract and retain customers to purchase our manufactured homes;
- the availability of favorable consumer and wholesale manufactured home financing;
- our ability to successfully expand in our existing markets and into new markets and industry verticals; and
- our ability to effectively manage our growth and future expenses.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this prospectus.

These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Although we believe that we have a reasonable basis for each forward-looking statement contained in this prospectus, we caution you that these statements are based on a combination of facts and factors currently known by us and our expectations of the future, about which we cannot be certain.

You should refer to the "Risk Factors" section of this prospectus for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result, of these factors, we cannot assure you that the forward-looking statements in this prospectus will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by federal securities law.

You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

CORPORATE CONVERSION

Prior to January 1, 2018, we operated as a Texas limited partnership under the name Legacy Housing, Ltd. Effective January 1, 2018, we converted into a Delaware corporation pursuant to a statutory conversion and changed our name to Legacy Housing Corporation. In order to consummate the Corporate Conversion, a certificate of conversion was filed with the Secretary of State of the State of Delaware and with the Secretary of State of the State of Texas. Holders of partnership interests in Legacy Housing, Ltd. received an initial allocation, on a proportional basis, of 20,000,000 shares of common stock of Legacy Housing Corporation. Before this offering, our capital stock consists of 90,000,000 shares of common stock authorized and 20,000,000 shares of common stock outstanding. In connection with this offering, we will issue an additional 3,500,000 shares of new common stock and, immediately following this offering, we will have 23,500,000 total shares of common stock outstanding, in each case, assuming the underwriters do not exercise their option to purchase additional shares.

Following the Corporate Conversion, Legacy Housing Corporation continues to hold all property and assets of Legacy Housing, Ltd. and all of the debts and obligations of Legacy Housing, Ltd. We are now governed by a certificate of incorporation filed with the Secretary of State of the State of Delaware and bylaws, the material portions of which are described in the section of this prospectus entitled "Description of Capital Stock." On the effective date of the Corporate Conversion, the officers of Legacy Housing, Ltd. became the officers of Legacy Housing Corporation. As a result of the Corporate Conversion, we are now a federal corporate taxpayer as opposed to a pass-through entity for tax purposes.

The purpose of the Corporate Conversion was to reorganize our corporate structure so that the top-tier entity in our corporate structure, the entity that is offering shares of common stock to the public in this offering, is a corporation rather than a limited partnership and so that our existing owners own shares of our common stock rather than partnership interests in a limited partnership.

Except as otherwise noted herein, the financial statements included in this prospectus are those of Legacy Housing, Ltd.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of our common stock in this offering will be approximately \$37.3 million (or approximately \$43.1 million if the underwriters exercise their option in full to purchase additional shares of our common stock), based upon an assumed initial public offering price of \$11.75 per share, which is the midpoint of the price range listed on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Consistent with our long-term strategy of conservatively deploying our capital to achieve above average rates of return, we intend to use the net proceeds of this offering to expand our retail presence in the geographic markets we now serve, particularly in the southern United States. Each retail center requires between \$1,000,000 and \$2,000,000 to acquire the location, situate an office, provide inventory, and allocate the initial working capital. We expect to open 10 to 15 additional retail centers by the end of 2020. We also expect, based on our current financial position, that we will opportunistically increase our credit lines on terms that will allow us to rapidly expand the pace of our financing solutions for our retail consumers, giving our new retail centers the support they need to generate sales.

We also expect to use a portion of the net proceeds to provide financing solutions to a select group of our community-owner customers, in a manner that includes developing new sites for products in or near urban locations where there is a shortage of sites to place our products. These solutions will be structured to give us an attractive return on investment, when coupled with the gross margin we make on products specifically targeted for these new manufactured housing communities.

Additionally, in the event a major acquisition opportunity develops, we will evaluate and consider a geographical expansion or an expansion into affordable housing niches in our current geographical markets that we believe will be consistent with our long-term strategy of achieving above average rates of return within the affordable housing industry.

We will use the remainder of the net proceeds from this offering for working capital and general corporate purposes, including investing in our sales and marketing, product enhancement efforts, and enhancing our corporate infrastructure and systems to assist in creating a more robust means of tracking data, automating back office functions, and improving our financial reporting system. We may allocate funds from other sources to fund some or all of these activities.

We do not intend to significantly leverage our balance sheet. Rather, we expect that our debt-to-equity ratio will remain for the foreseeable future in our historical range of 1-to-1, or less. We may allocate some of the proceeds for paying down our current debt.

The intended use of net proceeds from this offering represents our expectations based upon our present plans and business conditions. We cannot predict with certainty all of the particular uses for the proceeds of this offering or the amounts that we will actually spend on the uses described in this prospectus. Accordingly, our management will have significant flexibility in applying the net proceeds of this offering. The timing and amount of our actual expenditures will be based on many factors, including cash flows from operations and the anticipated growth of our business. Pending their use, we intend to invest the net proceeds of this offering in a variety of capital-preservation investments, including short- and intermediate-term, interest-bearing, investment-grade securities.

Each \$1.00 increase or decrease in the assumed initial public offering price of \$11.75 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease the net proceeds to us from this offering by approximately \$3,255,000, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same.

DIVIDEND POLICY

Our board of directors will determine our future dividend policy based on our result of operations, financial condition, capital requirements and other circumstances. We have not previously declared or paid any cash dividends on our common stock. We anticipate that we will retain earnings to support operations and finance the growth of our business, as described in this prospectus. Accordingly, it is not anticipated that any cash dividends will be paid on our common stock in the foreseeable future. Previously, as a limited partnership, we made periodic minimal distributions to our partners, primarily to cover the partners' tax obligations.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2018:

- on an actual basis without any adjustments to reflect subsequent or anticipated events; and
- on an as-adjusted basis reflecting the receipt by us of the net proceeds from the sale of 3,500,000 shares of common stock in this offering at an assumed initial public offering price of \$11.75 per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us and excluding the exercise of the underwriters' over-allotment option, as if each had occurred on September 30, 2018.

The following information is illustrative only of our cash and cash equivalents and capitalization following the completion of this offering and will change based on the actual initial public offering price and other terms of this offering determined at pricing. You should read this table together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes appearing in this prospectus.

	<u>As of September 30, 2018</u>	
	<u>Actual</u>	<u>As Adjusted</u>
	(in thousands, except share and per share amounts)	
Cash and cash equivalents	\$ 449	\$ 37,769
Debt, current portion	\$ 213	\$ 213
Long-term debt, net of current portion	61,823	61,823
Stockholders' equity:		
Common stock, \$0.001 par value, 90,000,000 shares authorized; 20,000,000 shares issued and outstanding; 23,500,000 shares issued and outstanding, as adjusted(1)	20	24
Additional paid-in capital	124,251	161,567
Retained earnings	18,735	18,735
Total stockholders' equity	143,006	180,326
Total liabilities and equity(2)	<u>\$ 233,656</u>	<u>\$ 270,976</u>

- (1) Only the 3,500,000 shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act. The remaining 20,000,000 shares of common stock outstanding after this offering will be "restricted securities" as such term is defined in Rule 144 under the Securities Act and will be eligible for sale upon expiration of the lock-up agreements 181 days after the date of this prospectus, subject to any volume and other limitations applicable to the holders of such shares.
- (2) A \$1.00 increase or decrease in the assumed initial public offering price of \$11.75 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, our adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization by approximately \$3,255,000, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

DILUTION

If you invest in our common stock in this offering, your ownership interest will be immediately diluted to the extent of the difference between the initial public offering price per share and the pro forma, as adjusted net tangible book value per share of our common stock immediately after this offering. Net tangible book value per share is determined by dividing our total tangible assets less total liabilities by the number of outstanding shares of common stock.

As of September 30, 2018, we had a pro forma net tangible book value of \$143,005,440, or \$7.15 per share of common stock. Our pro forma net tangible book value per share represents the amount of our total tangible assets reduced by the amount of our total liabilities and divided by the total number of shares of our common stock outstanding as of September 30, 2018, after giving effect to the Corporate Conversion.

Investors participating in this offering will incur immediate and substantial dilution. After giving effect to the issuance and sale of 3,500,000 shares of our common stock in this offering at an assumed initial public offering price of \$11.75 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of September 30, 2018, would have been approximately \$180,326,000, or \$7.67 per share of common stock. This represents an immediate increase in the pro forma net tangible book value of \$0.52 per share to existing stockholders and an immediate dilution of \$4.08 per share to investors purchasing shares of our common stock in this offering. The following table illustrates this per share dilution on a per share basis:

	<u>Amount</u>
Assumed initial public offering price	\$ 11.75
Pro forma net tangible book value (deficit) before offering	7.15
Increase in pro forma net tangible book value attributable to new investors	0.52
Pro forma as adjusted net tangible book value after offering	7.67
Dilution in pro forma net tangible book value to new investors	<u>\$ 4.08</u>

The dilution information discussed above is illustrative only and will change based on the actual initial public offering price and other terms of this offering determined at pricing. Each \$1.00 increase or decrease in the assumed initial public offering price of \$11.75 per share would increase or decrease our pro forma as adjusted net tangible book value by approximately \$0.15 per share, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same.

Holders of partnership interests in Legacy Housing, Ltd. received an initial allocation, on a proportional basis, of 20,000,000 shares of common stock of Legacy Housing Corporation. Before the offering, our capital stock consists of 90,000,000 shares of common stock authorized and 20,000,000 shares of common stock outstanding. In connection with this offering, we will issue an additional 3,500,000 shares of new common stock and, immediately following this offering, we will have 23,500,000 total shares of common stock outstanding, in each case, assuming the underwriters do not exercise their option to purchase additional shares. If the underwriters exercise their over-allotment option in full to purchase 525,000 additional shares of common stock from us in this offering to cover over-allotments, if any, the pro forma as adjusted net tangible book value per share after the offering would be \$7.74 per share, the increase in the pro forma net tangible book value per share to existing stockholders would be \$0.59 per share and the dilution per share to new investors purchasing common stock in this offering would be \$4.01 per share.

The following table illustrates, as of September 30, 2018, the differences between the number of shares of common stock purchased from us, the total consideration paid, and the average price per share paid by existing stockholders and new investors purchasing shares of our common stock in this offering based on an assumed initial public offering price of \$11.75 per share, the midpoint of the price range on the cover page of this prospectus, and before deducting underwriting discounts and commissions and estimated offering expenses.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	20,000,000	85.1%	143,005,440	77.7%	7.15
New investors	3,500,000	14.9%	41,125,000	22.3%	11.75
Total	23,500,000	100.0%	184,130,440	100.0%	

Each \$1.00 increase or decrease in the assumed initial public offering price of \$11.75 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease the total consideration paid by new investors by \$3,225,000, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same.

The number of shares of common stock shown above to be outstanding after this offering is based on 20,000,000 shares of our common stock outstanding as of September 30, 2018 and excludes 2,500,000 shares of our common stock reserved for future issuance under our 2018 Incentive Compensation Plan.

In addition, if the underwriters exercise their over-allotment option to purchase additional shares in full, the number of shares held by new investors would increase to 4,025,000, or 16.8% of the total number of shares of our common stock outstanding after this offering.

To the extent that options are exercised, new options are issued under our 2018 Incentive Compensation Plan or we issue additional shares of common stock in the future, there will be further dilution to investors participating in this offering. In addition, we may choose to raise additional capital because of market conditions or strategic considerations, even if we believe that we have sufficient funds for our current or future operating plans. If we raise additional capital through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

Legacy Housing Corporation builds, sells and finances manufactured homes and "tiny houses" that are distributed through a network of independent retailers and company-owned stores and are sold directly to manufactured housing communities. We are the fourth largest producer of manufactured homes in the United States as ranked by number of homes manufactured based on information available from the Manufactured Housing Institute and IBTS for the second quarter of 2018. With current operations focused primarily in the southern United States, we offer our customers an array of quality homes ranging in size from approximately 390 to 2,667 square feet consisting of 1 to 5 bedrooms, with 1 to 3^{1/2} bathrooms. Our homes range in price, at retail, from approximately \$22,000 to \$95,000. In 2017, we built and sold 3,274 home sections (which are entire homes or single floors that are combined to create complete homes). During the first nine months of 2018, we have sold 3,045 home sections. We commenced operations in 2005 and have experienced strong sales growth and increased our equity holders' capital at a compound annual growth rate of approximately 25% between 2009 and 2017. We currently have the largest backlog of orders in our company's 13-year history.

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

Our homes are marketed under our premier "Legacy" brand name and currently are sold primarily across 15 states through a network of 115 independent retail locations, 11 company-owned retail locations and through direct sales to owners of manufactured home communities. Our 11 company-owned retail locations, including nine Heritage Housing stores and two Tiny House Outlet stores exclusively sell our homes. During 2017, 62% of our manufactured homes were sold in Texas, followed by 8% in Georgia, 8% in Colorado, 5% in Oklahoma, and 4% in Louisiana. For the nine months ended September 30, 2018, our largest sales occurred in Texas (59%), Georgia (12%), Louisiana (9%), and Oklahoma (4%). We plan to deepen our distribution channel by using a portion of the net proceeds of this offering to expand our company-owned retail locations in new and existing markets.

We offer three types of financing solutions to our customers. We provide floor plan financing for our independent retailers, which takes the form of a consignment arrangement between the retailer and

us. We also provide consumer financing for our products which are sold to end-users through both independent and company-owned retail locations, and we provide financing to manufactured housing community owners that buy our products for use in their manufactured housing communities. Our ability to offer competitive financing options at our retail locations provides us with several competitive advantages and allows us to capture sales which may not have otherwise occurred without our ability to offer consumer financing.

Corporate Conversion

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

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

Factors Affecting Our Performance

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

- Consistent with our long-term strategy of conservatively deploying our capital to achieve above average rates of return, we intend to expand our retail presence in the geographic markets we now serve, particularly in the southern United States. Each retail center requires between \$1,000,000 and \$2,000,000 to acquire the location, situate an office, provide inventory, and provide the initial working capital. We expect to open 10 to 15 additional retail centers by the end of 2020. We also expect that, with our solid balance sheet, we will opportunistically increase our credit lines on terms that will allow us to rapidly expand the pace of our financing solutions for our retail consumers, giving our new retail centers the support they need to generate sales.
- We also expect to provide financing solutions to a select group of our manufactured housing community-owner customers in a manner that includes developing new sites for products in or near urban locations where there is a shortage of sites to place our products. These solutions will be structured to give us an attractive return on investment when coupled with the gross margin we expect to make on products specifically targeted for sale to these new manufactured housing communities.
- Finally, our financial performance will be impacted by our ability to fulfill current orders for our manufactured homes from dealers and customers. Currently, our two Texas manufacturing facilities are operating at near peak capacity, with limited ability to increase the volume of homes produced at those plants. Our Georgia manufacturing facility has some additional capacity to increase the number of homes that can be manufactured, and we intend to increase production at the Georgia facility over time, particularly in response to orders increasingly being generated from new markets in Florida and the Carolinas. In order to maintain our growth, we will need to be able to continue to properly estimate anticipated future volumes when making commitments regarding the level of business that we will seek and accept, the mix of products

that we intend to manufacture, the timing of production schedules and the levels and utilization of inventory, equipment and personnel.

Critical Accounting Policies and Estimates

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

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

Allowance for Loan Losses—Consumer Loan Receivable

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

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

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

Impaired loans are those loans where it is probable we will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impaired loans are generally measured based the fair value of the collateral. Impaired loans, or portions thereof, are charged off when deemed uncollectible. A loan is generally deemed impaired if it was 90 days or more past due on principal or interest, was in bankruptcy proceedings, or in the process of repossession. A specific reserve is created for impaired loans based on fair value of underlying collateral value. We used certain factors to determine to the value of the underlying collateral for impaired loans. These factors were: (1) the length of time the unit was unsold after construction; (2) the amount of time the house was occupied; (3) the cooperation level of the borrowers, i.e., loans requiring legal action or extensive field collection efforts will reduce the value; (4) units located on private property present additional value loss because it tends to be more expensive to remove units from private property as opposed to a manufactured home park; (5) the

length of time the borrower has lived in the house without making payments; (6) location and size, including market conditions; and (7) the experience and expertise of the particular dealer assisting in collection efforts.

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

Allowance for Loan Losses—MHP Notes

MHP Notes are stated at amounts due from customers net of allowance for loan losses. We determine the allowance by considering several factors including the aging of the past due balance, the customer's payment history, and our previous loss history. We establish an allowance reserve composed of specific and general reserve amounts that are deemed to be uncollectible.

Inventories

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

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

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

Property, Plant and Equipment

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

Dealer Incentive Liability

Under a dealer agreement with qualified dealers, a portfolio is created for the houses sold by the dealer with consumer loan arrangements financed by our company. The dealer is eligible to receive

dealer incentive, which is a portion of total collections on a consumer loan portfolio after our contribution (collection thresholds set per the terms of dealer agreement) is met.

A dealer incentive liability is recorded on our balance sheet based on total outstanding balance of individual dealer loan portfolios at period end, less the remaining portion of our contribution in respective portfolios.

Revenue Recognition

Direct Sales

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

Commercial Sales

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

Consignment Sales

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

Retail Store Sales

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

Revenue is recognized net of sales taxes.

Segment Reporting

We considered the guidance in ASC 280-10-50 in determining that we have a single reportable segment. All of our activities are interrelated, and each activity is dependent and assessed based on how each of the activities of our company supports the others. For example, the sale of manufactured homes is done through wholesale and retail operations that include providing transportation and consignment arrangements with dealers. We also provide financing options to the customers to facilitate

such sale of homes. In addition, the sale of homes is directly related to financing provided by us. Accordingly, all significant operating and strategic decisions by the chief operating decision-maker are based upon analyses of our company as one segment or unit.

Product Warranties

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

Results of Operations

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

Comparison of Nine Months ended September 30, 2018 and 2017 (in thousands)

	Nine months ended September 30,		\$ change	% change
	2018	2017		
Net revenue:				
Product sales	\$ 110,498	\$ 73,015	\$ 37,483	51%
Consumer and MHP loans interest	13,653	11,478	2,175	19%
Other	3,088	2,287	801	35%
Total net revenue	127,239	86,780	40,459	47%
Operating expenses:				
Cost of product sales	83,323	56,524	26,799	47%
Selling, general administrative expenses	14,768	11,641	3,127	27%
Dealer incentive	459	821	(362)	-44%
Income from operations	28,689	17,794	10,895	61%
Other income (expense)				
Non-operating interest income	189	224	(35)	-16%
Miscellaneous, net	122	354	(232)	-66%
Interest expense	(2,027)	(1,531)	(496)	32%
Total other	(1,716)	(953)	(763)	80%
Income before income tax expense	26,973	16,841	10,132	60%
Income tax expense	(8,238)	(107)*	(8131)	7599%
Net income	<u>\$ 18,735</u>	<u>\$ 16,734</u>	<u>\$ 2,001</u>	<u>12%</u>

* We were a partnership in 2017 and, therefore a pass-through entity with respect to taxes. However, the pro forma tax provision for 2017 reflects a total of \$6.0 million would have been the tax expense in 2017 if we had been a corporation, and the pro forma net income as of September 30, 2017 would have been \$10.7 million.

Product sales in the first nine months of 2018 were approximately \$110.5 million, compared to product sales of \$73.0 million during the first nine months of 2017. This was driven by an increased volume of homes sold, as well as a series of price increases. Likewise, our company-owned retail stores

have started to increase their volume of sales, including approximately \$10.5 million of sales through the first nine months of 2018, as compared with approximately \$6.6 million in sales for the same period in 2017, which represents a 59% increase in sales for our company-owned stores. The first quarter of 2018 also included home sales of approximately \$8.9 million in sales as a subcontractor operating under a contract with FEMA to provide housing for victims of hurricane Harvey.

Net revenue attributable to our factory-built housing consisted of the following during the first nine months of 2018 and 2017:

	Nine Months ended September 30, (in thousands)		\$ Change	% Change
	2018	2017		
Net revenue:				
Products sold	\$ 110,498	\$ 73,015	\$ 37,482	51%
Total products sold	2,608	1,978	630	32%
Net revenue per product sold	\$ 42,369	\$ 36,913	\$ 5,456	15%

In 2018, our net revenue per product sold increased in part because of increased sales to manufactured home communities and increased sales through our company-owned stores, all of which carry higher margins. In addition, there were multiple price increases to our product prices due to rising material and labor costs, which resulted in higher home sales prices and more revenue generated per home sold. Additionally, sales and production volumes increased, driven by greater demand for our products.

The cost of product sales was approximately \$83.3 million in the first nine months of 2018 compared to \$56.5 million during the same period of 2017. These additional costs were primarily related to the production of a greater volume of homes in 2018, increased material costs and the continued and expanded operations of our company-owned stores.

Total net revenue through September 30, 2018 was approximately \$127.2 million compared to total net revenue of \$86.8 million during the first nine months of 2017. This increase was primarily due to increases in total sales volume and prices of our homes. In addition, our interest income grew 19% on a comparative basis between the first nine months of 2017 and 2018 due to our company increasing our outstanding MHP Notes by approximately \$12.9 million and the consumer loan portfolio by approximately \$8.3 million between September 30, 2017 and September 30, 2018.

Selling, general and administrative expenses in the first nine months of 2018 were approximately \$14.8 million compared to selling, general and administrative expenses of \$11.6 million during the same period of 2017. This increase was primarily due to increased operations of our company-owned retail lots, as well as the opening of a corporate office in Bedford, Texas and a sales office in Norcross, Georgia.

Other income (expense) was a loss of \$1.7 million in the first nine months of 2018, as compared to a loss of \$953,000 for the same period in 2017. This additional expense was primarily due to an increase in interest rates and our borrowing additional amounts on lines of credit.

Income tax expense for the first nine months of 2018 was approximately \$8.2 million compared to \$107,000 for the same period in 2017. This increase in tax expense was primarily due to a structural change of our tax status from a partnership to a corporation. The change in tax status required the recognition of a deferred tax liability between the historical cost basis and tax basis of our assets and liabilities as the result of our deemed change in tax status to a subchapter C corporation. The resulting net deferred tax liability was recorded as a one-time income tax expense of approximately \$2.1 million.

Net income for the first nine months of 2018 was approximately \$18.7 million as compared to \$16.7 million for the same period in 2017. This increase was primarily due to increased sales amounts and prices and an increase in the outstanding principal balance of the MHP Notes and the consumer loan portfolio, offset by income tax expenses recorded in 2018 after our tax status conversion to a corporation.

Comparison of Years ended December 31, 2017 and 2016 (in thousands)

	Years ended December 31,		\$ change	% change
	2017	2016 (Restated)		
Net revenue:				
Product sales	\$ 109,750	\$ 93,394	\$ 16,356	18%
Consumer and MHP loans interest	15,647	13,739	1,908	14%
Other	3,339	3,412	(73)	-2%
Total net revenue	128,736	110,545	18,190	16%
Operating expenses:				
Cost of product sales	82,498	77,329	5,169	7%
Selling, general administrative expenses	17,105	13,580	3,525	26%
Dealer incentive	1,038	1,211	(173)	-14%
Income from operations	28,095	18,425	9,670	52%
Other income (expense)				
Non-operating interest income	272	214	58	27%
Miscellaneous, net	149	102	47	46%
Interest expense	(2,044)	(1,244)	(800)	64%
Total other	(1,623)	(928)	(695)	75%
Income before income tax expense	26,472	17,497	8,975	51%
Income tax expense	(124)	(158)	34	-22%
Net income	\$ 26,348	\$ 17,339	\$ 9,009	52%

Product sales in 2017 was approximately \$109.8 million, compared to product sales of \$93.4 million during 2016. In addition, this increase was driven by opening five company-owned stores to generate additional manufactured home sales during 2017 and having the Eatonton, Georgia plant in operation for all of 2017, as opposed to only nine months in 2016. Net revenue attributable to our factory-built housing consisted of the following in 2017 and 2016:

	Years Ended December 31, (in thousands)		\$ Change	% Change
	2017	2016 (Restated)		
Net revenue:				
Products sold	\$ 109,750	\$ 93,394	\$ 16,356	18%
Total products sold	2,900	2,452	448	18%
Net revenue per product sold	\$ 37,845	\$ 38,089	\$ (244)	-0.6%

In 2017, rising material and labor input costs resulted in higher sales prices, but also kept the revenue per product sold substantially similar to the prior year. Our product prices are also periodically adjusted for the cost and availability of raw materials included in, and labor used to produce, each home. For these reasons, we have experienced, and may experience in the future, volatility in overall net revenue per product sold. Additionally, sales and production volumes increased, driven by greater demand for our products.

The cost of product sales was approximately \$82.5 million compared to \$77.3 million during 2016. These additional costs were primarily related to the production of a greater volume of homes in 2017.

Total net revenue in 2017 was approximately \$128.7 million compared to total net revenue of \$110.5 million during 2016. This increase was primarily due to increases in total sales volume and prices of our homes, primarily due to the opening of five additional company-owned stores and having the Eatonton, Georgia plant in operation for all of 2017. In addition, our interest income grew 14% year-over-year due to our company increasing our outstanding MHP Notes by \$19,715,000 and consumer loan portfolio by \$17,980,000 between December 31, 2016 and December 31, 2017.

Selling, general and administrative expenses in 2017 were approximately \$17.1 million compared to selling, general administrative expenses of \$13.6 million during 2016. This increase was primarily due to the opening of five additional company-owned stores and the expenses associated with operating the Eatonton, Georgia plant for the entirety of 2017, as compared to the Georgia plant only being operational for a portion of 2016.

Other income (expense) was a loss of \$1.6 million in 2017, as compared to a loss of \$928,000 in 2016. This additional expense was primarily due to an increase in interest rates and our borrowing additional amounts on our lines of credit.

State income tax expense in 2017 was approximately \$124,000 compared to state income tax expense of \$158,000 during 2016. This decrease in tax expense was primarily due to an increase in activity and revenue outside the state of Texas that was not subject to certain margin taxes on sales in Texas.

Net income in 2017 was approximately \$26.3 million compared to net income of \$17.3 million during 2016. This increase was primarily due to the opening of five additional company-owned stores, having the Eatonton, Georgia plant in operation for the entirety of 2017, increased sales amounts and prices, and an increase in MHP Notes and our consumer loan portfolio.

Liquidity and Capital Resources

Cash and Cash Equivalents

We consider all cash and highly liquid investments with an original maturity of three months or less to be cash equivalents. We maintain cash balances in bank accounts that may, at times, exceed federally insured limits. We have not incurred any losses from such accounts and management considers the risk of loss to be minimal. We believe that cash and cash equivalents at September 30, 2018, together with cash flow from operations and the proceeds from this offering, will be sufficient to fund our operations and provide for growth for the next 12 to 18 months and into the foreseeable future. As of September 30, 2018, we had approximately \$449,000 in cash and cash equivalents, compared to \$670,000 as of September 30, 2017.

Cash Flow Activities

	Nine Months ended September 30,		Year ended December 31,	
	2018	2017	2017	2016
	(in thousands)			
				(restated)
Net cash provided by (used in) operating activities	\$562	\$5,963	\$4,691	(\$1,903)
Net cash provided by (used in) investing activities	(\$6,017)	(\$227)	(\$2,256)	(\$3,472)
Net cash provided by (used in) financing activities	\$5,476	(\$6,075)	(\$3,016)	\$6,084
Net change in cash and cash equivalents	\$21	(\$339)	\$(581)	\$709
Cash and cash equivalents at beginning of period	\$428	\$1,009	\$1,009	\$300
Cash and cash equivalents at end of period	\$449	\$670	\$428	\$1,009

Comparison of Cash Flow Activities from September 30, 2018 to September 30, 2017

Net cash provided by our operating activities for the nine months ended September 30, 2018 decreased to approximately \$562,000 compared to \$6.0 million for the comparable period in 2017. The change in operating cash flow for the company is attributed to an increase of net income for the nine months ended September 30, 2018 compared to 2017, which was offset by an increase in net working capital used for additional loan originations associated with higher demand for home sales to MHPs and a decrease in operating cash flow attributed to an increase in inventory purchases during the nine months ended September 30, 2018 compared to the same period in 2017 to meet demands for existing and newly-opened company-owned stores. The decrease in operating cash flows described above was offset by higher volumes of principal pay-downs on loan receivables and cash collections on accounts receivable, an increase in accrued liabilities primarily attributed to increases in income taxes payable due to the incorporation of the company, and other changes in operating assets and liabilities due primarily to timing differences and non-cash charges.

Net cash flows used by investing activities for the nine months ended September 30, 2018 totaled approximately \$6.0 million compared to \$227,000 for the same period in 2017. This difference was due primarily to \$4.2 million used for the acquisition of land for development and a loan for manufactured housing park development totaling approximately \$935,000.

Cash flows provided by financing activities was approximately \$5.5 million for the nine months ended September 30, 2018 compared to \$6.1 million for the same period in 2017. This difference was primarily due to the change in our structure from a partnership to a corporation, which meant there were no distributions made in 2018 to partners as would have occurred in prior years for the payment of taxes on their allocable share of partnership income. In addition, these differences were due to an increase of approximately \$5.0 million from our credit lines.

Comparison of Cash Flow Activities from 2017 to 2016

Net cash provided by our operating activities for the year ended December 31, 2017 totaled approximately \$4.7 million compared to net cash used in our operations for the year ended December 31, 2016 of \$1.9 million. The change in cash used was due primarily to higher net income in 2017 compared to 2016. This increase was primarily due to the opening of five additional company-owned stores in 2017, having the Eatonton, Georgia plant in operation for the entirety of 2017, increased sales amounts and prices, and an increase in MHP Notes and the consumer loan portfolio.

Net cash flows used by investing activities for the year ended December 31, 2017 totaled approximately \$2.3 million compared to net cash used in our investing activities for the year ended

December 31, 2016 of \$3.5 million. This difference was due primarily to the purchase of real property (as opposed to leasing) in 2016 for retail lots.

Cash flows used in financing activities was approximately \$3.0 million for the year ended December 31, 2017 compared to net cash provided by financing activities of \$6.1 million for the year ended December 31, 2016. This difference was primarily due to paying down lines of credit in 2017 using cash provided by operating activities from increased sales volume, as well as additional distributions made to partners in 2017 for tax payments on their allocable share of partnership income. These additional distributions for taxes historically would have been made in 2018, but were provided in 2017 because we were converting from a partnership to a corporation effective January 1, 2018, and there could not be any distributions under a corporate structure.

Indebtedness

Capital One Revolver. We have a revolving line of credit ("Revolver 1") with Capital One, N.A. with a maximum credit limit of \$35,000,000 as of December 31, 2016. On May 12, 2017, Revolver 1 was amended to extend the maturity date to May 11, 2020 and increase the maximum borrowing availability under Revolver 1 to \$45,000,000. For the period ended September 30, 2018 and the year ended December 31, 2017, Revolver 1 accrued interest at one month LIBOR plus 2.40%. The interest rates in effect as of September 30, 2018 and December 31, 2017 were 4.5% and 3.78%, respectively. Amounts available under Revolver 1 are subject to a formula based on eligible consumer loans and MHP Notes and are secured by all accounts receivable and a percentage of the consumer loans receivable and MHP Notes. The amount of available credit under Revolver 1 was \$3,990,000 and \$6,906,000 at September 30, 2018 and December 31, 2017, respectively. For the periods ended September 30, 2018 and September 30, 2017, interest expense was \$1,332,000 and \$954,000, respectively. The outstanding balance as of September 30, 2018 and December 31, 2017 was \$41,010,000 and \$38,094,000, respectively. We were in compliance with all financial covenants as of September 30, 2018, including that we maintain a tangible net worth of at least \$30,000,000 and that we maintain a ratio of debt to EBITDA of 4-to-1, or less.

Veritex Community Bank Revolver. In April 2016, we entered into an agreement with Veritex Community Bank to secure an additional revolving line of credit of \$15,000,000 ("Revolver 2"). Revolver 2 accrues interest at one month LIBOR plus 2.50% and all unpaid principal and interest is due at maturity on April 4, 2021. Revolver 2 is secured by all finished goods inventory excluding repossessed homes. Amounts available under Revolver 2 are subject to a formula based on eligible inventory. The interest rates in effect as of September 30, 2018 and 2017 was 4.60% and 3.87%, respectively. On May 12, 2017, we entered into an agreement to increase the maximum borrowing availability under Revolver 2 to \$20,000,000. On October 15, 2018, Revolver 2 was amended to extend the maturity date from April 4, 2019 to April 4, 2021. The amount of available credit under Revolver 2 was \$3,000,000 at September 30, 2018 and \$5,000,000 at December 31, 2017. For the nine months ending September 30, 2018 and September 30, 2017, interest expense was \$505,000 and 379,000, respectively. The outstanding balance as of September 30, 2018 was \$17,000,000 and \$15,000,000 as of December 31, 2017. We were in compliance with all financial covenants as of September 30, 2018, including that we maintain a tangible net worth of at least \$80,000,000.

Notes Payable. On April 7, 2011, we signed a promissory note for \$4,830,000 with Woodhaven Bank. The amount due under the promissory note accrues interest at an annual rate of 3.85% through February 2, 2017 and then at the prime interest rate plus 0.60% through maturity on April 7, 2018. The loan was subsequently renewed through April 7, 2033. The promissory note calls for monthly principal and interest payments of \$30,000 with a final payment due at maturity. The interest rates in effect as of September 30, 2018 and December 31, 2017 were 4.25% and 4.35%, respectively. The note is secured by certain of our real property. Interest paid on the note payable was \$122,000 and \$125,000 for the

nine months ended September 30, 2018 and 2017, respectively. The balance outstanding on the note payable at September 30, 2018 and December 31, 2017 was \$3,602,000 and \$3,734,000, respectively.

On May 24, 2016, we signed a promissory note for \$515,000 with Eagle One, LLC collateralized by the purchase of real property located in Oklahoma City, Oklahoma. The amount due under the promissory note accrues interest at an annual rate of 6.00%. The promissory note calls for monthly principal and interest payments of \$6,000 until June 1, 2026. Interest paid on the note payable was \$22,000 for the nine months ending September 30, 2018 and 2017. The balance outstanding on the note payable at September 30, 2018 and December 31, 2017 was \$424,000 and \$453,000, respectively.

Notes Payable to an Affiliate. On February 2, 2016, we entered into a \$1,500,000 note payable agreement with stated annual interest rates of 3.75% with Shipley & Sons, Ltd., a related party through the common ownership of Kenneth E. Shipley, a significant shareholder of our company and our Co-Chief Executive Officer. The note is due on demand. Interest paid on the note payable was \$42,000 for the nine months ended September 30, 2018 and September 30, 2017. The balance outstanding on the note payable at September 30, 2018 and December 31, 2017 was \$1,500,000. On October 18, 2018, this note payable was paid in full.

PILOT Agreement. In December 2016, we entered into a Payment in Lieu of Taxes ("PILOT") agreement commonly offered in Georgia by local community development programs to encourage industry development. The net effect of the PILOT agreement is to provide us with incentives through the abatement of local, city and county property taxes and to provide financing for improvements to our Georgia plant (the "Project"). In connection with the PILOT agreement, the Putman County Development Authority provides a credit facility for up to \$10,000,000, which can be drawn upon to fund Project improvements and capital expenditures as defined in the agreement. If funds are drawn, we would pay transactions costs and debt service payments. The PILOT agreement requires interest payments of 6.00% per annum on outstanding balances, which are due each December 1 through maturity on December 1, 2021, at which time all unpaid principal and interest are due. The PILOT agreement is collateralized by the assets of the Project. As of September 30, 2018, we had not drawn down on this credit facility.

Contractual Obligations

The following table is a summary of contractual cash obligations as of September 30, 2018:

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	2 - 3 years	4 - 5 years	More than 5 years
Lines of credit	\$ 58,010,000	—	41,010,000	17,000,000	—
Notes payable	4,026,000	213,000	465,000	503,000	2,845,000
Operating lease obligations	\$ 3,193,000	566,000	963,000	692,000	972,000

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, net sales, results of operations, liquidity or capital expenditures. However, we do have repurchase obligations related to wholesale financing provided to industry retailers. Under these agreements, we have agreed to repurchase homes at declining prices over the term of the agreement (24 months). Our obligation under these repurchase agreements ceases upon the purchase of the home by the retail customer. The maximum amount of our contingent obligations under such repurchase agreements was approximately \$1,765,000 and \$2,394,000 as of December 31, 2017 and September 30, 2018, respectively, without reduction for the resale value of the homes. We

may be required to honor contingent repurchase obligations in the future and may incur additional expense as a consequence of these repurchase agreements.

Income Taxes

On January 1, 2018, our company changed its income tax status from a partnership to a subchapter C corporation. As a corporation, we will account for income taxes under by Accounting for Income Taxes ASC 740. The change in tax status requires the recognition of a deferred tax liability for the initial temporary differences at the time of the change in status. The resulting net deferred tax liability was recorded as a one-time income tax expense.

Our company will provide a valuation allowance against net deferred tax assets unless, based upon the available evidence, it is more likely than not that the deferred tax assets will be realized.

We will prepare and file tax returns based on interpretations of tax laws and regulations. In the normal course of business our tax returns will be subject to examination by various taxing authorities. Such examinations may result in future tax and interest assessments by these taxing authorities.

In determining our company's tax provision for financial reporting purposes, we will establish a reserve for uncertain income tax positions unless it is determined to be "more likely than not" that such tax positions would be sustained upon examination, based on their technical merits. That is, for financial reporting purpose, our company will only recognize tax benefits taken on the tax return if it believes it is "more likely than not" that such tax position would be sustained. There will be considerable judgment involved in determining whether it is "more likely than not" that such tax positions would be sustained.

Our company will adjust its tax reserve estimates periodically because of ongoing examinations by, and settlements with, varying taxing authorities, as well as changes in tax laws, regulations and interpretations. The consolidated tax provision of any given period will include adjustments to prior year income tax accruals and related estimated interest charges that are considered appropriate.

Recent Accounting Pronouncements

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

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a comprehensive five-step model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The standard requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements intended to provide users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the effective date of the new revenue standard. We will adopt the requirements of the new standard in the fiscal year beginning January 1, 2019 using the modified retrospective transition method. We have engaged a third party to evaluate the impact of the adoption of ASU 2014-09 and are uncertain of the impact on our financial statements at this point in time.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet

and disclosing key information about leasing arrangements. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and an asset representing its right to use the underlying asset for the lease term. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous requirements. We plan to use longer phase-in period for adoption and accordingly this ASU is effective for our fiscal year beginning January 1, 2020. Modified retrospective application and early adoption is permitted. We are currently assessing the impact the adoption of this standard will have on our operations and our financial statements.

In June 2016, the FASB issued an accounting standards update ASU 2016-13 *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available for sale debt securities, credit losses should be measured in a manner similar to current GAAP, however Topic 326 will require that credit losses be presented as an allowance rather than as a write-down and affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. We plan to use longer phase-in period for adoption and accordingly this ASU is effective for our fiscal year beginning January 1, 2021. We are continuing to evaluate the impact of the adoption of this ASU and are uncertain of the impact on our financial statements at this point in time.

Emerging Growth Company Status

We are an "emerging growth company," as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies." Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of these exemptions until we are no longer an emerging growth company or until we affirmatively and irrevocably opt out of this exemption.

Controls and Procedures

We will not be required to comply with the internal control requirements of the Sarbanes-Oxley Act prior to our fiscal year ending December 31, 2019. Only in the event that we are deemed to be a large accelerated filer or an accelerated filer would we be required to comply with the independent registered public accounting firm attestation requirement. Further, for as long as we remain an emerging growth company as defined in the JOBS Act, we intend to 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 requirement.

Prior to the closing of this offering, we have not completed an assessment, nor have our auditors tested our systems, of internal controls. We expect to assess the internal controls of our company and,

if necessary, to implement and test additional controls as we may determine are necessary in order to state that we maintain an effective system of internal controls, in areas such as:

- staffing for financial, accounting and external reporting areas, including segregation of duties;
- reconciliation of accounts;
- proper recording of expenses and liabilities in the period to which they relate;
- evidence of internal review and approval of accounting transactions;
- documentation of processes, assumptions and conclusions underlying significant estimates; and
- documentation of accounting policies and procedures.

Because it will take time, management involvement and perhaps outside resources to determine what internal control improvements are necessary for us to meet regulatory requirements and market expectations for our operation of a target business, we may incur significant expenses in meeting our public reporting responsibilities, particularly in the areas of designing, enhancing, or remediating internal and disclosure controls. Doing so effectively may also take longer than we expect, thus increasing our exposure to financial fraud or erroneous financing reporting.

Once our management's report on internal controls is complete, we will retain our independent auditors to audit and render an opinion on such report when required by Section 404. The independent auditors may identify additional issues concerning a target business's internal controls while performing their audit of internal control over financial reporting.

Change in Accountants

On or about April 6, 2018, we terminated Montgomery Coscia & Greilich LLP ("MCG") as our independent public accounting firm and sought a new independent auditing firm for the 2017 audit and the re-audit of the 2016 financials. MCG's audit report on our financial statements for the fiscal year ended December 31, 2016 did not contain an adverse opinion or disclaimer of opinion, nor was such report qualified or modified as to uncertainty, audit scope or accounting principles. During our two most recent fiscal years and subsequent interim period (i) there were no disagreements with MCG on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures, except that MCG brought to our attention that the measurement of dealer liability should be reevaluated, and the revaluation could impact prior years, and (ii) there were no "reportable events," as that term is described in Item 304(a)(1)(v) of Regulation S-K.

On June 19, 2018, we engaged Grant Thornton LLP ("Grant Thornton") to serve as our independent registered public accounting firm to audit the fiscal years ended December 31, 2016 and 2017 in accordance with PCAOB standards. During the two most recent fiscal years and subsequent interim period, neither we, nor anyone acting on our behalf, consulted with Grant Thornton regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, and no written report nor oral advice was provided by Grant Thornton, or (ii) any matter that was either the subject of a disagreement, as that term is defined in Item 304(a)(1)(iv) of Regulation S-K, or a reportable event, as that term is defined in Item 304(a)(1)(v) of Regulation S-K.

We requested that MCG furnish us a letter addressed to the SEC stating whether it agrees with the above statements. A copy of that letter is filed as Exhibit 16.1 to the registration statement of which this prospectus forms a part.

BUSINESS

Our Company

Legacy Housing Corporation builds, sells and finances manufactured homes and "tiny houses" that are distributed through a network of independent retailers and company-owned stores and are sold directly to manufactured home communities. We are the fourth largest producer of manufactured homes in the United States as ranked by number of homes manufactured based on information available from the Manufactured Housing Institute and IBTS for the second quarter of 2018. With current operations focused primarily in the southern United States, we offer our customers an array of quality homes ranging in size from approximately 390 to 2,667 square feet consisting of 1 to 5 bedrooms, with 1 to 3^{1/2} bathrooms. Our homes range in price, at retail, from approximately \$22,000 to \$95,000. In 2017, we sold 3,274 home sections (which are entire modules or single floors). During the first nine months of 2018, we have sold 3,045 home sections. We commenced operations in 2005 and have experienced strong sales growth and increased our equity holders' capital at a compound annual growth rate of approximately 25% between 2009 and 2017. The company has experienced steady growth since its inception. We currently have the largest backlog of orders in our company's 13-year history.

Our homes address the significant need in the United States for affordable housing. This need for affordable housing is being driven by a nationwide trend of increasing rental rates for housing, higher prices for site-built homes and decreasing percentages of home ownership among portions of the U.S. population. Our customers typically have annual household incomes of less than \$60,000 and include young and working class families, as well as persons age 55 and older. In 2016, there were approximately 63,799,000 households in the United States with annual household incomes of less than \$60,000, representing a majority of all U.S. households, according to the Current Population Survey and 2017 Annual Social and Economic Supplement published by the U.S. Census Bureau.

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

Our homes are marketed under our premier "Legacy" brand name and, as of September 30, 2018, are sold primarily across 15 states through a network of 115 independent retail locations, 11 company-owned retail locations and through direct sales to owners of manufactured home communities. Our 11 company-owned retail locations, including nine Heritage Housing stores and two Tiny House Outlet stores, exclusively sell our homes. As of September 30, 2018, we sold approximately 59% in Texas, 12% in Georgia, 9% in Louisiana, and 4% in Oklahoma. During 2017, 62% of our manufactured homes were sold in Texas, followed by 8% in Georgia, 8% in Colorado, 5% in Oklahoma, and 4% in Louisiana. We plan to deepen our distribution channel by using a portion of the net proceeds of this offering to expand our company-owned retail locations in new and existing markets.

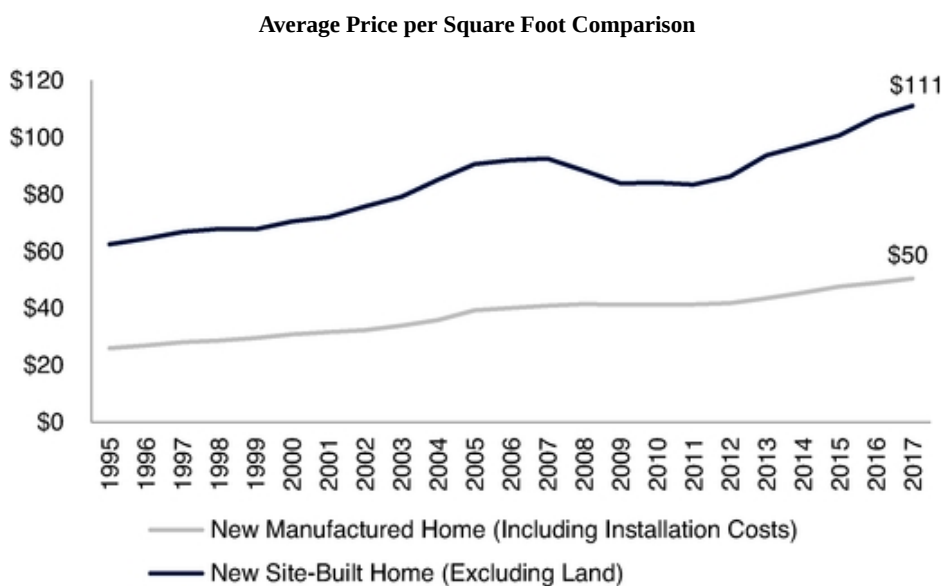
We offer three types of financing solutions to our customers. We provide floor plan financing for our independent retailers, which takes the form of a consignment arrangement between the retailer and

us. We also provide consumer financing for our products which are sold to end-users through both independent and company-owned retail locations, and we provide financing to manufactured housing community owners that buy our products for use in their housing communities. Our ability to offer competitive financing options at our retail locations provides us with several competitive advantages and allows us to capture sales that may not have otherwise occurred without the ability to offer consumer financing.

Our company was founded in 2005 by Curtis D. Hodgson and Kenneth E. Shipley, our co-CEOs, who together have more than 60 years of combined experience in the manufactured housing industry. We are based in Bedford, Texas (between Dallas and Fort Worth) and, as of September 30, 2018, we had approximately 800 employees.

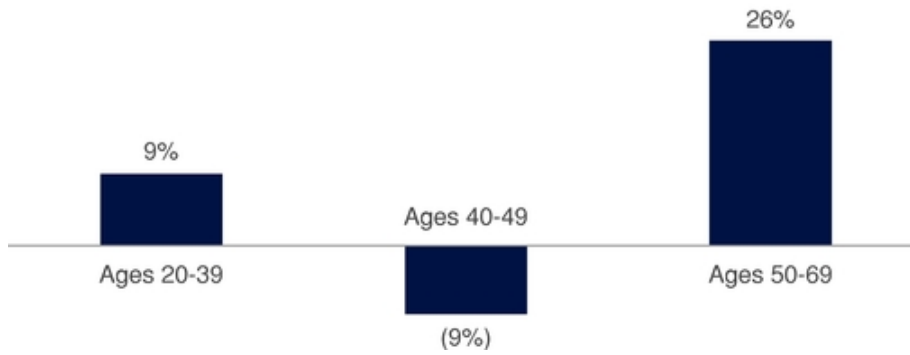
Our Market Opportunity

Manufactured housing is a competitive alternative to other forms of affordable housing, whether new or existing, or located in urban, suburban or rural areas. We believe the target universe of manufactured home buyers consists of households with total annual income below \$60,000 which comprised a majority of total U.S. households in 2016. We believe our target U.S. age groups consist of young families between the ages of 20-39 and persons age 50 and older. These age groups have grown significantly since 2007. The comparatively low all-in cost of fully-equipped manufactured housing is attractive to our target consumers. The chart below highlights the increasing all-in average sales price per square foot difference between a new manufactured home and a new site-built home (excluding land).



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

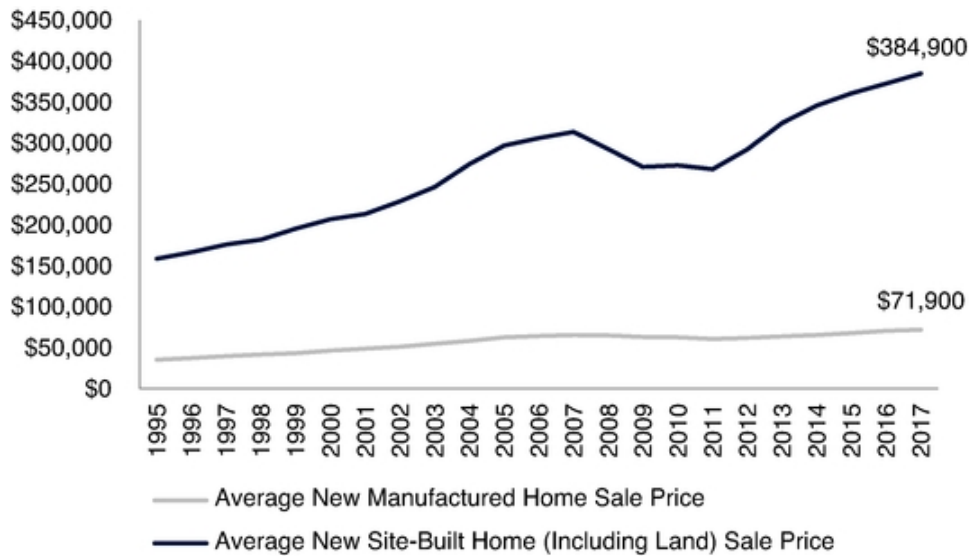
Population Growth from 2007 to 2017



Source: U.S. Census Bureau.

Manufactured homes are an attractive alternative for consumers as new single-family home prices continue to rise at a rapid rate. As shown in the chart below, the average sale price for new single-family homes (including the land on which they were built) increased approximately 42% since 2009 while the annual average sale price of manufactured homes increased 14% during that time period.

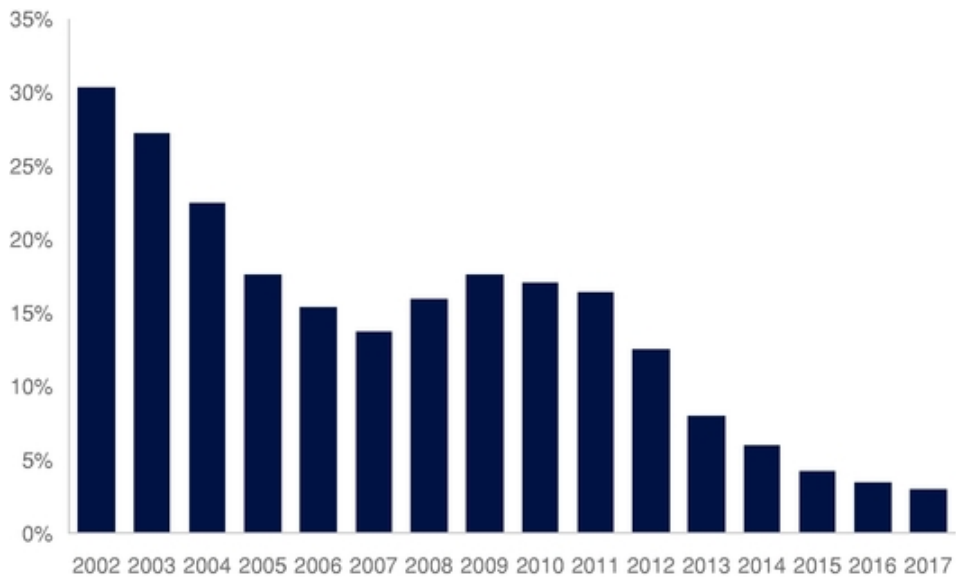
Average Sale Price Comparison



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

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

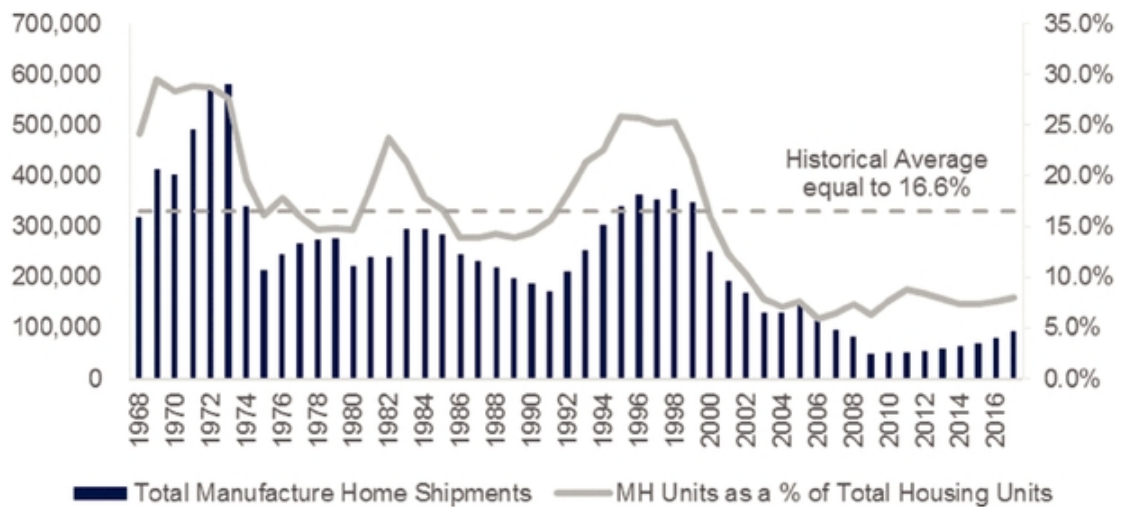
Percentage of New Houses Sold Under \$150,000



Source: U.S. Census Bureau.

In 2017, the manufactured housing industry shipped 92,891 manufactured homes according to data published by the U.S. Census Bureau, the Institute for Building Technology and Safety ("IBTS") and the Manufactured Housing Institute ("MHI"). Total annualized manufactured home shipments during the first half of 2018 increased to approximately 102,000, which remains well below the average annual shipments totaling approximately 350,000 between 1994 and 1999.

Manufactured Home Shipments vs. Total Completed Housing



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

Our Competitive Advantages

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

- **Quality and Variety of Housing Designs.** Based on more than 60 combined years of industry experience, our co-founders have developed an operating model that enables the efficient production of quality, customizable manufactured homes. All of our homes are constructed in one of our three U.S.-based manufacturing facilities. By utilizing an assembly-line process that employs from approximately 150 to 275 individuals per facility, we are able to manufacture a home in approximately three to six days and, as of the date of this prospectus, are on average producing approximately 75 home sections, or 62 fully-completed homes depending on product mix, in total per week. We utilize local market research to design homes that meet the specific needs of our customers and offer a variety of structural and decorative customization options, including, among others, fireplaces, central air conditioning, overhead heat ducts, stipple-textured ceilings, decorative woodgrain vinyl floors, wood cabinetry and energy conservation elements. Additionally, our homes have vaulted ceilings in every room, have numerous proprietary advantages such as our copyrighted "furniture friendly" floor plans and, in most cases, are wider, have taller ceilings and a steeper roof pitch than our competitors' products. Taken together, we believe our ability to offer our customers a range of home sizes and styles, as well as sophisticated design and customization, allows us to accommodate virtually all reasonable customer requests. Our vertical integration allows us the ability to respond quickly to our customers' needs and modify designs during the construction process.
- **Manufacturing Facilities Strategically Located Near Customers in Key Markets.** Our three manufacturing facilities are strategically located to allow us to serve our 115 independent and 11 company-owned retail locations primarily across 15 states. Currently, we have a manufacturing plant in Fort Worth, Texas that measures 97,000 square feet in size and produced 1,073 homes in 2017 and 831 homes in the first nine months of 2018, a manufacturing plant in Commerce, Texas that measures 130,000 square feet in size and produced 1,077 homes in 2017 and 834 homes as of September 30, 2018, and a manufacturing plant in Eatonton, Georgia that measures 388,000 square feet in size and produced 744 homes in 2017 and 751 homes for the first nine months in 2018. Once our homes are constructed and equipped at our facilities, we have the ability to transport the finished products directly to customers ensuring timely and efficient delivery of our manufactured homes. We currently have approximately 35 company-owned trucks, which transported approximately 35% of our production.
- **Expansive and Growing Distribution Network.** We distribute our products primarily in the southern United States through a network of independent retail locations, company-owned retail locations and direct sales to owners of manufactured home communities. Our first company-owned retail location opened in June 2016 and we plan to significantly expand our company-owned retail footprint over the next two years. Increasing the mix of company-owned locations allows us to improve the customer experience through all the steps of the buying process, from manufacturing and design to sales, financing and customer service. Because we believe our company-owned stores will, on average, be more productive than our independent retail locations and carry higher gross margins, we intend to use a portion of the net proceeds from this offering to expand our company-owned retail presence. See "Use of Proceeds."
- **Competitive Production Strategies and Direct Sourcing.** We develop and maintain the resources necessary to efficiently build custom homes that incorporate unique and varied customer-requested features. We are constantly seeking ways in which to directly source materials to be used in the manufacturing process, which allows us to ensure the materials are of high-quality

and can be customized to meet our customers' needs. Customization enables us to attract additional retailers and consumers who seek individualized homes that are assembled on a factory production line. When these custom homes are sold through company-owned retail stores, we expect to capture higher gross margins.

- **Available Financing for our Customers.** Our strong financial position allows us to develop and offer financing solutions to our customers in connection with their purchase of our homes. We offer three types of financing solutions to our customers. We provide floor plan financing for our independent retailers, which takes the form of a consignment arrangement between the retailer and us. And, also, we provide consumer financing for our products sold to end-users through both independent and our company-owned retail locations, and we provide financing to community owners that buy our products for use in their rental housing communities. Our company has been providing floor plan financing to our independent retailers since our formation and we now have more than 72 independent retailers using our consignment solution. We were the first manufacturing company to offer financing directly to community owners and now have more than 204 community owners who have purchased over 3,650 homes via our community-owner financing solutions since November 2009. We have offered financing to consumers for over six years and we now have more than 3,000 customers that purchased their homes utilizing our retail financing solutions since 2005. The average interest rates of the loans we have made to our customers during the first nine months of 2018 was approximately 14% and for the year ended December 31, 2017 they were approximately 13.9%, and the repossession rates, measured by units, were approximately 1.8% and 2.6% for these periods.
- **Support for Owners of Manufactured Home Communities.** We provide manufacturing and financing solutions for owners of manufactured home communities in connection with the development of communities in our geographic market area. Such development projects can vary, but generally include custom park development financing and large purchase orders of manufactured homes. We also make loans to community owners for the purpose of acquiring or developing properties and, as part of the arrangement, these community owners contract to buy homes from us. These loans typically range in term from two to five years and carry interest at 8% to 12%. For the nine months ended September 30, 2018 and the year ended December 31, 2017, we had provided additional loans to owners of manufactured home communities for lot development purposes with a total amount outstanding of \$1,225,982 and 2,032,093, respectively. These financing solutions are structured to give us an attractive return on investment, when coupled with the gross margin we realize on products specifically targeted for these new manufactured housing communities.
- **Strong Alignment of Interests through Co-Founders' Ownership.** We believe that a strong alignment of interests with stockholders and investors exists through the ownership of a significant percentage of our outstanding shares by Curtis D. Hodgson and Kenneth E. Shipley, our co-founders and Co-Chief Executive Officers. Messrs. Hodgson and Shipley acquired their ownership in 2005 when they founded the company and have not sold any of their shares to date. Each individual has received a minimal salary (\$50,000) during the past years and their overall compensation structure has incentivized them to continue to focus on the performance of our company. By providing structural and economic alignment with the performance of our company, Messrs. Hodgson and Shipley's continuing controlling interests are directly aligned with those of our investors. We believe the combination of these characteristics has promoted long-term planning, an enhanced culture among our customers, strategic partners and employees, and ultimately the creation of value for our investors.

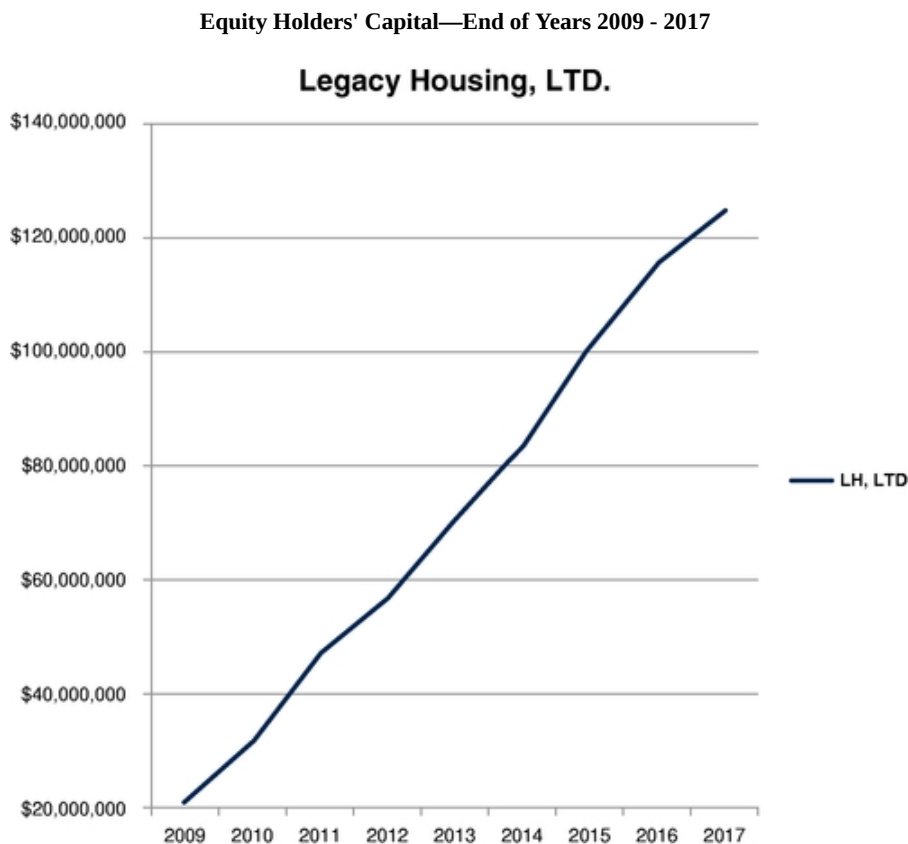
Our Growth Strategy

We have a strong operating history of investing in successful growth initiatives over the past 13 years. We believe that the solution we are able to provide for our customers, as a result of the vertical integration of our company, enhances our brand recognition as a leading producer, results in higher and more efficient utilization of our manufacturing factories and expands our direct-to-consumer outreach on the competitive advantages of our wide variety of customizable homes. This operational focus has provided us with sustainable net sales and net income growth over the years. Our growth strategy includes the following key initiatives:

- **Broaden and Deepen Our Retail Presence in Key Geographic Areas.** As of September 30, 2018, we distribute our products primarily across 15 states through a combination of 11 company-owned retail locations and 115 independent retail locations. We believe that a more robust network of company-owned retail locations will allow us to be more responsive and improve the customer experience at all stages, from manufacturing and design to sales, financing and customer service. We believe our company-owned stores will, on average, be more productive than our independent retail locations and carry higher gross margins due to our ability to select critical markets and develop highly-trained sales representatives who possess a deep understanding of our business and customer needs.
- **Expand Financing Solutions for Our Customers.** We recognize that offering financing solutions to our customers is an important component of being a vertically integrated company that provides of affordable manufactured housing. Providing financing improves our responsiveness to the needs of prospective purchasers while also providing us with opportunities for loan origination and servicing revenues, which act as additional drivers of net income for us. During the first nine months of 2018 and in the year ended December 31, 2017, we financed approximately 33% and 38% of the homes we sold to consumers, respectively. We intend to expand financing solutions to manufactured housing community-owner customers, in a manner than includes developing new sites for products in or near urban locations where there is a shortage of sites to place our products.
- **Continue to Focus on Innovation and Customization for Core Customer Groups.** Our production strategy is focused on continually developing the resources necessary to efficiently build homes that incorporate unique, varied and innovative customer preferences. We are constantly seeking ways to directly source materials to be used in the manufacturing process, which allows us to ensure we have quality materials that can be customized to meet our customers' needs. Our principal focus is on designing and building highly functional and durable products that appeal to families of all sizes.
- **Seek Additional Agreements with Owners of Manufactured Home Communities.** Community housing developments provide us with large, concentrated sales opportunities. These projects vary in size and density but generally include sales of 30 to 300 homes. We believe there are significant growth opportunities to work with our development partners on such projects and view these opportunities as an important driver for both the sale of more homes and for financing bulk purchases of those homes by community owners.
- **Pursue Selective Acquisitions.** We seek to grow through selective acquisitions of existing manufactured home retailers in both existing markets and new markets that exhibit strong and reliable long-term fundamentals. We have no current agreements or understandings regarding an acquisition. We also regularly evaluate opportunities related to our affordable housing business in our geographic markets. In April 2018, we acquired approximately 420 acres of raw land located near Austin, Texas for \$4.21 million. We are in the process of securing the required approvals to develop a manufactured housing community on the land. We expect to begin development of the community in the first quarter of 2019. We will continue to evaluate

opportunities to develop, or to provide financing to third party developers of, additional manufactured housing communities in order to provide locations for manufactured homes for our customers.

We have experienced substantial year-over-year growth in the equity holders' capital value of our company, as illustrated from 2009 to 2017 below. We believe our future business growth will be facilitated by the fact that we have already established our company as one of the nation's leading providers of manufactured homes.



Our Products

Overview. We are the fourth largest producer of manufactured homes in the United States as ranked by the number of homes manufactured based on information available from the Manufactured Housing Institute and IBTS for the second quarter of 2018. We produce a wide variety of homes that can be used by our customers in a number of ways. We build a variety of sizes and floor plans of residential homes and tiny houses. We work collaboratively with our partners to meet diverse housing needs, such as residences on privately-owned land and in manufactured home communities, recreational and vacation properties, such as hunting cabins, and accommodations for workforces in oilfields and other industries.

Manufacturing and Quality Design. We utilize local market research to design homes that meet the specific requirements of our customers and our homes are designed after extensive field research and consumer feedback. We frequently introduce new floor plans, decor, exterior design, features and accessories to appeal to changing consumer trends and we offer an assortment of customizations to match each customer's individual tastes. Each home typically contains a living room, dining area,

kitchen, 1 to 5 bedrooms and 1 to 3¹/₂ bathrooms, and each home can be customized to include certain features including, among others, fireplaces, central air conditioning, overhead heat ducts, stipple-textured ceilings, decorative wood grain vinyl floors, wood cabinetry and energy conservation elements.

The manufactured homes we build are constructed in accordance with the construction and safety standards of HUD. Our Texas factories are certified to build homes according to the Texas Industrialized Housing and Buildings law (known as the Texas Modular Code) and our Georgia factory is certified to build homes according to Georgia state construction codes. In addition to traditional manufactured homes, we offer a diverse assortment of tiny houses, which are recreational structures between 320 and 400 square feet in size that are used as temporary dwellings, can be pulled by a pick-up truck and are generally aesthetically similar to larger homes. Our tiny houses are built in a variety of models and floor plans and typically range from 1 to 3 bedrooms with 1 to 2 bathrooms. Tiny houses do not need to be built to HUD standards.

Manufacturing Process. Our manufactured homes are entirely constructed and equipped at our three factories. Our homes are constructed using high-volume production techniques and employ approximately 150 to 275 employees at each facility. Most of our homes are constructed in one or more sections (or floors) on a steel chassis. Each section is assembled in stages beginning with the construction of the chassis, followed by the addition of other constructed and purchased components and ending with a final quality control inspection. The efficiency of the production process and the benefits of constructing homes in a controlled factory environment enable us to produce homes in less time and at a lower cost per-square-foot than traditional home building. The finished home is then transported directly to a customer at a retail sales center, work site or manufactured home community. During the first nine months of 2018 and the year ended December 31, 2017, we sold 3,045 and 3,274 home sections, including 200 and 366 tiny houses, respectively.

Manufacturing Facilities. We currently operate three manufacturing facilities located in Fort Worth, Texas, Commerce, Texas and Eatonton, Georgia, each of which range in size from approximately 97,000 to 388,000 square feet. The production schedules for our manufacturing facilities are based on wholesale orders received from distributors, which fluctuate from week to week. In general, our facilities are structured to operate on one 8- to 9-hour shift per day, five days per week. We currently manufacture a typical home in approximately three to six production days. As of the date of this prospectus, we are producing, on average, approximately 75 home sections per week, or approximately 62 fully-completed homes, compared to approximately 70 home sections per week, or 58 fully-completed homes depending on product mix, for the year ended December 31, 2017.

Raw Materials and Suppliers. The principal materials used in the production of our manufactured homes include wood, wood products, steel, aluminum, gypsum wallboard, windows, doors, fiberglass insulation, carpet, vinyl, fasteners, plumbing materials, appliances and electrical items. We currently buy these materials from various third-party manufacturers and distributors. We procure multiple sources of supplies for all key materials in order to mitigate any supply chain risk. We intend to continue seeking greater direct sourcing of materials from original manufacturers. This will allow us to save costs, gain greater control over the quality of the materials we use in our products and increase customization to meet our customers' changing preferences. The inability to obtain any materials used in the production of our homes, whether resulting from material shortages, limitation of supplier facilities or other events affecting production of component parts, may affect our ability to meet or maintain production requirements. We have not previously experienced any material difficulty in obtaining key materials in adequate quantity or quality.

Warranties. We provide the retail home buyer with a one-year limited warranty from the date of purchase covering defects in material or workmanship in home structure, plumbing and electrical systems. Our warranty does not extend to installation and setup of the home, which is generally arranged by the retailer. Appliances, carpeting, roofing and similar items are warranted by their original

manufacturer for various lengths of time. At this time, we do not provide any warranties with respect to tiny houses.

Backlog. As of September 30, 2018, we had a backlog of orders of approximately 474 home sections totaling \$15.2 million. Our backlog figure is calculated based on purchase orders received from retailers; however, retailers may cancel purchase orders prior to production without penalty. After production of a particular home has commenced, the purchase order becomes non-cancelable and the retailer is obligated to take delivery of the home. Accordingly, until production of a particular home has commenced, our order backlog should not necessarily be construed as representing firm orders or as net sales until actually earned. Therefore, management does not view backlog as a key performance indicator and this information is primarily tracked by management for internal review purposes.

Distribution

As of September 30, 2018, we distribute our manufactured homes primarily across 15 states through a network of 115 independent retail locations, 11 company-owned retail locations and direct sales to owners of manufactured home communities. As is common in the industry, our independent distributors typically sell manufactured homes produced by other manufacturers in addition to our manufactured homes. Additionally, some independent retailers operate multiple sales outlets. During the first nine months of 2018 and the year ended December 31, 2017, no independent retailer accounted for 10% or more of our manufacturing sales.

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

<u>Location</u>	<u>% of 2018 Total Net Sales as of September 30, 2018</u>	<u>% of 2017 Total Net Sales</u>
Texas	59%	62%
Georgia	12%	8%
Louisiana	9%	4%
Oklahoma	4%	5%
Colorado	3%	8%

In 2017 and 2018, we also sold homes in Alabama, Arkansas, California, Florida, Indiana, Kansas, Kentucky, Michigan, Mississippi, Missouri, North Carolina, New Mexico, Ohio, Pennsylvania, South Carolina, Tennessee, and West Virginia. We continually seek to increase our wholesale shipments by growing sales at our existing independent retailers and by finding new independent retailers to sell our homes. We provide comprehensive sales training to retail sales associates and bring them to our manufacturing facilities for product training and to view new product designs as they are developed. These training seminars facilitate the sale of our homes by increasing the skill and knowledge of the retail sales consultants. Additionally, we display our products at trade shows and support our retailers through the distribution of floor plan literature, brochures, decor selection displays and point of sale promotional material, as well as internet-based marketing assistance. We believe we have the most comprehensive printed catalog of manufactured housing products in the industry.

Our independent retailers generally either pay cash to purchase inventory or finance their inventory needs through our floor plan financing solution. Certain of our independent retailers finance a portion of their inventory through wholesale floor plan financing arrangements with third parties. In such cases, we verify the order with the third party, then manufacture the home and ship it to the retailer. Payment is due from the third-party lender upon shipment of the product to the retailer and, depending on the terms of each arrangement, we may or may not have limited repurchase obligations associated with this inventory. The maximum amount of our contingent obligations under such repurchase agreements was approximately \$1,765,000 and \$2,394,000 as of December 31, 2017 and September 30, 2018, respectively, without reduction for the resale value of the homes.

Approximately 69% of our product sales during the nine months ended September 30, 2018 were attributable to our independent retail distributors, 9% to our company-owned retail locations and 22% to direct sales to owners of manufactured housing communities. Approximately 73% of our 2017 product sales were attributable to our independent retail distributors, 6% to our company-owned retail locations and 21% directly to owners of manufactured housing communities.

In addition to our expansive independent retailer channel, we have attractive growth opportunities to expand our company-owned locations. As of September 30, 2018, we operate 11 company-owned retail locations. Our company-owned locations allow us to improve the customer experience through all steps of the buying process, from manufacturing and design to sales, financing and customer service. This also gives us a direct window into consumer preferences and lending opportunities. We believe that our company-owned stores will, on average, be more productive than our independent retail locations and carry higher gross margins.

Sales and Marketing

Our corporate marketing efforts focus on increasing our brand awareness and communicating our commitment to quality along with the many other competitive advantages our company offers. Our marketing strategy is to offer several lines of manufactured homes that appeal to a wide range of home buyers, continually elevate awareness of our brand and generate demand for our products. We rely on a number of channels in this area, including digital advertising, email marketing, social media and affiliate marketing, as well as through various strategic partnerships. We maintain our website at www.legacyhousingcorp.com. We intend to hire additional sales and marketing personnel and increase our spending on sales, marketing and promotion in connection with the continued development of our company-owned retail locations.

Our sales and marketing strategy focuses on households with annual incomes of less than \$60,000 which includes young families, working class families and persons age 50 and older. We also market to other types of customers, including owners of manufactured home communities, buyers interested in tiny houses, recreational buyers and houses for workforces or man-camp housing. Additionally, we continue to be well-positioned to react to any increase in demand for affordable, quickly-delivered manufactured homes as a result of unforeseen harsh weather conditions and similar events. All of our customers are located in the United States. During the nine months ended September 30, 2018 and the year ended December 31, 2017, no single customer accounted for more than 10% of our net sales.

Financing Solutions for Our Customers

We offer three types of financing solutions:

- **Floor Plan Financing.** We provide floor plan or wholesale financing for our independent retailers, which takes the form of a consignment arrangement between the retailer and us.
- **Consumer Financing.** We provide consumer financing for our products sold to end-users through both independent and our company-owned retail locations.
- **Manufactured Housing Community Financing.** We provide financing to community owners that buy our products for use in their rental housing communities.

Overview of Consumer and MHP Financing Options as of September 30, 2018
(\$ in thousands)

	Principal Amount Outstanding	Number of Loans	Contractual Rate or Monthly Fee	Average Remaining Term
Consumer Financing	\$ 97,067	2,781	14% average contractual rate	134 months
MHP Community Financing	\$ 59,795	364	Typically prime rate + 4.0% with 8% floor	88 months

We also offer inventory floor plan financing to our retailers that takes the form of a consignment arrangement between the independent retailer and us. As of September 30, 2018, we had \$28,428,000 of inventory under consignment to our retailers.

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

Floor Plan Financing. We provide floor plan or wholesale financing for most of our independent retailers for products we manufacture and for pre-owned products. This wholesale financing is a consignment from us to our independent retailers. The retailers pay their own freight and pay us a monthly fee ranging from 0.6% to 1.4% per month of the wholesale invoice amount of the home. They are also obligated to pay \$1,000 toward the invoice amount each year after the consignment with the first \$1,000 reduction due one year following consignment. Upon sale, the independent retailer is obligated to pay us the invoice amount, less any prepaid reductions, prior to moving the home away from their retail location. If they provide certain documentation to us, we allow them to move the home to their customer's location and we notify the customer's lending source to pay us the amount due upon funding of the loan. We have proprietary technology that we install in each consigned home that gives us the ability to determine if any consigned home has been moved from the retail location without permission. The independent dealer is free to terminate the consignment agreement by giving us 90-days' advance notice if it is current on all its obligations to us. Our wholesale consignment contracts allow us to defer income recognition until we are paid in full. We recorded consignment sales to our independent and company-owned stores for the first nine months of 2018 and the year ended December 31, 2017 of \$41,664,165 and \$46,986,227, respectively.

Certain of our wholesale factory-built housing sales to independent retailers are purchased through wholesale floor plan financing arrangements. Under a typical floor plan financing arrangement, an independent financial institution specializing in this line of business provides the retailer with a loan for the purchase price of the home and maintains a security interest in the home as collateral. The financial institution customarily requires us, as the manufacturer of the home, to enter into a separate repurchase agreement with the financial institution under which we are obligated, upon default by the retailer and under certain other circumstances, to repurchase the financed home at declining prices over the term of the repurchase agreement (which is typically 24 months). The price at which we may be obligated to repurchase a home under these agreements is based upon the amount financed, plus certain administrative and shipping expenses. Our obligation under these repurchase agreements ceases upon the purchase of the home by the retail customer. The maximum amount of contingent obligations under our repurchase agreements (without reduction for the resale value of the homes) as of September 30, 2018 was \$2,394,000. The risk of loss under these agreements is spread over many retailers and is further reduced by the resale value of the homes. We carry no reserve for this contingent liability.

Consumer Financing. Sales of factory-built homes are significantly affected by the availability and cost of consumer financing. There are three basic types of consumer financing in the factory-built housing industry: (i) chattel, or personal property loans, for purchasers of a home without any underlying land involved (generally HUD code homes), (ii) non-conforming mortgages for purchasers of a home and the land on which the home is placed, and (iii) conforming mortgage loans which comply with the requirements of the Federal Housing Administration ("FHA"), Veterans Affairs or GSE loans. At the present time, we currently offer only chattel loans. As our own network of company-owned retail centers becomes a larger share of our production, we will be able to couple our consumer-financing solutions with increased levels of anticipated sales from our own centers.

We provide retail consumer financing to consumers who purchase our full-size manufactured homes and tiny houses. As of September 30, 2018, 76% of these loans were originated through consignment arrangements with our independent retailers. Under these arrangements, once a customer executes a home purchase agreement we advance to the retailer 80% of the retailer's gross margin through these consignment arrangements and the retailer leaves 20% of their gross margins in the consignment portfolio. We transfer the consigned value of the home to the consignment portfolio as our contribution to the consignment arrangement. The retailer is obligated to remarket any repossessions associated with consignment transactions, and obtain 90% of the outstanding balance on the home at the time of repossession. We charge each dealer in the consignment arrangement fees for servicing the loans and receive a preferred return of 10% to 12% per annum for amounts we invest. Upon payback of our investment, fees and preferred returns, we split the remaining balance with the independent retailer according to a negotiated formula. As of September 30, 2018, we owned 2,781 retail consumer loans with an average principal balance of \$35,000. Our average remaining term on these loans as of September 30, 2018 was 134 months and the average percentage rate (APR) of interest was 14%. Our average loan-to-value ("LTV") at the time of loan origination, which is based on the gross sales price to the borrower, was 82% for the consumer financing portfolio as of September 30, 2018. We have not financed, and have no current plans to finance, new homes manufactured by our competitors in the ordinary course of our business.

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

Manufactured Housing Community Financing. We provide financing to owners of manufactured housing communities for our products that they buy in order to rent to their residents. These loans generally have a ten-year term and bear interest at the prime rate plus 4%, with a floor and a ceiling. Down payments, delivery expenses and installation expenses are negotiated on a case-by-case basis. As of September 30, 2018 and December 31, 2017, loans outstanding from manufactured home communities totaled \$59,795,000 and \$49,500,000, which comprised 364 and 365 loans, respectively. Our average remaining term on these loans as of September 30, 2018 and December 31, 2017 was approximately seven years.

We also make loans to community owners for the purpose of acquiring or developing properties and, as part of the arrangement, these community owners contract to buy homes from us. These loans typically range in term from two to five years and carry interest at 8% to 12%. For the nine months ended September 30, 2018, we originated loans to owners of manufactured home communities for lot development purpose with a total amount outstanding of \$1,225,982.

Competition

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

In addition to our company, there are a number of other national manufacturers competing for a significant share of the manufactured housing market in the United States, including Clayton Homes, Inc., Cavco Industries, Inc. and Skyline Champion Corporation. Certain of these competitors possess greater financial, manufacturing, distribution and marketing resources than we do. For the past 15 years, the industry has experienced a trend towards consolidation and, as a result, the bulk of the market share is controlled by a small number of companies. We are the country's fourth largest producer of manufactured homes. Accordingly, we believe we have a significant opportunity to expand in this industry by effectively growing our market share.

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

Protection of Proprietary Technology

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

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

Government Regulation

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

Federal Manufactured Homes Regulations. Our manufactured homes are subject to a number of federal, state and local laws, codes and regulations. Construction of manufactured housing is governed

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

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

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

Financial Services Regulations. A variety of laws affect the financing of the homes we manufacture. The Federal Consumer Credit Protection Act and Regulation Z promulgated under that act require written disclosure of information relating to such financing, including the amount of the annual percentage interest rate and the finance charge. The Federal Fair Credit Reporting Act also requires certain disclosures to potential customers concerning credit information used as a basis to deny credit. The Federal Equal Credit Opportunity Act and Regulation B promulgated under that act prohibit discrimination against any credit applicant based on certain specified grounds. The Real Estate Settlement Procedures Act and Regulation X promulgated under that act require certain disclosures regarding the nature and costs of real estate settlements. The Federal Trade Commission has adopted or proposed various Trade Regulation Rules dealing with unfair credit and collection practices and the preservation of consumers' claims and defenses. Installment sales contracts, direct loans and mortgage loans eligible for inclusion in a Ginnie Mae program are subject to the credit underwriting requirements of the FHA. The American Housing Rescue and Foreclosure Prevention Act provides

assistance for the housing industry, including manufactured homes, including, among other things, increased loan limits for chattel (home-only Title I) loans. Recent FHA guidelines provide Ginnie Mae the ability to securitize manufactured home FHA Title I loans to allow lenders to obtain new capital, which can then be used to fund new loans for our customers. The Secure and Fair Enforcement for Mortgage Licensing Act established requirements for the licensing and registration of all individuals that are Mortgage Loan Originators ("MLOs"). Traditionally, manufactured housing retailers have assisted home buyers with securing financing for the purchase of homes, including negotiating rates and the terms for their loans. Under the act, however, these activities are prohibited unless performed by a registered or licensed MLO. A variety of state laws also regulate the form of financing documents and the allowable deposits, finance charge and fees chargeable pursuant to financing documents. Regulation C of the Home Mortgage Disclosure Act, among other things, requires certain financial institutions, including non-depository institutions, to collect, record, report and disclose information about their mortgage lending activity, which is used to identify potential discriminatory lending patterns and enforce anti-discrimination statutes.

The Dodd-Frank Wall Street Reform and Consumer Protection Act was passed into law and established the Consumer Financial Protection Bureau ("CFPB") regulates consumer financial products and services. Certain CFPB mortgage finance rules apply to consumer credit transactions secured by a dwelling, including real property mortgages and chattel loans secured by manufactured homes. These rules, among other things, define standards for origination of "Qualified Mortgages," establish specific requirements for lenders to prove borrowers' ability to repay, outline conditions under which Qualified Mortgages are subject to safe harbor limitations on liability to borrowers and establish interest rates and other cost parameters for determining which Qualified Mortgages fall under safe harbor protection. While many manufactured homes are financed with agency-conforming mortgages in which the ability to repay is verified, and interest rates and other costs are within the safe harbor limits, a significant amount of loans to finance the purchase of manufactured homes, particularly chattel loans and non-conforming land-home loans, fall outside such safe harbors. Additionally, the CFPB rules, among other things, amended the Truth-in-Lending Act and the Real Estate Settlement Procedures Act by expanding the types of mortgage loans that are subject to the protections of the Home Ownership and Equity Protections Act of 1994 ("HOEPA") and imposing additional restrictions on mortgages that are covered by HOEPA. As a result, certain manufactured home loans are now subject to HOEPA limits on interest rates and fees. Loans with rates or fees in excess of the limits are deemed "High Cost Mortgages" and provide additional protections for borrowers, including with respect to determining the value of the home. Most loans for the purchase of manufactured homes have been written at rates and fees that would not appear to be considered High Cost Mortgages under these rules and while some lenders may offer loans that are deemed High Cost Mortgages, the rate and fee limits may deter some lenders from offering such loans to borrowers or be reluctant to enter into loans subject to the provisions of HOEPA. Additionally, certain CFPB rules apply to appraisals on principal residences securing higher-priced mortgage loans. Certain loans secured by manufactured homes, primarily chattel loans, could be considered higher-priced mortgage loans. Among other things, the rules require creditors to provide copies of appraisal reports to borrowers prior to loan closing. Compliance with the regulations may constrain lenders' ability to profitably price certain loans or may cause lenders to incur additional costs to implement new processes, procedures, controls and infrastructure and may cause some lenders to curtail underwriting certain loans altogether. Furthermore, some investors may be reluctant to participate in owning such loans because of the uncertainty of potential litigation and other costs. As a result, some prospective buyers of manufactured homes may be unable to secure necessary financing. Failure to comply with these regulations, changes in these or other regulations, or the imposition of additional regulations, could affect our earnings, limit our access to capital and have a material adverse effect on our business and results of operations.

On May 24, 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act ("Dodd-Frank Reform Act") was signed into law. The Dodd-Frank Reform Act revises portions of the

Dodd-Frank Act, reduces the regulatory burden on smaller financial institutions, including eliminating provisions of the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 ("SAFE Act"), and protects consumer access to credit. With the elimination of certain provisions of the SAFE Act, manufactured housing retailers can now assist home buyers with securing financing for the purchase of homes; however, they may not assist in negotiating the financing terms. This will enable buyers to more easily find access to financing and make the overall home buying experience smoother.

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

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

Seasonality

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

Facilities

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

<u>Location</u>	<u>Date of Commencement of Operations</u>	<u>Owned / Leased</u>	<u>Square Feet</u>
Manufacturing/Warehouse Facilities			
Fort Worth, TX	2005	Owned	96,880
Commerce, TX	2007	Owned	129,600
Eatonton, GA	2016	Leased	388,000
Retail Locations			
Albany, GA	2018	Leased	1,536
Asheboro, NC	2017	Leased	1,472
Athens, GA	2016	Leased	2,016
Augusta, GA	late 2018*	Leased	3,136
Canton, TX	2018	Leased	2,362
Jennings, LA	2017	Leased	2,432
Minden, LA	2017	Leased	2,369
Mobile, AL	2017	Leased	1,700
Mt. Pleasant, TX	2016	Leased	1,792
Greenville, TX	2016	Owned	1,256
Gainesville, TX	2017	Owned	2,240
Oklahoma City, OK	2016	Owned	2,100
Corporate/Regional Headquarters			
Bedford, TX	2018	Leased	5,398
Norcross, GA	2018	Leased	3,358

* Projected commencement date

We own the manufacturing facilities and the land on which the facilities are located in Fort Worth, Texas and Commerce, Texas. We believe that these facilities are adequately maintained and suitable for the purposes for which they are used. We currently lease our facility in Eatonton, Georgia from the Putnam Development Authority pursuant to a lease that has been renewed until December 1, 2021. In December 2016, we entered into a payment in lieu of taxes ("PILOT") arrangement commonly offered in Georgia by local community development programs to encourage industry development. The net effect of the PILOT arrangement is to provide us with incentives through the abatement of local, city and county property taxes and to provide financing for improvements of our Georgia plant (the "Project"). As part of the PILOT arrangement, the Putnam County Development Authority provided us with a credit facility for up to \$10,000,000 that can be drawn upon to fund Project improvements and capital expenditures as defined in the credit facility. If funds are drawn, we would pay transaction costs and debt service payments. The credit facility requires interest payments of 6.0% per annum on outstanding balances, which are due each December 1 through maturity on December 1, 2021, at which time all unpaid principal and interest are due. The credit facility is collateralized by the assets of the Project. As of September 30, 2018, we had not drawn down on this credit facility.

We currently have 12 retail locations, of which 11 stores are operational and one store is under lease with operations expected to commence by the end of 2018. Each retail location sits on approximately five to seven acres of land. We lease nine of the 12 retail locations we operate in the business, pursuant to leases expiring from 2020 to 2028. Total rent expense was approximately \$276,000 and \$234,000 for the first nine months of 2018 and the comparable period in 2017.

Employees

As of September 30, 2018, we had approximately 800 employees. Of our employees, approximately 700 individuals are hourly employees and approximately 100 individuals are salaried employees. Our employees are currently not represented by any collective bargaining unit. We believe that our relationship with our employees is good.

Legal Proceedings

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

MANAGEMENT**Executive Officers and Directors**

The following table sets forth certain information regarding our executive officers, directors and director nominees as of the date of this prospectus:

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
<i>Executive Officers and Employee Directors</i>		
Curtis D. Hodgson	64	Co-Chief Executive Officer and Director
Kenneth E. Shipley	59	Co-Chief Executive Officer and Director
Jeffrey V. Burt	57	Chief Financial Officer
Larry G. Badgley	62	Director of Corporate Development
Neal J. Suit	42	General Counsel
<i>Non-Employee Directors</i>		
Mark E. Bennett	64	Director Nominee
Philip T. Blazek	50	Director Nominee
John A. Isakson	48	Director Nominee

Messrs. Bennett, Blazek and Isakson will assume their positions upon the closing of this offering.

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

Executive Officers and Employee Directors

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

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

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

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

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

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

Larry G. Badgley joined our company in September 2016 and serves as Director of Corporate Development. Prior to joining our company, Mr. Badgley served as Chief Financial Officer of Cubic Energy, Inc., a publicly-traded independent energy company, engaged in the exploration, development and production of crude oil, natural gas and natural gas liquids in Texas and Louisiana, from 2008 to June 2016. Prior this, from 1998 to 2008, Mr. Badgley provided chief financial officer-related services to various venture capital-backed and early-stage companies. In that capacity, Mr. Badgley was primarily responsible for financial management, strategic planning for growth companies, Sarbanes-Oxley Act compliance and SEC reporting readiness and compliance. In 1998 and 1999, Mr. Badgley served as Chief Operating Officer and Chief Financial Officer of a privately-held national sign manufacturer until its sale. Mr. Badgley earned a B.B.A. degree in Finance from Hardin-Simmons University and is a certified public accountant.

Neal J. Suit joined our company in January 2018 and serves as General Counsel. In this capacity, Mr. Suit oversees the legal affairs of our company, as well as its corporate controls and governance. Prior to joining our company, Mr. Suit worked in the law firm of Carrington, Coleman, Sloman & Blumenthal, LLP in Dallas, Texas from December 2008 to January 2018, where he was a partner, and previously he was a lawyer at the law firms Bell Nunnally & Martin LLP from February 2006 to December 2008 and Baker Botts, LLP from September 2003 to January 2006. Mr. Suit has practiced law for more than 15 years, primarily handling complex litigation matters and serving as outside general counsel to companies. Mr. Suit earned a B.A. degree from Baylor University and J.D. from Harvard Law School.

Non-Employee Directors

Mark E. Bennett has agreed to join our Board of Directors upon the closing of this offering. Mr. Bennett is a partner in the law firm of Bennett, Weston, LaJone & Turner, P.C. in Dallas, Texas, a firm he founded in 1985 and where he currently serves as a partner focused on real estate, business law and litigation. Mr. Bennett previously worked for the tax department of Ernst & Young from 1979-1981, served as Vice President, Tax Counsel, and Secretary for Southmark Corporation, a real estate company that at the time was traded on the New York Stock Exchange, from 1981 to 1984, an Executive Vice President for Pacific Realty, a real estate services firm, from 1984 to 1986, and he held the position of General Counsel for Greenbriar Corporation, a real estate company, from 1995 to 2002. Mr. Bennett earned a B.A. degree in Business and J.D. from the University of Kansas. Mr. Bennett was admitted to practice law in Texas in 1980, and is also a certified public accountant.

Mr. Bennett's substantial knowledge and over 35 years of legal and accounting and tax experience in a wide range of real estate development projects and related regulatory and dispute resolution matters makes him well-qualified as a member of the Board.

Philip T. Blazek has agreed to join our Board of Directors upon the closing of this offering. Mr. Blazek has served as the Chief Financial Officer of Marconi Group, LLC, an international technology holding company focused on intellectual property acquisition and development since April 2016, where he directs financial strategy, business planning and operations. Mr. Blazek previously served as the Chief Executive Officer and President of Strategic Diagnostics, a small - cap publicly

traded company that served as a holding company for diversified acquisitions, from 2013 to 2015. He also served in 2012 as Managing Director at Korenvaes Management LLC, a family office focusing on deep value debt and equity investments, and he was the founder and President of Blazek Crow Holdings Capital, LP, an active investment fund focused on small -cap public companies and formed in partnership with the Trammell Crow Family Office, from 2008 to 2012. He also co-founded Greenway Capital, LP, a small cap equity investment fund, which he led from 2005-2008. Earlier in his career, Mr. Blazek worked in the investment banking industry for Wasserstein Perella (from 1996 to 2004) and Goldman Sachs & Co. (from 1991 to 1994). Mr. Blazek served on the Board of Directors of Myers Industries, Inc., a publicly-traded plastic manufacturing company, from 2015 to 2016. Mr. Blazek earned a B.A. degree from Harvard University and M.B.A from Harvard Business School. Since 1996, he has been certified as a Chartered Financial Analyst.

Mr. Blazek brings more than 25 years of expertise in corporate financial management, mergers and acquisitions, investment analytics, public capital markets and strategic transformation, as well as experience as a board member in a public company, making his insights invaluable to the Board.

John A. Isakson has agreed to join our Board of Directors upon the closing of this offering. Mr. Isakson has served as the Chief Financial Officer of Preferred Apartment Communities, Inc., a publicly traded operator of multifamily properties throughout the United States ("PAC"), since August 2018, and acted as Executive Vice President and Chief Capital Officer of PAC from 2011 until August 2018. He served as Chief Executive Officer of Main Street Apartment Homes, LLC, an indirect subsidiary of PAC, since PAC's commencement of operations in 2015. Prior to his role at PAC, he was the Chief Executive Officer of Williams Asset Management, an investment and asset management firm for a private equity fund he co-founded, from 2006 to June 2013, and he co-founded Tarpon Development, LLC, serving as Chief Executive Officer from 1999 to 2005. He also served as Vice President of Finance for Julian LeCraw & Company from 1995 to 1999, where he oversaw the financing and acquisition of multifamily investments. Mr. Isakson earned a B.A. degree in Economics from Tulane University and M.A. in Economics from the University of Georgia.

Mr. Isakson demonstrates a broad depth of knowledge of both the private and institutional side of the housing industry in acquisitions, dispositions, corporate and property-level finance, investor relations and asset management, which are highly relevant to our business.

Board Composition

Our business and affairs are managed under the direction of our board of directors. The number of directors is determined by our board of directors, subject to the terms of our certificate of incorporation and bylaws that will become effective upon the completion of this offering. Upon the completion of this offering, our board of directors will consist of five members.

Director Independence

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

Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act. In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of

the audit committee, the board of directors, or any other board committee: (i) accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the listed company or any of its subsidiaries; or (ii) be an affiliated person of the listed company or any of its subsidiaries.

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

Board Committees

Upon the closing of this offering, our board of directors will have three standing committees: an audit committee, a compensation committee and a nominating and corporate governance committee. Under Nasdaq rules, the membership of the audit committee is required to consist entirely of independent directors, subject to applicable phase-in periods. The following is a brief description of our committees.

Audit committee. In accordance with our audit committee charter, after this offering, our audit committee will: oversee our corporate accounting and financial reporting processes and our internal controls over financial reporting; evaluate the independent public accounting firm's qualifications, independence and performance; engage and provide for the compensation of the independent public accounting firm; approve the retention of the independent public accounting firm to perform any proposed permissible non-audit services; review our financial statements; review our critical accounting policies and estimates and internal controls over financial reporting; and discuss with management and the independent registered public accounting firm the results of the annual audit and the reviews of our quarterly financial statements. We believe that our audit committee members meet the requirements for financial literacy under the current requirements of the Sarbanes-Oxley Act, Nasdaq and SEC rules and regulations. In addition, the board of directors has determined that Philip T. Blazek is qualified as an audit committee financial expert within the meaning of SEC regulations. We have made this determination based on information received by our board of directors. The audit committee will be composed of Messrs. Blazek (Chairman), Bennett and Isakson.

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

Nominating and governance committee. In accordance with our nominating and governance committee charter, after this offering, our nominating and governance committee will recommend to the board of directors nominees for election as directors, and meet as necessary to review director candidates and nominees for election as directors; recommend members for each committee of the board; oversee corporate governance standards and compliance with applicable listing and regulatory requirements; develop and recommend to the board governance principles applicable to the company; and oversee the evaluation of the board and its committees. We believe that the composition of our nominating and governance committee meets the requirements for independence under, and the functioning of our compensation committee complies with, any applicable requirements of the Sarbanes-Oxley Act, Nasdaq and SEC rules and regulations. We intend to comply with future requirements to the extent they become applicable to us. The nominating and governance committee will be composed of Messrs. Bennett (Chairman) and Isakson.

Code of Business Conduct and Ethics

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

Compensation Committee Interlocks and Insider Participation

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

Limitations on Director and Officer Liability and Indemnification

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

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

Upon completion of this offering, our certificate of incorporation and our bylaws will provide that we are required to indemnify our directors and officers, in each case to the fullest extent permitted by Delaware law. Any repeal of or modification to our certificate of incorporation and our bylaws may not adversely affect any right or protection of a director or officer for or with respect to any acts or omissions of such director or officer occurring prior to such amendment or repeal. Upon completion of this offering, our bylaws will also provide that we shall advance expenses incurred by a director or officer in advance of the final disposition of any action or proceeding, and permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in connection with their services to us, regardless of whether our bylaws permit such indemnification.

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

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

EXECUTIVE COMPENSATION**Summary Compensation Table**

The following table sets forth summary compensation information for the following persons: (i) all persons serving as our principal executive officer during the years ended December 31, 2017 and 2016, and (ii) our two other most highly compensated executive officers who received compensation during the years ended December 31, 2017 and 2016 of at least \$100,000 and who were executive officers on December 31, 2017 and 2016. We refer to these persons as our "named executive officers" in this prospectus. The following table includes all compensation earned by the named executive officers for the respective period, regardless of whether such amounts were actually paid during the period:

Name and Position	Years	Salary(\$)	Bonus(\$)	Stock Awards(\$)	Option Awards(\$)	All Other Compensation(\$)	Total(\$)
Curtis D. Hodgson, Co-Chief Executive Officer	2017	50,000	—	—	—	3,981,846	4,031,846
	2016	50,000	—	—	—	1,514,853	1,564,853
Kenneth E. Shipley, Co-Chief Executive Officer	2017	50,000	—	—	—	2,963,000	3,013,000
	2016	50,000	—	—	—	1,160,500	1,210,500
Jeffrey V. Burt, Chief Financial Officer	2017	190,000	30,000	—	—	—	220,000
	2016	180,000	10,000	—	—	—	190,000
Larry G. Badgley, Director, Corporate Development(1)	2017	145,000	5,000	—	—	—	150,000
	2016	46,650	—	—	—	—	46,650
Neal J. Suit, General Counsel(2)	2017	—	—	—	—	—	—
	2016	—	—	—	—	—	—

(1) Mr. Badgley joined our company in September 2016.

(2) Mr. Suit joined our company in January 2018.

The "All Other Compensation" column represents all distributions made to Mr. Hodgson and Mr. Shipley in the presented time periods when our company was still a partnership. The distributions of profits to Mr. Hodgson and Mr. Shipley were based upon their allocable share of partnership income. These distributions were primarily used to cover individual tax liability of the partners. The distributions made in 2017 were higher than in 2016 because we were anticipating the transition to a corporation structure that would no longer permit distributions, and thus the 2017 distributions included amounts to cover the anticipated tax liability of the respective partners for the 2017 tax year, amounts which historically would have been amounts distributed during the successive year. There were no other distributions made to Mr. Hodgson or Mr. Shipley during these periods.

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

Employment Agreements

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

The employment agreements also contain covenants (a) confirming that all intellectual property developed by each executive and relating to our business constitutes our sole and exclusive property, (b) prohibiting each executive from disclosing confidential information regarding our company at any time, (c) restricting each executive from engaging in any activities competitive with our business during his employment with us and for a period of one year thereafter, and (d) preventing each executive from recruiting, soliciting or hiring away employees of our company for a period of two years after his employment with us. The employment agreements are governed by the laws of the State of Delaware.

Outstanding Equity Awards at December 31, 2017

The following table shows outstanding option awards held by the named executive officers as of December 31, 2017.

<u>Name</u>	<u>Vested Shares</u>	<u>Unvested Shares</u>	<u>Total Shares</u>
Curtis D. Hodgson	—	—	—
Kenneth E. Shipley	—	—	—
Jeffrey V. Burt	—	—	—
Larry G. Badgley	—	—	—
Neal J. Suit	—	—	—

2018 Incentive Compensation Plan

Prior to the closing of this offering, the holders of a majority of our outstanding shares of common stock intend to adopt our 2018 Incentive Compensation Plan (the "Plan"), which has been previously approved by our board of directors. The purpose of our Plan is to assist us in attracting, motivating, retaining and rewarding high-quality executives and other employees, officers, directors, consultants and other persons who provide services to us. No awards under the Plan have been made to date. We have set aside an aggregate of 200,000 shares of common stock (including stock options) as additional compensation that we expect to award to our officers, directors and key personnel following this offering under the terms of our Plan, and this amount will not exceed 10% of the then outstanding shares of our common stock.

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

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

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

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

Stock Options and Stock Appreciation Rights. The committee is authorized to grant stock options, including both incentive stock options, or ISOs, which can result in potentially favorable tax treatment to the participant, and non-qualified stock options, and stock appreciation rights entitling the participant to receive the amount by which the fair market value of a share of common stock on the date of exercise exceeds the grant price of the stock appreciation right. The exercise price per share subject to an option and the grant price of a stock appreciation right are determined by the committee, but in the case of an ISO must not be less than the fair market value of a share of common stock on the date of grant. For purposes of our Plan, the term "fair market value" means the fair market value of common stock, awards or other property as determined by the committee or under procedures established by the committee. The maximum term of each option or stock appreciation right, the times at which each option or stock appreciation right will be exercisable, and provisions requiring forfeiture of unexercised options or stock appreciation rights at or following termination of employment generally are fixed by the committee, except that no option or stock appreciation right may have a term exceeding ten years.

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

Dividend Equivalents. The committee is authorized to grant dividend equivalents conferring on participants the right to receive, currently or on a deferred basis, cash, shares of common stock, other awards or other property equal in value to dividends paid on a specific number of shares of common stock or other periodic payments. Dividend equivalents may be granted alone or in connection with another award, may be paid currently or on a deferred basis and, if deferred, may be deemed to have been reinvested in additional shares of common stock, awards or otherwise as specified by the committee.

Bonus Stock and Awards in Lieu of Cash Obligations. The committee is authorized to grant shares of common stock as a bonus free of restrictions, or to grant shares of common stock or other awards in lieu of our obligations to pay cash under our Plan or other plans or compensatory arrangements, subject to such terms as the committee may specify.

Other Stock-Based Awards. The committee is authorized to grant awards that are denominated or payable in, valued by reference to, or otherwise based on or related to shares of common stock. The committee has the sole discretion to determine the terms and conditions of such awards.

Performance Awards. The committee is authorized to grant performance awards to participants on terms and conditions established by the committee. Performance awards may be settled by delivery of cash, shares or other property, or any combination thereof, as determined by the committee.

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

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

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

Amendment and Termination. The board of directors may amend, alter, suspend, discontinue or terminate our Plan or the committee's authority to grant awards without further stockholder approval, except stockholder approval must be obtained for any amendment or alteration if such approval is required by law or regulation or under the rules of any stock exchange or quotation system on which shares of common stock are then listed or quoted. Thus, stockholder approval may not necessarily be required for every amendment to our Plan which might increase the cost of our Plan or alter the eligibility of persons to receive awards. Stockholder approval will not be deemed to be required under laws or regulations, such as those relating to ISOs, that condition favorable treatment of participants on

such approval, although the board of directors may, in its discretion, seek stockholder approval in any circumstance in which it deems such approval advisable. Our Plan will terminate at the earliest of (a) such time as no shares of common stock remain available for issuance under our Plan, (b) termination of our Plan by the board of directors, or (c) the tenth anniversary of the effective date of the Plan. Awards outstanding upon expiration of our Plan will remain in effect until they have been exercised or terminated, or have expired.

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

Director Compensation

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Policies and Procedures for Transactions with Related Persons

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

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

Each transaction described in "Certain Relationships and Related Transactions" was entered into prior to the adoption of our audit committee charter and the foregoing policy proposal.

Transactions and Relationships with Directors, Officers and 5% Stockholders

Bell Mobile Homes, a retailer owned by Kenneth E. Shipley, one of our directors and Co-Chief Executive Officer, purchases manufactured homes from our company. Accounts receivable balances due from Bell Mobile Homes were \$641,000 and \$385,000 as of September 30, 2018 and December 31, 2017, respectively. Accounts payable balances due to Bell Mobile Homes for maintenance and related services were \$68,000 and \$57,000 as of September 30, 2018 and December 31, 2017. Home sales to Bell Mobile Homes were \$2,634,000 and \$2,529,000 for the nine months ended September 30, 2018 and the year ended December 31, 2017, respectively.

Shipley Bros., Ltd. ("Shipley Bros."), a retailer owned by one of our significant owners, Kenneth E. Shipley, purchases manufactured homes from us. Accounts receivable balances due from Shipley Bros. were \$45,000 and \$41,000 as of September 30, 2018 and December 31, 2017, respectively. Manufactured home sales to Shipley Bros. were \$1,925,000 and \$1,960,000 for the nine months ended September 30, 2018 and the year ended December 31, 2017.

On February 2, 2016, we entered into a \$1,500,000 note payable agreement with a stated annual interest rate of 3.75% with Shipley and Sons, Ltd., a related party through the common ownership of Kenneth E. Shipley. The note is due on demand. Interest paid on the note payable to Shipley and Sons

was \$42,000 and \$56,000 for the period ended September 30, 2018 and the year ended December 31, 2017. The balance outstanding on the note payable as of September 30, 2018 and December 31, 2017 was \$1,500,000. This note was paid in full on October 18, 2018.

Indemnification Agreements

We intend to enter into an indemnification agreement with each of our directors and executive officers. The indemnification agreements and our certificate of incorporation and bylaws require us to indemnify our directors and executive officers to the fullest extent permitted by Delaware law. See "Management—Limitations on Director and Officer Liability and Indemnification."

Corporate Conversion

Effective January 1, 2018, we converted to a Delaware corporation and changed our name to Legacy Housing Corporation. Prior to January 1, 2018, we were a Texas limited partnership controlled by our Co-Chief Executive Officers. Upon the Corporate Conversion, all of our outstanding partnership interests were exchanged on a proportional basis for shares of common stock of Legacy Housing Corporation.

PRINCIPAL STOCKHOLDERS

The following table and accompanying footnotes set forth certain information with respect to the beneficial ownership of our common stock as of November 30, 2018, referred to in the table below as the "Beneficial Ownership Date," and as adjusted to reflect the sale of shares of our common stock offered by this prospectus, by:

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

Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to stock options or warrants held by that person that are currently exercisable or exercisable within 60 days of the Beneficial Ownership Date and shares of restricted stock subject to vesting until the occurrence of certain events, including the closing of this offering, are deemed outstanding, but are not deemed outstanding for computing the percentage ownership of any other person. Percentage of beneficial ownership is based on 20,000,000 shares of common stock outstanding as of the Beneficial Ownership Date and 23,500,000 shares of common stock outstanding immediately after this offering, assuming that the underwriters do not exercise their option to purchase up to 525,000 additional shares of our common stock to cover over-allotments in full.

To our knowledge, except as set forth in the footnotes to this table and subject to applicable community property laws, each person named in the table has sole voting and investment power with respect to the shares set forth opposite such person's name. Except as otherwise indicated, the address of each of the persons in this table is c/o Legacy Housing Corporation, 1600 Airport Freeway, #100, Bedford, Texas 76022. Each of the persons and entities named in the table below acquired their shares

of common stock pursuant to the Corporate Conversion. See "Corporate Conversion" for additional information.

Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned Immediately Prior to the Completion of this Offering		Shares of Common Stock Beneficially Owned Immediately After this Offering	
	Number of Shares	Percentage	Number of Shares	Percentage
Directors and Executive Officers				
Curtis D. Hodgson(1)	10,000,000	50.0%	10,000,000	42.6%
Kenneth E. Shipley(2)	3,400,000	17.0%	3,400,000	14.5%
Jeffrey V. Burt	—	—	—	—
Larry G. Badgley	—	—	—	—
Neal J. Suit	—	—	—	—
Mark Bennett	—	—	—	—
Philip T. Blazek	—	—	—	—
John Isakson	—	—	—	—
5% Stockholders				
William Shipley(2)	3,300,000	16.5%	3,300,000	14.0%
Douglas Shipley(2)	3,300,000	16.5%	3,300,000	14.0%
All directors, director nominees and executive officers as a group (8 persons)	13,400,000	67.0%	13,400,000	57.0%

- (1) Mr. Hodgson's beneficial ownership includes 1,000,000 shares of common stock owned by Hodgson Ventures, a Texas limited partnership, of which Mr. Hodgson is the general partner, 3,300,000 shares of common stock owned by the Hodgson 2015 Grandchild's Trust, of which Mr. Hodgson shares voting and investment power with respect to such shares, 1,100,000 shares of common stock owned by Dechomai Asset Trust, a charitable trust for which Mr. Hodgson shares voting and investment power, and 100,000 shares owned by Cusach, Inc., an entity controlled by Mr. Hodgson.
- (2) Kenneth E. Shipley's beneficial ownership includes 100,000 shares of common stock owned by Shipley Bros., Ltd., an entity controlled by Kenneth E. Shipley. Each of Kenneth E. Shipley's brothers, William Shipley and Douglas Shipley, owns 3,300,000 shares of our common stock, as to which shares Kenneth E. Shipley disclaims any beneficial interest.

DESCRIPTION OF CAPITAL STOCK

The following description summarizes important terms of our capital stock. For a complete description, you should refer to our certificate of incorporation and bylaws, forms of which are incorporated by reference to the exhibits to the registration statement of which this prospectus is a part, as well as the relevant portions of the Delaware law. References to our certificate of incorporation and bylaws are to our certificate of incorporation and our bylaws, respectively, each of which will become effective upon completion of this offering. The description of our common stock and preferred stock reflects the completion of the Corporate Conversion that was effective January 1, 2018.

General

Prior to January 1, 2018, we were a Texas limited partnership and the rights and obligations of our partners were governed by the Legacy Housing, Ltd. Limited Partnership Agreement. On January 1, 2018, we effected the Corporate Conversion pursuant to which we converted into a Delaware corporation and changed our name to Legacy Housing Corporation. The rights and obligations set forth in the Legacy Housing, Ltd. Limited Partnership Agreement terminated immediately prior to the consummation of the Corporate Conversion. As of January 1, 2018, we are a federal taxpayer as opposed to a pass-through entity for tax purposes. The following description of our capital stock is a summary and is qualified in its entirety by reference to our certificate of incorporation and our bylaws, the forms of which are filed as exhibits to the registration statement of which this prospectus forms a part.

Upon the closing of this offering, our authorized capital stock will consist of 90,000,000 shares of common stock, par value \$0.001 per share, and 10,000,000 shares of preferred stock, par value \$0.001 per share, all of which shares of preferred stock are undesignated. Our board of directors may establish the rights and preferences of the preferred stock from time to time. As of November 30, 2018, there were 20,000,000 shares of common stock issued and outstanding, held of record by eight stockholders, and no shares of preferred stock issued or outstanding.

Only the 3,500,000 shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act. The remaining 20,000,000 shares of common stock outstanding after this offering will be "restricted securities" as such term is defined in Rule 144 under the Securities Act and will be eligible for sale upon expiration of the lock-up agreements 181 days after the date of this prospectus, subject to any volume and other limitations applicable to the holders of such shares.

We have set aside 200,000 shares of common stock as additional compensation that we will award to our officers, directors, and key personnel under our 2018 Incentive Compensation Plan.

Common Stock

Each holder of our common stock is entitled to one vote for each share on all matters to be voted upon by the stockholders and there are no cumulative rights. Subject to any preferential rights of any outstanding preferred stock, holders of our common stock are entitled to receive ratably the dividends, if any, as may be declared from time to time by the board of directors out of legally available funds. If there is a liquidation, dissolution or winding up of our company, holders of our common stock would be entitled to share in our assets remaining after the payment of liabilities and any preferential rights of any outstanding preferred stock.

Holders of our common stock have no preemptive or conversion rights or other subscription rights, and there are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of our common stock will be fully paid and non-assessable. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the

rights of the holders of shares of any series of preferred stock which we may designate and issue in the future.

Preferred Stock

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

The purpose of authorizing our board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock, while providing flexibility in connection with possible future acquisitions and other corporate purposes, will affect, and may adversely affect, the rights of holders of common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock on the rights of holders of common stock until the board of directors determines the specific rights attached to that preferred stock. The effects of issuing preferred stock could include one or more of the following:

- restricting dividends on the common stock;
- diluting the voting power of the common stock;
- impairing the liquidation rights of the common stock; or
- delaying or preventing changes in control or management of our company.

We have no present plans to issue any shares of preferred stock.

Effect of Certain Provisions of our Charter and Bylaws and the Delaware Anti-Takeover Statute

Certain provisions of Delaware law, our certificate of incorporation and our bylaws contain provisions that could have the effect of delaying, deferring or discouraging another party from acquiring control of us. These provisions, which are summarized below, may have the effect of discouraging coercive takeover practices and inadequate takeover bids. These provisions are also designed, in part, to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging a proposal to acquire us because negotiation of these proposals could result in an improvement of their terms.

No cumulative voting

The Delaware General Corporation Law provides that stockholders are not entitled to the right to cumulate votes in the election of directors unless our certificate of incorporation provides otherwise. Our certificate of incorporation and bylaws prohibit cumulative voting in the election of directors.

Undesignated preferred stock

The ability to authorize undesignated preferred stock makes it possible for our board of directors to issue one or more series of preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control. These and other provisions may have the effect of deferring hostile takeovers or delaying changes in control or management of our company.

Calling of special meetings of stockholders and action by written consent

Our charter documents provide that a special meeting of stockholders may be called only by resolution adopted by our board of directors, chairman of the board of directors or chief executive officer or upon the written request of stockholders owning at least 33¹/₃% of the outstanding common stock. Stockholder owning less than such required amount may not call a special meeting, which may delay the ability of our stockholders to force consideration of a proposal or for holders controlling a majority of our capital stock to take any action, including the removal of directors.

Our charter documents provide that any action required or permitted to be taken by the stockholders of the company must be effected at a duly called annual or special meeting of stockholders and may not be effected by any consent in writing by the stockholders.

Requirements for advance notification of stockholder nominations and proposals

Our bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors. However, our bylaws may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed. These provisions may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company.

Amendment of certificate of incorporation and bylaws

The amendment of certain provisions (including the above provisions) of our certificate of incorporation and bylaws requires approval by holders of at least two-thirds of our outstanding capital stock entitled to vote generally in the election of directors.

Section 203 of the Delaware General Corporation Law

Upon completion of this offering, we will be subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a three-year period following the time that this stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner. Under Section 203, a business combination between a corporation and an interested stockholder is prohibited unless it satisfies one of the following conditions:

- before the stockholder became interested, our board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, shares owned by persons who are directors and also officers, and employee stock plans, in some instances, but not the outstanding voting stock owned by the interested stockholder; or
- At or after the time the stockholder became interested, the business combination was approved by our board of directors and authorized at an annual or special meeting of the stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by

the interested stockholder.

Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, lease, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;
- subject to exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- subject to exceptions, any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; and
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by the entity or person.

Choice of Forum

Our certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or if no Court of Chancery located within the State of Delaware has jurisdiction, the Federal District Court for the District of Delaware) will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by our directors, officers, or other employees to us or to our stockholders, (iii) any action asserting a claim against us or any director, officer or other employee arising pursuant to any provision of the Delaware General Corporation Law, our certificate of incorporation or bylaws or (iv) any action asserting a claim against us or any director, officer or other employee that is governed by the internal affairs doctrine. It is possible that a court could rule that this provision is not applicable or is unenforceable. Any person or entity purchasing or otherwise acquiring shares of our capital stock will be deemed to have notice of and consented to this provision of our certificate of incorporation. However, this sole and exclusive forum provision will not apply in those instances where there is exclusive federal jurisdiction, including but not limited to certain actions arising under the Securities Act or the Exchange Act.

Limitations of Liability and Indemnification

See "Certain Relationships and Related Transactions—Indemnification Agreements."

Exchange Listing

We intend to list our common stock for trading on The Nasdaq Global Market under the symbol "LEGH."

Transfer Agent and Registrar

Upon the completion of this offering, the transfer agent and registrar for our common stock will be Continental Stock Transfer & Trust Company. The transfer agent and registrar's address is 17 Battery Place, 8th Floor, New York, NY 10004.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, no public market has existed for our common stock. Future sales of substantial amounts of shares of our common stock, including shares issued upon the exercise of outstanding options, in the public market after our initial public offering, or the possibility of these sales occurring, could cause the prevailing market price for our common stock to fall or impair our ability to raise equity capital in the future.

Before completion of this offering, our capital stock consists of 90,000,000 shares of common stock authorized and 20,000,000 shares of common stock outstanding. In connection with this offering, we will issue an additional 3,500,000 shares of new common stock and, immediately following this offering, we will have 23,500,000 total shares of common stock outstanding, in each case, assuming the underwriters do not exercise their option to purchase additional shares (or 24,025,000 shares if the underwriters exercise their over-allotment option to purchase additional shares in full). Of those shares, the 3,500,000 shares of common stock sold in the offering (or 4,025,000 shares if the underwriters exercise their over-allotment option to purchase additional shares in full) will be freely transferable without restriction, unless purchased by persons deemed to be our "affiliates" as that term is defined in Rule 144 under the Securities Act. Any shares purchased by an affiliate may not be resold except pursuant to an effective registration statement or an applicable exemption from registration, including an exemption under Rule 144 promulgated under the Securities Act. The remaining 20,000,000 shares of common stock to be outstanding immediately following the completion of this offering are "restricted," which means they were originally sold in offerings that were not registered under the Securities Act. Restricted shares may be sold through registration under the Securities Act or under an available exemption from registration, such as provided through Rule 144, which rules are summarized below. Taking into account the lock-up agreements described below, and assuming the underwriters do not release any stockholders from the lock-up agreements, the restricted shares of our common stock will be eligible for sale, subject to the provisions of Rule 144 or Rule 701, upon the expiration of lock-up agreements not to sell such shares entered into between the underwriter and such stockholders beginning 180 days after the date of this prospectus.

Rule 144

In general, under Rule 144 of the Securities Act, as in effect on the date of this prospectus, a person (or persons whose shares are aggregated) who has beneficially owned restricted stock for at least six months, will be entitled to sell in any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding (235,000 shares immediately after this offering or 240,250 shares if the underwriters exercise their over-allotment option to purchase additional shares in full); or
- the average weekly trading volume of our common stock on Nasdaq during the four calendar weeks immediately preceding the date on which the notice of sale is filed with the SEC.
- Subject to the lock-up agreements described above, our affiliates who have beneficially owned shares of our common stock for at least six months, including the holding period of any prior owner other than one of our affiliates, will be entitled to sell within any three-month period a number of shares that does not exceed the greater of:
- 1% of the number of shares of our common stock then outstanding, which will equal approximately 235,000 shares immediately after this offering; and
- the average weekly trading volume in our common stock on Nasdaq during the four calendar weeks preceding the date of filing of a Notice of Proposed Sale of Securities Pursuant to Rule 144 with respect to the sale.

Sales pursuant to Rule 144 are subject to requirements relating to manner of sale, notice and availability of current public information about us. A person (or persons whose shares are aggregated) who is not deemed to be an affiliate of ours for 90 days preceding a sale, and who has beneficially owned restricted stock for at least one year is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144. Rule 144 will not be available to any stockholders until we have been subject to the reporting requirements of the Exchange Act for 90 days.

Form S-8 Registration Statement

Following the completion of this offering, we intend to file a registration statement on Form S-8 under the Securities Act to register the shares of our common stock that are issuable pursuant to our 2018 Incentive Compensation Plan. Shares covered by this registration statement will be eligible for sale in the public markets, subject to vesting restrictions, any applicable lock-up agreements described below and Rule 144 limitations applicable to affiliates.

Rule 701

Rule 701 under the Securities Act, as in effect on the date of this prospectus, permits resale of shares in reliance upon Rule 144 but without compliance with certain restrictions of Rule 144, including the holding period requirement. Most of our employees, executive officers, directors or consultants who purchased shares under a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701, but all holders of Rule 701 shares are required to wait until 90 days after the date of this prospectus before selling their shares. However, substantially all Rule 701 shares are subject to lock-up agreements as described below and under "Underwriting" included in this prospectus and will become eligible for sale upon the expiration of the restrictions set forth in those agreements.

Lock-Up Agreements

All of the executive officers and directors and certain of our stockholders have agreed that, without the prior written consent of B. Riley FBR, Inc., as representative of the several underwriters, we and they will not, during the period ending 180 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exercisable or exchangeable for our common stock; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our common stock;

whether any transaction described above is to be settled by delivery of shares of our common stock or such other securities, in cash or otherwise. This agreement is subject to certain exemptions, as set forth in the section entitled "Underwriting."

UNDERWRITING

Subject to the terms and conditions set forth in the underwriting agreement between us and the underwriters named below, for which B. Riley FBR, Inc. is acting as the representative (the "Representative"), we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase, the number of shares of our common stock listed next to its name in the following table:

<u>Underwriter</u>	<u>Number of Shares</u>
B. Riley FBR, Inc.	
Oak Ridge Financial	
National Securities Corporation	
Total	<u><u>3,500,000</u></u>

Under the terms of the underwriting agreement, the underwriters are committed to purchase all of the shares offered by this prospectus (other than the shares subject to the underwriters' option to purchase additional shares), if the underwriters buy any of such shares. The underwriters' obligation to purchase the shares is subject to satisfaction of certain conditions, including, among others, the continued accuracy of representations and warranties made by us in the underwriting agreement, delivery of legal opinions and the absence of any material changes in our assets, business or prospects after the date of this prospectus.

The underwriters initially propose to offer the common stock directly to the public at the public offering price set forth on the front cover page of this prospectus and to certain dealers at such offering price less a concession not to exceed \$ per share. After the initial public offering of the shares of our common stock, the offering price and other selling terms may be changed by the underwriters. Sales of shares of our common stock made outside the United States may be made by affiliates of certain of the underwriters.

Over-Allotment Option

We have granted to the underwriters an option to purchase up to 525,000 additional shares of our common stock at the public offering price per share as they are paying for the shares shown in the table on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option in whole or in part at any time within 30 days after the date of the underwriting agreement. To the extent the underwriters exercise this option, each underwriter will be committed, so long as the conditions of the underwriting agreement are satisfied, to purchase a number of additional shares proportionate to that underwriters' initial commitment as indicated in the table at the beginning of this section plus, in the event that any underwriter defaults in its obligation to purchase shares under the underwriting agreement, certain additional shares.

Discounts and Commissions

The following table shows the per share and total underwriting discounts and commissions we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares of our common stock.

	Per Share	Total	
		No Exercise	Full Exercise
Public Offering Price	\$	\$	\$
Underwriting discounts and commissions to be paid by us:	\$	\$	\$
Total	\$	\$	\$
Proceeds, before expenses, to us	\$	\$	\$

We estimate that the total expenses of the offering payable by us, excluding underwriting discounts and commissions, will be approximately \$926,250. We have agreed to reimburse the underwriters for certain of their expenses, including fees of counsel in connection with filing with FINRA, in an amount not to exceed \$175,000 (which is included in the total expense amount).

Right of First Refusal

In connection with this offering, we granted B. Riley FBR, Inc. a right of first refusal, subject to completion of this offering, for a period of one year from the date of the offering to act as (i) financial advisor in connection with any review of strategic alternatives, including any merger and acquisition advisory work, (ii) a significant bookrunner in connection with any public offering of debt or equity or equity-linked securities, and (iii) initial purchaser and/or placement agent in any private offering of equity or equity-linked securities or other capital markets financing.

Stabilization

In accordance with Regulation M under the Exchange Act, the underwriters may engage in activities that stabilize, maintain or otherwise affect the price of our common stock, including short sales and purchases to cover positions created by short positions, stabilizing transactions, syndicate covering transactions, penalty bids and passive market making.

- Short positions involve sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares involved in the sales made by the underwriters in excess of the number of shares they are obligated to purchase is not greater than the number of shares that they may purchase by exercising their option to purchase additional shares. In a naked short position, the number of shares involved is greater than the number of shares in their option to purchase additional shares. The underwriters may close out any short position by either exercising their option to purchase additional shares or purchasing shares in the open market.
- Stabilizing transactions permit bids to purchase the underlying security as long as the stabilizing bids do not exceed a specific maximum price.
- Syndicate covering transactions involve purchases of our common stock in the open market after the distribution has been completed to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the underwriters' option to purchase additional shares. If the underwriters sell more shares than could be covered by the underwriters' option to purchase additional shares, thereby creating a naked short position, the position can only be closed out by

buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

- Penalty bids permit the representative to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.
- In passive market making, market makers in our common stock who are underwriters or prospective underwriters may, subject to limitations, make bids for or purchase shares of our common stock until the time, if any, at which a stabilizing bid is made.

These activities may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result of these activities, the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the Nasdaq or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the Representative will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Indemnification

We and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of such liabilities.

Discretionary Accounts

The underwriters have informed us that they do not expect to make sales to accounts over which they exercise discretionary authority in excess of 5% of the shares of our common stock being offered in this offering.

IPO Pricing

Prior to this offering, no public market has existed for our common stock. The initial public offering price has been negotiated between us and the Representative. Among the factors considered in these negotiations are: the history of, and prospects for, us and the industry in which we compete; our past and present financial performance; an assessment of our management; the present state of our development; the prospects for our future earnings; the prevailing conditions of the applicable United States securities market at the time of this offering; previous trading prices for our common stock in the private market and market valuations of publicly traded companies that we and the representative believe to be comparable to us.

Lock-Up Agreements

We have agreed that for a period of 180 days after the date of the underwriting agreement, we will not, without the prior written consent of B. Riley FBR, Inc., which may be withheld or delayed in B. Riley FBR, Inc.'s sole discretion:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, lend or otherwise dispose

of or transfer, directly or indirectly, any of our common stock or any securities convertible into or exercisable or exchangeable for our common stock, or file any registration statement under the Securities Act with respect to any of the foregoing; or

- enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any of our common stock,

whether any such transaction described above is to be settled by delivery of shares of our common stock or such other securities, in cash or otherwise. The prior sentence will not apply to (i) the shares to be sold pursuant to the underwriting agreement, (ii) any shares of our common stock issued by us upon the exercise of an option or other security outstanding on the date hereof, (iii) such issuances of options or grants of restricted stock or other equity-based awards under our 2018 Incentive Compensation Plan and the issuance of shares issuable upon exercise of any such equity-based awards, and (iv) the filing by us of registration statements on Form S-8.

Each of our directors and our executive officers has agreed that for a period ending 180 days after the date of the underwriting agreement, none of them will, without the prior written consent of the Representative which may be withheld or delayed in the Representative's sole discretion:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, lend or otherwise dispose of or transfer, directly or indirectly, any shares of our common stock, or any securities convertible into or exercisable or exchangeable for our common stock owned directly by such director or executive officer or with respect to which such director or executive officer has beneficial ownership; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of our common stock, whether any such transaction described above is to be settled by delivery of our common stock or such other securities, in cash or otherwise.

Notwithstanding the prior sentence, subject to applicable securities laws and the restrictions contained in our charter, our directors and executive officers may transfer our securities: (i) pursuant to the exercise or conversion of our securities, including, without limitation, options and warrants; (ii) as a bona fide gift or gifts, provided that the donee or donees thereof agree to be bound in writing by the restrictions set forth above; (iii) to any trust for the direct or indirect benefit of such director or executive officer or the immediate family of such director or executive officer, provided that the trustee of the trust agrees to be bound in writing by the restrictions set forth above; (iv) any transfer required under any benefit plans or our charter or bylaws; (v) as required by participants in our 2018 Incentive Compensation Plan stock incentive plan in order to reimburse or pay federal income tax and withholding obligations in connection with vesting of restricted stock grants or the exercise of stock options or warrants; or (vi) in or in connection with any merger, consolidation, combination or sale of all or substantially all of our assets or in connection with any tender offer or other offer to purchase at least 50% of our common stock.

Notwithstanding the foregoing, nothing shall prevent our directors or executive officers from, or restrict their ability to, (i) purchase our securities in a public or private transaction, or (ii) exercise or convert any options, warrants or other convertible securities issued to or held by such director or executive officer, including those granted under our 2018 Incentive Compensation Plan.

Other Relationships

B. Riley FBR, Inc. may in the future provide us and our affiliates with investment banking and financial advisory services for which B. Riley FBR, Inc. may in the future receive customary fees. B. Riley FBR, Inc., as the Representative, may release, or authorize us to release, as the case may be,

the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time with or without notice.

Electronic Distribution

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters or selling group members, if any, participating in the offering. The Representative may allocate a number of shares to the underwriters and selling group members, if any, for sale to their online brokerage account holders. Any such allocations for online distributions will be made by the representative on the same basis as other allocations.

Listing

In connection with this offering, we intend to apply to have our common stock listed on The Nasdaq Global Market under the symbol "LEGH." There is no assurance, however, that our common stock will be listed on The Nasdaq Global Market or any other national securities exchange.

Transfer Agent and Registrar

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

Selling Restrictions

Canada

Notice to Canadian Residents (Alberta, British Columbia, Manitoba, Ontario and Québec Only)

This document constitutes an "exempt offering document" as defined in and for the purposes of applicable Canadian securities laws. No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the shares of common stock described herein. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this document or on the merits of the common stock and any representation to the contrary is an offence.

Canadian investors are advised that this document has been prepared in reliance on section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"). Pursuant to section 3A.3 of NI 33-105, this document is exempt from the requirement that the issuer and the underwriters in the offering provide Canadian investors with certain conflicts of interest disclosure pertaining to "connected issuer" and/or "related issuer" relationships as may otherwise be required pursuant to subsection 2.1(1) of NI 33-105.

Resale Restrictions

The offer and sale of the shares of common stock in Canada is being made on a private placement basis only and is exempt from the requirement that the issuer prepares and files a prospectus under applicable Canadian securities laws. Any resale of shares of common stock acquired by a Canadian investor in this offering must be made in accordance with applicable Canadian securities laws, which may vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with Canadian prospectus requirements, a statutory exemption from the prospectus requirements, in a transaction exempt from the prospectus requirements or otherwise under a discretionary exemption from the prospectus requirements granted by the applicable local Canadian securities regulatory authority. These resale restrictions may under certain circumstances apply to resales of the shares of common stock outside of Canada.

Representations of Purchasers

Each Canadian investor who purchases shares of common stock will be deemed to have represented to the issuer, the underwriters and to each dealer from whom a purchase confirmation is received, as applicable, that the investor (i) is purchasing as principal, or is deemed to be purchasing as principal in accordance with applicable Canadian securities laws, for investment only and not with a view to resale or redistribution; (ii) is an "accredited investor" as such term is defined in section 1.1 of National Instrument 45-106 *Prospectus Exemptions* ("NI 45-106") or, in Ontario, as such term is defined in section 73.3(1) of the *Securities Act* (Ontario); and (iii) is a "permitted client" as such term is defined in section 1.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

Taxation and Eligibility for Investment

Any discussion of taxation and related matters contained in this document does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a Canadian investor when deciding to purchase the Securities and, in particular, does not address any Canadian tax considerations. No representation or warranty is hereby made as to the tax consequences to a resident, or deemed resident, of Canada of an investment in the common stock or with respect to the eligibility of the common stock for investment by such investor under relevant Canadian federal and provincial legislation and regulations.

Rights of Action for Damages or Rescission

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Language of Documents

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, each, a Relevant Member State, an offer to the public of any shares of our common stock may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any shares of our common stock may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as

defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares of our common stock shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any shares of our common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of our common stock to be offered so as to enable an investor to decide to purchase any shares of our common stock, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State, and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each underwriter has represented and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, or FSMA) received by it in connection with the issue or sale of the shares of our common stock in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares of our common stock in, from or otherwise involving the United Kingdom.

Switzerland

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange, or the SIX, or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, or the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes, or CISA. Accordingly, no public distribution, offering or advertising, as defined in CISA, its implementing ordinances and notices, and no distribution to any non-qualified investor, as defined in CISA, its implementing ordinances and notices, shall be undertaken in or from Switzerland, and the investor protection afforded to acquirers of interests in collective investment schemes under CISA does not extend to acquirers of shares.

Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission, or the ASIC, in relation to the offering.

This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001, or the Corporations Act, and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons, the Exempt Investors, who are "sophisticated investors" (within the meaning of section 708(8) of the Corporations Act), "professional investors" (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

The shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Section 145 of the Delaware General Corporation Law, as amended, authorizes us to indemnify any director or officer under certain prescribed circumstances and subject to certain limitations against certain costs and expenses, including attorney's fees actually and reasonably incurred in connection with any action, suit or proceeding, whether civil, criminal, administrative or investigative, to which a person is a party by reason of being one of our directors or officers if it is determined that such person acted in accordance with the applicable standard of conduct set forth in such statutory provisions. Our certificate of incorporation contains provisions relating to the indemnification of director and officers and our by-laws extend such indemnities to the full extent permitted by Delaware law. We currently maintain insurance for the benefit of any director or officer, which cover claims for which we could not indemnify such persons.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for the issuer by Olshan Frome Wolosky LLP, New York, New York. The underwriters have been represented in connection with this offering by Winston & Strawn LLP, Dallas, Texas.

EXPERTS

The audited financial statements included in this prospectus and elsewhere in the registration statement have been so included in reliance upon the report of Grant Thornton LLP, independent registered public accountants, upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1, which includes exhibits, schedules and amendments, under the Securities Act with respect to the common stock we are offering pursuant to this prospectus. The rules and regulations of the SEC allow us to omit certain information from this prospectus that is included in the registration statement. Statements made in this prospectus concerning the contents of any contract, agreement or other document are summaries of all material information about the contract, agreement or other document summarized, but are not complete descriptions of all terms of those contracts, agreements or other documents. If we filed any of those contracts, agreements or other documents as an exhibit to the registration statement, you may read the contract, agreement or other document itself for a complete description of its terms. When we complete this offering, we will also be required to file annual, quarterly and special reports, proxy statements and other information with the SEC.

You can read our SEC filings, including the registration statement, over the Internet at the SEC's website at www.sec.gov. You may also read and copy any document we file with the SEC at its public reference facilities at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. To receive copies of public records not posted to the SEC's web site at prescribed rates, you may complete an online form at <http://www.sec.gov>, send a fax to (202) 772-9337 or submit a written request to the SEC, Office of FOIA/PA Operations, 100 F Street, N.E., Mail Stop 2736, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on their public reference room.

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LEGACY HOUSING CORPORATION

Condensed Balance Sheets

(unaudited, dollars in thousands)

	September 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 449	\$ 428
Accounts receivable, net of allowance for doubtful accounts	2,676	3,792
Current portion consumer loans	4,690	4,305
Current portion of notes receivable from mobile home parks ("MHP")	8,029	7,216
Current portion of other notes receivable	4,211	2,339
Inventories	42,888	39,561
Prepaid expenses and other current assets	3,180	1,800
Total current assets	<u>66,123</u>	<u>59,441</u>
Property, plant and equipment, net	15,992	11,826
Consumer loans, net of deferred financing fees and allowance for loan losses	88,784	82,331
Notes receivable from mobile home parks ("MHP")	51,766	42,286
Other notes receivable, net of allowance for loan losses	2,236	2,867
Other assets	1,405	2,205
Inventory non-current	7,350	7,379
Total assets	<u>\$ 233,656</u>	<u>\$ 208,335</u>
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 3,427	\$ 6,280
Accrued liabilities	8,953	4,820
Customer deposits	1,761	2,903
Note payable to related party	1,500	1,500
Escrow liability	5,228	4,508
Current portion of notes payable	213	3,776
Total current liabilities	<u>21,082</u>	<u>23,787</u>
Long-term liabilities:		
Lines of credit	58,010	53,094
Deferred tax liabilities	1,705	—
Note payable, net of current portion	3,813	410
Dealer incentive liability	6,040	6,773
Total liabilities	<u>90,650</u>	<u>84,064</u>
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, \$.001 par value, 10,000,000 shares authorized: issued -0-	—	—
Common stock, \$.001 par value, 90,000,000 shares authorized: issued and outstanding 20,000,000	20	—
Partners' Capital	—	124,271
Additional paid-in-capital	124,251	—
Retained earnings	18,735	—
Total equity	<u>143,006</u>	<u>124,271</u>
Total liabilities and equity	<u>\$ 233,656</u>	<u>\$ 208,335</u>

See accompanying notes to financial statements.

LEGACY HOUSING COPORATION**Condensed Statements of Operations****(unaudited, dollars in thousands, except per share amounts)**

	Nine months ended September 30,	
	2018	2017
Net revenue:		
Product sales	\$ 110,498	\$ 73,015
Consumer and MHP loans interest	13,653	11,478
Other	3,088	2,287
Total net revenue	<u>127,239</u>	<u>86,780</u>
Operating expenses:		
Cost of product sales	83,323	56,524
Selling, general administrative expenses	14,768	11,641
Dealer incentive	459	821
Income from operations	<u>28,689</u>	<u>17,794</u>
Other income (expense):		
Non-operating interest income	189	224
Miscellaneous, net	122	354
Interest expense	(2,027)	(1,531)
Total other	<u>(1,716)</u>	<u>(953)</u>
Income before income tax expense	26,973	16,841
Income tax expense	<u>(8,238)</u>	<u>(107)</u>
Net income	<u>\$ 18,735</u>	<u>\$ 16,734</u>
Weighted average shares outstanding:		
Basic and diluted	<u>20,000,000</u>	
Net income per share:		
Basic and diluted	<u>\$ 0.94</u>	
Pro Forma Information:		
Net income		16,734
Pro forma provision for income taxes		<u>(6,001)</u>
Pro forma net income		<u>10,733</u>
Pro forma weighted average shares outstanding:		
Pro forma basic and diluted		<u>20,000,000</u>
Pro forma net income per share:		
Pro forma basic and diluted		<u>\$ 0.54</u>

See accompanying notes to financial statements.

LEGACY HOUSING COPORATION

Condensed Statements of Cash Flows

(unaudited, dollars in thousands)

	Nine months ended September 30,	
	2018	2017
Operating activities:		
Net income	\$ 18,735	\$ 16,734
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	610	461
Provision for loan loss—consumer loans	571	472
Deferred tax liability	1,705	—
Changes in operating assets and liabilities:		
Accounts receivable	1,116	808
Consumer loans originations	(14,381)	(14,662)
Consumer loans principal collections	6,972	5,394
Notes receivable MHP originations	(23,845)	(14,904)
Notes receivable MHP principal collections	13,552	11,746
Inventories	(3,298)	(2,315)
Prepaid expenses and other current assets	(1,380)	(380)
Other assets	800	398
Accounts payable	(2,853)	(441)
Accrued liabilities	4,133	592
Customer deposits	(1,142)	1,646
Dealer incentive liability	(733)	414
Net cash provided by (used in) operating activities	562	5,963
Investing activities:		
Purchases of property, plant and equipment	(4,776)	(922)
Notes receivable	(1,241)	695
Net cash used in investing activities	(6,017)	(227)
Financing activities:		
Partner distributions		(3,964)
Escrow liability	720	796
Principal payments on note payable	(160)	(173)
Proceeds from lines of credit	45,758	35,464
Payments on lines of credit	(40,842)	(38,198)
Net cash provided by (used in) financing activities	5,476	(6,075)
Net (decrease) increase in cash and cash equivalents	21	(339)
Cash and cash equivalents at beginning of period	428	1,009
Cash and cash equivalents at end of period	\$ 449	\$ 670
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,932	\$ 1,474
Cash paid for taxes	\$ 3,600	\$ 100

See accompanying notes to consolidated financial statements.

LEGACY HOUSING CORPORATION
Condensed Statement of Changes in Stockholders' Equity
(unaudited, dollars in thousands)

	Total Partners' Capital	Common Stock		Additional paid-in capital	Retained earnings	Total
		Shares	Amount			
January 1, 2017	\$ 115,591	—	\$ —	\$ —	\$ —	\$ —
Partner distributions	(17,668)					
Net income	26,348					
December 31, 2017	\$ 124,271	—	\$ —	\$ —	\$ —	\$ —
Shares issued upon incorporation	(124,271)	20,000,000	20	124,251	—	124,271
Net income					18,735	18,735
September 30, 2018	\$ —	20,000,000	\$ 20	\$ 124,251	\$ 18,735	\$ 143,006

See accompanying notes to financial statements.

LEGACY HOUSING CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(dollars in thousands)

1. NATURE OF OPERATIONS

Legacy Housing, Ltd., (the "Partnership") was originally organized in May 2005 as a Texas limited partnership. Effective January 1, 2018, the Partnership converted into a Delaware corporation and changed its name to Legacy Housing Corporation (the "Company"), which is referred to herein as the Corporate Conversion. The Company is headquartered in Bedford, Texas.

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

Corporate Conversion

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

Following the Corporate Conversion, Legacy Housing Corporation continues to hold all property and assets of Legacy Housing, Ltd. and all of the debts and obligations of Legacy Housing, Ltd. The Company is now governed by a certificate of incorporation filed with the Secretary of State of the State of Delaware and bylaws. On the effective date of the Corporate Conversion, the officers of Legacy Housing, Ltd. became the officers of Legacy Housing Corporation. As a result of the Corporate Conversion, the Company is now a federal corporate taxpayer as opposed to a pass-through entity for tax purposes.

The purpose of the Corporate Conversion was to reorganize the Company's corporate structure so that the top-tier entity in our corporate structure, the entity that is offering shares of common stock to the public in this offering, is a corporation rather than a limited partnership and so that our existing owners own shares of our common stock rather than partnership interests in a limited partnership.

Basis of Presentation

The accompanying interim condensed financial statements as of September 30, 2018 and for the nine months ended September 30, 2018 and 2017, and the related interim information contained within the notes to the condensed financial statements, are unaudited. The unaudited interim condensed financial statements have been prepared in accordance with GAAP and on the same basis as the audited financial statements. In the opinion of management, the accompanying unaudited interim condensed financial statements contain all adjustments which are necessary to state fairly the Company's financial position as of September 30, 2018, and the results of its operations and cash flows for the nine months ended September 30, 2018 and 2017. Such adjustments are of a normal and recurring nature. The results for the nine months ended September 30, 2018 are not necessarily

LEGACY HOUSING CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(dollars in thousands)

1. NATURE OF OPERATIONS (Continued)

indicative of the results to be expected for the full fiscal year 2018, or for any future period. These interim unaudited condensed financial statements should be read in conjunction with the Company's audited financial statements and notes thereto for the years ended December 31, 2017 and 2016 included within this Form S-1 registration statement.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Company considers all cash and highly liquid investments with an original maturity of three months or less to be cash equivalents. The Company maintains cash balances in bank accounts that may, at times, exceed federally insured limits. The Company has not incurred any losses from such accounts and management considers the risk of loss to be minimal. As of September 30, 2018 and December 31, 2017, the Company had no bank account that exceeded the FDIC limit.

Accounts Receivable

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

Accounts receivables are generally due within 30 days and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines the allowance by considering several factors, including the aging of the past due balance, the customer's payment history, and the Company's previous loss history. The Company establishes an allowance for doubtful accounts for amounts that are deemed to be uncollectible. At September 30, 2018 and December 31, 2017, the allowance for doubtful accounts totaled \$368 and \$115, respectively.

Consumer Loans Receivable

Consumer loans receivable result from financing transactions entered into with retail buyers of mobile homes sold through dealers. Consumer loans receivable generally consist of the sales price and any additional financing fees, less the buyer's down payment. Interest income is recognized monthly per the terms of the financing agreements. The average contractual interest rate per loan was approximately 13.9% as of September 30, 2018 and December 31, 2017. Consumer loans receivable have maturities that range from 5 to 25 years.

LEGACY HOUSING CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loan applications go through an underwriting process which considers credit history to evaluate credit risk. Interest rates on approved loans are determined based on buyer's credit score and down payment amount.

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

Allowance for Loan Losses—Consumer Loans Receivable

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

The allowance for loan losses is comprised of two components: the general reserve and specific reserves.

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

The Company's policy is to place a loan on nonaccrual status when there is a clear indication that the borrower's cash flow may not be sufficient to meet payments as they become due, which is normally when either principal or interest is past due and remains unpaid for 90 days or more. Management implemented this policy based on an analysis of historical data and performance of loans and the likelihood of recovery once principal or interest payments became delinquent and were aged 90 days or more. Payments received on nonaccrual loans are accounted for on a cash basis, first to interest and then to principal, as long as the remaining book balance of the asset is deemed to be collectible. The accrual of interest resumes when the past due principal or interest payments are brought within 90 days of being current. As of September 30, 2018 and December 31, 2017, total principal outstanding for consumer loans on nonaccrual status was \$1,060 and \$1,237 respectively.

Impaired loans are those loans where it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impaired loans are generally measured based on the fair value of the collateral. Impaired loans, or portions thereof, are charged off when deemed uncollectible. A loan is generally deemed impaired when it is probable the Company will be unable to collect all amounts due for scheduled principal and interest payments, including loans in the process of repossession. A specific reserve is created for impaired loans based on fair value of underlying collateral value. The Company used various factors to determine the value of the underlying collateral for impaired loans. These factors were: (1) the length of time the unit was unsold after construction; (2) the amount of time the house was occupied; (3) the cooperation level of the borrowers, i.e., loans requiring legal action or extensive field collection efforts; (4) units located on private property as

LEGACY HOUSING CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

opposed to a manufactured home park; (5) the length of time the borrower has lived in the house without making payments; (6) location, size, and market conditions; and (7) the experience and expertise of the particular dealer assisting in collection efforts.

Collateral for repossessed loans is acquired through foreclosure or similar proceedings and is recorded at the estimated fair value of the home, less the costs to sell. At repossession, the fair value of the collateral is computed based on the historical recovery rates of previously charged-off loans; the loan is charged off and the loss is charged to the allowance for loan losses. At each reporting period, the fair value of the collateral is adjusted to the lower of the amount recorded at repossession or the estimated sales price less estimated costs to sell, based on current information. Repossessed homes totaled \$1,075 and \$1,856 as of September 30, 2018 and December 31, 2017, respectively, and are included in other assets in the balance sheets.

Notes Receivable from Mobile Home Parks

The notes receivable from mobile home parks ("MHP Notes" or "Notes") relate to mobile homes sold to mobile home parks and financed through notes receivable. The Notes have varying maturity dates and call for monthly principal and interest payments. The interest rate on the MHP Notes are typically set at 4.0% above prime with a minimum of 8.0%. The collateral underlying the Notes are individual mobile homes which can be repossessed and resold. The MHP Notes are generally personally guaranteed by the borrowers with substantial financial resources.

Allowance for Loan Losses—MHP Notes

MHP Notes are stated at amounts due from customers, net of allowance for loan losses. The Company determines the allowance by considering several factors including the aging of the past due balance, the customer's payment history, and the Company's previous loss history. The Company establishes an allowance reserve composed of specific and general reserve amounts.

Other Notes Receivable

Other notes receivable relate to various notes issued to mobile park owners and dealers, which are not directly tied to sale of mobile homes. The other notes have varying maturity dates and call for monthly principal and interest payments. The other notes are collateralized by mortgages on real estate, units being financed and used as offices, as well as vehicles, and are typically personally guaranteed by the borrowers. The interest rate on the other notes are fixed and range from 6.25% to 12.00%. The Company reserves for estimated losses on the other notes based on current economic conditions that may affect the borrower's ability to pay, the borrower's financial strength, and historical loss experience. The allowance for loan losses on other notes was \$0 as of September 30, 2018 and December 31, 2017, respectively.

Inventories

Inventories consist of raw materials, work-in-process, and finished goods and are stated at the lower of cost or net realizable value. The cost of raw materials is based on the first-in first-out method.

LEGACY HOUSING CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Finished goods and work-in-process are based on a standard cost system that approximates actual costs using the specific identification method.

Estimates of the lower of cost and net realizable value of inventory are determined by comparing the actual cost of the product to the estimated selling prices in the ordinary course of business based on current market and economic conditions, less reasonably predictable costs of completion, disposal, and transportation of the inventory. For the nine-months ended September 30, 2018 and 2017, the Company recorded an insignificant amount of inventory write-down.

The Company evaluates inventory based on historical experience to estimate its inventory not expected to be sold in less than a year. The company classifies its inventory not expected to be sold in one year as non-current. As of September 30, 2018 and December 31, 2017 non-current inventory was \$7,350 and \$7,379, respectively.

Property, Plant, and Equipment

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

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Assets are grouped at the lowest level in which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. In such cases, if the future undiscounted cash flows of the underlying assets are less than the carrying amount, then the carrying amount of the long-lived asset will be adjusted for impairment to a level commensurate with a discounted cash flow analysis of the underlying asset or its determinable fair value. No impairment for long-lived assets was recorded for the nine-months ended September 30, 2018 and 2017.

Dealer Incentive Liability

Under a dealer agreement with each dealer, a portfolio is created for the houses sold by the dealer with consumer loan arrangements. The dealer is eligible to receive a dealer incentive, which is a portion of total collections on a consumer loan portfolio after the Company's contribution (collection thresholds set per the terms of dealer agreement) is met.

A dealer incentive liability is recorded in the Company's balance sheet based on total outstanding balance of individual dealer loan portfolios at period end, less the remaining portion of the Company's contribution in respective portfolios. As of September 30, 2018 and December 31, 2017, the dealer

LEGACY HOUSING CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

incentive liability was \$6,040 and \$6,773, respectively. Dealer incentive expense for the nine-months ended September 30, 2018 and 2017 totaled \$459 and \$821, respectively, and is included in the Company's statement of operations.

Product Warranties

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

Advertising Costs

The Company expenses all advertising and marketing expenses in the period incurred. Advertising costs for the nine-months ended September 30, 2018 and 2017 were \$483 and \$789, respectively.

Fair Value Measurements

The Company accounts for its investments and derivative instruments in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820-10, *Fair Value Measurement*, which among other things provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurement) and the lowest priority to unobservable

LEGACY HOUSING CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

inputs (Level III measurements). The three levels of fair value hierarchy under ASC 820-10, *Fair Value Measurement*, are as follows:

- | | |
|-----------|--|
| Level I | Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities and listed derivatives. |
| Level II | Significant observable inputs other than quoted prices in active markets for which inputs to the valuation methodology include: (1) Quoted prices for similar assets or liabilities in active markets; (2) Quoted prices for identical or similar assets or liabilities in inactive markets; (3) Inputs other than quoted prices that are observable; (4) Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level II input must be observable for substantially the full term of the asset or liability. |
| Level III | Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. |

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

Fair Value of Financial Instruments

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

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate their respective fair values because of the short-term maturities or expected settlement dates of these instruments. This is considered a Level I valuation technique. The MHP Notes, other notes, lines of credit, and notes payable have variable interest rates that reflect market rates and their fair value approximates their carrying value. This is considered a Level II valuation technique. The Company also assessed the fair value of the consumer loans receivable based on the discounted value of the remaining principal and interest cash flows. The Company determined that the fair value of the consumer loan portfolio was approximately \$95,368 compared to the book value of \$93,474 as of September 30, 2018, and a fair value of approximately \$90,900 compared to the book value of \$86,636 as of December 31, 2017. This is a Level III valuation technique.

LEGACY HOUSING CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Direct Sales

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

Commercial Sales

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

Consignment Sales

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

Retail Store Sales

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

For the nine-months ended September 30, 2018 and 2017, total cost of product sales included \$8,046 and \$10,024 of costs, mainly relating to up front dealer commission and reimbursed dealer expenses for consignment sales and certain other similar costs incurred for retail store and commercial sales.

LEGACY HOUSING CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Shipping, Delivery and Handling Costs

Shipping and handling costs incurred to deliver product to our customers are included as a component of cost of product sales in the statement of operations. Shipping and handling costs for the nine-months ended September 30, 2018 and 2017 were \$2,937 and \$1,114, respectively.

Income Taxes

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

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

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

During 2017, a comprehensive U.S. tax reform package, the Tax Cuts and Jobs Act, or Tax Act, was enacted which, among other things, lowered the corporate income tax rate from 35% to 21%. As a result of the corporate conversion on January 1, 2018, the Company has measured its opening deferred tax assets and liabilities at the newly enacted rate.

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

LEGACY HOUSING CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Concentrations**

Financial instruments that potentially subject the Company to concentrations of credit risk are accounts receivable, consumer loans, and MHP Notes. Management believes that its credit policies are adequate to minimize potential credit risk related to accounts receivable. The consumer loans are secured by the mobile homes that were financed through the loans. The MHP Notes are secured by mobile homes, other assets, and are personally guaranteed. The MHP Notes personal guarantor may cover multiple parks and each park is treated as a customer. As of September 30, 2018 there was one customers that represented 11% of MHP Notes and as of December 31, 2017, two customers represented approximately 21% of MHP Notes, respectively.

Recent Accounting Pronouncements

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

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a comprehensive five-step model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The standard requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements intended to provide users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the effective date of the new revenue standard. The Company will adopt the requirements of the new standard in the fiscal year beginning January 1, 2019 using the modified retrospective transition method. The Company has engaged a third-party firm to assist with the evaluation of the impact of the adoption of ASU 2014-09 and is uncertain of the impact on the financial statements at this point in time.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and an asset representing its right to use the underlying asset for the lease term. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous requirements. The Company plans to use longer phase-in period for adoption and accordingly this ASU is effective for the Company's fiscal year beginning January 1, 2020. Modified retrospective application and early adoption is permitted. The Company is continuing to evaluate the impact of the adoption of this ASU. The Company is anticipating a material change to the balance sheet due to recording the Right of Use Asset, however we do not expect there to be a material change to our Statement of Operations.

LEGACY HOUSING CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(dollars in thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2016, the FASB issued an accounting standards update ASU 2016-13 *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available for sale debt securities, credit losses should be measured in a manner similar to current GAAP, however Topic 326 will require that credit losses be presented as an allowance rather than as a write-down and affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The Company plans to use longer phase-in period for adoption and accordingly this ASU is effective for the Company's fiscal year beginning January 1, 2021. The Company is continuing to evaluate the impact of the adoption of this ASU and is uncertain of the impact on the financial statements and disclosures at this point in time.

In March 2017, the FASB issued ASU 2017-08, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities* ("ASU 2017-08"), which requires the premium on callable debt securities to be amortized to the earliest call date as opposed to the contractual life of the security. ASU 2017-08 will be effective beginning with the first quarter of the Company's fiscal year 2020. The Company is continuing to evaluate the impact of the adoption of this ASU and is uncertain of the impact on the financial statements and disclosures at this point in time.

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

3. CONSUMER LOANS RECEIVABLE

Consumer loans receivable, net of allowance for loan losses and deferred financing fees, consisted of the following:

	As of September 30, 2018	As of December 31, 2017
Consumer loan receivable	\$ 97,067	\$ 90,276
Deferred financing fees, net	(2,930)	(2,835)
Allowance for loan losses	(663)	(805)
Consumer loans receivable, net	<u>\$ 93,474</u>	<u>\$ 86,636</u>

LEGACY HOUSING CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(dollars in thousands)

3. CONSUMER LOANS RECEIVABLE (Continued)

The following table presents a detail of the activity in the allowance for loan losses:

	Nine Months Ended September 30,		Year Ended December 31,
	2018	2017	2017
Allowance for loan losses, beginning of period	\$ 805	\$ 578	\$ 578
Provision for loan losses	571	472	961
Charge offs	(713)	(386)	(734)
Allowance for loan losses	<u>\$ 663</u>	<u>\$ 664</u>	<u>\$ 805</u>

The impaired and general reserve for allowance for loan losses:

	Nine Months Ended September 30,	Year Ended December 31,
	2018	2017
Total consumer loans	\$ 97,067	\$ 90,276
Total allowance for loan losses	663	805
Impaired loans individually evaluated for impairment	1,060	1,237
Specific reserve against impaired loans	343	447
Other loans collectively evaluated for allowance	96,007	89,039
General allowance for loan losses	320	358

As of September 30, 2018, the total principal outstanding for consumer loans on nonaccrual status was \$1,060. A detailed aging of consumer loans receivable that are past due as of September 30, 2018 were as follows:

	September 30,	%
	2018	
Total consumer loans receivable	<u>\$ 97,067</u>	<u>100.0</u>
Past due consumer loans:		
31 - 60 days past due	\$ 1,556	1.6
61 - 90 days past due	59	0.1
91 - 120 days past due	86	0.1
Greater than 120 days past due	1,002	1.0
Total past due	<u>\$ 2,703</u>	<u>2.8</u>

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

There were no past due MHP Notes as of September 30, 2018 and December 31, 2017 and no charge offs were recorded for MHP Notes during the nine-months ended September 30, 2018 and year ended December 31, 2017. There is no allowance for loan loss against the MHP Notes as of September 30, 2018 and December 31, 2017.

LEGACY HOUSING CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(dollars in thousands)

5. OTHER NOTES RECEIVABLE

The balance outstanding on the other notes receivable were as follows:

	Nine Months Ended September 30, 2018	Year Ended December 31, 2017
Outstanding principal balance	\$ 6,507	\$ 5,270
Allowance for loan losses	(60)	(64)
Total	\$ 6,447	\$ 5,206

6. INVENTORIES

Inventories consisted of the following:

	Nine Months Ended September 30, 2018	Year Ended December 31, 2017
Raw materials	\$ 14,295	\$ 11,956
Work in progress	535	703
Finished goods at retail locations	6,980	6,385
Finished goods consigned to dealers	28,428	27,896
Total	\$ 50,238	\$ 46,940

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

	Nine Months Ended September 30, 2018	Year Ended December 31, 2017
Land	\$ 7,219	\$ 3,004
Buildings and improvements	9,075	9,008
Vehicles	1,492	1,269
Machinery and equipment	3,053	2,788
Furniture and fixtures	138	135
Total	20,977	16,204
Less accumulated depreciation	(4,985)	(4,378)
Total property, plant and equipment	\$ 15,992	\$ 11,826

Depreciation expense was \$610 with \$226 included as a component of cost of product sales for the nine-months ended September 30, 2018 and \$461 with \$180 included as a component of cost of product sales for the nine-months ended September 30, 2017.

LEGACY HOUSING CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(dollars in thousands)

8. OTHER ASSETS

Other assets includes prepaid rent in the amount of \$107 and \$349 at September 30, 2018 and December 31, 2017, respectively, and repossessed loans of \$1,075 and \$1,856 at September 30, 2018 and December 31, 2017, respectively.

9. ACCRUED LIABILITIES

Accrued liabilities consisted of the following at September 30, 2018 and December 31, 2017:

	Nine Months Ended September 30, 2018	Year Ended December 31, 2017
Warranty liability	\$ 3,152	\$ 2,602
Litigation reserve	405	315
Derivative liabilities	34	34
Credit card liabilities	340	290
Federal and state taxes payable	4,644	1,144
Other accrued liabilities	378	435
Total	<u>\$ 8,953</u>	<u>\$ 4,820</u>

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

The Company has a revolving line of credit ("Revolver 1") with Capital One, N.A. with a maximum credit limit of \$35,000 as of December 31, 2016. On May 12, 2017, Revolver 1 was amended to extend the maturity date to May 11, 2020 and increase the maximum borrowing availability to \$45,000. For the six months ended September 30, 2018 and December 31, 2017, Revolver 1 accrued interest at one month LIBOR plus 2.40% and one month LIBOR plus 2.40%, respectively. The interest rates in effect as of September 30, 2018 and December 31, 2017 were 4.50% and 3.78%, respectively. Amounts available under Revolver 1 are subject to a formula based on eligible consumer loans and MHP Notes and are secured by all accounts receivable and a percentage of the consumer loans receivable and MHP Notes. The amount of available credit under Revolver 1 was \$3,990 and \$6,906 at September 30, 2018 and December 31, 2017, respectively. The Company was in compliance with all required covenants as of December 31, 2017 except as it relates to issuance of the audited financial statements, for which the Company received a waiver in relation to this non-compliance. For the nine-months ended September 30, 2018 and 2017, interest expense was \$1,332 and \$954, respectively. The outstanding balance as of September 30, 2018 and December 31, 2017 was \$41,010 and \$38,094, respectively. We were in compliance with all financial covenants as of September 30, 2018, including that we maintain a tangible net worth of at least \$30,000,000 and that we maintain a ratio of debt to EBITDA of 4-to-1, or less.

LEGACY HOUSING CORPORATION**NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017****(dollars in thousands)****10. DEBT (Continued)*****Revolver 2***

In April 2016, the Company entered into an agreement with Veritex Community Bank to secure an additional revolving line of credit of \$15,000 ("Revolver 2"). Revolver 2 accrues interest at one month LIBOR plus 2.50% and all unpaid principal and interest is due at maturity on April 4, 2019. Revolver 2 is secured by all finished goods inventory excluding repossessed consumer loans related inventory. Amounts available under Revolver 2 are subject to a formula based on eligible inventory. The interest rates in effect as of September 30, 2018 and 2017 was 4.60% and 3.87%, respectively. On May 12, 2017, we entered into an agreement to increase the maximum borrowing availability under Revolver 2 to \$20,000. On October 15, 2018, Revolver 2 was amended to extend the maturity date from April 4, 2019 to April 4, 2021. The amount of available credit under Revolver 2 was \$3,000 at September 30, 2018 and \$5,000 at December 31, 2017. For the nine months ending September 30, 2018 and September 30, 2017, interest expense was \$505 and 379, respectively. The outstanding balance as of September 30, 2018 was \$17,000 and \$15,000 as of December 31, 2017. We were in compliance with all financial covenants as of September 30, 2018, including that we maintain a tangible net worth of at least \$80,000.

Notes Payable

On April 7, 2011, the Company signed a promissory note for \$4,830 with Woodhaven Bank. The amount due under the promissory note accrues interest at an annual rate of 3.85% through February 2, 2017 and then at the prime interest rate plus 0.60% through maturity on April 7, 2018. On April 7, 2018, the promissory note with Woodhaven Bank was renewed with varying amounts of principal and interest payments due through the maturity date, April 7, 2033. The promissory note calls for monthly principal and interest payments of \$30 with a final payment due at maturity. The interest rates in effect as of September 30, 2018 and December 31, 2017 were 4.25% and 4.35%, respectively. The note is secured by certain real property of the Company. Interest paid on the note payable was \$122 and \$125 for the nine-months ended September 30, 2018 and 2017, respectively. The balance outstanding on the note payable at September 30, 2018 and December 31, 2017 was \$3,602 and \$3,734, respectively.

On May 24, 2016, the Company signed a promissory note for \$515 with Eagle One, LLC collateralized by the purchase of real property located in Oklahoma City, Oklahoma. The amount due under the promissory note accrues interest at an annual rate of 6.00%. The promissory note calls for monthly principal and interest payments of \$6 until June 1, 2026. Interest paid on the note payable was \$22 and \$22 for the nine-months ended September 30, 2018 and 2017, respectively. The balance outstanding on the note payable at September 30, 2018 and December 31, 2017 was \$424 and \$453, respectively.

LEGACY HOUSING CORPORATION**NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017****(dollars in thousands)****10. DEBT (Continued)**

Future minimum principal payments on notes payable at September 30, 2018 were as follows:

2019	\$ 213
2020	230
2021	235
2022	245
2023	258
Thereafter	2,845
	<u>\$ 4,026</u>

On February 2, 2016, the Company entered into a \$1,500 note payable agreement with stated annual interest rates of 3.75% with a related party through common ownership. The note is due on demand. Interest paid on the note payable was \$42 for the nine-months ended September 30, 2018 and 2017, respectively. The balance outstanding on the note payable at September 30, 2018 and December 31, 2017 was \$1,500, respectively. On October 18, 2018, this note payable was paid in full.

PILOT Agreement

In December 2016, the Company entered into a Payment in Lieu of Taxes ("PILOT") agreement commonly offered in Georgia by local community development programs to encourage industry development. The net effect of the PILOT agreement is to provide the Company with incentives through the abatement of local, city and county property taxes and to provide financing for improvements to the Company's Georgia plant (the "Project"). In connection with the PILOT agreement, the Putman County Development Authority provides a credit facility for up to \$10,000 which can be drawn upon to fund Project improvements and capital expenditures as defined in the agreement. If funds are drawn, the Company would pay transactions costs and debt service payments. The PILOT agreement requires interest payments of 6.00% per annum on outstanding balances, which are due each December 1st through maturity on December 1, 2021, at which time all unpaid principal and interest are due. The PILOT agreement is collateralized by the assets of the Project. As of September 30, 2018, the Company had not drawn on this credit facility.

11. INCOME TAXES

In connection with the closing of the Corporate Conversion on January 1, 2018, the Company became a corporation subject to federal income tax and, as such, the Company's future income taxes will be dependent upon its future taxable income. The change in tax status requires the recognition of a deferred tax asset or liability for the initial temporary differences at the time of the change in status. The resulting net deferred tax liability of approximately \$2,068 million was recorded as income tax expense at the date of the completion of the Corporate Conversion.

For the nine-months ended September 30, 2018, the Company recorded tax expense of \$8,238 resulting in an effective tax rate of 30.54%. The Company's effective tax rate, before the net impact of discrete items relating to net deferred tax expense associated with the corporate reorganization, was approximately 22.86% for the nine-months ended September 30, 2018 and differs from the statutory

LEGACY HOUSING CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(dollars in thousands)

11. INCOME TAXES (Continued)

rate of 21% due to state income taxes and other permanent differences between book and tax accounting.

12. COMMITMENTS AND CONTINGENCIES

The Company is contingently liable under terms of repurchase agreements with financial institutions providing inventory financing for independent retailers of its products. These arrangements, which are customary in the industry, provide for the repurchase of products sold to retailers in the event of default by the retailer. The Company's obligation under these repurchase agreements ceases upon the purchase of the home by the retail customer. The Company applies ASC 460, *Guarantees* and ASC 450-20, *Loss Contingencies*, to account for its liability for repurchase commitments. The maximum amount for which the Company was liable under such agreements approximated \$2,394 and \$1,765 at September 30, 2018 and December 31, 2017, respectively, without reduction for the resale value of the homes. As of September 30, 2018, the Company had repurchases of \$135. The Company considers its obligations on current contracts to be minimal and accordingly have not recorded any reserve for repurchase commitment as of September 30, 2018 and 2017.

Leases. The Company leases facilities under operating leases that typically have 10-year terms. These leases usually offer the Company a right of first refusal that affords the Company the option to purchase the leased premises under certain terms in the event the landlord attempts to sell the leased premises to a third party. Rent expense was \$276 and \$234 for the nine-months ended September 30, 2018 and 2017, respectively. The Company also subleases properties to third parties, ranging from 3-year to 11-year terms with various renewal options. Rental income from the subleased property was approximately \$260 and \$192 for the nine-months ended September 30, 2018 and 2017, respectively.

Future minimum lease commitments under all non-cancelable operating leases having a remaining term in excess of one year at September 30, 2018, are as follows:

2019	\$ 566
2020	513
2021	450
2022	374
2023	318
Thereafter	972
Total	<u>\$ 3,193</u>

Legal Matters

The Company is party to certain legal proceedings that arise in the ordinary course and are incidental to its business. Certain of the claims pending against the Company in these proceedings allege, among other things, breach of contract and warranty, product liability and personal injury. Although litigation is inherently uncertain, based on past experience and the information currently available, management does not believe that the currently pending and threatened litigation or claims

LEGACY HOUSING CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(dollars in thousands)

12. COMMITMENTS AND CONTINGENCIES (Continued)

will have a material adverse effect on the Company's financial position, liquidity or results of operations. However, future events or circumstances currently unknown to management will determine whether the resolution of pending or threatened litigation or claims will ultimately have a material effect on the Company's financial position, liquidity or results of operations in any future reporting periods. The Company has set aside an amount of \$405 and \$425 as of September 30, 2018 and December 31, 2017, respectively, for potential claims pending against the Company, which are included in accrued liabilities.

13. EARNINGS PER SHARE

Basic earnings per common share is computed based on the weighted-average number of common shares outstanding during the reporting period. The Company has no common stock equivalents. As a result, there is no difference between diluted net income per share and basic net income per share amounts.

14. RELATED PARTY TRANSACTIONS

Bell Mobile Homes, a retailer owned by one of the Company's significant owners, purchases manufactured homes from the Company. Accounts receivable balances due from Bell Mobile Homes were \$641 and \$385 as of September 30, 2018 and December 31, 2017, respectively. Accounts payable balances due to Bell Mobile Homes for maintenance and related services were \$68 and \$57 as of September 30, 2018 and December 31, 2017, respectively. Home sales to Bell Mobile Homes were \$2,634 and \$1,818 for the nine-months ended September 30, 2018 and 2017, respectively.

ShIPLEY Bros., Ltd. ("ShIPLEY Bros."), a retailer owned by one of the Company's significant owners, purchases manufactured homes from the Company. Accounts receivable balances due from ShIPLEY Bros. were \$45 and \$41 as of September 30, 2018 and December 31, 2017, respectively. Manufactured home sales to ShIPLEY Bros. were \$1,925 and \$1,532 for the nine-months ended September 30, 2018 and 2017, respectively.

On February 2, 2016, the Company entered into a \$1,500 note payable agreement with stated annual interest rates of 3.75% with a related party through common ownership. The note is due on demand. Interest paid on the note payable to ShIPLEY and Sons was \$42 for the nine-months ended September 30, 2018 and 2017, respectively. The balance outstanding on the note payable as of September 30, 2018 and December 31, 2017 was \$1,500, respectively. On October 18, 2018, this note payable was paid in full.

15. SUBSEQUENT EVENTS

The Company has evaluated events or transactions occurring after September 30, 2018 the balance sheet date, through November 7, 2018, the date the financial statements were issued, and identified no events or transactions not previously disclosed in these notes to the financial statements.

On October 15, 2018, Revolver 2 was amended to extend the maturity date from April 4, 2019 to April 4, 2021.

LEGACY HOUSING CORPORATION

NOTES TO CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(dollars in thousands)

15. SUBSEQUENT EVENTS (Continued)

On October 18, 2018, the Company repaid \$1,500 of the note payable to the related party. There was no accrued interest due on the affiliate note payable. This paid the note payable to an affiliate in full.

16. UNAUDITED PRO FORMA NET INCOME PER SHARE AND TAX PROVISION

The Company computed a pro forma income tax provision for the nine-months ended September 30, 2017, as if the Partnership was subject to income taxes since January 1, 2017, using an effective tax rate of 35.86%. The Company's pro forma basic net income per common share amount for the nine-months ended September 30, 2017 has been computed based on the weighted-average number of shares of common stock outstanding as if the common shares issued at the Corporate Conversion were outstanding for that entire period.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Legacy Housing, Ltd.

Opinion on the financial statements

We have audited the accompanying balance sheets of Legacy Housing, Ltd. (the "Company") as of December 31, 2017 and 2016, the related statements of operations, changes in partners' capital, and cash flows for each of the two years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Restatement of 2016 financial statements

As discussed in Note 2, the 2016 financial statements have been restated to correct certain errors.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

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

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2018.

Dallas, Texas
September 19, 2018

LEGACY HOUSING, LTD.

BALANCE SHEET (in thousands)

	December 31,	
	2017	2016 (Restated)
Assets		
Current assets:		
Cash and cash equivalents	\$ 428	\$ 1,009
Accounts receivable, net of allowance for doubtful accounts	3,792	1,478
Current portion consumer loans	4,305	3,655
Current portion of notes receivable from mobile home parks ("MHP")	7,216	6,369
Current portion of other notes receivable	2,339	2,166
Inventories	39,561	29,332
Prepaid expenses and other current assets	1,800	1,941
Total current assets	<u>59,441</u>	<u>45,950</u>
Property, plant and equipment, net	11,826	11,206
Consumer loans, net of deferred financing fees and allowance for loan losses	82,331	73,094
Notes receivable from mobile home parks ("MHP")	42,286	37,389
Other notes receivable, net of allowance for loan losses	2,867	2,056
Other assets	2,205	2,639
Inventories, non-current	7,379	7,648
Total assets	<u>\$ 208,335</u>	<u>\$ 179,982</u>
Liabilities and Partners' Capital		
Current liabilities:		
Accounts payable	6,280	4,383
Accrued liabilities	4,820	4,053
Customer deposits	2,903	1,027
Note payable to related party	1,500	1,500
Escrow liability	4,508	3,158
Current portion of notes payable	3,776	231
Total current liabilities	<u>23,787</u>	<u>14,352</u>
Long-term liabilities:		
Lines of credit	53,094	39,561
Note payable, net of current portion	410	4,186
Dealer incentive liability	6,773	6,292
Total liabilities	<u>84,064</u>	<u>64,391</u>
Commitments and contingencies (Note 12)		
Partners' capital	124,271	115,591
Total liabilities and partners' capital	<u>\$ 208,335</u>	<u>\$ 179,982</u>

The accompanying notes are an integral part of these financial statements

LEGACY HOUSING, LTD.**Statement of Operations**

(dollars in thousands)

	December 31,	
	2017	2016 (Restated)
Net Revenue:		
Product sales	\$ 109,750	\$ 93,394
Consumer and MHP loans interest	15,647	13,739
Other	3,339	3,412
Total net revenue	<u>128,736</u>	<u>110,545</u>
Operating expenses:		
Cost of product sales	82,498	77,329
Selling, general administrative expenses	17,105	13,580
Dealer incentive	1,038	1,211
Income from operations	<u>28,095</u>	<u>18,425</u>
Other income (expense):		
Non-operating interest income	272	214
Miscellaneous, net	149	102
Interest expense	(2,044)	(1,244)
Total other	<u>(1,623)</u>	<u>(928)</u>
Income before state income tax expense	26,472	17,497
State income tax expense	(124)	(158)
Net income	<u>\$ 26,348</u>	<u>\$ 17,339</u>
Unaudited Pro Forma Information:		
Net income	\$ 26,348	\$ 17,339
Pro forma provision for income taxes	(9,448)	(6,218)
Pro forma net income	<u>\$ 16,900</u>	<u>\$ 11,121</u>
Pro forma weighted average shares outstanding:		
Pro forma basic and diluted	<u>20,000,000</u>	<u>20,000,000</u>
Pro forma net income per share:		
Pro forma basic and diluted	<u>\$ 0.84</u>	<u>\$ 0.56</u>

See accompanying notes to financial statements.

LEGACY HOUSING, LTD.**STATEMENT OF CHANGES IN PARTNERS' CAPITAL (in thousands)**

	<u>Partners' Capital</u>	<u>Distributions</u>	<u>Contributions</u>	<u>Total Partners' Capital</u>
Balances, January 1, 2016 (Restated)	\$ 112,435	\$ (23,070)	\$ 15,792	\$ 105,157
Partner distributions	—	(6,905)	—	(6,905)
Net income (Restated)	17,339	—	—	17,339
Balances, December 31, 2016 (Restated)	<u>\$ 129,774</u>	<u>\$ (29,975)</u>	<u>\$ 15,792</u>	<u>\$ 115,591</u>
Partner distributions	—	(17,668)	—	(17,668)
Net income	26,348	—	—	26,348
Balances, December 31, 2017	<u>\$ 156,122</u>	<u>\$ (47,643)</u>	<u>\$ 15,792</u>	<u>\$ 124,271</u>

The accompanying notes are an integral part of these financial statements

LEGACY HOUSING, LTD.

STATEMENT OF CASH FLOWS (in thousands)

	December 31,	
	2017	2016 (Restated)
Operating activities:		
Net income	\$ 26,348	\$ 17,339
Adjustments to reconcile net income to net cash provided by and (used in) operating activities:		
Depreciation and amortization expense	652	576
Provision for loan loss—consumer loans	961	772
Changes in operating assets and liabilities:		
Accounts receivable	(2,314)	(284)
Consumer loans originations	(17,980)	(24,064)
Consumer loans principal collections	7,132	7,436
Notes receivable MHP originations	(19,715)	(14,072)
Notes receivable MHP principal collections	13,971	11,234
Inventories	(9,960)	(3,543)
Prepaid expenses and other current assets	142	1,004
Other assets	435	380
Accounts payable	1,896	905
Accrued liabilities	767	904
Customer deposits	1,876	(1,385)
Dealer incentive liability	480	895
Net cash provided by (used in) operating activities	<u>4,691</u>	<u>(1,903)</u>
Investing activities:		
Purchases of property, plant and equipment	(1,428)	(2,167)
Issuance of notes receivable	(828)	(1,305)
Net cash used in investing activities	<u>(2,256)</u>	<u>(3,472)</u>
Financing activities:		
Partner distributions	(17,668)	(6,905)
Proceeds from note payable	—	2,015
Escrow liability	1,350	1,169
Principal payments on note payable	(231)	(221)
Proceeds from lines of credit	59,599	52,767
Payments on lines of credit	(46,066)	(42,741)
Net cash provided by (used in) financing activities	<u>(3,016)</u>	<u>6,084</u>
Net (decrease) increase in cash and cash equivalents	(581)	709
Cash and cash equivalents at beginning of period	1,009	300
Cash and cash equivalents at end of period	<u>\$ 428</u>	<u>\$ 1,009</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 1,914</u>	<u>\$ 1,200</u>
Cash paid for state taxes	<u>\$ 150</u>	<u>\$ 145</u>
Supplemental disclosure of non-cash transactions:		
Sale of an asset in exchange for note receivable	<u>\$ 156</u>	<u>\$ —</u>

The accompanying notes are an integral part of these financial statements

LEGACY HOUSING, LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016 (dollars in thousands)

1. NATURE OF OPERATIONS

Legacy Housing, Ltd. (the "Company") is a Texas limited partnership formed in May 2005 and headquartered in Bedford, Texas. The Company (1) manufactures and provides for the transport of mobile homes, (2) provides wholesale financing to dealers and mobile home parks and (3) provides retail financing to consumers. The Company manufactures its mobile homes at plants located in Fort Worth, Texas, Commerce, Texas and Eatonton, Georgia. The Company relies on a network of dealers to market and sell its mobile homes. The Company also sells homes directly to dealers and mobile home parks. GPLH, LC, ("GPLH") serves as a general partner of the Company and holds a 1% general partner interest.

2. RESTATEMENT OF 2016 FINANCIAL STATEMENTS

Subsequent to the issuance of the Company's financial statements as of and for the year ended December 31, 2016, which statements have been restated, management identified certain errors consisting of:

- The Company corrected its methodology for allowance for loan losses to properly apply guidance under Accounting Standards Codification ("ASC") 310 *Receivables—Nonrefundable Fees and Other* and ASC 450 *Contingencies—Loss Contingencies*, by individually assessing impaired loans and collectively evaluating all remaining loans based upon historical loss experience. The correction in methodology resulted in a decrease in allowance for loan losses of \$5,839, which includes a cumulative change from previous years of \$4,588 adjusted against partners' capital and a decrease in provision for loan losses in the amount of \$1,010 in statement of operations. In association with the change in allowance for loan loss, the dealer incentive liability recorded in the Company's balance sheet was also impacted resulting in an increase of \$951 in dealer incentive liability, which included a cumulative change from previous years of \$918 adjusted against partners' capital and an increase in dealer incentive expense in of \$33 in statement of operations.
- The Company has corrected its accounting for certain fee income charged to dealers for consignment sales that are financed by the Company. The Company has corrected its accounting to appropriately defer such fee income over the life of the loan as deferred financing income, resulting in an increase in deferred financing fees, recorded as an offset to consumer loans, of \$1,179, with the cumulative change from previous years of \$654 adjusted against partners' capital and a reduction of \$525 in income from operations.
- The Company previously did not properly allocate actual labor and overhead costs to homes manufactured. The Company corrected this immaterial error, which resulted in a decrease to inventory and increase in cost of product sales in the amount of \$216.
- The Company corrected certain immaterial errors including recording a payroll and vacation accrual, correcting state income taxes payable and valuing repossessed homes and inventory write-downs, resulting in a cumulative change from previous years of \$155 adjusted against partners' capital, a decrease of \$49 recorded as a decrease in operating, other and state income tax expenses in statement of operations and corresponding immaterial increases or decreases in respective asset and liability accounts in the balance sheet.

LEGACY HOUSING, LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016 (dollars in thousands)

2. RESTATEMENT OF 2016 FINANCIAL STATEMENTS (Continued)

- The Company made certain reclassifications of amounts previously presented to conform to the current period. Such reclassifications on the balance sheet mainly included a combined presentation for two line of credits which had been separately presented and the appropriate classification of a \$27,000 line of credit as non-current due to subsequent extension of this line of credit, classification of \$7,600 of inventory to non-current inventory, classification of \$2,500 of repossessed homes from inventory to other assets, classification of \$1,500 from current notes receivable from manufactured housing communities ("MHP Notes") to other notes receivable, classification of \$2,000 from MHP Notes to other notes receivable, classification of \$1,000 from accrued liabilities to customer deposits, and correctly presenting partners' capital as a single line by eliminating a \$1,000 amount which had been incorrectly presented as a non-controlling interest. Such reclassifications on the statement of operations mainly included changes in presentation of net revenues to separately present dealer incentive expense of \$1,100 and interest expense of \$1,000 which had been previously recorded as cost of revenue, reclassification and net presentation of sale of repossessed assets which resulted in a decrease in net revenues of \$3,100, with a corresponding decrease in cost of revenue and an immaterial net increase in selling, general and administrative expense, reclassification of certain cost from cost of revenue to selling, general and administrative expense of \$1,700. There were other immaterial reclassifications made between various line items in statement of operations to conform to current year presentation.
- The Company corrected the statement of cash flows for certain items primarily to properly classify net change in escrow liability of \$1,169 as cash received from financing activity and net change in other loans of \$1,305 as cash used for investing activity, both of these were included as operating activity in the previously issued financial statements. There were other reclassifications made between various line items in statement of cash flow as a result of reclassifications and error corrections discussed earlier.

As a result of these changes in accounting or error correction, the Company has restated the accompanying 2016 financial statements.

LEGACY HOUSING, LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016 (dollars in thousands)

2. RESTATEMENT OF 2016 FINANCIAL STATEMENTS (Continued)

The following is a summary of the impact of the restatement and reclassifications on the Company's balance sheet:

	December 31, 2016			
	As Previously Reported	Correction of Errors	Reclassifications	As Restated
Accounts receivable, net of allowance for doubtful accounts	\$ 1,286	\$ —	\$ 192	\$ 1,478
Current portion consumer loans	3,591	—	64	3,655
Current portion of notes receivable from mobile home parks	7,957	—	(1,588)	6,369
Current portion of other notes receivable, net of allowance for loan losses	675	—	1,491	2,166
Inventories	37,480	(435)	(7,713)	29,332
Repossessed portfolio loans	2,468	52	(2,520)	—
Prepaid expenses and other current assets	2,092	—	(151)	1,941
Total current assets	56,977	(802)	(10,225)	45,950
Consumer loans	68,499	4,660	(65)	73,094
Notes receivable from mobile home parks	39,325	—	(1,936)	37,389
Other notes receivable, net	—	—	2,056	2,056
Other assets	360	—	2,279	2,639
Inventories, non-current	—	—	7,648	7,648
Total assets	176,365	3,858	(241)	179,982
Accrued liabilities	5,044	37	(1,028)	4,053
Customer deposits	—	—	1,027	1,027
Line of credit Revolver 1	27,561	—	(27,561)	—
Current portion of notes payable	247	—	(16)	231
Total current liabilities	41,894	37	(27,579)	14,352
Line of credit Revolver 2	12,000	—	27,561	39,561
Note payable, net of current portion	4,170	—	16	4,186
Dealer incentive liability	5,340	951	1	6,292
Total liabilities	63,404	988	(1)	64,391
Legacy Housing Ltd.	111,901	(419)	4,109	115,591
Non-controlling interest	1,060	—	(1,060)	—
Total capital	112,961	2,870	(240)	115,591
Total liabilities and partners' capital	\$ 176,365	3,858	(241)	\$ 179,982

LEGACY HOUSING, LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016 (dollars in thousands)

2. RESTATEMENT OF 2016 FINANCIAL STATEMENTS (Continued)

The following is a summary of the impact of the restatement and reclassifications on the Company's statement of operations:

	December 31, 2016			
	As Previously Reported	Correction of Errors	Reclassifications	As Restated
Total net revenue	\$ 113,728	\$ 123	\$ (3,306)	\$ 110,545
Cost of revenues	84,170	837	(85,007)	—
Cost of product sale		—	\$ 77,329	77,329
Selling, general administrative expenses	11,030	127	\$ 2,423	13,580
Provision for loan losses	909	(592)	\$ (317)	—
Dealer incentive	—	33	\$ 1,178	1,211
Income from operations	17,619	(282)	1,088	18,425
Interest expense	(173)	—	\$ (1,071)	(1,244)
Non-operating interest income	215	—	\$ (1)	214
Other income, net	52	—	\$ (52)	—
Miscellaneous, net		—	\$ 102	102
Gain on early settlement of dealer portfolio positions	66	—	\$ (66)	—
Total other income	160	—	(1,088)	(928)
Income before state income tax expense	17,779	(282)	\$ (0)	17,497
State income tax expense	(209)	51	\$ —	(158)
Net income	\$ 17,570	\$ (231)	\$ (0)	\$ 17,339

LEGACY HOUSING, LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016 (dollars in thousands)

2. RESTATEMENT OF 2016 FINANCIAL STATEMENTS (Continued)

The following is a summary of the impact of the restatement and reclassifications on the Company's statement of cash flows:

	December 31, 2016			
	As Previously Reported	Correction of Errors	Reclassifications	As Restated
Net income	\$ 17,570	\$ (231)	\$ —	\$ 17,339
Depreciation and amortization expense	593	—	(17)	576
Gain on derivative related activity	(26)	—	26	—
Provision for loan loss—consumer loans	926	—	(154)	772
Proceeds from repossessed unit sales	205	—	(205)	—
Provisions for slow moving inventory	(90)	—	90	—
Accounts receivable	2,808	—	(3,092)	(284)
Portfolio loans receivable	(16,504)	—	16,504	—
Consumer loan originations	—	—	(24,064)	(24,064)
Consumer loans principal collections	—	—	7,436	7,436
Notes receivable from mobile home parks	(2,838)	1,305	1,533	—
Notes receivable MHP originations	—	—	(14,072)	(14,072)
Notes receivable MHP principal collections	—	—	11,234	11,234
Advances to dealers	58	—	(58)	—
Inventories	(3,297)	—	(246)	(3,543)
Repossessed portfolio loans related inventory	205	—	(205)	—
Promissory notes receivable	(1,564)	—	1,564	—
Prepaid expenses and other current assets	333	—	671	1,004
Other assets	—	—	380	380
Accounts payable	(2,141)	—	3,046	905
Accrued liabilities	(420)	—	1,324	904
Customer deposits	—	—	(1,385)	(1,385)
Escrow liability	1,169	(1,169)	—	—
Dealer incentive liabilities	—	—	895	895
Net cash provided by (used in) operating activities	(2,010)	—	107	(1,903)
Purchases of property, plant and equipment	(2,184)	—	17	(2,167)
Notes receivable	—	(1,305)	—	(1,305)
Net cash used in investing activities	(2,184)	—	(1,288)	(3,472)
Proceeds from line of credit Revolver 1	40,767	—	(40,767)	—
Payments on line of credit Revolver 1	(42,741)	—	42,741	—
Proceeds from line of credit Revolver 2	12,000	—	(12,000)	—
Proceeds from lines of credit	—	—	52,767	52,767
Payments on lines of credit	—	—	(42,741)	(42,741)
Proceeds from note payable	515	—	1,500	2,015
Escrow liability	—	1,169	—	1,169
Principal payments on note payable to Captive	1,500	—	(1,500)	—
Net cash provided by (used in) financing activities	4,915	—	1,169	6,084
Net increase in cash and cash equivalents	722	—	(13)	709
Cash and cash equivalents at beginning of period	287	—	13	300
Cash and cash equivalents at end of period	\$ 1,009	\$ —	\$ —	\$ 1,009

LEGACY HOUSING, LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016 (dollars in thousands)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Company considers all cash and highly liquid investments with an original maturity of three months or less to be cash equivalents. The Company maintains cash balances in bank accounts that may, at times, exceed federally insured limits. The Company has not incurred any losses from such accounts and management considers the risk of loss to be minimal. As of December 31, 2016, the Company had two bank accounts that exceeded the FDIC limit by an aggregate amount of \$224.

Accounts Receivable

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

Accounts receivables are generally due within 30 days and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines the allowance by considering several factors, including the aging of the past due balance, the customer's payment history, and the Company's previous loss history. The Company establishes an allowance for doubtful accounts for amounts that are deemed to be uncollectible. At December 31, 2017 and 2016, the allowance for doubtful accounts totaled \$115 and \$105, respectively.

Consumer Loans Receivable

Consumer loans receivable result from financing transactions entered into with retail buyers of mobile homes sold through dealers. Consumer loans receivable generally consist of the sales price and any additional financing fees, less the buyer's down payment. Interest income is recognized monthly per the terms of the financing agreements. The average contractual interest rate per loan was approximately 13.9% as of December 31, 2017 and 2016. Consumer loans receivable have maturities that range from 5 to 25 years.

Loan applications go through an underwriting process which considers credit history to evaluate credit risk. Interest rates on approved loans are determined based on buyer's credit score and down payment amount.

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

Allowance for Loan Losses—Consumer Loans Receivable

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

The allowance for loan losses is comprised of two components: the general reserve and specific reserves. The Company's calculation of the general reserve considers the historical loss rate for the last three years, adjusted for the estimated loss discovery period and any qualitative factors both internal

LEGACY HOUSING, LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016 (dollars in thousands)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

and external to the Company. Specific reserves are determined based on probable losses on specific classified impaired loans.

The Company's policy is to place a loan on nonaccrual status when there is a clear indication that the borrower's cash flow may not be sufficient to meet payments as they become due, which is normally when either principal or interest is past due and remains unpaid for 90 days or more. Management implemented this policy based on an analysis of historical data, current performance of loans and the likelihood of recovery once principal or interest payments became delinquent and were aged 90 days or more. Payments received on nonaccrual loans are accounted for on a cash basis, first to interest and then to principal, as long as the remaining book balance of the asset is deemed to be collectible. The accrual of interest resumes when the past due principal or interest payments are brought within 90 days of being current. As of December 31, 2017 and 2016, total principal outstanding for consumer loans on nonaccrual status was \$1,237 and \$910 respectively.

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

Collateral for repossessed loans is acquired through foreclosure or similar proceedings and is recorded at the estimated fair value of the home, less the costs to sell. At repossession, the fair value of the collateral is computed based on the historical recovery rates of previously charged-off loans; the loan is charged off and the loss is charged to the allowance for loan losses. At each reporting period, the fair value of the collateral is adjusted to the lower of the amount recorded at repossession or the estimated sales price less estimated costs to sell, based on current information. Repossessed homes totaled \$1,856 and \$2,279 as of December 31, 2017 and 2016, respectively, and are included in other assets in the balance sheets.

Notes Receivable from Mobile Home Parks

The notes receivable from mobile home parks ("MHP Notes" or "Notes") relate to mobile homes sold to mobile home parks and financed through notes receivable. The Notes have varying maturity dates and call for monthly principal and interest payments. The interest rate on the MHP Notes are typically set at 4.0% above prime with a minimum of 8.0%. The collateral underlying the Notes are individual mobile homes which can be repossessed and resold. The MHP Notes are generally personally guaranteed by the borrowers with substantial financial resources.

LEGACY HOUSING, LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016 (dollars in thousands)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses—MHP Notes

MHP Notes are stated at amounts due from customers, net of allowance for loan losses. The Company determines the allowance by considering several factors including the aging of the past due balance, the customer's payment history, and the Company's previous loss history. The Company establishes an allowance reserve composed of specific and general reserve amounts.

Other Notes Receivable

Other notes receivable relate to various notes issued to mobile park owners and dealers, which are not directly tied to sale of mobile homes. The other notes have varying maturity dates and call for monthly principal and interest payments. The other notes are collateralized by mortgages on real estate, units being financed and used as offices, as well as vehicles, and are typically personally guaranteed by the borrowers. The interest rate on the other notes are fixed and range from 6.25% to 12.00%. The Company reserves for estimated losses on the other notes based on current economic conditions that may affect the borrower's ability to pay, the borrower's financial strength, and historical loss experience. The allowance for loan losses on other notes was \$0 and \$50 as of December 31, 2017 and 2016, respectively.

Inventories

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

Estimates of the lower of cost and net realizable value of inventory are determined by comparing the actual cost of the product to the estimated selling prices in the ordinary course of business based on current market and economic conditions, less reasonably predictable costs of completion, disposal, and transportation of the inventory. For the periods ending, December 31, 2017 and 2016, the Company recorded an insignificant amount of inventory write-down.

The Company evaluates inventory based on historical experience to estimate its inventory not expected to be sold in less than a year. The company classifies its inventory not expected to be sold in one year as non-current. As of December 31, 2017 and 2016 non-current inventory was \$7,379 and \$7,648, respectively.

Property, Plant, and Equipment

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

LEGACY HOUSING, LTD.**NOTES TO FINANCIAL STATEMENTS (Continued)****DECEMBER 31, 2017 AND 2016 (dollars in thousands)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Impairment of Long-Lived Assets**

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Assets are grouped at the lowest level in which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. In such cases, if the future undiscounted cash flows of the underlying assets are less than the carrying amount, then the carrying amount of the long-lived asset will be adjusted for impairment to a level commensurate with a discounted cash flow analysis of the underlying asset or its determinable fair value. No impairment for long-lived assets was recorded for the years ended December 31, 2017 or 2016.

Dealer Incentive Liability

Under a dealer agreement with qualifying dealers, a portfolio is created for houses sold by the dealer with consumer loan arrangements financed by the Company. The dealer is eligible to receive dealer incentive, which is a portion of total collections on a consumer loan portfolio after the Company's contribution (collection thresholds set per the terms of dealer agreement) is met.

A dealer incentive liability is recorded in the Company's balance sheet based on total outstanding balance of individual dealer loan portfolios at period end, less the remaining portion of the Company's contribution in respective portfolios. As of December 31, 2017 and 2016, the dealer incentive liability was \$6,773 and \$6,292, respectively. Dealer incentive expense for the years ended December 31, 2017 and 2016 totaled \$1,038 and \$1,211, respectively, and is included in the Company's statement of operations.

Product Warranties

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

A tabular presentation of the activity within the warranty liability account for the years ended December 31, 2017 and 2016 is presented below:

	<u>2017</u>	<u>2016</u>
Warranty liability, beginning of period	\$ 2,126	\$ 1,760
Product warranty accrued	2,923	2,780
Warranty costs incurred	<u>(2,447)</u>	<u>(2,414)</u>
Warranty liability, end of period	<u>\$ 2,602</u>	<u>\$ 2,126</u>

LEGACY HOUSING, LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016 (dollars in thousands)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment Reporting

The Company considered the guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") ASC 280-10-50 in determining that it has a single reportable segment. All of the Company's activities are interrelated, and each activity is dependent and assessed based on how each of the activities of the Company supports the others. For example, the sale of mobile homes is done through wholesale and retail operations that include providing transportation and consignment arrangements with dealers. The Company also provides financing options to the customers to facilitate such sale of homes. In addition, the sale of homes is directly related to financing provided by the Company. Accordingly, all significant operating and strategic decisions by the chief operating decision-maker are based upon analyses of the Company as one segment or unit.

Advertising Costs

The Company expenses all advertising and marketing expenses in the period incurred. Advertising costs for the years ended December 31, 2017 and 2016 were \$982 and \$721, respectively.

Fair Value Measurements

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

- | | |
|-----------|--|
| Level I | Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities and listed derivatives. |
| Level II | Significant observable inputs other than quoted prices in active markets for which inputs to the valuation methodology include: (1) Quoted prices for similar assets or liabilities in active markets; (2) Quoted prices for identical or similar assets or liabilities in inactive markets; (3) Inputs other than quoted prices that are observable; (4) Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level II input must be observable for substantially the full term of the asset or liability. |
| Level III | Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. |

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

LEGACY HOUSING, LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016 (dollars in thousands)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company uses derivatives to manage risks related to interest rate movements. The Company does not enter into derivative contracts for speculative purposes. Interest rate swap contracts are recognized as assets or liabilities on the balance sheets and are measured at fair value. The fair value was calculated and provided by the lender, a Level II valuation technique. Management reviewed the fair values for the instruments as provided by the lender and determined the related liability to be an accurate estimate of future losses to the Company. The fair values of the interest rate swap were valued at \$34 and \$14 as of December 31, 2017 and 2016, respectively.

Fair Value of Financial Instruments

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

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate their respective fair values because of the short-term maturities or expected settlement dates of these instruments. This is considered a Level I valuation technique. The MHP Notes, other notes, lines of credit, and notes payable have variable interest rates that reflect market rates and their fair value approximates their carrying value. This is considered a Level II valuation technique. The Company also assessed the fair value of the consumer loans receivable based on the discounted value of the remaining principal and interest cash flows. The Company determined that the fair value of the consumer loan portfolio was approximately \$90,900 compared to the book value of \$86,636 as of December 31, 2017, as well as a fair value of approximately \$80,220 compared to the book value of \$76,749 as of December 31, 2016. This is a Level III valuation technique.

Revenue Recognition

Direct Sales

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

Commercial Sales

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

Consignment Sales

The Company provides floor plan financing for independent dealers, which takes the form of a consignment arrangement. Sales under a consignment agreement are recognized as revenue when the

LEGACY HOUSING, LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016 (dollars in thousands)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Company enters into a sales contract and receives full payment for cash sales, and title passes; or, upon execution of a sales and financing contract, with a down payment received and upon delivery of the home to the final individual customer, at which time title passes and collectability is reasonably assured. For homes sold to customers through dealers under consignment arrangements and financed by the Company, a percentage of profit is paid to the dealer up front as a commission for sale and also reimburses certain direct expenses incurred by the dealer for each transaction. Such payments are recorded as cost of product sales in the Company's statement of operations.

Retail Store Sales

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

For 2017 and 2016, total cost of product sales included \$15,900 and \$17,653 of costs, mainly relating to up front dealer commission and reimbursed dealer expenses for consignment sales and certain other similar costs incurred for retail store and commercial sales.

Reserve for Repurchase Commitments

In accordance with customary business practice in the manufactured housing industry, the Company has entered into certain repurchase agreements with certain financial institutions and other credit sources who provide floor plan financing to industry retailers, which provided that the Company will be obligated, under certain circumstances, to repurchase homes sold to retailers in the event of a default by a retailer in its obligation to such credit sources. The Company's obligation under these repurchase agreements ceases upon the purchase of the home by the retail customer. The Company applies ASC 460, *Guarantees* and ASC 450-20, *Loss Contingencies*, to account for its liability for repurchase commitments. Company considers its current obligations on current contracts to be minimal and accordingly have not recorded any reserve for repurchase commitments as of December 31, 2017 and 2016.

Other Income, Net

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

Interest Income

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

LEGACY HOUSING, LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016 (dollars in thousands)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

netted and the net amount is deferred and recognized over the life of the loan as an adjustment of yield.

Shipping and Handling Costs

Shipping and handling costs incurred to deliver product to our customers are included as a component of cost of product sales in the statement of operations. Shipping and handling costs for the years ended December 31, 2017 and 2016 were \$117 and \$156, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates.

Income Taxes

As of December 31, 2017, the Company was a Texas limited Company and was not a taxpaying entity for federal income tax purposes. As a result, no federal income tax expense has been recorded. The Company's annual taxable income or loss is allocated to individual partners for reporting on their own individual federal tax returns. The Company is subject to certain state and local taxes.

The Company applies ASC 740-10, *Income Taxes*, in establishing standards for accounting for uncertain tax positions. The Company evaluates uncertain tax positions with the presumption of audit detection and applies a "more likely than not" standard to evaluate the recognition of tax benefits or provisions. ASC 740-10, *Income Taxes*, applies a two-step process to determine the amount of tax benefits or provisions to record in the financial statements. The Company first determines whether any amount may be recognized and then determines how much of a tax benefit or provision should be recognized. As of December 31, 2017 and 2016, the Company had no uncertain tax positions. When necessary, the Company would include interest and penalties assessed by taxing authorities in "Interest expense" on its statement of operations. The Company did not record any interests or penalties related to income tax for the years ended December 31, 2017 and 2016. With few exceptions, the Company was not subject to State income tax examinations by tax authorities for the years before 2014.

Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk are accounts receivable, consumer loans, and MHP Notes. Management believes that its credit policies are adequate to minimize potential credit risk related to accounts receivable. The consumer loans are secured by the mobile homes that were financed through the loans. The MHP Notes are secured by mobile homes, other assets, and are personally guaranteed. The MHP Notes personal guarantor may cover multiple parks and each park is treated as a customer. As of December 31, 2017 and 2016, two customers represented approximately 21% and 25% of MHP Notes, respectively.

LEGACY HOUSING, LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016 (dollars in thousands)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

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

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a comprehensive five-step model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The standard requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements intended to provide users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the effective date of the new revenue standard. The Company will adopt the requirements of the new standard in the fiscal year beginning January 1, 2019 using the modified retrospective transition method. The Company is continuing to evaluate the impact of the adoption of ASU 2014-09 and is uncertain of the impact on the financial statements at this point in time.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and an asset representing its right to use the underlying asset for the lease term. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous requirements. The Company plans to use longer phase-in period for adoption and accordingly this ASU is effective for the Company's fiscal year beginning January 1, 2020. Modified retrospective application and early adoption is permitted. The Company is currently assessing the impact the adoption of this standard will have on its operations and its financial statements.

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

LEGACY HOUSING, LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016 (dollars in thousands)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company plans to use longer phase-in period for adoption and accordingly this ASU is effective for the Company's fiscal year beginning January 1, 2021. The Company is continuing to evaluate the impact of the adoption of this ASU and is uncertain of the impact on the financial statements at this point in time.

4. CONSUMER LOANS RECEIVABLE

Consumer loans receivable, net of allowance for loan losses and deferred financing fees, consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Consumer loans receivable	\$ 90,276	\$ 79,995
Deferred financing fees, net	(2,835)	(2,668)
Allowance for loan losses	(805)	(578)
Consumer loans receivable, net	<u>\$ 86,636</u>	<u>\$ 76,749</u>

The allowance for loan losses activity consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Allowance for loan losses, beginning of period	\$ 578	\$ 675
Provision for loan loss	961	772
Charge offs	(734)	(869)
Allowance for loan losses, end of period	<u>\$ 805</u>	<u>\$ 578</u>

The impaired and general reserve for allowance for loan losses at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Total consumer loans	\$ 90,276	\$ 79,995
Total allowance for loan losses	805	578
Impaired loans individually evaluated for impairment	1,237	910
Specific reserve against impaired loans	447	269
Other loans collectively evaluated for allowance	89,039	79,085
General allowance for loan losses	358	309

LEGACY HOUSING, LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016 (dollars in thousands)

4. CONSUMER LOANS RECEIVABLE (Continued)

As of December 31, 2017 and 2016, the total principal outstanding for consumer loans on nonaccrual status was \$1,237 and \$910 respectively. A detailed aging of consumer loans receivable that are past due as of December 31, 2017 were as follows:

	<u>2017</u>	<u>%</u>
Total consumer loans receivable	\$ 90,276	100.0
Past due consumer loans:		
31 - 60 days past due	\$ 234	0.3
61 - 90 days past due	133	0.1
91 - 120 days past due	135	0.1
Greater than 120 days past due	1,102	1.2
Total past due	<u>\$ 1,604</u>	<u>1.7</u>

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

There were no past due MHP Notes as of December 31, 2017 and 2016 and also no charge offs recorded for MHP Notes during the year ended December 31, 2017 and 2016. There is no allowance for loan loss against the MHP Notes as of December 31, 2017 or 2016.

6. Other Notes Receivable

The balance outstanding on the other notes receivable were as follows as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Outstanding principal balance	\$ 5,270	\$ 4,336
Allowance for loan losses	(64)	(114)
Total	<u>\$ 5,206</u>	<u>\$ 4,222</u>

7. INVENTORIES

Inventories consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Raw materials	\$ 11,956	\$ 9,510
Work in progress	703	360
Finished goods at retail locations	6,385	3,856
Finished goods consigned to dealers	27,896	23,254
Total	<u>46,940</u>	<u>36,980</u>

LEGACY HOUSING, LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016 (dollars in thousands)

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at December 31, 2017 and 2016:

	2017	2016
Land	\$ 3,004	\$ 3,020
Buildings and improvements	9,008	8,366
Vehicles	1,269	1,036
Machinery and equipment	2,788	2,435
Furniture and fixtures	135	134
Total	16,204	14,991
Less accumulated depreciation	(4,378)	(3,785)
	<u>\$ 11,826</u>	<u>\$ 11,206</u>

Depreciation expense was \$652 with \$222 included as a component of cost of product sales for the year ended December 31, 2017 and \$576 with \$190 included as a component of cost of product sales for the year ended December 31, 2016.

9. OTHER ASSETS

Other assets includes prepaid rent in the amount of \$349 and \$360 at December 31, 2017 and 2016, respectively, and repossessed loans of \$1,856 and \$2,279 at December 31, 2017 and 2016, respectively.

10. ACCRUED LIABILITIES

Accrued liabilities consisted of the following at December 31, 2017 and 2016:

	2017	2016
Warranty liability	\$ 2,602	\$ 2,126
Litigation reserve	315	425
Derivative liabilities	34	14
Credit card liabilities	290	216
Tax liabilities	1,144	970
Other accrued liabilities	435	302
	<u>\$ 4,820</u>	<u>\$ 4,053</u>

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

The Company has a revolving line of credit ("Revolver 1") with Capital One, N.A. with a maximum credit limit of \$35,000 as of December 31, 2016. On May 12, 2017, Revolver 1 was amended to extend the maturity date to May 11, 2020 and increase the maximum borrowing availability to \$45,000. For the years ended December 31, 2017 and 2016, Revolver 1 accrued interest at one month

LEGACY HOUSING, LTD.**NOTES TO FINANCIAL STATEMENTS (Continued)****DECEMBER 31, 2017 AND 2016 (dollars in thousands)****11. DEBT (Continued)**

LIBOR plus 2.40% and one month LIBOR plus 2.00%, respectively. The interest rates in effect as of December 31, 2017 and 2016 were 3.78% and 2.77%, respectively. Amounts available under Revolver 1 are subject to a formula based on eligible consumer loans and MHP Notes and are secured by all accounts receivable and a percentage of the consumer loans receivable and MHP Notes. The amount of available credit under Revolver 1 was \$6,906 and \$7,439 at December 31, 2017 and 2016, respectively. The Company was in compliance with all required covenants as of December 31, 2017 except as it relates to issuance of the audited financial statements, for which the Company received a waiver in relation to this non-compliance. For the years ended December 31, 2017 and 2016, interest expense was \$1,223 and \$794, respectively. The outstanding balance as of December 31, 2017 and 2016 was \$38,094 and \$27,561. The Company was in compliance with the other financial covenants that it maintain a tangible net worth of at least \$30,000 and that it maintain a ratio of debt to EBITDA of 4 to 1 or less.

Revolver 2

In April 2016, the Company entered into an agreement with Veritex Community Bank to secure an additional revolving line of credit of \$15,000 ("Revolver 2"). Revolver 2 accrues interest at one month LIBOR plus 2.50% and all unpaid principal and interest is due at maturity on April 4, 2019. Revolver 2 is secured by all finished goods inventory excluding repossessed homes. Amounts available under Revolver 2 are subject to a formula based on eligible inventory. The interest rates in effect as of December 31, 2017 and 2016 were 3.87% and 3.24%, respectively. On May 12, 2017, the Company entered into an agreement to increase the line of credit to \$20,000. The amount of available credit under Revolver 2 was \$5,000 and \$3,000 at December 31, 2017 and 2016, respectively. The Company was in compliance with all required covenants as of December 31, 2017 except as it relates to issuance of the audited financial statements, for which the Company received a waiver in relation to this non-compliance. For the years ended December 31, 2017 and 2016, interest expense was \$527 and \$204, respectively. The outstanding balance as of December 31, 2017 and 2016 was \$15,000 and \$12,000. The Company was in compliance with the other financial covenants that it maintain a tangible net worth of at least \$80,000.

Notes Payable

On April 7, 2011, the Company signed a promissory note for \$4,830 with Woodhaven Bank. The amount due under the promissory note accrues interest at an annual rate of 3.85% through February 2, 2017 and then at the prime interest rate plus 0.60% through maturity on April 7, 2018. The loan was subsequently renewed (See Note 16). The promissory note calls for monthly principal and interest payments of \$30 with a final payment due at maturity of \$3,677. The interest rates in effect as of December 31, 2017 and 2016 were 4.35% and 3.90%, respectively. The note is secured by certain real property of the Company. The balance outstanding on the note payable at December 31, 2017 and 2016 was \$3,734 and \$3,924, respectively.

On May 24, 2016, the Company signed a promissory note for \$515 with Eagle One, LLC collateralized by the purchase of real property located in Oklahoma City, Oklahoma. The amount due under the promissory note accrues interest at an annual rate of 6.00%. The promissory note calls for

LEGACY HOUSING, LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016 (dollars in thousands)

11. DEBT (Continued)

monthly principal and interest payments of \$6 until June 1, 2026. The balance outstanding on the note payable at December 31, 2017 and 2016 was \$453 and \$493, respectively.

Future minimum principal payments on notes payable at December 31, 2017 were as follows:

2018	\$ 3,776
2019	45
2020	48
2021	51
2022	54
Thereafter	213
	<u>\$ 4,187</u>

Note Payable to an Affiliate

On February 2, 2016, the Company entered into a \$1,500 note payable agreement with stated annual interest rates of 3.75% with a related party through common ownership. The note is due on demand. Interest paid on the note payable was \$56 and \$49 for the period ended December 31, 2017 and 2016, respectively. The balance outstanding on the note payable at December 31, 2017 and 2016 was \$1,500, respectively.

PILOT Agreement

In December 2016, the Company entered into a Payment in Lieu of Taxes ("PILOT") agreement commonly offered in Georgia by local community development programs to encourage industry development. The net effect of the PILOT agreement is to provide the Company with incentives through the abatement of local, city and county property taxes and to provide financing for improvements to the Company's Georgia plant (the "Project"). In connection with the PILOT agreement, the Putman County Development Authority provides a credit facility for up to \$10,000 which can be drawn upon to fund Project improvements and capital expenditures as defined in the agreement. If funds are drawn, the Company would pay transactions costs and debt service payments. The PILOT agreement requires interest payments of 6.00% per annum on outstanding balances, which are due each December 1st through maturity on December 1, 2021, at which time all unpaid principal and interest are due. The PILOT agreement is collateralized by the assets of the Project. As of December 31, 2017, the Company had not drawn on this credit facility.

12. COMMITMENTS AND CONTINGENCIES

The Company is contingently liable under terms of repurchase agreements with financial institutions providing inventory financing for independent retailers of its products. These arrangements, which are customary in the industry, provide for the repurchase of products sold to retailers in the event of default by the retailer. The Company's obligation under these repurchase agreements ceases upon the purchase of the home by the retail customer. The Company applies ASC 460, *Guarantees* and ASC 450-20, *Loss Contingencies*, to account for its liability for repurchase commitments. The maximum amount for which the Company was liable under such agreements approximated \$1,765 and \$2,390 at

LEGACY HOUSING, LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016 (dollars in thousands)

12. COMMITMENTS AND CONTINGENCIES (Continued)

December 31, 2017 and 2016, respectively, without reduction for the resale value of the homes. The Company considers its obligations on current contracts to be minimal and accordingly have not recorded any reserve for repurchase commitment as of December 31, 2017 or 2016.

Leases. The Company leases facilities under operating leases that typically have 10-year terms. These leases usually offer the Company a right of first refusal that affords the Company the option to purchase the leased premises under certain terms in the event the landlord attempts to sell the leased premises to a third party. Rent expense was \$340 and \$229 for the years ended December 31, 2017 and 2016, respectively. The Company also subleases properties to third parties, ranging from 3-year to 11-year terms with various renewal options. Rental income from the subleased property was approximately \$369 and \$312 for the years ended December 31, 2017 and 2016, respectively.

Future minimum lease commitments under all non-cancelable operating leases having a remaining term in excess of one year at December 31, 2017, are as follows:

2018	\$ 443
2019	474
2020	419
2021	346
2022	292
Thereafter	682
Total	<u>\$ 2,656</u>

Legal Matters

The Company is party to certain legal proceedings that arise in the ordinary course and are incidental to its business. Certain of the claims pending against the Company in these proceedings allege, among other things, breach of contract and warranty, product liability and personal injury. Although litigation is inherently uncertain, based on past experience and the information currently available, management does not believe that the currently pending and threatened litigation or claims will have a material adverse effect on the Company's financial position, liquidity or results of operations. However, future events or circumstances currently unknown to management will determine whether the resolution of pending or threatened litigation or claims will ultimately have a material effect on the Company's financial position, liquidity or results of operations in any future reporting periods. The Company has set aside an amount of \$315 and \$425 for the years ended December 31, 2017 and 2016, respectively, for potential claims pending against the Company, which are included in accrued liabilities.

13. DERIVATIVES

On February 2, 2012, the Company entered into a master interest rate swap agreement. The Company elected not to designate the interest rate swap agreements as cash flow hedges and, therefore, gains or losses on the agreements as well as the other offsetting gains or losses on the hedged items attributable to the hedged risk are recognized in current earnings. ASC 815-10, *Derivatives and Hedging*, requires derivative instruments to be measured at fair value and recorded in

LEGACY HOUSING, LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016 (dollars in thousands)

13. DERIVATIVES (Continued)

the statements of financial position as either assets or liabilities. The fair values of the interest rate swap agreements are included in accrued liabilities and were \$34 and \$14 at December 31, 2017 and 2016, respectively. Included in the statements of operations for the years ended December 31, 2017 and 2016 were gains of \$46 and \$24, respectively, which are the result of the changes in the fair values of the interest rate swap agreements.

The Company entered into interest rate swap agreements with Capital One Bank on June 12, 2017 to fix the variable rate portion for \$8,000 of the line of credit. This interest rate swap agreement is the only one outstanding at December 31, 2017 and has a maturity of May 11, 2020.

14. PARTNERS' CAPITAL

Capital accounts have been established for each partner and are maintained according to the Company agreement. Each partner's capital account is increased for the fair value of the partner's contributions, the partner's share of profits, and the amount of any Company liabilities assumed by the partner. Each partner's capital account is decreased for the fair value of any property distributed, the partner's share of losses, and the amount of any Company liabilities assumed by the partner.

All net profits and losses are allocated to each partner pro rata in accordance with each partner's respective Company interest during the period over which such profits and losses were accrued. Any Company losses which cannot be allocated to the remaining partners without creating a negative capital account shall be allocated to the remaining partners in proportion to their capital accounts until all partners have a capital account of zero. Net losses allocated when all partners have a capital account of zero shall be allocated proportionately among the partners according to their respective Company interests. The general partner may make cash or in-kind property distributions to the partners on a pro rata or non pro rata basis in its sole, absolute, unlimited, and non-reviewable discretion. Prior to the distribution of in-kind property distributions, the difference between the established fair market value and the book value of the property to be distributed shall be adjusted by a credit or charge, as is appropriate, to the partner's interest. Upon distribution, the adjusted value shall be charged to the capital accounts of the partner or partners receiving the distribution.

15. RELATED PARTY TRANSACTIONS

Bell Mobile Homes, a retailer owned by one of the Company's significant owners, purchases manufactured homes from the Company. Accounts receivable balances due from Bell Mobile Homes were \$385 and \$41 as of December 31, 2017 and 2016, respectively. Accounts payable balances due to Bell Mobile Homes for maintenance and related services were \$57 and \$54 as of December 31, 2017 and 2016, respectively. Home sales to Bell Mobile Homes were \$2,529 and \$2,321 for the years ended December 31, 2017 and 2016, respectively.

Shipley Bros., Ltd. ("Shipley Bros."), a retailer owned by one of the Company's significant owners, purchases manufactured homes from the Company. Accounts receivable balances due from Shipley Bros. were \$41 and \$68 as of December 31, 2017 and 2016, respectively. Manufactured home sales to Shipley Bros. were \$1,960 and \$2,020 for the years ended December 31, 2017 and 2016, respectively.

On February 2, 2016, the Company entered into a \$1,500 note payable agreement with stated annual interest rates of 3.75% with a related party through common ownership. The note is due on

LEGACY HOUSING, LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016 (dollars in thousands)

15. RELATED PARTY TRANSACTIONS (Continued)

demand. Interest paid on the note payable to an affiliate was \$56 and \$49 for the years ended December 31, 2017 and 2016, respectively. The balance outstanding on the note payable as of December 31, 2017 and 2016 was \$1,500, respectively.

16. SUBSEQUENT EVENTS

The Company has evaluated events or transactions occurring after December 31, 2017 the balance sheet date, through September 19, 2018, the date the financial statements were issued, and identified the following events or transactions not previously disclosed in these notes to the financial statements.

Effective January 1, 2018, the structure of the Company was converted to a Delaware C-corporation. After conversion, the previous Company interests resulted in an initial allocation of 20,000,000 shares in exchange for the partners' capital with an allocation of 200,000 share to general partner for its 1% ownership in the Company.

On April 7, 2018, the promissory note with Woodhaven Bank was renewed with varying amounts of principal and interest payments due through the maturity date, April 7, 2033.

17. UNAUDITED PRO FORMA NET INCOME PER SHARE AND TAX PROVISION

The Company computed a pro forma income tax provision for the years ended December 31, 2017 and 2016, as if the Company was subject to income taxes since January 1, 2016, using an effective tax rate of 35.86%. The Company's pro forma basic net income per common share amount for the years ended December 31, 2017 and 2016 has been computed based on the weighted-average number of shares of common stock outstanding as if the common shares issued at the Corporate Conversion were outstanding for that entire period.

3,500,000 Shares



Legacy Housing Corporation

Common Stock

PROSPECTUS

B. Riley FBR

Oak Ridge Financial

National Securities Corporation

, 2018

Until _____, 2019 (25 days after the date of this prospectus), all dealers that buy, sell or trade shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PART II**INFORMATION NOT REQUIRED IN PROSPECTUS****ITEM 13. Other Expenses of Issuance and Distribution**

The following table sets forth all expenses and costs expected to be paid by us, other than estimated underwriting discounts and commissions, in connection with this offering. All amounts shown are estimates except for the SEC registration fee, the Financial Industry Regulatory Authority (FINRA) filing fee and The Nasdaq Global Market listing fee:

	Amount to be Paid
SEC registration fee	\$ 6,220
FINRA filing fee	8,198
Nasdaq listing fee	100,000
Underwriter expense reimbursement	175,000
Printing and engraving expenses	66,500
Legal fees and expenses	220,000
Accounting fees and expenses	340,000
Transfer agent and registrar fees	4,500
Miscellaneous	5,832
Total	\$ 926,250

Each of the amounts set forth above, other than the registration fee and the FINRA filing fee, is an estimate.

ITEM 14. Indemnification of Directors and Officers

Effective January 1, 2018, we converted from a Texas limited partnership into a Delaware corporation and changed our name to Legacy Housing Corporation. In connection with this conversion, we adopted a certificate of incorporation and bylaws and are now governed by the Delaware General Corporation Law, or the DGCL. Section 145(a) of the DGCL provides that a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no cause to believe his or her conduct was unlawful.

Section 145(b) of the DGCL provides that a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person acted in any of the capacities set forth above, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if he or she acted under similar standards, except that no indemnification may be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the court in which such action or suit was brought shall determine that, despite the adjudication of liability but in view of all the circumstances of

the case, such person is fairly and reasonably entitled to be indemnified for such expenses which the court shall deem proper.

Section 145 of the DGCL further provides that: (i) to the extent that a former or present director or officer of a corporation has been successful in the defense of any action, suit or proceeding referred to in subsections (a) and (b) or in the defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith; (ii) indemnification provided for by Section 145 shall not be deemed exclusive of any other rights to which the indemnified party may be entitled; and (iii) the corporation may purchase and maintain insurance on behalf of any present or former director, officer, employee or agent of the corporation or any person who at the request of the corporation was serving in such capacity for another entity against any liability asserted against such person and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liabilities under Section 145.

In addition, the proposed form of Underwriting Agreement (to be filed by amendment) is expected to provide for indemnification of our directors and officers by the underwriters against certain liabilities.

Article VI of our certificate of incorporation authorizes us to provide for the indemnification of officers, directors and third parties acting on our behalf to the fullest extent permissible under Delaware law.

We intend to enter into indemnification agreements with our directors, executive officers and others, in addition to indemnification provided for in our bylaws, and intend to enter into indemnification agreements with any new directors and executive officers in the future.

We have purchased and intend to maintain insurance on behalf of any person who is or was a director or officer against any loss arising from any claim asserted against him or her and incurred by him or her in any such capacity, subject to certain exclusions.

See also the undertakings set forth in response to Item 17 herein.

ITEM 15. Recent Sales of Unregistered Securities

Effective January 1, 2018, we converted from a Texas limited partnership into a Delaware corporation. In connection with the conversion, all of our outstanding partnership interests were converted on a proportional basis into 20,000,000 shares of common stock. The issuance of shares of common stock to our partners in the conversion was exempt from registration under the Securities Act by virtue of the exemption contained in Section 4(a)(2) of the Securities Act on the basis that the transactions did not involve a public offering. No underwriters were involved in the issuance.

ITEM 16. Exhibits and Financial Statement Schedules

Exhibit Number	Description
1.1	Form of Underwriting Agreement.
3.1*	Amended and Restated Certificate of Incorporation of Legacy Housing Corporation.
3.2	Amended and Restated Bylaws of Legacy Housing Corporation.
4.1	Specimen Common Stock Certificate.
5.1	Opinion of Olshan Frome Wolosky LLP, as to the legality of the common stock.
10.1*†	2018 Incentive Compensation Plan.

<u>Exhibit Number</u>	<u>Description</u>
10.2	Promissory Note, dated December 14, 2011, from Legacy Housing, Ltd. to Capital One, N.A.
10.3	Amended and Restated Promissory Note, dated December 12, 2013, from Legacy Housing, Ltd. to Capital One, N.A.
10.4	Second Amended and Restated Promissory Note, dated March 31, 2014, from Legacy Housing, Ltd. to Capital One, N.A.
10.5	Third Amended and Restated Promissory Note, dated May 12, 2017, from Legacy Housing, Ltd. to Capital One, N.A.
10.6*	Loan and Security Agreement, dated December 14, 2011, between Legacy Housing, Ltd. and Capital One, N.A.
10.7*	First Amendment to Loan and Security Agreement, dated December 12, 2013, between Legacy Housing, Ltd. and Capital One, N.A.
10.8*	Second Amendment to Loan and Security Agreement, dated March 31, 2014, between Legacy Housing, Ltd. and Capital One, N.A.
10.9*	Third Amendment to Loan and Security Agreement, dated May 20 2014, between Legacy Housing, Ltd. and Capital One, N.A.
10.10	Fourth Amendment to Loan and Security Agreement, dated July 2015, between Legacy Housing, Ltd. and Capital One, N.A.
10.11*	Amendment to Loan and Security Agreement, dated May 12, 2017, between Legacy Housing, Ltd. and Capital One, N.A.
10.12	Amended and Restated Promissory Note, dated April 4, 2016, from Legacy Housing, Ltd. to Veritex Community Bank.
10.13*	Loan Agreement, dated April 4, 2016 between Legacy Housing, Ltd. and Veritex Bank.
10.14	Promissory Note, dated April 7, 2011, from Legacy Housing, Ltd. to Woodhaven Bank Fossil Creek, a Branch of Woodhaven National Bank.
10.15	Promissory Note, dated May 24, 2016, from Legacy Housing, Ltd. to Eagle One, LLC.
10.16	Promissory Note, dated February 16, 2016, from Legacy Housing, Ltd. to DT Casualty Insurance Company Ltd.
10.17	Lease Agreement, dated as of December 1, 2016, between Putnam Development Authority and Legacy Housing, Ltd., together with related Option Agreement.
10.18	Bond Purchase Loan Agreement, dated as of December 1, 2016, between Putnam Development Authority and Legacy Housing, Ltd.
10.19	Form of Indemnification Agreement.
10.20	Form of Non-Disclosure, Non-Competition and Non-Solicitation Agreement between Legacy Housing Corporation and its employees.
10.21†	Employment Agreement, dated as of November 27, 2018, between Legacy Housing Corporation and Curtis D. Hodgson.
10.22†	Employment Agreement, dated as of November 27, 2018, between Legacy Housing Corporation and Kenneth E. Shipley.
14.1	Code of Ethics and Business Conduct.

<u>Exhibit Number</u>	<u>Description</u>
14.2	Code of Ethics for the CEO and Senior Financial Officers.
16.1	Letter from Montgomery & Coscia Greilich LLP, dated September 10, 2018, to the SEC.
21.1	List of subsidiaries.
23.1	Consent of Olshan Frome Wolosky LLP (included in the opinion filed as Exhibit 5.1).
23.2*	Consent of Grant Thornton LLP, independent registered public accountants.
23.3	Consent of Mark E. Bennett.
23.4	Consent of Philip T. Blazek.
23.5	Consent of John Isakson.
24.1	Power of Attorney (set forth on signature page of the registration statement).

Unless otherwise indicated, exhibits were previously filed.

† Compensatory plan or agreement.

* Filed herewith.

(b) *Financial Statement Schedules*

All financial statement schedules are omitted because the information called for is not required or is shown either in the financial statements or in the notes thereto.

ITEM 17. Undertakings

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification by the Registrant for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 14 or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment No. 2 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Bedford, State of Texas, on the 11th day of December 2018.

LEGACY HOUSING CORPORATION

By: /s/ CURTIS D. HODGSON

Name: Curtis D. Hodgson
Title: *Co-Chief Executive Officer*

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 2 to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ CURTIS D. HODGSON</u> Curtis D. Hodgson	Co-Chief Executive Officer and Director (<i>principal executive officer</i>)	December 11, 2018
<u>/s/ KENNETH E. SHIPLEY*</u> Kenneth E. Shipley	Co-Chief Executive Officer and Director (<i>principal executive officer</i>)	December 11, 2018
<u>/s/ JEFFREY V. BURT</u> Jeffrey V. Burt	Chief Financial Officer (<i>principal financial and accounting officer</i>)	December 11, 2018
*By: <u>/s/ NEAL J. SUIT</u> Neal J. Suit Attorney-in-Fact		

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

LEGACY HOUSING CORPORATION

a Delaware corporation

Legacy Housing Corporation, a corporation organized and existing under the laws of the State of Delaware (the “**Corporation**”), hereby certifies as follows:

A. The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware and effective on January 1, 2018.

B. This Amended and Restated Certificate of Incorporation was duly adopted in accordance with Sections 242 and 245 of the Delaware General Corporation Law, as amended (the “**DGCL**”), and restates, integrates and further amends the provisions of the Corporation’s Certificate of Incorporation, and has been duly approved by the written consent of the stockholders of the Corporation in accordance with Section 228 of the DGCL.

C. The text of the Certificate of Incorporation of the Corporation is hereby amended and restated in its entirety to read as follows:

ARTICLE I

The name of the corporation is Legacy Housing Corporation (the “Corporation”).

ARTICLE II

The registered office of the Corporation in the State of Delaware is to be located at 160 Greentree Drive, Suite 101, Dover, Delaware 19904, County of Kent. The registered agent at such address in charge thereof shall be National Registered Agents, Inc.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law, as amended (the “DGCL”).

ARTICLE IV

4.1 Authorized Capital Stock. The aggregate number of shares of capital stock that the Corporation is authorized to issue is 100 Million (100,000,000), of which 90 Million (90,000,000) shares are common stock having a par value of \$0.001 per share (the “Common Stock”), and 10 Million (10,000,000) shares are preferred stock having a par value of \$0.001 per share (the “Preferred Stock”).

4.2 Increase or Decrease in Authorized Capital Stock. The number of authorized shares of Preferred Stock or Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote generally in the election of directors,

irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), voting together as a single class, without a separate vote of the holders of the class or classes the number of authorized shares of which are being increased or decreased, unless a vote by any holders of one or more series of Preferred Stock is required by the express terms of any series of Preferred Stock as provided for or fixed pursuant to the provisions of Section 4.3 of this Article IV.

4.3 Preferred Stock.

(A) The Board of Directors of the Corporation (the “Board”) is hereby authorized, subject to any limitations prescribed by law, to provide for the issuance of shares of Preferred Stock from time to time in one or more series pursuant to a resolution or resolutions providing for such issuance duly adopted by the Board. The Board is further authorized, subject to limitations prescribed by law, to file a certificate of designation pursuant to the applicable law of the State of Delaware (any such certificate, a “Preferred Stock Designation”), to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences, and rights of the shares of each such series and the qualifications, limitations, and restrictions thereof. The authority of the Board with respect to each series shall include, but shall not be limited to and shall not require (unless otherwise required by applicable law), determination of the following:

- (i) The designation of the series, which may be by distinguishing number, letter, or title;
- (ii) The number of shares of the series, which number the Board may thereafter (except where otherwise provided in the applicable Preferred Stock Designation) increase or decrease (but not below the number of shares thereof then outstanding);
- (iii) The amounts payable on, and the preferences, if any, of, shares of the series in respect of dividends, and whether such dividends, if any, shall be cumulative or noncumulative;
- (iv) The dates on which dividends, if any, shall be payable;
- (v) The redemption rights and price or prices, if any, for shares of the series;
- (vi) The terms and amount of any sinking fund provided for the purchase or redemption of shares of the series;
- (vii) The amounts payable on, and the preferences, if any, of, shares of the series in the event of any voluntary or involuntary liquidation, dissolution, or winding up of the affairs of the Corporation;
- (viii) Whether the shares of the series shall be convertible into or exchangeable for shares of any other class or series, or any other security, of the Corporation or any other corporation, and, if so, the specification of such other class or series or such other security, the conversion or exchange price or prices or rate or rates, any adjustments thereto, the date or dates at which such shares shall be convertible or exchangeable, and all other terms and conditions upon which such conversion or exchange may be made;

(ix) Restrictions on the issuance of shares of the same series or of any other class or series; and

(x) The voting rights, if any, of the holders of shares of the series.

(B) Except as may otherwise be provided in this Certificate of Incorporation, in a Preferred Stock Designation, or by applicable law, only shares of Common Stock shall be voted in elections of directors and for all other purposes and shares of Preferred Stock shall not entitle the holder thereof to vote at or receive notice of any meeting of the stockholders of the Corporation.

4.4 Common Stock.

(A) Common Stock shall be subject to the express terms of any series of Preferred Stock. Each holder of Common Stock shall be entitled to one vote for each such share of Common Stock so held upon each matter properly submitted to a vote of the stockholders.

(B) Subject to the rights of the holders of Preferred Stock, the holders of shares of Common Stock shall be entitled to receive such dividends and other distributions (payable in cash, property or capital stock of the Corporation) when, as and if declared thereon by the Board from time to time out of any assets or funds of the Corporation legally available therefor and shall share equally on a per share basis in such dividends and distributions.

(C) In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation, and subject to the rights of the holders of Preferred Stock in respect thereof, the holders of shares of Common Stock shall be entitled to such amounts as provided under applicable law.

4.5 No Preemptive Rights. No share of Common Stock or Preferred Stock shall entitle any holder thereof any preemptive right to subscribe for any shares of any class or series of stock of the Corporation whether now or hereafter authorized.

ARTICLE V

Provisions for the management of the business and for the conduct of the affairs of the Corporation and provisions creating, defining, limiting, and regulating the powers of the Corporation, the Board, and the stockholders are as follows:

5.1 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board. In addition to the powers and authority herein or by statute expressly conferred upon it, the Board is hereby expressly empowered to exercise all such powers and to do all such acts and things as may be exercised or done by the Corporation; subject, nevertheless, to the provisions of the statutes of the State of Delaware and of this Certificate of Incorporation as they may be amended, altered, or changed from time to time, and to any bylaws from time to time made by the Board or stockholders; provided, however, that no bylaw so made shall invalidate any prior act of the Board that would have been valid if such bylaw had not been made.

5.2 Number of Directors; Election; Term.

(A) Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the total number of authorized directors constituting the Board shall be fixed solely by resolution of the Board.

(C) Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, each director shall serve until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal.

(D) Election of directors of the Corporation need not be by written ballot unless the bylaws so provide.

(E) No stockholder will be permitted to cumulate votes at any election of directors.

5.4 Vacancies and Newly Created Directorships. Subject to the rights of holders of any series of Preferred Stock, and except as otherwise provided in the DGCL, vacancies occurring on the Board for any reason and newly created directorships resulting from any increase in the authorized number of directors shall be filled only by vote of a majority of the remaining members of the Board, although less than a quorum, or by a sole remaining director, at any meeting of the Board. A person so elected by the Board to fill a vacancy or newly created directorship shall hold office until his or her successor shall be duly elected and qualified, or until such Director's earlier death, resignation, or removal.

5.5 No Action by Written Consent. Subject to the rights of the holders of any series of Preferred Stock, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of the stockholders of the Corporation and may not be effected by any consent in writing by the stockholders.

5.6 Advance Notice. Advance notice of stockholder nominations for election of directors and other business to be brought by stockholders at any meeting of stockholders shall be given in the manner provided in the bylaws.

5.7 Special Meetings. Except as otherwise expressly provided by the terms of any series of Preferred Stock or applicable law, special meetings of stockholders of the Corporation may be called by the Board, the Chairman of the Board, the Chief Executive Officer and shall be called by the Corporation if requested by one or more record stockholders representing ownership of at least thirty-three and one-third percent (33-1/3%) of the outstanding shares of the Corporation's stock entitled to vote and who has complied with the requirements set forth in the bylaws. A special meeting of stockholders may not be called by any other person.

5.8 Amendments to the Bylaws. In furtherance and not in limitation of the powers conferred by statute, the Board is hereby expressly authorized to adopt, alter, amend or repeal the bylaws of the Corporation without the assent or vote of the stockholders, including without limitation the power to fix, from time to time, the number of directors that shall constitute the whole Board, subject to the right of the stockholders to alter, amend, or repeal the bylaws made by the Board.

5.9 Submission of Contracts to Stockholder Vote. The Board in its discretion may submit any contract or act for approval or ratification at any annual meeting of the stockholders or at any meeting of the stockholders called for the purpose of considering any such contract or act,

and any contract or act that shall be approved or be ratified by the vote of the holders of a majority of the stock of the Corporation that is represented in person or by proxy at such meeting and entitled to vote thereat (provided that a lawful quorum of stockholders be there represented in person or by proxy) shall be as valid and as binding upon the Corporation and upon all the stockholders as though it had been approved or ratified by every stockholder of the Corporation, whether or not the contract or act would otherwise be open to legal attack because of directors' interest or for any other reason.

ARTICLE VI

6.1 Limitation of Personal Liability. To the fullest extent permitted by the DGCL, as the same exists or may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the DGCL is amended after the effective date hereof to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL as so amended. Any repeal or modification of this Article VI by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification or with respect to events occurring prior to such time.

6.2 Indemnification.

(A) Each person who was or is made a party to, or is threatened to be made a party to, or is involved in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (hereinafter, a "proceeding"), by reason of the fact that he or she is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another corporation or of a partnership, joint venture, trust, or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as such director, officer, employee, or agent, or in any other capacity while serving as such director, officer, employee, or agent, shall be indemnified and held harmless by the Corporation to the fullest extent permitted by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than the DGCL permitted the Corporation to provide prior to such amendment), against all expense, liability, and loss (including attorneys' fees, judgments, fines, other expenses and losses, amounts paid or to be paid in settlement, and excise taxes or penalties arising under the Employee Retirement Income Security Act of 1974) reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a director, officer, employee, or agent, and shall inure to the benefit of his or her heirs, executors, and administrators; provided, however, that, except as provided in paragraph (B) hereof, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board. The right to indemnification conferred in this Article VI shall be a contract right and shall include the right of a director or officer to be paid by the Corporation the expenses (including attorneys' fees) incurred in defending any such proceeding in advance of its final disposition; provided, however, that the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding shall be made only upon delivery to the Corporation of an undertaking, which undertaking shall itself be sufficient without the need for further evaluation of

any credit aspects of the undertaking or with respect to such advancement, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined by a final, non-appealable order of a court of competent jurisdiction that such director or officer is not entitled to be indemnified under this Article VI or otherwise.

(B) If a claim under paragraph (A) of this Article VI is not paid in full by the Corporation within sixty (60) days after a written claim, together with reasonable evidence as to the amount of such claim, has been received by the Corporation, except in the case of a claim for advancement of expenses (including attorneys' fees), in which case the applicable period shall be twenty (20) days, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim, and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense, including attorneys' fees, of prosecuting such suit. It shall be a defense to any such suit, other than a suit brought to enforce a claim for expenses (including attorneys' fees) incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation, that the claimant has not met the standards of conduct that make it permissible under the DGCL for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including the Board or a committee thereof, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including the Board or a committee thereof, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the suit or create a presumption that the claimant has not met the applicable standard of conduct. In any suit brought by an indemnitee to enforce a right to indemnification or to advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to such indemnification, or to such advancement of expenses, under this Article VII or otherwise shall be on the Corporation.

(C) The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article VI shall not be exclusive of any other right that any person may have or hereafter acquire under any statute, provision of the certificate of incorporation, bylaw, agreement, or vote of stockholders or disinterested directors, or otherwise.

(D) The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee, or agent of the Corporation or another corporation, partnership, joint venture, trust, or other enterprise against any such expense, liability, or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability, or loss under the DGCL.

(E) In the case of a claim for indemnification or advancement of expenses against the Corporation under this Article VI arising out of acts, events, or circumstances for which the claimant, who was at the relevant time serving as a director, officer, employee, or agent of any other entity at the request of the Corporation, may be entitled to indemnification or advancement of expenses pursuant to such other entity's certificate of incorporation, bylaws, or other governing document, or a contractual agreement between the claimant and such entity, the claimant seeking indemnification or advancement of expenses hereunder shall first seek indemnification or advancement of expenses pursuant to any such governing document or agreement. To the extent that amounts to be paid in indemnification or advancement to a

claimant hereunder are paid by such other entity, the claimant's right to indemnification and advancement of expenses hereunder shall be reduced.

(F) Neither any amendment nor repeal of this Article VI, nor the adoption of any provision of this Certificate of Incorporation inconsistent with this Article VI, shall eliminate or reduce the effect of this Article VI in respect of any matter occurring, or any action or proceeding accruing or arising or that, but for this Article VI, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

ARTICLE VII

Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under §291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under §279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

ARTICLE VIII

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (A) any derivative action or proceeding brought on behalf of the Corporation, (B) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, or other employee of the Corporation to the Corporation or the Corporation's stockholders, (C) any action asserting a claim arising pursuant to any provision of the DGCL, or (D) any action asserting a claim governed by the internal affairs doctrine as such doctrine exists under the law of the State of Delaware. However, this sole and exclusive forum provision will not apply in those instances where there is exclusive federal jurisdiction, including but not limited to certain actions arising under the Securities Act or the Exchange Act.

ARTICLE IX

The Corporation reserves the right to restate this Certificate of Incorporation and to amend, alter, change, or repeal any provision contained in this Certificate of Incorporation (including any rights, preferences or other designations of Preferred Stock) in the manner now or hereafter prescribed by law, and all rights and powers conferred herein on stockholders, directors, and officers are subject to this reserved power. Notwithstanding any other provision of this Certificate of Incorporation, and in addition to any other vote that may be required by law or the terms of any series of Preferred Stock, the affirmative vote of the holders of at least 66-2/3% of the voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend, alter or repeal, or adopt any provision of this Certificate of Incorporation inconsistent with the purpose and intent of, Section 4.3 of Article IV, Article V, Article VI or this Article IX (including, without limitation, any such Article as renumbered as a result of any amendment, alteration, change, repeal or adoption of any other Article).

LEGACY HOUSING CORPORATION
2018 INCENTIVE COMPENSATION PLAN



LEGACY HOUSING CORPORATION

2018 INCENTIVE COMPENSATION PLAN

1. *Purpose.* The purpose of this LEGACY HOUSING CORPORATION 2018 INCENTIVE COMPENSATION PLAN (the “Plan”) is to assist Legacy Housing Corporation, a Delaware corporation (the “Company”) and its Related Entities (as hereinafter defined) in attracting, motivating, retaining and rewarding high-quality executives and other employees, officers, directors, consultants and other persons who provide services to the Company or its Related Entities by enabling such persons to acquire or increase a proprietary interest in the Company in order to strengthen the mutuality of interests between such persons and the Company’s shareholders, and providing such persons with performance incentives to expend their maximum efforts in the creation of shareholder value.

2. *Definitions.* For purposes of the Plan, the following terms shall be defined as set forth below, in addition to such terms defined in Section 1 hereof.

(a) “Award” means any Option, Stock Appreciation Right, Restricted Stock Award, Deferred Stock Award, Share granted as a bonus or in lieu of another award, Dividend Equivalent, Other Stock-Based Award or Performance Award, together with any other right or interest, granted to a Participant under the Plan.

(b) “Award Agreement” means any written agreement, contract or other instrument or document evidencing any Award granted by the Committee hereunder.

(c) “Beneficiary” means the person, persons, trust or trusts that have been designated by a Participant in his or her most recent written beneficiary designation filed with the Committee to receive the benefits specified under the Plan upon such Participant’s death or to which Awards or other rights are transferred if and to the extent permitted under Section 10(b) hereof. If, upon a Participant’s death, there is no designated Beneficiary or surviving designated Beneficiary, then the term Beneficiary means the person, persons, trust or trusts entitled by will or the laws of descent and distribution to receive such benefits.

(d) “Beneficial Owner” shall have the meaning ascribed to such term in Rule 13d-3 under the Exchange Act and any successor to such Rule.

(e) “Board” means the Company’s Board of Directors.

(f) “Cause” shall, with respect to any Participant have the meaning specified in the Award Agreement. In the absence of any definition in the Award Agreement, “Cause” shall have the equivalent meaning or the same meaning as “cause” or “for cause” set forth in any employment, consulting, or other agreement for the performance of services between the Participant and the Company or a Related Entity or, in the absence of any such agreement or any such definition in such agreement, such term shall mean (i) the failure by the Participant to perform, in a reasonable manner, his or her duties as assigned by the Company or a Related Entity, (ii) any violation or breach by the Participant of his or her employment, consulting or other similar agreement with the Company or a Related Entity, if any, (iii) any violation or breach by the Participant of any non-competition, non-solicitation, non-disclosure and/or other similar agreement with the Company or a Related Entity, (iv) any act by the Participant of dishonesty or bad faith with respect to the Company or a Related Entity, (v) use of alcohol, drugs or other similar substances in a manner that adversely affects the Participant’s work performance, or (vi) the commission by the Participant of any act, misdemeanor, or crime reflecting unfavorably upon the Participant or the Company or any Related Entity. The good faith determination by the Committee of

whether the Participant's Continuous Service was terminated by the Company for "Cause" shall be final and binding for all purposes hereunder.

(g) "Change in Control" means a Change in Control as defined with related terms in Section 9(b) of the Plan.

(h) "Code" means the Internal Revenue Code of 1986, as amended from time to time, including regulations thereunder and successor provisions and regulations thereto.

(i) "Committee" means a committee designated by the Board to administer the Plan; provided, however, that if the Board fails to designate a committee or if there are no longer any members on the committee so designated by the Board, then the Board shall serve as the Committee. The Committee shall consist of at least two directors, and each member of the Committee shall be (i) a "non-employee director" within the meaning of Rule 16b-3 (or any successor rule) under the Exchange Act, unless administration of the Plan by "non-employee directors" is not then required in order for exemptions under Rule 16b-3 to apply to transactions under the Plan, (ii) an "outside director" within the meaning of Section 162(m) of the Code, and (iii) "Independent."

(j) "Consultant" means any person (other than an Employee or a Director, solely with respect to rendering services in such person's capacity as a director) who is engaged by the Company or any Related Entity to render consulting or advisory services to the Company or such Related Entity.

(k) "Continuous Service" means the uninterrupted provision of services to the Company or any Related Entity in any capacity of Employee, Director, Consultant or other service provider. Continuous Service shall not be considered to be interrupted in the case of (i) any approved leave of absence, (ii) transfers among the Company, any Related Entities, or any successor entities, in any capacity of Employee, Director, Consultant or other service provider, or (iii) any change in status as long as the individual remains in the service of the Company or a Related Entity in any capacity of Employee, Director, Consultant or other service provider (except as otherwise provided in the Award Agreement). An approved leave of absence shall include sick leave, military leave, or any other authorized personal leave.

(l) "Covered Employee" means an Eligible Person who is a "covered employee" within the meaning of Section 162(m)(3) of the Code, or any successor provision thereto.

(m) "Deferred Stock" means a right to receive Shares, including Restricted Stock, cash or a combination thereof, at the end of a specified deferral period.

(n) "Deferred Stock Award" means an Award of Deferred Stock granted to a Participant under Section 6(e) hereof.

(o) "Director" means a member of the Board or the board of directors of any Related Entity.

(p) "Disability" means a permanent and total disability (within the meaning of Section 22(e) of the Code), as determined by a medical doctor satisfactory to the Committee.

(q) "Discounted Option" means any Option awarded under Section 6(b) hereof with an exercise price that is less than the Fair Market Value of a Share on the date of grant.

- (r) “Discounted Stock Appreciation Right” means any Stock Appreciation Right awarded under Section 6(c) hereof with an exercise price that is less than the Fair Market Value of a Share on the date of grant.
- (s) “Dividend Equivalent” means a right, granted to a Participant under Section 6(g) hereof, to receive cash, Shares, other Awards or other property equal in value to dividends paid with respect to a specified number of Shares, or other periodic payments.
- (t) “Effective Date” means the effective date of the Plan, which shall be January , 2018.
- (u) “Eligible Person” means each officer, Director, Employee, Consultant and other person who provides services to the Company or any Related Entity. The foregoing notwithstanding, only employees of the Company, or any parent corporation or subsidiary corporation of the Company (as those terms are defined in Sections 424(e) and (f) of the Code, respectively), shall be Eligible Persons for purposes of receiving any Incentive Stock Options. An Employee on leave of absence may be considered as still in the employ of the Company or a Related Entity for purposes of eligibility for participation in the Plan.
- (v) “Employee” means any person, including an officer or Director, who is an employee of the Company or any Related Entity. The payment of a director’s fee by the Company or a Related Entity shall not be sufficient to constitute “employment” by the Company.
- (w) “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, including rules thereunder and successor provisions and rules thereto.
- (x) “Fair Market Value” means the fair market value of Shares, Awards or other property as determined by the Committee, or under procedures established by the Committee. Unless otherwise determined by the Committee, the Fair Market Value of a Share as of any given date shall be the closing sale price per Share reported on a consolidated basis for stock listed on the principal stock exchange or market on which Shares are traded on the date as of which such value is being determined or, if there is no sale on that date, then on the last previous day on which a sale was reported.
- (y) “Good Reason” shall, with respect to any Participant, have the meaning specified in the Award Agreement. In the absence of any definition in the Award Agreement, “Good Reason” shall have the equivalent meaning or the same meaning as “good reason” or “for good reason” set forth in any employment, consulting or other agreement for the performance of services between the Participant and the Company or a Related Entity or, in the absence of any such agreement or any such definition in such agreement, such term shall mean (i) the assignment to the Participant of any duties inconsistent in any material respect with the Participant’s position, authority, duties or responsibilities as assigned by the Company or a Related Entity, or any other action by the Company or a Related Entity which results in a material diminution in such position, authority, duties or responsibilities, excluding for this purpose any action not taken in bad faith and which is remedied by the Company or a Related Entity promptly after receipt of notice thereof given by the Participant, or any action taken with the consent of the Participant; or (ii) any material failure by the Company or a Related Entity to comply with its obligations to the Participant as agreed upon, other than any failure not occurring in bad faith and which is remedied by the Company or a Related Entity promptly after receipt of notice thereof given by the Participant.
- (z) “Incentive Stock Option” means any Option intended to be designated as an incentive stock option within the meaning of Section 422 of the Code or any successor provision thereto.

(aa) “Independent,” when referring to either the Board or members of the Committee, shall have the same meaning as used in the rules of the American Stock Exchange or any national securities market on which any securities of the Company are listed for trading, and if not quoted or listed for trading, by the rules of the American Stock Exchange.

(bb) “Incumbent Board” means the Incumbent Board as defined in Section 9(b)(ii) of the Plan.

(cc) “Option” means a right granted to a Participant under Section 6(b) hereof, to purchase Shares or other Awards at a specified price during specified time periods.

(dd) “Optionee” means a person to whom an Option is granted under this Plan or any person who succeeds to the rights of such person under this Plan.

(ee) “Option Proceeds” means the cash actually received by the Company for the exercise price in connection with the exercise of Options that are exercised after the Effective Date of the Plan, plus the maximum tax benefit that could be realized by the Company as a result of the exercise of such Options, which tax benefit shall be determined by multiplying (i) the amount that is deductible for Federal income tax purposes as a result of any such option exercise (currently, equal to the amount upon which the Participant’s withholding tax obligation is calculated), times (ii) the maximum Federal corporate income tax rate for the year of exercise. With respect to Options, to the extent that a Participant pays the exercise price and/or withholding taxes with Shares, Option Proceeds shall not be calculated with respect to the amounts so paid in Shares.

(ff) “Other Stock-Based Awards” means Awards granted to a Participant under Section 6(i) hereof.

(gg) “Outside Director” means a member of the Board who is not an Employee.

(hh) “Participant” means a person who has been granted an Award under the Plan which remains outstanding, including a person who is no longer an Eligible Person.

(ii) “Performance Award” shall mean any Award of Performance Shares or Performance Units granted pursuant to Section 6(h).

(jj) “Performance Period” means that period established by the Committee at the time any Performance Award is granted or at any time thereafter during which any performance goals specified by the Committee with respect to such Award are to be measured.

(kk) “Performance Share” means any grant pursuant to Section 6(h) of a unit valued by reference to a designated number of Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including cash, Shares, other property, or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.

(ll) “Performance Unit” means any grant pursuant to Section 6(h) of a unit valued by reference to a designated amount of property (including cash) other than Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including cash, Shares, other property, or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.

(mm) “Person” shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, and shall include a “group” as defined in Section 13(d) thereof.

(nn) “Related Entity” means any Subsidiary, and any business, corporation, partnership, limited liability company or other entity designated by Board in which the Company or a Subsidiary holds a substantial ownership interest, directly or indirectly.

(oo) “Restricted Stock” means any Share issued with the restriction that the holder may not sell, transfer, pledge or assign such Share and with such risks of forfeiture and other restrictions as the Committee, in its sole discretion, may impose (including any restriction on the right to vote such Share and the right to receive any dividends), which restrictions may lapse separately or in combination at such time or times, in installments or otherwise, as the Committee may deem appropriate.

(pp) “Restricted Stock Award” means an Award granted to a Participant under Section 6(d) hereof.

(qq) “Rule 16b-3” means Rule 16b-3, as from time to time in effect and applicable to the Plan and Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.

(rr) “Shareholder Approval Date” means the date on which this Plan is approved by the shareholders of the Company eligible to vote in the election of directors, by a vote sufficient to meet the requirements of Code Sections 162(m) (if applicable) and 422, Rule 16b-3 under the Exchange Act (if applicable), applicable requirements under the rules of any stock exchange or automated quotation system on which the Shares may be listed on quoted, and other laws, regulations and obligations of the Company applicable to the Plan.

(ss) “Shares” means the shares of common stock of the Company, par value \$.001 per share, and such other securities as may be substituted (or resubstituted) for Shares pursuant to Section 10(c) hereof.

(tt) “Stock Appreciation Right” means a right granted to a Participant under Section 6(c) hereof.

(uu) “Subsidiary” means any corporation or other entity in which the Company has a direct or indirect ownership interest of 50% or more of the total combined voting power of the then outstanding securities or interests of such corporation or other entity entitled to vote generally in the election of directors or in which the Company has the right to receive 50% or more of the distribution of profits or 50% or more of the assets on liquidation or dissolution.

(vv) “Substitute Awards” shall mean Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, by a company acquired by the Company or any Related Entity or with which the Company or any Related Entity combines.

3. *Administration.*

(a) *Authority of the Committee.* The Plan shall be administered by the Committee, except to the extent the Board elects to administer the Plan, in which case the Plan shall be administered

by only those directors who are Independent Directors, in which case references herein to the “Committee” shall be deemed to include references to the Independent members of the Board. The Committee shall have full and final authority, subject to and consistent with the provisions of the Plan, to select Eligible Persons to become Participants, grant Awards, determine the type, number and other terms and conditions of, and all other matters relating to, Awards, prescribe Award Agreements (which need not be identical for each Participant) and rules and regulations for the administration of the Plan, construe and interpret the Plan and Award Agreements and correct defects, supply omissions or reconcile inconsistencies therein, and to make all other decisions and determinations as the Committee may deem necessary or advisable for the administration of the Plan. In exercising any discretion granted to the Committee under the Plan or pursuant to any Award, the Committee shall not be required to follow past practices, act in a manner consistent with past practices, or treat any Eligible Person or Participant in a manner consistent with the treatment of other Eligible Persons or Participants.

(b) *Manner of Exercise of Committee Authority.* The Committee, and not the Board, shall exercise sole and exclusive discretion on any matter relating to a Participant then subject to Section 16 of the Exchange Act with respect to the Company to the extent necessary in order that transactions by such Participant shall be exempt under Rule 16b-3 under the Exchange Act. Any action of the Committee shall be final, conclusive and binding on all persons, including the Company, its Related Entities, Participants, Beneficiaries, transferees under Section 10(b) hereof or other persons claiming rights from or through a Participant, and shareholders. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers or managers of the Company or any Related Entity, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such functions, including administrative functions as the Committee may determine to the extent that such delegation will not result in the loss of an exemption under Rule 16b-3(d)(1) for Awards granted to Participants subject to Section 16 of the Exchange Act in respect of the Company and will not cause Awards intended to qualify as “performance-based compensation” under Code Section 162(m) to fail to so qualify. The Committee may appoint agents to assist it in administering the Plan.

(c) *Limitation of Liability.* The Committee and the Board, and each member thereof, shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or Employee, the Company’s independent auditors, Consultants or any other agents assisting in the administration of the Plan. Members of the Committee and the Board, and any officer or Employee acting at the direction or on behalf of the Committee or the Board, shall not be personally liable for any action or determination taken or made in good faith with respect to the Plan, and shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action or determination.

4. *Shares Subject to Plan.*

(a) *Limitation on Overall Number of Shares Available for Delivery Under Plan.* Subject to adjustment as provided in Section 10(c) hereof, the total number of Shares reserved and available for delivery under the Plan shall be 2,500,000. Any Shares delivered under the Plan may consist, in whole or in part, of authorized and unissued shares or treasury shares.

(b) *Application of Limitation to Grants of Award.* No Award may be granted if the number of Shares to be delivered in connection with such an Award or, in the case of an Award relating to Shares but settled only in cash (such as cash-only Stock Appreciation Rights), the number of Shares to which such Award relates, exceeds the number of Shares remaining available for delivery under the Plan,

minus the number of Shares deliverable in settlement of or relating to then outstanding Awards. The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of Shares actually delivered differs from the number of Shares previously counted in connection with an Award.

(c) Availability of Shares Not Delivered under Awards and Adjustments to Limits.

(i) If any Shares subject to an Award are forfeited, expire or otherwise terminate without issuance of such Shares, or any Award is settled for cash or otherwise does not result in the issuance of all or a portion of the Shares subject to such Award or award, the Shares shall, to the extent of such forfeiture, expiration, termination, cash settlement or non-issuance, again be available for Awards under the Plan, subject to Section 4(c) (v) below.

(ii) In the event that any Option or other Award granted hereunder is exercised through the tendering of Shares (either actually or by attestation) or by the withholding of Shares by the Company, or withholding tax liabilities arising from such option or other award are satisfied by the tendering of Shares (either actually or by attestation) or by the withholding of Shares by the Company, then only the number of Shares issued net of the Shares tendered or withheld shall be counted for purposes of determining the maximum number of Shares available for grant under the Plan.

(iii) Shares reacquired by the Company on the open market using Option Proceeds shall be available for Awards under the Plan. The increase in Shares available pursuant to the repurchase of Shares with Option Proceeds shall not be greater than the amount of such proceeds divided by the Fair Market Value of a Share on the date of exercise of the Option giving rise to such Option Proceeds.

(iv) Substitute Awards shall not reduce the Shares authorized for grant under the Plan or authorized for grant to a Participant in any period. Additionally, in the event that a company acquired by the Company or any Related Entity or with which the Company or any Related Entity combines has shares available under a pre-existing plan approved by shareholders and not adopted in contemplation of such acquisition or combination, the shares available for delivery pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for delivery under the Plan; provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Employees or Directors prior to such acquisition or combination.

(v) Any Shares that again become available for delivery pursuant to this Section 4(c) shall be added back as one (1) Share.

(vi) Notwithstanding anything in this Section 4(c) to the contrary and solely for purposes of determining whether Shares are available for the delivery of Incentive Stock Options, the maximum aggregate number of shares that may be granted under this Plan shall be determined without regard to any Shares restored pursuant to this Section 4(c) that, if taken into account, would cause the Plan to fail the requirement under Code Section 422 that the Plan designate a maximum aggregate number of shares that may be issued.

5. *Eligibility; Per-Person Award Limitations.* Awards may be granted under the Plan only to Eligible Persons. Subject to adjustment as provided in Section 10(c), in any fiscal year of the Company during any part of which the Plan is in effect, no Participant may be granted (i) Options or Stock Appreciation Rights with respect to more than 500,000 Shares or (ii) Restricted Stock, Deferred Stock, Performance Shares and/or Other Stock-Based Awards with respect to more than 500,000 Shares. In addition, the maximum dollar value payable to any one Participant with respect to Performance Units is (x) \$750,000 with respect to any 12-month Performance Period, and (y) with respect to any Performance Period that is more than 12 months, \$750,000 multiplied by the number of full years in the Performance Period.

6. *Specific Terms of Awards.*

(a) *General.* Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Section 10(e)), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of termination of the Participant's Continuous Service and terms permitting a Participant to make elections relating to his or her Award. The Committee shall retain full power and discretion to accelerate, waive or modify, at any time, any term or condition of an Award that is not mandatory under the Plan. Except in cases in which the Committee is authorized to require other forms of consideration under the Plan, or to the extent other forms of consideration must be paid to satisfy the requirements of applicable law, no consideration other than services may be required for the grant (but not the exercise) of any Award.

(b) *Options.* The Committee is authorized to grant Options to any Eligible Person on the following terms and conditions:

(i) *Exercise Price.* Other than in connection with Substitute Awards, the exercise price per Share purchasable under an Option shall be determined by the Committee, provided that such exercise price shall not, in the case of Incentive Stock Options, be less than 100% of the Fair Market Value of a Share on the date of grant of the Option and shall not, in any event, be less than the par value of a Share on the date of grant of the Option. If an Employee owns or is deemed to own (by reason of the attribution rules applicable under Section 424(d) of the Code) more than 10% of the combined voting power of all classes of stock of the Company (or any parent corporation or subsidiary corporation of the Company, as those terms are defined in Sections 424(e) and (f) of the Code, respectively) and an Incentive Stock Option is granted to such employee, the exercise price of such Incentive Stock Option (to the extent required by the Code at the time of grant) shall be no less than 110% of the Fair Market Value a Share on the date such Incentive Stock Option is granted.

(ii) *Time and Method of Exercise.* The Committee shall determine the time or times at which or the circumstances under which an Option may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the time or times at which Options shall cease to be or become exercisable following termination of Continuous Service or upon other conditions, the methods by which the exercise price may be paid or deemed to be paid (including in the discretion of the Committee a cashless exercise procedure), the form of such payment, including, without limitation, cash, Shares, other Awards or awards granted under other plans of the Company or a Related Entity, or other property (including notes or other contractual obligations of Participants to make payment on a deferred basis provided that such deferred payments are not in violation of the Sarbanes-Oxley Act of 2002, or any rule or regulation adopted thereunder or any other

applicable law), and the methods by or forms in which Shares will be delivered or deemed to be delivered to Participants.

(iii) *Incentive Stock Options.* The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code. Anything in the Plan to the contrary notwithstanding, no term of the Plan relating to Incentive Stock Options (including any Stock Appreciation Right issued in tandem therewith) shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be exercised, so as to disqualify either the Plan or any Incentive Stock Option under Section 422 of the Code, unless the Participant has first requested, or consents to, the change that will result in such disqualification. Thus, if and to the extent required to comply with Section 422 of the Code, Options granted as Incentive Stock Options shall be subject to the following special terms and conditions:

(A) the Option shall not be exercisable more than ten years after the date such Incentive Stock Option is granted; provided, however, that if a Participant owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10% of the combined voting power of all classes of stock of the Company (or any parent corporation or subsidiary corporation of the Company, as those terms are defined in Sections 424(e) and (f) of the Code, respectively) and the Incentive Stock Option is granted to such Participant, the term of the Incentive Stock Option shall be (to the extent required by the Code at the time of the grant) for no more than five years from the date of grant; and

(B) The aggregate Fair Market Value (determined as of the date the Incentive Stock Option is granted) of the Shares with respect to which Incentive Stock Options granted under the Plan and all other option plans of the Company (and any parent corporation or subsidiary corporation of the Company, as those terms are defined in Sections 424(e) and (f) of the Code, respectively) during any calendar year exercisable for the first time by the Participant during any calendar year shall not (to the extent required by the Code at the time of the grant) exceed \$100,000.

(c) *Stock Appreciation Rights.* The Committee may grant Stock Appreciation Rights to any Eligible Person in conjunction with all or part of any Option granted under the Plan or at any subsequent time during the term of such Option (a "Tandem Stock Appreciation Right"), or without regard to any Option (a "Freestanding Stock Appreciation Right"), in each case upon such terms and conditions as the Committee may establish in its sole discretion, not inconsistent with the provisions of the Plan, including the following:

(i) *Right to Payment.* A Stock Appreciation Right shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one Share on the date of exercise over (B) the grant price of the Stock Appreciation Right as determined by the Committee. The grant price of a Stock Appreciation Right shall not be less than 100% of the Fair Market Value of a Share on the date of grant, in the case of a Freestanding Stock Appreciation Right, or less than the associated Option exercise price, in the case of a Tandem Stock Appreciation Right.

(ii) *Other Terms.* The Committee shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which a Stock Appreciation Right may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the time or times at which Stock Appreciation Rights shall cease to be or become exercisable following termination of Continuous Service or upon other conditions, the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which

Shares will be delivered or deemed to be delivered to Participants, whether or not a Stock Appreciation Right shall be in tandem or in combination with any other Award, and any other terms and conditions of any Stock Appreciation Right.

(iii) *Tandem Stock Appreciation Rights.* Any Tandem Stock Appreciation Right may be granted at the same time as the related Option is granted or, for Options that are not Incentive Stock Options, at any time thereafter before exercise or expiration of such Option. Any Tandem Stock Appreciation Right related to an Option may be exercised only when the related Option would be exercisable and the Fair Market Value of the Shares subject to the related Option exceeds the exercise price at which Shares can be acquired pursuant to the Option. In addition, if a Tandem Stock Appreciation Right exists with respect to less than the full number of Shares covered by a related Option, then an exercise or termination of such Option shall not reduce the number of Shares to which the Tandem Stock Appreciation Right applies until the number of Shares then exercisable under such Option equals the number of Shares to which the Tandem Stock Appreciation Right applies. Any Option related to a Tandem Stock Appreciation Right shall no longer be exercisable to the extent the Tandem Stock Appreciation Right has been exercised, and any Tandem Stock Appreciation Right shall no longer be exercisable to the extent the related Option has been exercised.

(d) *Restricted Stock Awards.* The Committee is authorized to grant Restricted Stock Awards to any Eligible Person on the following terms and conditions:

(i) *Grant and Restrictions.* Restricted Stock Awards shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, or as otherwise provided in this Plan, covering a period of time specified by the Committee (the "Restriction Period"). The terms of any Restricted Stock Award granted under the Plan shall be set forth in a written Award Agreement which shall contain provisions determined by the Committee and not inconsistent with the Plan. The restrictions may lapse separately or in combination at such times, under such circumstances (including based on achievement of performance goals and/or future service requirements), in such installments or otherwise, as the Committee may determine at the date of grant or thereafter. Except to the extent restricted under the terms of the Plan and any Award Agreement relating to a Restricted Stock Award, a Participant granted Restricted Stock shall have all of the rights of a shareholder, including the right to vote the Restricted Stock and the right to receive dividends thereon (subject to any mandatory reinvestment or other requirement imposed by the Committee). During the Restriction Period, subject to Section 10(b) below, the Restricted Stock may not be sold, transferred, pledged, hypothecated, margined or otherwise encumbered by the Participant.

(ii) *Forfeiture.* Except as otherwise determined by the Committee, upon termination of a Participant's Continuous Service during the applicable Restriction Period, the Participant's Restricted Stock that is at that time subject to a risk of forfeiture that has not lapsed or otherwise been satisfied shall be forfeited and reacquired by the Company; provided that the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that forfeiture conditions relating to Restricted Stock Awards shall be waived in whole or in part in the event of terminations resulting from specified causes.

(iii) *Certificates for Stock.* Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, the Committee may require that such certificates bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock, that the Company retain physical possession of the certificates, and that the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock.

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(iv) *Dividends and Splits.* As a condition to the grant of a Restricted Stock Award, the Committee may require or permit a Participant to elect that any cash dividends paid on a Share of Restricted Stock be automatically reinvested in additional Shares of Restricted Stock or applied to the purchase of additional Awards under the Plan. Unless otherwise determined by the Committee, Shares distributed in connection with a stock split or stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Shares or other property have been distributed.

(e) *Deferred Stock Award.* The Committee is authorized to grant Deferred Stock Awards to any Eligible Person on the following terms and conditions:

(i) *Award and Restrictions.* Satisfaction of a Deferred Stock Award shall occur upon expiration of the deferral period specified for such Deferred Stock Award by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, a Deferred Stock Award shall be subject to such restrictions (which may include a risk of forfeiture) as the Committee may impose, if any, which restrictions may lapse at the expiration of the deferral period or at earlier specified times (including based on achievement of performance goals and/or future service requirements), separately or in combination, in installments or otherwise, as the Committee may determine. A Deferred Stock Award may be satisfied by delivery of Shares, cash equal to the Fair Market Value of the specified number of Shares covered by the Deferred Stock, or a combination thereof, as determined by the Committee at the date of grant or thereafter. Prior to satisfaction of a Deferred Stock Award, a Deferred Stock Award carries no voting or dividend or other rights associated with Share ownership.

(ii) *Forfeiture.* Except as otherwise determined by the Committee, upon termination of a Participant's Continuous Service during the applicable deferral period or portion thereof to which forfeiture conditions apply (as provided in the Award Agreement evidencing the Deferred Stock Award), the Participant's Deferred Stock Award that is at that time subject to a risk of forfeiture that has not lapsed or otherwise been satisfied shall be forfeited; provided that the Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that forfeiture conditions relating to a Deferred Stock Award shall be waived in whole or in part in the event of terminations resulting from specified causes, and the Committee may in other cases waive in whole or in part the forfeiture of any Deferred Stock Award.

(iii) *Dividend Equivalents.* Unless otherwise determined by the Committee at date of grant, any Dividend Equivalents that are granted with respect to any Deferred Stock Award shall be either (A) paid with respect to such Deferred Stock Award at the dividend payment date in cash or in Shares of unrestricted stock having a Fair Market Value equal to the amount of such dividends, or (B) deferred with respect to such Deferred Stock Award and the amount or value thereof automatically deemed reinvested in additional Deferred Stock, other Awards or other investment vehicles, as the Committee shall determine or permit the Participant to elect.

(f) *Bonus Stock and Awards in Lieu of Obligations.* The Committee is authorized to grant Shares to any Eligible Persons as a bonus, or to grant Shares or other Awards in lieu of obligations to pay cash or deliver other property under the Plan or under other plans or compensatory arrangements, provided that, in the case of Eligible Persons subject to Section 16 of the Exchange Act, the amount of such grants remains within the

(g) *Dividend Equivalents.* The Committee is authorized to grant Dividend Equivalents to any Eligible Person entitling the Eligible Person to receive cash, Shares, other Awards, or other property equal in value to the dividends paid with respect to a specified number of Shares, or other periodic payments. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Shares, Awards, or other investment vehicles, and subject to such restrictions on transferability and risks of forfeiture, as the Committee may specify.

(h) *Performance Awards.* The Committee is authorized to grant Performance Awards to any Eligible Person payable in cash, Shares, or other Awards, on terms and conditions established by the Committee, subject to the provisions of Section 8 if and to the extent that the Committee shall, in its sole discretion, determine that an Award shall be subject to those provisions. The performance criteria to be achieved during any Performance Period and the length of the Performance Period shall be determined by the Committee upon the grant of each Performance Award. Except as provided in Section 9 or as may be provided in an Award Agreement, Performance Awards will be distributed only after the end of the relevant Performance Period. The performance goals to be achieved for each Performance Period shall be conclusively determined by the Committee and may be based upon the criteria set forth in Section 8(b), or in the case of an Award that the Committee determines shall not be subject to Section 8 hereof, any other criteria that the Committee, in its sole discretion, shall determine should be used for that purpose. The amount of the Award to be distributed shall be conclusively determined by the Committee. Performance Awards may be paid in a lump sum or in installments following the close of the Performance Period or, in accordance with procedures established by the Committee, on a deferred basis.

(i) *Other Stock-Based Awards.* The Committee is authorized, subject to limitations under applicable law, to grant to any Eligible Person such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Shares, as deemed by the Committee to be consistent with the purposes of the Plan. Other Stock-Based Awards may be granted to Participants either alone or in addition to other Awards granted under the Plan, and such Other Stock-Based Awards shall also be available as a form of payment in the settlement of other Awards granted under the Plan. The Committee shall determine the terms and conditions of such Awards. Shares delivered pursuant to an Award in the nature of a purchase right granted under this Section 6(i) shall be purchased for such consideration (including, without limitation, loans from the Company or a Related Entity provided that such loans are not in violation of the Sarbanes Oxley Act of 2002, or any rule or regulation adopted thereunder or any other applicable law) paid for at such times, by such methods, and in such forms, including, without limitation, cash, Shares, other Awards or other property, as the Committee shall determine.

7. *Certain Provisions Applicable to Awards.*

(a) *Stand-Alone, Additional, Tandem and Substitute Awards.* Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any Related Entity, or any business entity to be acquired by the Company or a Related Entity, or any other right of a Participant to receive payment from the Company or any Related Entity. Such additional, tandem, and substitute or exchange Awards may be granted at any time. If an Award is granted in substitution or exchange for another Award or award, the Committee shall require the surrender of such other Award or award in consideration for the grant of the new Award. In addition, Awards may be granted in lieu of cash compensation, including in lieu of cash amounts payable under

other plans of the Company or any Related Entity, in which the value of Stock subject to the Award is equivalent in value to the cash compensation (for example, Deferred Stock or Restricted Stock), or in which the exercise price, grant price or purchase price of the Award in the nature of a right that may be exercised is equal to the Fair Market Value of the underlying Stock minus the value of the cash compensation surrendered (for example, Options or Stock Appreciation Right granted with an exercise price or grant price "discounted" by the amount of the cash compensation surrendered).

(b) *Term of Awards.* The term of each Award shall be for such period as may be determined by the Committee; provided that in no event shall the term of any Option or Stock Appreciation Right exceed a period of ten years (or in the case of an Incentive Stock Option such shorter term as may be required under Section 422 of the Code).

(c) *Form and Timing of Payment Under Awards; Deferrals.* Subject to the terms of the Plan and any applicable Award Agreement, payments to be made by the Company or a Related Entity upon the exercise of an Option or other Award or settlement of an Award may be made in such forms as the Committee shall determine, including, without limitation, cash, Shares, other Awards or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. Any installment or deferral provided for in the preceding sentence shall, however, be subject to the Company's compliance with the provisions of the Sarbanes-Oxley Act of 2002, the rules and regulations adopted by the U.S. Securities and Exchange Commission thereunder, and all applicable rules of the Nasdaq Stock Market or any national securities exchange on which the Company's securities are listed for trading and, if not listed for trading on either the Nasdaq Stock Market or a national securities exchange, then the rules of the Nasdaq Stock Market. The settlement of any Award may be accelerated, and cash paid in lieu of Shares in connection with such settlement, in the discretion of the Committee or upon occurrence of one or more specified events (in addition to a Change in Control). Installment or deferred payments may be required by the Committee (subject to Section 10(e) of the Plan, including the consent provisions thereof in the case of any deferral of an outstanding Award not provided for in the original Award Agreement) or permitted at the election of the Participant on terms and conditions established by the Committee. Payments may include, without limitation, provisions for the payment or crediting of a reasonable interest rate on installment or deferred payments or the grant or crediting of Dividend Equivalents or other amounts in respect of installment or deferred payments denominated in Shares.

(d) *Exemptions from Section 16(b) Liability.* It is the intent of the Company that the grant of any Awards to or other transaction by a Participant who is subject to Section 16 of the Exchange Act shall be exempt from Section 16 pursuant to an applicable exemption (except for transactions acknowledged in writing to be non-exempt by such Participant). Accordingly, if any provision of this Plan or any Award Agreement does not comply with the requirements of Rule 16b-3 then applicable to any such transaction, such provision shall be construed or deemed amended to the extent necessary to conform to the applicable requirements of Rule 16b-3 so that such Participant shall avoid liability under Section 16(b).

8. *Code Section 162(m) Provisions.*

(a) *Covered Employees.* The Committee, in its discretion, may determine at the time an Award is granted to an Eligible Person who is, or is likely to be, as of the end of the tax year in which the Company would claim a tax deduction in connection with such Award, a Covered Employee, that the provisions of this Section 8 shall be applicable to such Award.

(b) *Performance Criteria.* If an Award is subject to this Section 8, then the lapsing of restrictions thereon and the distribution of cash, Shares or other property pursuant thereto, as

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applicable, shall be contingent upon achievement of one or more objective performance goals. Performance goals shall be objective and shall otherwise meet the requirements of Section 162(m) of the Code and regulations thereunder including the requirement that the level or levels of performance targeted by the Committee result in the achievement of performance goals being “substantially uncertain.” One or more of the following business criteria for the Company, on a consolidated basis, and/or for Related Entities, or for business or geographical units of the Company and/or a Related Entity (except with respect to the total shareholder return and earnings per share criteria), shall be used by the Committee in establishing performance goals for such Awards: (1) earnings per share; (2) revenues or margins; (3) cash flow; (4) operating margin; (5) return on net assets, investment, capital, or equity; (6) economic value added; (7) direct contribution; (8) net income; pretax earnings; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; earnings after interest expense and before extraordinary or special items; operating income; income before interest income or expense, unusual items and income taxes, local, state or federal and excluding budgeted and actual bonuses which might be paid under any ongoing bonus plans of the Company; (9) working capital; (10) management of fixed costs or variable costs; (11) identification or consummation of investment opportunities or completion of specified projects in accordance with corporate business plans, including strategic mergers, acquisitions or divestitures; (12) total shareholder return; and (13) debt reduction. Any of the above goals may be determined on an absolute or relative basis or as compared to the performance of a published or special index deemed applicable by the Committee including, but not limited to, the Standard & Poor’s 500 Stock Index or a group of companies that are comparable to the Company. The Committee may exclude the impact of an event or occurrence which the Committee determines should appropriately be excluded, including without limitation (i) restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring charges, (ii) an event either not directly related to the operations of the Company or not within the reasonable control of the Company’s management, or (iii) a change in accounting standards required by generally accepted accounting principles.

(c) *Performance Period; Timing For Establishing Performance Goals.* Achievement of performance goals in respect of such Performance Awards shall be measured over a Performance Period no shorter than 12 months and no longer than five years, as specified by the Committee. Performance goals shall be established not later than 90 days after the beginning of any Performance Period applicable to such Performance Awards, or at such other date as may be required or permitted for “performance-based compensation” under Code Section 162(m).

(d) *Adjustments.* The Committee may, in its discretion, reduce the amount of a settlement otherwise to be made in connection with Awards subject to this Section 8, but may not exercise discretion to increase any such amount payable to a Covered Employee in respect of an Award subject to this Section 8. The Committee shall specify the circumstances in which such Awards shall be paid or forfeited in the event of termination of Continuous Service by the Participant prior to the end of a Performance Period or settlement of Awards.

(e) *Committee Certification.* No Participant shall receive any payment under the Plan unless the Committee has certified, by resolution or other appropriate action in writing, that the performance criteria and any other material terms previously established by the Committee or set forth in the Plan, have been satisfied to the extent necessary to qualify as “performance based compensation” under Code Section 162(m).

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9. *Change in Control.*

(a) *Effect of “Change in Control.”* Subject to Section 9(a)(iv), and if and only to the extent provided in the Award Agreement, or to the extent otherwise determined by the Committee, upon the occurrence of a “Change in Control,” as defined in Section 9(b):

(i) Any Option or Stock Appreciation Right that was not previously vested and exercisable as of the time of the Change in Control, shall become immediately vested and exercisable, subject to applicable restrictions set forth in Section 10(a) hereof.

(ii) Any restrictions, deferral of settlement, and forfeiture conditions applicable to a Restricted Stock Award, Deferred Stock Award or an Other Stock-Based Award subject only to future service requirements granted under the Plan shall lapse and such Awards shall be deemed fully vested as of the time of the Change in Control, except to the extent of any waiver by the Participant and subject to applicable restrictions set forth in Section 10(a) hereof.

(iii) With respect to any outstanding Award subject to achievement of performance goals and conditions under the Plan, the Committee may, in its discretion, deem such performance goals and conditions as having been met as of the date of the Change in Control.

(iv) Notwithstanding the foregoing, if in the event of a Change in Control the successor company assumes or substitutes for an Option, Stock Appreciation Right, Restricted Stock Award, Deferred Stock Award or Other Stock-Based Award, then each outstanding Option, Stock Appreciation Right, Restricted Stock Award, Deferred Stock Award or Other Stock-Based Award shall not be accelerated as described in Sections 9(a)(i), (ii) and (iii). For the purposes of this Section 9(a)(iv), an Option, Stock Appreciation Right, Restricted Stock Award, Deferred Stock Award or Other Stock-Based Award shall be considered assumed or substituted for if following the Change in Control the award confers the right to purchase or receive, for each Share subject to the Option, Stock Appreciation Right, Restricted Stock Award, Deferred Stock Award or Other Stock-Based Award immediately prior to the Change in Control, the consideration (whether stock, cash or other securities or property) received in the transaction constituting a Change in Control by holders of Shares for each Share held on the effective date of such transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); provided, however, that if such consideration received in the transaction constituting a Change in Control is not solely common stock of the successor company or its parent or subsidiary, the Committee may, with the consent of the successor company or its parent or subsidiary, provide that the consideration to be received upon the exercise or vesting of an Option, Stock Appreciation Right, Restricted Stock

Award, Deferred Stock Award or Other Stock-Based Award, for each Share subject thereto, will be solely common stock of the successor company or its parent or subsidiary substantially equal in fair market value to the per share consideration received by holders of Shares in the transaction constituting a Change in Control. The determination of such substantial equality of value of consideration shall be made by the Committee in its sole discretion and its determination shall be conclusive and binding.

(b) *Definition of "Change in Control."* Unless otherwise specified in an Award Agreement, a "Change in Control" shall mean the occurrence of any of the following:

(i) The acquisition by any Person of Beneficial Ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than fifty percent (50%) of either (A) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company

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entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities) (the foregoing Beneficial Ownership hereinafter being referred to as a "Controlling Interest"); provided, however, that for purposes of this Section 9(b), the following acquisitions shall not constitute or result in a Change of Control: (v) any acquisition directly from the Company; (w) any acquisition by the Company; (x) any acquisition by any Person that as of the Effective Date owns Beneficial Ownership of a Controlling Interest; (y) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary; or (z) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) below; or

(ii) During any period of two (2) consecutive years (not including any period prior to the Effective Date) individuals who constitute the Board on the Effective Date (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company or any of its Subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its Subsidiaries (each a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination or any Person that as of the Effective Date owns Beneficial Ownership of a Controlling Interest) beneficially owns, directly or indirectly, fifty percent (50%) or more of the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (C) at least a majority of the members of the Board of Directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

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10. *General Provisions.*

(a) *Compliance With Legal and Other Requirements.* The Company may, to the extent deemed necessary or advisable by the Committee, postpone the issuance or delivery of Shares or payment of other benefits under any Award until completion of such registration or qualification of such Shares or other required action under any federal or state law, rule or regulation, listing or other required action with respect to any stock exchange or automated quotation system upon which the Shares or other Company securities are listed or quoted, or compliance with any other obligation of the Company, as the Committee, may consider appropriate, and may require any Participant to make such representations, furnish such information and comply with or be subject to such other conditions as it may consider appropriate in connection with the issuance or delivery of Shares or payment of other benefits in compliance with applicable laws, rules, and regulations, listing requirements, or other obligations.

(b) *Limits on Transferability; Beneficiaries.* No Award or other right or interest granted under the Plan shall be pledged, hypothecated or otherwise encumbered or subject to any lien, obligation or liability of such Participant to any party, or assigned or transferred by such Participant otherwise than by will or the laws of descent and distribution or to a Beneficiary upon the death of a Participant, and such Awards or rights that may be exercisable shall be exercised during the lifetime of the Participant only by the Participant or his or her guardian or legal representative, except that Awards and other rights (other than Incentive Stock Options and Stock Appreciation Rights in tandem therewith) may be transferred to one or more Beneficiaries or other transferees during the lifetime of the Participant, and may be exercised by such transferees in accordance with the terms of such Award, but only if and to the extent such transfers are permitted by the Committee pursuant to the express terms of an Award Agreement (subject to any terms and conditions which the Committee may impose thereon). A Beneficiary, transferee, or other person claiming any rights under the Plan from or through any Participant shall be subject to all terms and conditions of the Plan and any Award Agreement applicable to such Participant, except as otherwise determined by the Committee, and to any additional terms and conditions deemed necessary or appropriate by the Committee.

(c) *Adjustments.*

(i) *Adjustments to Awards.* In the event that any extraordinary dividend or other distribution (whether in the form of cash, Shares, or other property), recapitalization, forward or reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange, liquidation, dissolution or other similar corporate transaction or event affects the Shares and/or such other securities of the Company or any other issuer such that a substitution, exchange, or adjustment is determined by the Committee to be appropriate, then the Committee shall, in such manner as it may deem equitable, substitute, exchange or adjust any or all of (A) the number and kind of Shares which may be delivered in connection with Awards granted thereafter, (B) the number and kind of Shares by which annual per-person Award limitations are measured under Section 5 hereof, (C) the number and kind of Shares subject to or deliverable in respect of outstanding Awards, (D) the exercise price, grant price or purchase price relating to any Award and/or make provision for payment of cash or other property in respect of any outstanding Award, and (E) any other aspect of any Award that the Committee determines to be appropriate.

(ii) *Adjustments in Case of Certain Corporate Transactions.* In the event of any merger, consolidation or other reorganization in which the Company does not survive, or in the event of any Change in Control, any outstanding Awards may be dealt with in accordance with any of the following approaches, as determined by the agreement effectuating the transaction or, if and to the extent not so determined, as determined by the Committee: (a) the continuation of the outstanding Awards by the Company, if the Company is a surviving corporation, (b) the assumption or substitution for, as those terms are defined in Section 9(b)(iv) hereof, the outstanding Awards by the surviving corporation or its

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parent or subsidiary, (c) full exercisability or vesting and accelerated expiration of the outstanding Awards, or (d) settlement of the value of the outstanding Awards in cash or cash equivalents or other property followed by cancellation of such Awards (which value, in the case of Options or Stock Appreciation Rights, shall be measured by the amount, if any, by which the Fair Market Value of a Share exceeds the exercise or grant price of the Option or Stock Appreciation Right as of the effective date of the transaction). The Committee shall give written notice of any proposed transaction referred to in this Section 10(c)(ii) a reasonable period of time prior to the closing date for such transaction (which notice may be given either before or after the approval of such transaction), in order that Participants may have a reasonable period of time prior to the closing date of such transaction within which to exercise any Awards that are then exercisable (including any Awards that may become exercisable upon the closing date of such transaction). A Participant may condition his exercise of any Awards upon the consummation of the transaction.

(iii) *Other Adjustments.* The Committee (and the Board if and only to the extent such authority is not required to be exercised by the Committee to comply with Section 162(m) of the Code) is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards (including Performance Awards, or performance goals relating thereto) in recognition of unusual or nonrecurring events (including, without limitation, acquisitions and dispositions of businesses and assets) affecting the Company, any Related Entity or any business unit, or the financial statements of the Company or any Related Entity, or in response to changes in applicable laws, regulations, accounting principles, tax rates and regulations or business conditions or in view of the Committee's assessment of the business strategy of the Company, any Related Entity or business unit thereof, performance of comparable organizations, economic and business conditions, personal performance of a Participant, and any other circumstances deemed relevant; provided that no such adjustment shall be authorized or made if and to the extent that such authority or the making of such adjustment would cause Options, Stock Appreciation Rights, Performance Awards granted pursuant to Section 8(b) hereof to Participants designated by the Committee as Covered Employees and intended to qualify as "performance-based compensation" under Code Section 162(m) and the regulations thereunder to otherwise fail to qualify as "performance-based compensation" under Code Section 162(m) and regulations thereunder.

(d) *Taxes.* The Company and any Related Entity are authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Shares, or any payroll or other payment to a Participant, amounts of withholding and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company or any Related Entity and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Shares or other property and to make cash payments in respect thereof in satisfaction of a Participant's tax obligations, either on a mandatory or elective basis in the discretion of the Committee.

(e) *Changes to the Plan and Awards.* The Board may amend, alter, suspend, discontinue or terminate the Plan, or the Committee's authority to grant Awards under the Plan, without the consent of shareholders or Participants, except that any amendment or alteration to the Plan shall be subject to the approval of the Company's shareholders not later than the annual meeting next following such Board action if such shareholder approval is required by any federal or state law or regulation (including, without limitation, Rule 16b-3 or Code Section 162(m)) or the rules of any stock exchange or automated quotation system on which the Shares may then be listed or quoted), and the Board may otherwise, in its discretion, determine to submit other such changes to the Plan to shareholders for approval; provided that, without the consent of an affected Participant, no such Board action may materially and adversely affect the rights of such Participant under any previously granted and

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outstanding Award. The Committee may waive any conditions or rights under, or amend, alter, suspend, discontinue or terminate any Award theretofore granted and any Award Agreement relating thereto, except as otherwise provided in the Plan; provided that, without the consent of an affected Participant, no such Committee or the Board action may materially and adversely affect the rights of such Participant under such Award.

(f) *Limitation on Rights Conferred Under Plan.* Neither the Plan nor any action taken hereunder shall be construed as (i) giving any Eligible Person or Participant the right to continue as an Eligible Person or Participant or in the employ or service of the Company or a Related Entity; (ii) interfering in any way with the right of the Company or a Related Entity to terminate any Eligible Person's or Participant's Continuous Service at any time, (iii) giving an Eligible Person or Participant any claim to be granted any Award under the Plan or to be treated uniformly with other Participants and Employees, or (iv) conferring on a Participant any of the rights of a shareholder of the Company unless and until the Participant is duly issued or transferred Shares in accordance with the terms of an Award.

(g) *Unfunded Status of Awards; Creation of Trusts.* The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant or obligation to deliver Shares pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; provided that the Committee may authorize the creation of trusts and deposit therein cash, Shares, other Awards or other property, or make other arrangements to meet the Company's

obligations under the Plan. Such trusts or other arrangements shall be consistent with the “unfunded” status of the Plan unless the Committee otherwise determines with the consent of each affected Participant. The trustee of such trusts may be authorized to dispose of trust assets and reinvest the proceeds in alternative investments, subject to such terms and conditions as the Committee may specify and in accordance with applicable law.

(h) *Code Section 409A.* It is intended that any amounts payable under this Plan shall either be exempt from Section 409A of the Code or shall comply with Section 409A (including Treasury regulations and other published guidance related thereto) so as not to subject the Employee to payment of any other additional tax, penalty or interest imposed under Section 409A of the Code. The provisions of this Plan shall be construed and interpreted to avoid the imputation of any such additional tax, penalty or interest under Section 409A of the Code yet preserve (to the nearest extent reasonably possible) the intended benefit payable to the Employee. Notwithstanding the foregoing, the Company makes no representations regarding the tax treatment of any payments hereunder, and the Employee shall be responsible for any and all applicable taxes on the severance payments provided by the Plan.

(i) *Nonexclusivity of the Plan.* Neither the adoption of the Plan by the Board nor its submission to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements as it may deem desirable including incentive arrangements and awards which do not qualify under Section 162(m) of the Code.

(j) *Payments in the Event of Forfeitures; Fractional Shares.* Unless otherwise determined by the Committee, in the event of a forfeiture of an Award with respect to which a Participant paid cash or other consideration, the Participant shall be repaid the amount of such cash or other consideration. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, other Awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

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(k) *Governing Law.* The validity, construction and effect of the Plan, any rules and regulations under the Plan, and any Award Agreement shall be determined in accordance with the laws of the State of Delaware without giving effect to principles of conflict of laws, and applicable federal law.

(l) *Non-U.S. Laws.* The Committee shall have the authority to adopt such modifications, procedures, and subplans as may be necessary or desirable to comply with provisions of the laws of foreign countries in which the Company or its Subsidiaries may operate to assure the viability of the benefits from Awards granted to Participants performing services in such countries and to meet the objectives of the Plan.

(m) *Plan Effective Date and Shareholder Approval; Termination of Plan.* The Plan shall become effective on the Effective Date, subject to subsequent approval, within 12 months of its adoption by the Board, by shareholders of the Company eligible to vote in the election of directors, by a vote sufficient to meet the requirements of Code Sections 162(m) (if applicable) and 422, Rule 16b-3 under the Exchange Act (if applicable), applicable requirements under the rules of any stock exchange or automated quotation system on which the Shares may be listed or quoted, and other laws, regulations, and obligations of the Company applicable to the Plan. Awards may be granted subject to shareholder approval, but may not be exercised or otherwise settled in the event the shareholder approval is not obtained. The Plan shall terminate at the earliest of (a) such time as no Shares remain available for issuance under the Plan, (b) termination of this Plan by the Board, or (c) the tenth anniversary of the Effective Date. Awards outstanding upon expiration of the Plan shall remain in effect until they have been exercised or terminated, or have expired.

Adopted January 2018

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CAPITAL ONE, N.A. — LOAN NO.

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (as amended, modified or restated from time to time, this “*Agreement*”) dated as of **DECEMBER 14, 2011** (the “*Effective Date*”), will serve to set forth the terms of the Credit Facility (as defined below) by and between **CAPITAL ONE, N.A.**, a national association (together with its successors and assigns, “*Lender*”), and **LEGACY HOUSING, LTD**, a Texas limited partnership (“*Debtor*”).

RECITALS

WHEREAS, Debtor has requested that Lender extend the Credit Facility to Debtor on the terms described in this Agreement; and

WHEREAS, Lender is willing to make the Credit Facility available to Debtor upon and subject to the provisions, terms and conditions set forth in the Loan Documents;

NOW THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

1. **Definitions.** As used in this Agreement, all exhibits, appendices and schedules hereto, and in any other Loan Documents made or delivered pursuant to this Agreement, the following terms will have the meanings given such terms in this Section 1 or in the provisions, sections or recitals herein:

(a) “*Affiliate*” means, with respect to a specified Person, another Person that directly or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

(b) “*Borrowing Base*” has the meaning set forth in Section 2(b)(i).

(c) “*Borrowing Base Certificate*” means a Borrowing Base Certificate in form acceptable to Lender.

(d) “*Business Day*” means any day other than a Saturday, Sunday, or any other day on which the Federal Reserve Bank of Dallas, Texas, is closed.

(e) “*Code*” means the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in the State of Texas; provided, that to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different articles or divisions of the Code, the definition of such term contained in Article 9 shall govern; provided further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, Lender’s lien on any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of Texas, the term “*Code*” shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

(f) “*Collateral*” means:

(i) All present and future accounts, chattel paper (including electronic chattel paper), Collateral Documents (and all payment rights thereunder), Collateral Loans, Commercial Tort Claims, commodity accounts, commodity contracts, deposit accounts, documents, financial assets, general intangibles, health care insurance receivables, instruments, Intellectual Property, investment property, letters of credit, letter of credit rights, payment intangibles (including, but not limited to, all payment intangibles relating to the Collateral Loans), securities, security accounts, security entitlements, and tax refunds now or hereafter owned, held, or acquired.

(ii) All books, records, data, plans, manuals, computer software, computer tapes, computer systems, computer disks, computer programs, source codes and object codes containing any information, pertaining directly or indirectly to the Collateral and all rights to retrieve data and other information pertaining directly or indirectly to the Collateral from third parties.

The term “Collateral,” as used herein, shall also include (i) any other property or assets, real or personal, tangible or intangible, now existing or hereafter acquired, of any Obligor that may at any time be or become subject to a security interest or lien in favor of Lender as security for the Indebtedness, and (ii) all **SUPPORTING OBLIGATIONS, PRODUCTS** and **PROCEEDS** of all of the foregoing (including without limitation, insurance payable by reason of loss or damage to the foregoing property) and any property, assets securities, guaranties or monies of Debtor which may at any time come into the possession of Lender. The designation of proceeds does not authorize Debtor to sell, transfer or otherwise convey any of the foregoing property except in the ordinary course of Debtor’s business or as otherwise provided herein.

(g) “Collateral Documents” means any agreement, contract, chattel paper, instrument, mortgage or security agreement evidencing, relating to or executed in connection with a Collateral Loan or a Collateral Loan Note.

(h) “Collateral Loan” means (i) a term loan secured in whole or in part by manufactured housing owing by a Collateral Loan Obligor pursuant to the Collateral Documents to Debtor; (ii) all rights, including all rights of repayment, under the Collateral Documents and all other agreements, documents and instruments arising from such term loan or relating thereto; and (iii) all proceeds arising from such term loan or relating thereto (including, but not limited to any manufactured housing and other goods acquired by Debtor in the exercise of its rights under the Collateral Documents).

(i) “Collateral Loan Note” means an instrument or chattel paper made by a Collateral Loan Obligor in favor of a Debtor in connection with a Collateral Loan.

(j) “Collateral Loan Obligor” means any Person who shall in any way be obligated to repay a Collateral Loan.

(k) “Commercial Tort Claim” means any commercial tort claim (as such term is defined in the Code) of **FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$500,000.00)** or more.

(l) “Constituent Documents” means (i) in the case of a corporation, its articles or certificate of incorporation and bylaws; (ii) in the case of a general partnership, its partnership agreement; (iii) in the case of a limited partnership, its certificate of limited partnership and partnership agreement; (iv) in the case of a trust, its trust agreement; (v) in the case of a joint venture, its joint venture agreement; (vi) in the case of a limited liability company, its articles of organization or certificate of formation and operating agreement or regulations; and (vii) in the case of any other entity, its organizational and governance documents and agreements.

(m) “Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

(n) “Credit Facility” has the meaning set forth in Section 2(a).

(o) “Dealership” means any Person holding Debtor’s inventory for sale in the ordinary course of business.

(p) “Debt” means as to any Person at any time (without duplication) all items of indebtedness, obligation or liability of a Person, whether mature or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, joint or several, that should be classified as liabilities in accordance with GAAP.

- (q) “Default” means any Event of Default or event which with notice and/or the passage of time would be an Event of Default.
- (r) “Dollars” and “\$” mean lawful money of the United States of America.
- (s) “EBITDA” means, for any Person for any period of determination, an amount equal to (i) net income plus (ii) the sum of the following to the extent deducted from net income: (1) interest expense; plus (2) income taxes; plus (3) depreciation; plus (4) amortization for such period determined and consolidated in accordance with GAAP.
- (t) “Eligible Collateral Loan” has the meaning set forth in Section 2(b)(ii).
- (u) “Environmental Laws” means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.
- (v) “Event of Default” has the meaning set forth in Section 12.
- (w) “GAAP” means generally accepted accounting principles, applied on a consistent basis, as set forth in Opinions of the Accounting Principles Board of the American Institute of Certified Public Accountants and/or in statements of the Financial Accounting Standards Board and/or their respective successors and which are applicable in the circumstances as of the date in question. Accounting principles are applied on a “consistent basis” when the accounting principles applied in a current period are comparable in all material respects to those accounting principles applied in a preceding period.
- (x) “Governmental Authority” means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.
- (y) “Guarantor” means any Person, whether one or more, who from time to time guarantees all or any part of the Indebtedness.
- (z) “Guaranty” means a **GUARANTY AGREEMENT**, whether one or more, executed by Guarantor (as the same may be amended, restated or modified from time to time).
- (aa) “Guidelines” means the guidelines relating to the originating and servicing of the Collateral Loans, as approved of by Lender from time to time.
- (bb) “Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, and all other substances or wastes of any nature regulated pursuant to any Environmental Law.
- (cc) “Indebtedness” means (i) all indebtedness, obligations and liabilities of Debtor to Lender of any kind or character, now existing or hereafter arising, including without limitation all indebtedness, obligations and liabilities of Debtor to Lender now existing or hereafter arising under (1) the Note, this Agreement, the other Loan Documents or any draft, acceptance, guaranty, endorsement, letter of credit, assignment, purchase, overdraft, discount, indemnity agreement, (2) any agreement (including related confirmations and schedules) between Debtor and Lender or any Affiliate of Lender now existing or hereafter entered into which is, or relates to, a rate swap, basis swap, forward rate transaction, cap transaction, floor transaction, collar transaction or any other similar transactions (including any option with respect to any of these transactions) or any combination thereof, or (3) otherwise, (ii) all accrued but unpaid interest on any of the indebtedness described in (i) above, (iii) all obligations of Obligors to Lender under the Loan Documents, (iv) all costs and expenses incurred by Lender in connection with the collection and

administration of all or any part of the indebtedness and obligations described in (i), (ii) and (iii) above or the protection or preservation of, or realization upon, the collateral securing all or any part of such indebtedness and obligations, including without limitation all reasonable attorneys' fees, and (v) all renewals, extensions, modifications and rearrangements of the indebtedness and obligations described in (i), (ii), (iii) and (iv) above.

(dd) "Intellectual Property" means the copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, or other intellectual property or assets now owned or hereafter acquired by Debtor.

(ee) "Loan Documents" means this Agreement, the Note, the Guaranty and the other agreements, instruments and documents evidencing, securing, governing, guaranteeing or pertaining to the Loans.

(ff) "Loans" means all advances under the Credit Facility as established pursuant to the Loan Documents from time to time.

(gg) "Material Adverse Effect" means a material adverse effect on (i) the business, assets, property, operations, condition (financial or otherwise), or prospects, of an Obligor (individually or taken as a whole), (ii) the ability of an Obligor to pay or perform the Indebtedness, (iii) any of the rights of or benefits available to Lender under the Loan Documents, or (iv) the validity or enforceability of the Loan Documents.

(hh) "Note" means, collectively, any promissory note evidencing all or part of the Indebtedness from time to time (as any such Note may be amended, modified or restated from time to time).

(ii) "Obligors" means Debtor, Guarantor or any other Person who guaranteed or is otherwise obligated to pay or perform all or any portion of Indebtedness.

(jj) "Permitted Encumbrances" means the following encumbrances: (i) liens for taxes, assessments or governmental charges or levies not yet due and payable or liens for taxes, assessments or governmental charges or levies being contested in good faith and by appropriate proceedings for which adequate reserves have been established in accordance with GAAP; (ii) liens in respect of property of a Person imposed by law which were incurred in the ordinary course of business and which have not arisen to secure Debt for borrowed money, such as carriers', materialmen's, warehousemen's and mechanics' liens, statutory and common law landlord's liens, and other similar liens arising in the ordinary course of business, and which either (1) do not in the aggregate materially detract from the value of such property or materially impair the use thereof in the operation of the business of a Person, or (2) are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property subject to such lien; (iii) liens created by or pursuant to the Loan Documents; (iv) liens in existence on the Effective Date which are listed, and the property subject thereto described, on Schedule I, without giving effect to any extensions or renewals thereof; (v) liens arising from judgments, decrees, awards or attachments in circumstances not constituting an Event of Default; (vi) liens (1) incurred or deposits made in the ordinary course of business in connection with general insurance maintained by a Person, (2) incurred or deposits made in the ordinary course of business of a Person in connection with workers' compensation, unemployment insurance and other types of social security, and (3) to secure the performance by any Person of tenders, statutory obligations (other than excise taxes), surety, stay, customs and appeal bonds, statutory bonds, bids, leases, government contracts, trade contracts, performance and return of money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money) to the extent incurred in the ordinary course of business; and (vii) licenses, sublicenses, leases or subleases granted to third Persons in the ordinary course of business not interfering in any material respect with the business of a Person.

(kk) "Permitted Real Property Debt" means any Debt for borrowed money which is secured by real property described on Schedule II attached hereto.

(ll) “Person” means any individual, corporation, limited liability company, business trust, association, company, partnership, joint venture, Governmental Authority, or other entity, and shall include such Person’s heirs, administrators, personal representatives, executors, successors and assigns.

(mm) “Servicing Agent” means **KENDOR FINANCIAL, LTD.** and any other third-party bonded servicing agent acceptable to Lender in its reasonable discretion who shall service the Collateral Loans pursuant to a written agreement between Debtor, Lender and such servicing agent (such agreement being a “Servicing Agreement”).

(nn) “Subsidiary” means any entity (i) of which at least a majority of the ownership, equity or voting interest is at the time directly or indirectly owned or controlled by a Person and/or its Subsidiaries, and (ii) which is treated as a subsidiary in accordance with GAAP.

(oo) “Tangible Net Worth” means, at any particular time, all amounts which, in conformity with GAAP, would be included as equity on a balance sheet of a Person; provided, however, there shall be excluded therefrom: (i) any amount of which the equity of such Person appears as an asset on such Person’s balance sheet, (ii) goodwill, including any amounts, however designated, that represent the excess of the purchase price paid for assets or stock over the value assigned thereto, (iii) patents, trademarks, trade names, and copyrights, (iv) deferred expenses, (v) loans and advances to any equity holder, director, officer, or employee of the Person or any affiliate of such Person, and (vi) all other assets which are properly classified as intangible assets.

All words and phrases used herein shall have the meaning specified in the Code except to the extent such meaning is inconsistent with this Agreement. All definitions contained in this Agreement are equally applicable to the singular and plural forms of the terms defined. The words “hereof”, “herein” and “hereunder” and words of similar import referring to this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Any accounting term used in the Loan Documents shall have, unless otherwise specifically provided therein, the meaning customarily given such term in accordance with GAAP, and all financial computations thereunder shall be computed, unless otherwise specifically provided therein, in accordance with GAAP consistently applied; provided, that all financial covenants and calculations in the Loan Documents shall be made in accordance with GAAP as in effect on the Effective Date unless Debtor and Lender shall otherwise specifically agree in writing. That certain items or computations are explicitly modified by the phrase “in accordance with GAAP” shall in no way be construed to limit the foregoing.

2. Credit Facility.

(a) Nature of Credit Facility. Subject to the terms and conditions set forth in this Agreement and the other Loan Documents, Lender hereby agrees to make loans to Debtor under a revolving credit facility (the “Credit Facility”) in an aggregate sum not to exceed the lesser of: (i) an amount equal to the Borrowing Base, or (ii) **TWENTY MILLION AND NO/100 DOLLARS (\$20,000,000.00)**, from time to time during the period commencing on the Effective Date and continuing until the earlier of: (i) the acceleration of the Indebtedness pursuant to the terms of the Loan Documents; (ii) **DECEMBER 14, 2013**; or (iii) such other date as may be established by a written instrument between Debtor and Lender from time to time (the “Maturity Date”). If at any time the sum of the aggregate principal amount of Loans outstanding hereunder exceeds the lesser of the Borrowing Base or the maximum Dollar amount stated above, such amount shall be deemed an “Overadvance.” Debtor shall immediately repay the amount of such Overadvance plus all accrued and unpaid interest thereon upon written demand from Lender. Notwithstanding anything contained herein to the contrary, an Overadvance shall be considered a Loan and shall bear interest at the interest rates set forth in the Note and be secured by this Agreement. Subject to the terms and conditions hereof, Debtor may borrow, repay and reborrow funds under the Credit Facility.

(b) Certain Defined Terms Relating to the Credit Facility. With respect to Loans under Credit Facility, the following terms shall have the following meanings:

(i) “Borrowing Base” means a sum equal to up to **FIFTY PERCENT (50.00%)** of the balance of Debtor’s Eligible Collateral Loans, minus any sum owing from Debtor to any Dealership

related to any Eligible Collateral Loan, from time to time; provided, however, Lender shall have the right to create and adjust eligibility standards and related reserves from time to time in its reasonable credit judgment with respect to Debtor's Eligible Collateral Loans.

(ii) "*Eligible Collateral Loan*" means a Collateral Loan that satisfies the following eligibility characteristics, subject to any exceptions thereto approved in writing by Lender in its sole discretion:

- (1) The Collateral Loan was originated by Debtor and arose from the extension of credit which arose from the sale and delivery of goods or the rendering of services in the ordinary course of Debtor's business;
- (2) Debtor has good and marketable title to such Collateral Loan and the Collateral Documents evidencing such loan and sufficient right to pledge, assign and deliver the Collateral Loan and the Collateral Loan Documents free and clear from all liens whatsoever, and no Person has any right to receive any proceeds with respect to the Collateral Loan;
- (3) The Collateral Loan is evidenced by a Collateral Loan Note and (A) provides for level monthly payments or level monthly principal payments that fully amortize the amount financed over the original term and interest at the rate per annum specified in the Collateral Loan Note, or (B) if the Collateral Loan Note is a balloon note, such Collateral Loan Note has aged for less than **SIXTY (60)** days past due at the time the Collateral Loan Note is pledged as Collateral hereunder, and in either case, the Collateral Loan Note is not a workout of a prior Collateral Loan Note;
- (4) Each Collateral Loan Note constitutes "chattel paper," an "instrument," an "account" or a "general intangible," each as defined in the Code;
- (5) The Collateral Documents with respect to a Collateral Loan require the Collateral Loan Obligor to obtain insurance covering the related collateral secured thereby, insuring against loss and damage due to fire and other risks generally covered by comprehensive and coverage (A) in an amount at least equal to the lesser of (i) the maximum insurable value of the collateral, or (ii) the outstanding principal balance due from the Collateral Loan Obligor under such Collateral Loan Note and (B) naming Debtor as loss payee;
- (6) The Collateral Documents represent an authentic, valid, subsisting, legitimate, non-fraudulent obligation of the underlying Collateral Loan Obligor, enforceable against the Collateral Loan Obligor in accordance with the terms of the Collateral Documents for the amount outstanding under the Collateral Loan Note without offset, counterclaim or defense (whether actual or alleged);
- (7) At origination and at all times thereafter the Collateral Loan complies materially and substantially with the Guidelines;
- (8) The Collateral Loan and the Collateral Documents relating thereto and the servicing of such Collateral Loan complies in all respects with all applicable laws, including, but not limited to, debt collection, truth in lending and credit disclosure laws and regulations and all applicable state and federal usury laws;
- (9) The Collateral Loan Obligor under any Collateral Loan is not to Debtor's knowledge, (A) for residency purposes anything other than a legal resident of the United States, or (B) a Governmental Authority, and unconditional payments under the Collateral Loan Note are to be made in Dollars;
- (10) The Collateral Documents do not restrict or prohibit the sale, transfer or assignment of such Collateral Loan by Debtor;

(11) At the time of the origination of a Collateral Loan, neither the Collateral Loan Obligor nor any guarantor thereof is employed by, related to or affiliated with Debtor or its Affiliates;

(12) The Collateral Loan has not been (A) modified, renewed or extended (except in accordance with written terms acceptable to Lender in its sole discretion) on the date such Collateral Loan is pledged as Collateral under this Agreement and (B) after being pledged as Collateral under this Agreement, modified, renewed or extended (except in accordance with written terms acceptable to Lender in its sole discretion);

(13) The Collateral Loan is serviced by a Servicing Agent in accordance with the Guidelines;

(14) Payment of the Collateral Loan is secured by a first priority lien on the collateral described in the Collateral Documents related thereto, free and clear of any liens of other Person;

(15) The Collateral Loan has been pledged to Lender and Lender has a perfected first priority lien in the Collateral Loan not subject to any other liens or claims of any kind;

(16) All payments received under a Collateral Loan Note have been applied to the indebtedness arising under the Collateral Loan Note; provided that, only the amount of any payment received but not yet applied shall be ineligible, and only to the extent of such amount;

(17) There is not a delinquency of longer than **SIXTY (60)** days in any payment required to be made under such Collateral Loan; and

(18) The Collateral Loan Obligor with respect to such Collateral Loan (A) has not filed a petition for bankruptcy or any other relief under the Bankruptcy Code or any other law relating to bankruptcy, insolvency, reorganization or relief of debtors, made an assignment for the benefit of creditors, had filed against it any petition or other application for relief under the Bankruptcy Code or any such other law, and (B) has not died or been declared incompetent.

(c) **Funding.** Lender reserves the right to require not less than **ONE (1)** Business Day prior notice of each Loan under the Credit Facility, specifying the aggregate amount of such Loan together with any documentation relating thereto as Lender may reasonably request; including, but not limited to, a Borrowing Base Certificate. Debtor shall give Lender notice of each Loan under the Credit Facility by no later than 1:00 p.m. (Dallas, Texas time). Lender at its option may accept telephonic requests for such Loan, provided that such acceptance shall not constitute a waiver of Lender's right to require delivery of a written request in connection with subsequent Loans. Lender shall have no liability to Debtor for any loss or damage suffered by Debtor as a result of Lender's honoring of any requests, execution of any instructions, authorizations or agreements or reliance on any reports communicated to it telephonically, by facsimile or electronically and purporting to have been sent to Lender by Debtor and Lender shall have no duty to verify the origin of any such communication or the identity or authority of the Person sending it. Subject to the terms and conditions of this Agreement, each Loan under this Section shall be made available to Debtor by depositing the same, in immediately available funds, in an account of Debtor designated by Debtor or by paying the proceeds of such Loan to a third party designated by Debtor.

(d) **Use of Proceeds.** The Loans under the Credit Facility shall be used by Debtor for working capital in the ordinary course of business and to fund growth in its retail loan portfolio.

(e) **Fees.** Debtor agrees to pay to Lender an unused facility fee on the daily average unused amount of the Credit Facility for the period from and including the Effective Date to and including the Maturity Date, at the rate of **ONE QUARTER OF ONE PERCENT (0.25%)** per annum based on a **THREE HUNDRED SIXTY (360)** day year and the actual number of days elapsed. Such fee shall be due and payable as of the **FIRST (1st)** day of each calendar quarter in arrears.

3. **Note, Rate and Computation of Interest.** The Credit Facility shall be evidenced by a Note duly executed by Debtor and payable to the order of Lender, in form and substance acceptable to Lender. All payments of principal, interest, and other amounts to be made by Debtor under this Agreement and the other Loan Documents shall be made to the Lender at the offices of Lender as set forth herein in Dollars and immediately available funds, without setoff, deduction, or counterclaim, and free and clear of all taxes at the time and in the manner provided in the Note.

4. **Collateral.**

(a) **Grant of Security Interest.** As collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Indebtedness, Debtor hereby pledges to and grants Lender, a security interest in, all of Debtor's right, title and interest in the Collateral, whether now owned by Debtor or hereafter acquired and whether now existing or hereafter coming into existence. If Debtor at any time holds or acquires a Commercial Tort Claim, Debtor shall notify Lender in writing within **FIVE (5)** Business Days of such occurrence with the details thereof and grant to Lender a security interest therein or lien thereon and in the proceeds thereof, in form and substance satisfactory to Lender. If the security interest granted hereby in any rights of Debtor under any contract or other agreement included in the Collateral is expressly prohibited by such contract, then the security interest hereby granted therein nonetheless remains effective to the extent allowed by Article 9 of the Code or other applicable law but is otherwise limited by that prohibition

(b) **Debtor Remains Liable.** Notwithstanding anything to the contrary contained herein, (i) Debtor shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of its respective duties and obligations thereunder to the same extent as if this Agreement had not been executed, (ii) the exercise by Lender of any of its rights hereunder shall not release Debtor from any of its duties or obligations under the contracts and agreements included in the Collateral, and (iii) Lender shall not have any obligation or liability under any of the contracts and agreements included in the Collateral by reason of this Agreement, nor shall Lender be obligated to perform any of the obligations or duties of Debtor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

(c) **Intellectual Property.** All material Intellectual Property owned or used by Debtor (if any) is listed, together with application or registration numbers, where applicable, on Schedule III. Debtor owns, or is licensed to use, all intellectual property necessary to conduct its business as currently conducted except for such intellectual property the failure of which to own or license could not reasonably be expected to have a Material Adverse Effect. Debtor will maintain the patenting and registration of all intellectual property with the United States Patent and Trademark Office, the United States Copyright Office, or other appropriate Governmental Authority and Debtor will promptly patent or register, as the case may be, all new intellectual property and notify Lender in writing **FIVE (5)** Business Days prior to filing any such new patent or registration.

(d) **Additional Documents.** To secure full and complete payment and performance of the Indebtedness, Debtor shall execute and deliver or cause to be executed and delivered all of the Loan Documents reasonably required by Lender covering the Collateral. Debtor shall execute and cause to be executed such further documents and instruments, as Lender, in its reasonable discretion, deems necessary or desirable to create, evidence, preserve, and perfect its liens and security interests in the Collateral. In the event any of the Loan Documents evidencing or securing the Indebtedness misrepresents or inaccurately reflects the correct terms and/or provisions of the Indebtedness, each Obligor shall upon request by Lender and in order to correct such mistake, execute such new documents or initial corrected, original documents as Lender may deem reasonably necessary to remedy said errors or mistakes. Each Obligor shall execute such other documents as Lender shall deem reasonably necessary to correct any defects or deficiencies in the Loan Documents. Any Obligor's failure to execute such documents as requested shall constitute an Event of Default under this Agreement.

(e) **Setoff.** As further security for the Indebtedness, Debtor grants to Lender a first lien and contractual right of set-off in and to all money and property of Debtor now or at any time hereafter coming within the custody or control of Lender, including (without limitation) all certificates of deposit and other

accounts, whether such certificates of deposit and/or accounts have matured or not, and whether the exercise of such right of set-off results in loss of interest or other penalty under the terms of the certificate of deposit or account agreement. It is further agreed that Lender shall have a first lien on all deposits and other sums at any time credited by or due from Lender to Debtor as security for the payment of the Indebtedness, and Lender, at its option after the occurrence of a Default may without notice and without any liability, hold all or any part of any such deposits or other sums until all amounts owing under the Loan Documents have been paid in full, and/or Lender may apply or set-off all or any part of any such deposits or other sums credited by or due from Lender to or against any sums due under the Loan Documents in any manner and in any order of preference which Lender, in its sole discretion, chooses. The rights and remedies of Lender hereunder are in addition to any other rights and remedies (including, without limitation, other rights of setoff) which Lender may have.

(f) **Satisfaction of Indebtedness.** Until the Indebtedness has been indefeasibly paid and fully satisfied (other than contingent indemnification obligations to the extent no unsatisfied claim has been asserted) and the commitments of Lender under the Credit Facility have been terminated, Lender shall be entitled to retain the security interests in the Collateral granted under the Loan Documents and the ability to exercise all rights and remedies available to Lender under the Loan Documents and applicable laws.

5. **Conditions Precedent.**

(a) **Initial Loan.** The obligation of Lender to make the initial Loan under the Credit Facility, is subject to the condition precedent that Lender shall have received on or before the day of such Loan all of the following in form and substance satisfactory to Lender, or the following conditions shall have been satisfied satisfactory to Lender, as applicable:

(i) **Resolutions.** Resolutions of the governing body of each Obligor that is not a natural Person certified by an authorized officer or representative of such Obligor which authorize the execution, delivery, and performance of the Loan Documents that such Obligor is a party to;

(ii) **Incumbency Certificate.** A certificate of incumbency certified by an authorized officer or representative of each Obligor that is not a natural person certifying the names of the individuals or other Persons authorized to sign the Loan Documents to which any Obligor that is not a natural Person is to be a party (including the certificates contemplated herein) together with specimen signatures of such Persons;

(iii) **Constituent Documents.** The Constituent Documents of each Obligor that is not a natural Person certified to Lender as being true and correct as of the Effective Date;

(iv) **Governmental Certificates.** Certificates of the appropriate government officials of the state of organization of each Obligor that is not a natural Person and any state such Obligor is currently doing business as to the existence, qualification and good standing of such Obligor, dated no more than **TEN (10)** days prior to the Effective Date;

(v) **Loan Documents.** The Loan Documents executed by each Obligor party thereto;

(vi) **Financial Statements.** Audited financial statements of Debtor covering the year 2010.

(vii) **Financing Statements.** Code financing statements covering the Collateral shall have been filed with such filing offices as Lender may request;

(viii) **Insurance Matters.** Copies of insurance certificates describing all insurance policies as may be required by Lender from time-to-time;

(ix) **Lien Search.** The results of a Code or other lien search showing all financing statements and other documents or instruments on file against Debtor in such locations as Lender may reasonably request, such search to be as of a date no more than **TEN (10)** days prior to the Effective Date;

(x) **Fees and Expenses.** Evidence that the costs and expenses of Lender (including reasonable attorneys' fees) and all fees owing to Lender, shall have been paid in full by Debtor;

(xi) **Certain Amounts Owing to Debtor.** Debtor shall cause the Collateral Loans and the Collateral Documents to have been pledged to Lender in form and content satisfactory to Lender;

(xii) **Due Diligence.** Lender shall have (at Debtor's cost and expense) completed its business, legal and collateral due diligence audit with respect to Debtor and the Collateral Loans (including the Collateral Loan portfolio) and the results thereof shall be acceptable to Lender, in its sole and absolute discretion; and

(xiii) **Other Matters.** Such other documents and agreements as may be required by Lender in its reasonable discretion.

(b) **All Loans.** The obligation of Lender to make any Loan shall be subject to the following additional conditions precedent:

(i) **Request for Loan.** Lender shall have received in accordance with this Agreement, a request for a Loan in form and content satisfactory to Lender in its reasonable discretion dated as of the date of request and executed by an authorized officer of Debtor;

(ii) **No Event of Default, Etc.** No Default or event which could reasonably be expected to have a Material Adverse Effect shall have occurred and be continuing, or would result from or after giving effect to such Loan; and

(iii) **Representations and Warranties.** All of the representations and warranties contained in the Loan Documents shall be true and correct in material respects on and as of the date of such Loan with the same force and effect as if such representations and warranties had been made on and as of such date.

6. **Representations and Warranties.** Each Obligor hereby represents and warrants, and upon each request for a Loan represents and warrants to Lender as follows:

(a) **Existence.** Each Obligor that is not a natural person (i) is duly organized, validly existing, and in good standing under the laws of the jurisdiction of its organization; (ii) has all requisite power and authority to own its assets and carry on its business as now being or as proposed to be conducted; and (iii) is qualified to do business in all jurisdictions in which the nature of its business makes such qualification necessary and where failure to so qualify would have a Material Adverse Effect. Each Obligor has the power and authority to execute, deliver, and perform its obligations under the Loan Documents to which it is or may become a party. The federal tax identification number and state organizational number for Debtor are set forth below:

Federal Tax Identification Number	State Filing Number
20-2897516	TX0800497321

(b) **Binding Obligations.** The execution, delivery, and performance of the Loan Documents by each Obligor have been duly authorized by all necessary action by such Obligor, and constitute legal, valid and binding obligations of such Obligor, enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency or similar laws of general application relating to the enforcement of creditors' rights and except to the extent specific remedies may generally be limited by equitable principles.

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(c) **No Consent.** The execution, delivery and performance of the Loan Documents, and the consummation of the transactions contemplated thereby, do not (i) conflict with, result in a violation of, or constitute a default under (1) any provision of the Constituent Documents (if any) or other instrument binding upon any Obligor, (2) any law, governmental regulation, court decree or order applicable to any Obligor, or (3) any contractual obligation, agreement, judgment, license, order or permit applicable to or binding upon any Obligor, (ii) require the consent, approval or authorization of any third party, or (iii) result in or require the creation of any lien, charge or encumbrance upon any property or asset of any Obligor except as may be expressly contemplated in the Loan Documents.

(d) **Financial Condition.** Each financial statement of each Obligor supplied to Lender truly discloses and fairly presents such Person's financial condition as of the date of each such statement. There has been no material adverse change in such financial condition or results of operations of any Obligor subsequent to the date of the most recent financial statement supplied to Lender.

(e) **Operation of Business.** Debtor possesses all contracts, licenses, permits, franchises, patents, copyrights, trademarks, and tradenames, or rights thereto, necessary to conduct its businesses substantially as now conducted and as presently proposed to be conducted, and Debtor and is not in violation of any valid rights of others with respect to any of the foregoing, except any violations that could not reasonably be expected to have a Material Adverse Effect.

(f) **Litigation and Judgments.** There is no action, suit, investigation, or proceeding before or by any Governmental Authority or arbitrator pending, or to the knowledge of any Obligor, threatened against or affecting such Obligor that would, if adversely determined, have a Material Adverse Effect. There are no outstanding judgments against any Obligor.

(g) **Rights in Properties; Liens.** Debtor has good and indefeasible title to the Collateral, and none of the Collateral is subject to any lien, except Permitted Encumbrances.

(h) **Debt.** Debtor has no Debt other than the Permitted Indebtedness.

(i) **Disclosure.** No statement, information, report, representation, or warranty made by any Obligor in the Loan Documents or furnished to Lender in connection with the Loan Documents or any of the transactions contemplated hereby contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein or therein not misleading. There is no fact known to any Obligor which could reasonably be expected to have a Material Adverse Effect that has not been disclosed in writing to Lender.

(j) **Agreements.** Debtor is not a party to any indenture, loan, or credit agreement, or to any lease or other agreement or instrument, or subject to any charter or corporate or other organizational restriction which could reasonably be expected to have a Material Adverse Effect. Debtor is not in default in any material respect in the performance, observance, or fulfillment of any of the obligations, covenants, or conditions contained in any agreement or instrument material to its business.

(k) **Compliance with Laws.** No Obligor is in violation of any law, rule, regulation, order, or decree of any Governmental Authority or arbitrator, the violation of which could reasonably be expected to have a Material Adverse Effect.

(l) **Taxes; Governmental Charges.** Each Obligor has filed all federal, state and local tax reports and returns required by any law or regulation to be filed by it and has either duly paid all taxes, duties and charges indicated due on the basis of such returns and reports, or made adequate provision for the payment thereof, and the assessment of any material amount of additional taxes in excess of those paid and reported is not reasonably expected. No Obligor knows of no pending investigation of such Obligor or by any taxing authority or of any pending but unassessed tax liability of such Obligor.

(m) **Use of Proceeds; Margin Securities.** Debtor is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of regulations of the Board of Governors of the Federal Reserve System), and no

part of the proceeds of any Loan will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying margin stock.

(n) **ERISA.** Debtor is in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations and published interpretations thereunder ("ERISA"). Neither a reportable event nor a prohibited transaction has occurred and is continuing with respect to any plan. No notice of intent to terminate a plan has been filed, nor has any plan been terminated. No circumstances exist which constitute grounds entitling the Pension Benefit Guaranty Corporation or any entity succeeding to all or any of its functions under ERISA ("PBGC") to institute proceedings to terminate, or appoint a trustee to administer, a plan, nor has the PBGC instituted any such proceedings. Neither Debtor nor any ERISA Affiliate (if any) has completely or partially withdrawn from a multiemployer plan. Debtor and each ERISA Affiliate (if any) has met its minimum funding requirements under ERISA with respect to all of their plans, and the present value of all vested benefits under each plan do not exceed the fair market value of all plan assets allocable to such benefits, as determined on the most recent valuation date of the plan and in accordance with ERISA. Neither Debtor nor any ERISA Affiliate (if any) has incurred any liability to the PBGC under ERISA.

(o) **Security Interest.** Debtor has and will have at all times full right, power and authority to grant a security interest in the Collateral to Lender in the manner provided herein, free and clear of any lien, security interest or other charge or encumbrance other than for the Permitted Encumbrances. This Agreement creates a legal, valid and binding first priority security interest (subject to Permitted Encumbrances) in favor of Lender in the Collateral securing the Indebtedness. Possession by Lender of certain types of Collateral from time to time or the filing of the financing statements delivered prior hereto or concurrently herewith by Debtor to Lender will perfect and establish the first priority of Lender's security interest hereunder in the Collateral (to the extent that perfection can be accomplished through the filing of a financing statement or the possession of such Collateral) other than for the Permitted Encumbrances.

(p) **Location.** Debtor's chief executive office and the office where the records concerning the Collateral are kept are at its address set forth on the signature page hereof.

(q) **Environmental Matters.** Except for matters disclosed in writing to Lender:

(i) **Notice of Non-Compliance.** Debtor and all of its property and operations are in full compliance with all Environmental Laws, except where non-compliance could not reasonably be expected to have a Material Adverse Effect. Debtor is not aware of, nor has Debtor received notice of, any past, present, or future conditions, events, activities, practices, or incidents which may interfere with or prevent the compliance or continued compliance of Debtor with all Environmental Laws except where non-compliance would be reasonably be expected to have a Material Adverse Effect;

(ii) **Permits.** Debtor has obtained all permits, licenses, and authorizations that are required under applicable Environmental Laws, and all such permits are in good standing and Debtor is in compliance with all of the terms and conditions of such permits, except where non-compliance could not reasonably be expected to have a Material Adverse Effect.

(r) **Solvency.** On the Effective Date and on the date of each Loan, Debtor will be and after giving effect to the requested Loan, will be, solvent.

7. **Representations and Warranties Concerning Eligible Collateral Loans.** Debtor hereby represents and warrants to Lender, and by submitting each Borrowing Base Certificate or each request for a Loan shall be deemed to have represented and warranted to Lender, that as of the date of such Borrowing Base Certificate or request for a Loan and as to each Collateral Loan included or to be included as an Eligible Collateral Loan:

(a) **Status of the Collateral Loans and Other Collateral.** With respect to each Collateral Loan at the time the Collateral Loan becomes subject to a lien in favor of Lender, Debtor covenants, represents and warrants: (i) Debtor shall be the sole owner of each Collateral Loan, free and clear of all liens (except for Permitted Encumbrances), and shall be fully authorized to sell, transfer, pledge and/or

grant a security interest in each and every Collateral Loan; (ii) each Collateral Loan shall be a good and valid loan representing an undisputed bona fide indebtedness incurred or an amount indisputably owed by the Collateral Loan Obligor therein named, for a fixed sum as set forth in the Collateral Documents; (iii) no Collateral Loan shall be subject to any defense, offset, counterclaim, discount or allowance, and each Collateral Loan and will be collected when due; (iv) none of the transactions underlying or giving rise to any Collateral Loan shall violate any applicable state or federal laws or regulations, and all documents relating thereto shall be legally sufficient under such laws or regulations and shall be legally enforceable in accordance with their terms; (v) all agreements, instruments and other documents relating to any Collateral Loan shall be true and correct and in all material respects what they purport to be; (vi) all signatures and endorsements that appear on all material agreements, instruments and other documents relating to any Collateral Loan shall be genuine and all signatories and endorsers shall have full capacity to contract; (vii) Debtor shall maintain books and records pertaining to said Collateral Loan in such detail, form and scope as Lender shall reasonably require; and (viii) Lender has a first perfected lien on the Collateral.

(b) **Compliance with Laws; Enforceability; Modification; Required Documents, Etc.** Each Collateral Loan and the Collateral Documents related thereto (i) has been made and serviced in compliance, in all respects, with all requirements of applicable laws, rules and regulations (such as OFAC checks, red flag rules, privacy notifications, usury laws, and GPS disclosures), (ii) is genuine, valid, duly authorized, properly executed and enforceable in accordance with the terms set forth therein, without defense or offset, (iii) has not been modified or amended and has not had any requirements thereof waived except for modifications in compliance with a material and substantial portion of the Guidelines, (iv) complies with the terms of this Agreement, and (v) such Collateral Loan has been fully advanced in the respective face amounts thereof.

(c) **Underwriting.** No Collateral Loan was underwritten in violation of a material and substantial portion of the Guidelines.

(d) **Collection Practices.** The Guidelines and practices used by the Servicing Agent with respect to a Collateral Loan have been in all respects legal, proper, prudent and customary for the servicing of the Collateral Loans.

8. **Covenants.** Until all Indebtedness of Debtor under the Loan Documents is indefeasibly paid or performed, and Lender has no further commitment to lend under the Credit Facility, Debtor agrees and covenants as follows:

(a) **Payment of Obligations.** Debtor will pay its obligations, including tax liabilities, that, if not paid, could become a lien on any of its property, before the same shall become delinquent or in default, except where (i) the validity or amount thereof is being contested in good faith by appropriate proceedings, and (ii) Debtor has set aside on its books adequate reserves with respect thereto in accordance with GAAP.

(b) **Maintenance and Conduct of Business.** Debtor will (i) keep, maintain and preserve all property (tangible and intangible) material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, (ii) do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges, agreements and franchises material to the conduct of its business, and (iii) engage in an efficient and economical manner in a business of the same general type and within Debtor's powers under Constituent Documents.

(c) **Books and Records; Inspection Rights.** Debtor will keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. Debtor will permit any representatives designated by Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested. Lender or its agent shall be permitted (at Debtor's cost and expense) to conduct field audits or reviews (such audits and reviews are anticipated, absent a Default and the continuation thereof, to be conducted on a semi-annual basis).

(d) **Servicing Agent.** Debtor shall cause (at Debtor's sole cost and expense) (i) the Collateral Documents to be held by Servicing Agent for the benefit of Lender pursuant to a Servicing Agreement, and (ii) each Collateral Loan to be (at Debtor's sole cost and expense) to be serviced by a Servicing Agent in accordance with the Guidelines pursuant to a Servicing Agreement. Debtor shall cause Servicing Agent to service the Collateral Loans in compliance with the Collateral Documents and all applicable laws, rules and regulations.

(e) **Insurance.** Debtor will cause each Dealership to maintain such insurance as Lender reasonably deems reasonably necessary.

(f) **Compliance with Laws.** Debtor will comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(g) **Compliance with Agreements.** Debtor will comply, in all material respects with all material agreements, contracts, and instruments binding on it or affecting its properties, assets or business.

(h) **ERISA.** Debtor will comply, and will cause each Subsidiary to comply, with all minimum funding requirements, and all other material requirements, of ERISA, if applicable, so as not to give rise to any liability thereunder.

(i) **Notice of Indebtedness.** Debtor will promptly inform Lender of the creation, incurrence or assumption by Debtor of any actual or contingent liabilities not permitted under this Agreement.

(j) **Notices of Material Events.** Debtor will furnish to Lender prompt written notice of the following:

(i) the occurrence of any Event of Default;

(ii) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or any Obligor that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect; and

(iii) any and all material adverse changes in any Obligor's financial condition and all claims made against any Obligor that could materially affect the financial condition of such Obligor.

Each notice delivered under this Section shall be accompanied by a statement of an officer of Debtor setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

(k) **Ownership and Liens.** Debtor will maintain good and indefeasible title to the Collateral free and clear of all liens, security interests, encumbrances or adverse claims, except for Permitted Encumbrances. Debtor will cause any financing statement or other security instrument with respect to the Collateral to be terminated, except for Permitted Encumbrances. Debtor will defend at its expense Lender's right, title and security interest in and to the Collateral against the claims of any third party.

(l) **Chattel Paper, Documents and Instruments.** Debtor will take such action as may be reasonably requested by Lender in order to cause any chattel paper, documents or instruments to be valid and enforceable and will cause all chattel paper, and instruments to have only one original counterpart. Commencing **FIVE (5)** Business Days after Lender makes a written request therefore, Debtor will cause the top of the front page of each Collateral Loan Note or other chattel paper evidencing a Collateral Loan originated on or after such date to have conspicuously printed thereon the following notation:

“COLLATERALLY ASSIGNED TO CAPITAL ONE, N.A.”

(m) **Accounts.** To induce Lender to establish the interest rates provided for in the Note and in order to enable Lender to more fully monitor Debtor’s financial condition, Debtor will use Lender as its depository bank for the maintenance of business, cash management, operating and administrative accounts.

(n) **Fundamental Change.** Debtor will not (i) make any material change in the nature of its business as carried on as of the Effective Date, (ii) liquidate, merge or consolidate with or into any other Person or dispose of a material portion of its assets (except for the sales of inventory in the ordinary course of business), (iii) make a change in organizational structure or the jurisdiction in which it is organized, or (iv) permit any change in (1) the location of any Collateral (other than between different locations of Debtor), (2) the location of any records concerning any Collateral, (3) Debtor’s legal name, or (4) the state of Debtor’s organization to a jurisdiction. **DEBTOR WILL NOT, WITHOUT THE PRIOR WRITTEN CONSENT OF LENDER, (i) CREATE, INCUR OR ASSUME INDEBTEDNESS FOR BORROWED MONEY, INCLUDING CAPITAL LEASES, OTHER THAN INDEBTEDNESS EXPRESSLY PERMITTED BY THE LOAN DOCUMENTS, (ii) SELL, TRANSFER, MORTGAGE, ASSIGN, PLEDGE, LEASE (OTHER THAN IN THE ORDINARY COURSE OF BUSINESS), GRANT A SECURITY INTEREST IN OR ENCUMBER ANY OF DEBTOR’S ASSETS (EXCEPT AS EXPRESSLY PERMITTED BY THE LOAN DOCUMENTS), OR (iii) SELL ANY OF THE COLLATERAL LOANS TO ANY PERSON, EXCEPT TO LENDER.**

(o) **Debt.** Debtor will not create, incur, assume or permit to exist any Debt except for the following (“*Permitted Indebtedness*”):

- (i) The Indebtedness created hereunder;
- (ii) The Permitted Real Property Debt, in an amount not to exceed **FIVE MILLION AND NO/100 DOLLARS (\$5,000,000.00)**; and
- (iii) Other Debt existing on the Effective Date and set forth in Schedule IV.

(p) **Loans.** Debtor will not make loans or guarantee any obligation of any other Person or entity other than (i) term loans to consumers secured in whole or in part by manufactured housing, including the Collateral Loans, (ii) loans to Dealerships up to **FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$500,000.00)** each, up to an aggregate of **FIVE MILLION AND NO/100 DOLLARS (\$5,000,000.00)** at any time; (iii) loans or advances to employees of Debtor not to exceed **ONE HUNDRED THOUSAND AND NO/100 DOLLARS (\$100,000.00)** in the aggregate outstanding at any time, including such loans and advances outstanding on the Effective Date, and (iv) accounts receivable for sales of inventory and other products and services provided by Debtor to its respective customers in the ordinary course of business of Debtor.

(q) **Transactions With Affiliates.** Debtor will not enter into any transaction, including, without limitation, the purchase, sale or exchange of property or the rendering of any service, with any Affiliate of Debtor, except in the ordinary course of and pursuant to the reasonable requirements of Debtor’s business (upon prior written notice to Lender) and upon fair and reasonable terms no less favorable to Debtor than would be obtained in a comparable arm’s-length transaction with a Person or entity not an Affiliate of Debtor.

(r) **Dividends or Distribution.** Debtor will not declare or pay any dividends or distributions on any equity interest of Debtor to any Person, unless any such amounts are directly utilized for the payment of (i) principal or interest on Indebtedness owing from time to time by Debtor to Lender, or (ii) taxes owing by an equity holder of Debtor to the extent that such taxes are incurred as a result of the business operations of Debtor, so long as no Default exists immediately prior to or after giving effect to such dividends.

(s) **Transfer or Encumbrance.** Debtor will not (i) sell, assign (by operation of law or otherwise), transfer, exchange, lease or otherwise dispose of any of the Collateral except in the ordinary course of business, (ii) grant a lien or security interest in or execute, file or record any financing statement or other security instrument with respect to the Collateral, or (iii) deliver actual or constructive possession

of any of the Collateral to any party other than Lender or a Servicing Agent who is acting in its capacity as special limited agent for Debtor on such terms and conditions as are approved by Lender.

(t) **Acquisitions.** Debtor shall not acquire (whether in one or more transactions) the equity interests or assets of any Person if such acquisitions would, in the aggregate, exceed **ONE MILLION AND NO/100 DOLLARS (\$1,000,000.00)** without the prior written consent of Lender, which consent shall not be unreasonably withheld or delayed.

(u) **Impairment of Security Interest.** Debtor will not and will not permit any Servicing Agent to take any action that would in any manner impair the enforceability of Lender's security interest in any Collateral. Debtor shall not, without the prior written consent of Lender, amend, modify settle, compromise or adjust any rights of Debtor.

(v) **Compromise of Collateral.** Debtor will not and will not permit any Servicing Agent to adjust, settle, compromise, amend or modify any Collateral, except an adjustment, settlement, compromise, amendment or modification in good faith and in the ordinary course of business and in accordance with the Servicing Agreement; provided, however, this exception shall terminate following written notice from Lender upon the occurrence and during the continuation of a Default. Debtor shall provide to Lender such information concerning (i) any adjustment, settlement, compromise, amendment or modification of any Collateral Loan, and (ii) any claim asserted by any Collateral Loan Obligor for credit, allowance, adjustment, dispute, setoff or counterclaim, as Lender may reasonably request from time to time.

(w) **Certain Agreements.** Debtor will not and will not permit any Servicing Agent to agree to any material amendment or other material change to or material waiver of any of its rights under any Collateral Loan except in good faith and in the ordinary course of business and in accordance with the Servicing Agreement.

(x) **Limitations on Credit and Collection Policies.** Debtor will not permit and will not allow any Servicing Agent to make any change in the Guidelines without the prior written consent of Lender (which consent shall not be unreasonably withheld or delayed).

9. **Financial Covenants.** Until all Indebtedness of Debtor under the Loan Documents is indefeasibly paid or satisfied and Lender has no further commitment to lend under the Credit Facility, Debtor agrees and covenants that it will, unless Lender shall otherwise consent in writing:

(a) **Tangible Net Worth.** Debtor will maintain at all times a Tangible Net Worth of not less than **THIRTY MILLION AND NO/100 DOLLARS (\$30,000,000.00)**.

(b) **Debt to EBITDA.** Debtor will at all times maintain a ratio of Debt to EBITDA of not greater than 4.00 to 1.00.

10. **Reporting Requirements.** Until all Indebtedness of Debtor under the Loan Documents is indefeasibly paid and satisfied, and Lender has no further commitment to lend under the Credit Facility, Debtor agrees and covenants that it will furnish or cause to be furnished the following:

(a) **Interim Financial Statements.** As soon as available, and in any event within **TWENTY (20)** days after the end of each fiscal quarter, financial statements to include a balance sheet, income statement and cash flow statement of Debtor, as of the end of such fiscal quarter all in form and reasonable detail satisfactory to Lender and duly certified (subject to year-end review adjustments) by an appropriate officer of Debtor (i) as being true and correct in all material aspects to the best of such officer's knowledge (subject to year-end adjustments), and (ii) as having been prepared in accordance with GAAP.

(b) **Annual Financial Statements and Tax Returns.** As soon as available and in any event (i) within **ONE HUNDRED FIFTY (150)** days after the end of each fiscal year, a financial statement to include a balance sheet, income statement and cash flow statement of Debtor, as of the end of such fiscal year, audited by independent certified public accountants of recognized standing satisfactory to Lender, and (ii) within **THIRTY (30)** days of filing, annual income tax returns for Debtor.

(c) **Budget.** As soon as available and in any event, at least **THIRTY (30)** days prior to the beginning of each fiscal year of Debtor, a budget for the upcoming fiscal year of Debtor, in form and reasonable detail satisfactory to Lender.

(d) **Management Letters.** Promptly upon receipt thereof Debtor shall furnish to Lender, a copy of any management letter or written report submitted to Debtor by independent certified public accountants with respect to the business, condition (financial or otherwise), operations, prospects, or properties of Debtor.

(e) **ERISA Reports.** Promptly after the filing or receipt thereof, copies of all reports, including annual reports, and notices which Debtor files with or receives from the PBGC or the U.S. Department of Labor under ERISA; and as soon as possible and in any event within **FIVE (5)** Business Days after Debtor knows or has reason to know that any reportable event or prohibited transaction has occurred with respect to any plan or that the PBGC or Debtor has instituted or will institute proceedings under Title IV of ERISA to terminate any plan, a certificate of an officer of Debtor setting forth the details as to such reportable event or prohibited transaction or plan termination and the action that Debtor proposes to take with respect thereto.

(f) **Compliance Certificate.** As soon as available, and in any event within **TWENTY (20)** days after the end of each calendar quarter, a compliance certificate of an officer of Debtor (i) stating that to such officer's knowledge, no Event of Default has occurred and is continuing, or if an Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which is proposed to be taken with respect thereto, and (ii) showing in reasonable detail the calculations demonstrating compliance with the financial covenants set forth in Section 9 of this Agreement.

(g) **Notice of Default and Events of Default.** As soon as possible and in any event within **FIVE (5)** Business Days after the occurrence of each Event of Default, a written notice setting forth the details of such Event of Default and the action which is proposed to be taken by Debtor with respect thereto.

(h) **Borrowing Base.** As soon as available and in any event within **TWENTY (20)** days after the end of each calendar month or more often as may be required by Lender, an executed Borrowing Base Certificate.

(i) **Certain Reports.** As soon as available, and in any event within **TWENTY (20)** days after the end of each calendar month, (i) a trial balance report of the outstanding principal balances of the Collateral Loans, (ii) an account payable aging, classifying Debtor's accounts payable in categories of 0-30, 31-60, 61-90 and over 90 days from date of invoice of such account payable, and in such form and detail as Lender shall require, and (iii) a past due report for the Collateral Loans, classifying such Collateral Loans in categories of 0-30, 31-60, 61-90 and over 90 days from date such payment was due, and in such form and detail as Lender shall require.

(j) **Guarantor Financial Statement and Tax Returns.** As soon as available and in any event within (i) **THIRTY (30)** days after the anniversary of the most recent financial statement provided by any Guarantor, a financial statement as of such anniversary date for such Guarantor, in such form and detail as Lender shall reasonably require, and (ii) within **THIRTY (30)** days of the day it is filed with the Internal Revenue Service or other applicable taxing entity, a copy of each Guarantor's filed tax return.

(k) **General Information.** Debtor shall promptly deliver such other information concerning any Obligor as Lender may request.

11. **Rights of Lender.** Lender shall have the rights contained in this Section at all times that this Agreement is effective.

(a) **Financing Statements.** Debtor hereby authorizes Lender to file one or more financing or continuation statements, and amendments thereto, relating to the Collateral. Debtor hereby irrevocably authorizes Lender at any time and from time to time to file in any Code jurisdiction any initial financing

statements and amendments thereto that (i) indicate the Collateral (1) as all assets of Debtor or words of similar effect; regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Code, or (2) as being of an equal or lesser scope or with greater detail, and (ii) contain any other information required by Article 9 of the Code for the sufficiency or filing office acceptance of any financing statement or amendment.

(b) **Field Exams.** Lender may conduct field exams at Lender's discretion. Lender shall pay all costs and expenses of any such field exam.

(c) **Power of Attorney.** Debtor hereby irrevocably appoints Lender as Debtor's attorney-in-fact, such power of attorney being coupled with an interest, with full authority in the place and stead of Debtor and in the name of Debtor or otherwise, from time to time following the occurrence and during the continuation of an Event of Default in Lender's reasonable discretion, to take any action and to execute any instrument which Lender may deem necessary or appropriate to accomplish the purposes of this Agreement.

(d) **Performance by Lender.** If any Obligor fails to perform any agreement or obligation provided for in any Loan Document, Lender may itself perform, or cause performance of, such agreement or obligation, and the expenses of Lender incurred in connection therewith shall be a part of the Indebtedness, secured by the Collateral and payable by Debtor on demand.

(e) **Debtor's Receipt of Proceeds.** Upon the occurrence and during the continuation of an Event of Default, all amounts and proceeds (including instruments and writings) received by Debtor in respect of the Collateral shall be received in trust for the benefit of Lender hereunder and, upon the written request of Lender, shall be segregated from other property of Debtor and shall be forthwith delivered to Lender in the same form as so received (with any necessary endorsement) and applied to the Indebtedness in accordance with the Loan Documents.

12. **Events of Default.** Each of the following shall constitute an "Event of Default" under this Agreement:

(a) **Payment Default.** The failure, refusal or neglect of Debtor to pay when due any part of the principal of, or interest on the Indebtedness owing to Lender by Debtor or any other indebtedness or obligations due and owing from Debtor to Lender under the Loan Documents from time to time and such failure, refusal or neglect shall continue unremedied for a period of **FIVE (5)** days from the date such payment is due.

(b) **Performance or Warranty Default.** Except as otherwise provided in this Section, the failure of any Obligor to timely and properly observe, keep or perform any covenant, agreement, warranty or condition required herein or in any of the other Loan Documents or any other agreement with Lender which is not cured within **FIVE (5)** Business Days following written notice from Lender to such Obligor; provided, that (i) if such default cannot be cured within **FIVE (5)** Business Days, (ii) such Obligor has, within such period, taken such actions as deemed reasonably necessary and appropriate by Lender to cure such default, and (iii) such Obligor shall continue to diligently pursue such actions, such cure period shall be extended for a period of **THIRTY (30)** days.

(c) **Representations.** Any representation contained herein or in any of the other Loan Documents made by an Obligor is false, misleading or erroneous in any material respect when made or deemed to have been made in any material respect.

(d) **Default Under Other Indebtedness.** The occurrence of any event which permits the acceleration of the maturity of any indebtedness for borrowed money in an aggregate principal amount in excess of **TWO HUNDRED THOUSAND AND NO/100 DOLLARS (\$200,000.00)** owing by any Obligor to any third party under any agreement or understanding.

(e) **Insolvency.** If any Obligor (i) becomes insolvent, or makes a transfer in fraud of creditors, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its

debts as they become due; (ii) generally is not paying its debts as such debts become due; (iii) has a receiver, trustee or custodian appointed for, or take possession of, all or substantially all of its assets, either in a proceeding brought by it or in a proceeding brought against it and such appointment is not discharged or such possession is not terminated within **SIXTY (60)** days after the effective date thereof or it consents to or acquiesces in such appointment or possession; (iv) files a petition for relief under the United States Bankruptcy Code or any other present or future federal or state insolvency, Bankruptcy or similar laws (all of the foregoing hereinafter collectively called "Applicable Bankruptcy Law") or an involuntary petition for relief is filed against it under any Applicable Bankruptcy Law and such involuntary petition is not dismissed within **SIXTY (60)** days after the filing thereof, or an order for relief naming it is entered under any Applicable Bankruptcy Law, or any composition, rearrangement, extension, reorganization or other relief of debtors now or hereafter existing is requested or consented to by it; or (v) fails to have discharged within a period of **SIXTY (60)** days any attachment, sequestration or similar writ levied upon any property of it.

(f) **Judgment.** The entry of any judgment against any Obligor or the issuance or entry of any attachments or other liens against any of the property of such Obligor for an amount in excess of **FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$500,000.00)** individually or **ONE MILLION AND NO/100 DOLLARS (\$1,000,000.00)** in the aggregate, in either case if uninsured, undischarged, unbonded or undismissed on the date on which such judgment could be executed upon.

(g) **Action Against Collateral.** The Collateral or any portion thereof is taken on execution or other process of law in any action.

(h) **Change in Control.** (i) **CURTIS HODGSON** and/or **KENNETH SHIPLEY** shall cease to be active in the management of Debtor, or (ii) a majority of the record or beneficial ownership of Debtor shall have been transferred, assigned or hypothecated to any Person other than those Persons who shall own such interests as of the Effective Date.

(i) **ERISA Default.** Any of the following events shall occur or exist with respect to the Borrower or any ERISA Affiliate: (i) any prohibited transaction involving any plan; (ii) any reportable event with respect to any plan; (iii) the filing under Section 4041 of ERISA of a notice of intent to terminate any plan or the termination of any plan; (iv) any event or circumstance that might constitute grounds entitling the PBGC to institute proceedings under Section 4042 of ERISA for the termination of, or for the appointment of a trustee to administer, any plan, or the institution by the PBGC of any such proceedings; or (v) complete or partial withdrawal under Section 4201 or 4204 of ERISA from a multiemployer plan or the reorganization, insolvency, or termination of any multiemployer plan; and in each case above, such event or condition, together with all other events or conditions, if any, have subjected or could in the reasonable opinion of Lender subject Debtor to any tax, penalty, or other liability to a plan, a multiemployer plan, the PBGC, or otherwise (or any combination thereof) which in the aggregate exceed or could reasonably be expected to exceed **ONE HUNDRED THOUSAND AND NO/100 DOLLARS (\$100,000.00)**.

(j) **Death or Incompetence of an Obligor; Dissolution of Certain Person.** Any Obligor that is (i) a natural Person shall have died or have been declared incompetent by a court of proper jurisdiction, or (ii) not a natural Person shall have been dissolved, liquidated, or merged or consolidated with or into any other Person without the prior written consent of Lender, provided, however, the death or legal incapacity of any Obligor that is a natural person shall not be an Event of Default if, within **THIRTY (30)** days of the date of such death or incapacity, the representative or legal guardian of such Obligor or Obligor's estate affirms in writing (which instrument shall be in form and substance satisfactory to Lender) (i) the obligations of such Obligor estate pursuant to the Loan Documents, and (ii) that no distributions shall be made from such estate without the prior written consent of Lender.

(k) **Action of Lien Holder.** The holder of any lien or security interest on the Collateral (without hereby implying the consent of Lender to the existence or creation of any such lien or security interest on the Collateral), declares a default thereunder or institutes foreclosure or other proceedings for the enforcement of its remedies thereunder.

(l) **Material Adverse Effect.** Any event shall have occurred or is continuing which shall have had a Material Adverse Effect.

(m) **Loan Documents.** (i) The Loan Documents shall at any time after their execution and delivery and for any reason cease (1) to create a valid and perfected first priority security interest (subject to Permitted Encumbrances) in and to the Collateral; or (2) to be in full force and effect or shall be declared null and void, or (ii) the validity of enforceability the Loan Documents shall be contested by any Obligor or any other Person party thereto or any Obligor shall deny it has any further liability or obligation under the Loan Documents.

Nothing contained in this Agreement shall be construed to limit the events of default enumerated in any of the other Loan Documents and all such events of default shall be cumulative.

13. **Remedies and Related Rights.** If an Event of Default shall have occurred and be continuing, and without limiting any other rights and remedies provided herein, under any of the Loan Documents or otherwise available to Lender, Lender may exercise one or more of the rights and remedies provided in this Section.

(a) **Remedies.** Upon the occurrence of any one or more of the foregoing Events of Default, (i) the entire unpaid balance of principal of the Note, together with all accrued but unpaid interest thereon, and all other Indebtedness owing to Lender by Debtor at such time shall, at the option of Lender, become immediately due and payable without further notice, demand, presentation, notice of dishonor, notice of intent to accelerate, notice of acceleration, protest or notice of protest of any kind, all of which are expressly waived by Debtor, and (ii) Lender may, at its option, cease further advances under the Note and this Agreement; provided, however, concurrently and automatically with the occurrence of an Event of Default under Subsection 12(e) further advances under the Loan Documents shall automatically cease, the Indebtedness at such time shall, without any action by Lender, become due and payable, without further notice, demand, presentation, notice of dishonor, notice of acceleration, notice of intent to accelerate, protest or notice of protest of any kind, all of which are expressly waived by Debtor. All rights and remedies of Lender set forth in this Agreement and in any of the other Loan Documents may also be exercised by Lender, at its option to be exercised in its sole discretion, upon the occurrence of an Event of Default, and not in substitution or diminution of any rights now or hereafter held by Lender under the terms of any other agreement.

(b) **Other Remedies.** Upon the occurrence and during the continuation of any one or more of the foregoing Events of Default, Lender may from time to time at its discretion, without limitation and without notice except as expressly provided in any of the Loan Documents:

(i) Exercise in respect of the Collateral all the rights and remedies of a secured party under the Code (whether or not the Code applies to the affected Collateral);

(ii) Require Debtor to, and Debtor hereby agrees that it will at its expense and upon request of Lender, assemble the Collateral as directed by Lender and make it available to Lender at a place to be designated by Lender which is reasonably convenient to both parties;

(iii) Reduce its claim to judgment or foreclose or otherwise enforce, in whole or in part, the security interest granted hereunder by any available judicial procedure;

(iv) Sell or otherwise dispose of, at its office, on the premises of Debtor or elsewhere, the Collateral, as a unit or in parcels, by public or private proceedings, and by way of one or more contracts (it being agreed that the sale or other disposition of any part of the Collateral shall not exhaust Lender's power of sale, but sales or other dispositions may be made from time to time until all of the Collateral has been sold or disposed of or until the Indebtedness has been paid and performed in full), and at any such sale or other disposition it shall not be necessary to exhibit any of the Collateral;

(v) Buy the Collateral, or any portion thereof, at any public sale;

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(vi) Buy the Collateral, or any portion thereof, at any private sale if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed standard price quotations;

(vii) Apply for the appointment of a receiver for the Collateral, and Debtor hereby consents to any such appointment; and

(viii) At its option, retain the Collateral in satisfaction of the Indebtedness whenever the circumstances are such that Lender is entitled to do so under the Code or otherwise.

Debtor agrees that in the event Debtor is entitled to receive any notice under the Code, as it exists in the state governing any such notice, of the sale or other disposition of any Collateral, reasonable notice shall be deemed given when such notice is deposited in a depository receptacle under the care and custody of the United States Postal Service, postage prepaid, at Debtor's address set forth on the signature page hereof, **TEN (10)** days prior to the date of any public sale, or after which a private sale, of any of such Collateral is to be held. Lender shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Lender may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(c) **Application of Proceeds.** If any Event of Default shall have occurred and is continuing, Lender may at its discretion apply or use any cash held by Lender as Collateral, and any cash proceeds received by Lender in respect of any sale or other disposition of, collection from, or other realization upon, all or any part of the Collateral as follows in such order and manner as Lender may elect:

(i) to the repayment or reimbursement of the reasonable costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred by Lender in connection with (1) the administration of the Loan Documents, (2) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, the Collateral, and (3) the exercise or enforcement of any of the rights and remedies of Lender hereunder;

(ii) to the payment or other satisfaction of any liens and other encumbrances upon the Collateral;

- (iii) to the satisfaction of the Indebtedness;
- (iv) by holding such cash and proceeds as Collateral;
- (v) to the payment of any other amounts required by applicable law; and
- (vi) by delivery to Debtor or any other party lawfully entitled to receive such cash or proceeds whether by direction of a court of competent jurisdiction or otherwise.

(d) **License.** Lender is hereby granted a license or other right to use, following the occurrence and during the continuance of an Event of Default, without charge, Debtor's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks, customer lists and advertising matter, or any property of a similar nature, as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral, and, following the occurrence and during the continuance of an Event of Default, Debtor's rights under all licenses and all franchise agreements shall inure to Lender's benefit.

(e) **Deficiency.** In the event that the proceeds of any sale of, collection from, or other realization upon, all or any part of the Collateral by Lender are insufficient to pay all amounts to which Lender is legally entitled, each Obligor (unless otherwise provided) shall be liable for the deficiency, together with interest thereon as provided in the Loan Documents.

(f) **Non-Judicial Remedies.** In granting to Lender the power to enforce its rights hereunder without prior judicial process or judicial hearing, Debtor expressly waives, renounces and knowingly relinquishes any legal right which might otherwise require Lender to enforce its rights by judicial process. Debtor recognizes and concedes that non-judicial remedies are consistent with the usage of trade, are responsive to commercial necessity and are the result of a bargain at arm's length. Nothing herein is intended to prevent Lender or Debtor from resorting to judicial process at either party's option.

(g) **Use and Possession of Certain Premises.** Upon the occurrence of an Event of Default, Lender shall be entitled to occupy and use any premises owned or leased by Debtor where any of the Collateral or any records relating to the Collateral are located until the Indebtedness is paid or the Collateral is removed therefrom, whichever first occurs, without any obligation to pay Debtor for such use and occupancy.

(h) **Other Recourse.** Each Obligor waives any right to require Lender to proceed against any third party, exhaust any Collateral or other security for the Indebtedness, or to have any third party joined with Debtor in any suit arising out of the Indebtedness or any of the Loan Documents, or pursue any other remedy available to Lender. Each Obligor further waives any and all notice of acceptance of this Agreement and of the creation, modification, rearrangement, renewal or extension of the Indebtedness. Each Obligor further waives any defense arising by reason of any disability or other defense of any third party or by reason of the cessation from any cause whatsoever of the liability of any third party. Until all of the Indebtedness shall have been paid in full, Obligor shall have no right of subrogation and each Obligor waives the right to enforce any remedy which Lender has or may hereafter have against any third party, and waives any benefit of and any right to participate in any other security whatsoever now or hereafter held by Lender. Each Obligor authorizes Lender, and without notice or demand and without any reservation of rights against such Obligor and without affecting such Obligor's liability hereunder or on the Indebtedness to (i) take or hold any other property of any type from any third party as security for the Indebtedness, and exchange, enforce, waive and release any or all of such other property, (ii) apply such other property and direct the order or manner of sale thereof as Lender may in its discretion determine, (iii) renew, extend, accelerate, modify, compromise, settle or release any of the Indebtedness or other security for the Indebtedness, (iv) waive, enforce or modify any of the provisions of any of the Loan Documents executed by any third party, and (v) release or substitute any third party.

(i) **No Waiver; Cumulative Remedies.** No failure on the part of Lender to exercise and no delay in exercising, and no course of dealing with respect to, any right, power, or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The rights and remedies provided for in this Agreement and the other Loan Documents are cumulative and not exclusive of any rights and remedies provided by law.

(j) **Equitable Relief.** Debtor recognizes that in the event Debtor fails to pay, perform, observe, or discharge any or all of the Indebtedness, any remedy at law may prove to be inadequate relief to Lender. Debtor therefore agrees that Lender, if Lender so requests, shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

14. **Indemnity.** Debtor hereby indemnifies and agrees to hold harmless Lender, and its officers, directors, employees, agents and representatives (each an "*Indemnified Person*") from and against any and all liabilities, obligations, claims, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature (collectively, the "*Claims*") which may be imposed on, incurred by, or asserted against, any Indemnified Person arising in connection with the Loan Documents, the Indebtedness or the Collateral (including without limitation, the enforcement of the Loan Documents and the defense of any Indemnified Person's actions and/or inactions in connection with the Loan Documents). **WITHOUT LIMITATION, THE FOREGOING INDEMNITIES SHALL APPLY TO EACH INDEMNIFIED PERSON WITH RESPECT TO ANY CLAIMS WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF THE NEGLIGENCE OF SUCH AND/OR ANY OTHER INDEMNIFIED PERSON, EXCEPT TO THE LIMITED EXTENT THE CLAIMS AGAINST AN INDEMNIFIED PERSON ARE PROXIMATELY CAUSED BY SUCH INDEMNIFIED PERSON'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.** If Debtor or any third party ever alleges such gross negligence or willful misconduct by any Indemnified Person, the indemnification provided for in this

Section shall nonetheless be paid upon demand, subject to later adjustment or reimbursement, until such time as (a) a court of competent jurisdiction enters a final judgment as to the extent and effect of the alleged gross negligence or willful misconduct, or (b) Lender has expressly agreed in writing with Debtor that such Claim is proximately caused by such Indemnified Person's gross negligence or willful misconduct. The indemnification provided for in this Section shall survive the termination of this Agreement and shall extend and continue to benefit each individual or entity that is or has at any time been an Indemnified Person hereunder.

15. **Limitation of Liability.** Neither Lender nor any officer, director, employee, attorney, or agent of Lender shall have any liability with respect to, and Debtor hereby waives, releases, and agrees not to sue any of them upon, any claim for any special, indirect, incidental, or consequential damages suffered or incurred by Debtor in connection with, arising out of, or in any way related to, this Agreement or any of the other Loan Documents, or any of the transactions contemplated by this Agreement or any of the other Loan Documents. Debtor hereby waives, releases, and agrees not to sue Lender or any of Lender's Affiliates, officers, directors, employees, attorneys, or agents for punitive damages in respect of any claim in connection with, arising out of, or in any way related to, this Agreement or any of the other Loan Documents, or any of the transactions contemplated by this Agreement or any of the other Loan Documents.

16. **No Duty.** All attorneys, accountants, appraisers, and other professional Persons and consultants retained by Lender shall have the right to act exclusively in the interest of Lender and shall have no duty of disclosure, duty of loyalty, duty of care, or other duty or obligation of any type or nature whatsoever to any Obligor or any of any Obligor's equity holders or any other Person. Documents in connection with the transactions contemplated hereunder have been prepared by **GARDERE WYNNE SEWELL LLP** ("**Lender's Counsel**"). Debtor acknowledges and understands that Lender's Counsel is acting solely as counsel to Lender in connection with the transaction contemplated herein, is not representing Debtor in connection therewith, and has not, in any manner, undertaken to assist or render legal advice to Debtor with respect to this transaction. Each Obligor has been advised to seek other legal counsel to represent each of their interests in connection with the transactions contemplated herein.

17. **Lender Not Fiduciary.** The relationship between Obligors and Lender is solely that of debtor and creditor, and Lender has no fiduciary or other special relationship with any Obligor, and no term or condition of any of the Loan Documents shall be construed so as to deem the relationship between any Obligor and Lender to be other than that of debtor and creditor.

18. **Waiver and Agreement.** Neither the failure nor any delay on the part of Lender to exercise any right, power or privilege herein or under any of the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. No waiver of any provision in this Agreement or in any of the other Loan Documents and no departure by any Obligor therefrom shall be effective unless the same shall be in writing and signed by Lender, and then shall be effective only in the specific instance and for the purpose for which given and to the extent specified in such writing. No modification or amendment to this Agreement or to any of the other Loan Documents shall be valid or effective unless the same is signed by the party against whom it is sought to be enforced.

19. **Benefits.** This Agreement shall be binding upon and inure to the benefit of Lender and Obligors, and their respective successors and assigns, provided, however, that no Obligor may, without the prior written consent of Lender, assign any rights, powers, duties or obligations under this Agreement or any of the other Loan Documents.

20. **Notices.** All notices, requests, demands or other communications required or permitted to be given pursuant to this Agreement shall be in writing and given by (a) personal delivery, (b) expedited delivery service with proof of delivery, or (c) United States mail, postage prepaid, registered or certified mail, return receipt requested, sent to the intended addressee at the address set forth on the signature page hereof and shall be deemed to have been received either, in the case of personal delivery, as of the time of personal delivery, in the case of expedited delivery service, as of the time of the expedited delivery and in the manner provided herein, or in the case of mail, upon the **THIRD (3rd)** day after deposit in a depository receptacle under the care and custody of the United States Postal Service. Any party shall have the right to change its address for notice hereunder to any other location within the continental United States by notice to the other party of such new address.

21. **Construction; Venue; Service of Process.** The Loan Documents have been executed and delivered in the State of Texas, shall be governed by and construed in accordance with the laws of the State of Texas, and shall be performable by the parties hereto in the county in Texas where Lender's address set forth on the signature page hereof is located (the "Venue Site"). Any action or proceeding against any Obligor under or in connection with any of the Loan Documents may be brought in any state or federal court within the Venue Site. Each Obligor hereby irrevocably (a) submits to the nonexclusive jurisdiction of such courts, and (b) waives any objection it may now or hereafter have as to the venue of any such action or proceeding brought in any such court or that any such court is an inconvenient forum. Each Obligor agrees that service of process upon it may be made by certified or registered mail, return receipt requested, at its address specified or determined in accordance with the provisions this Agreement. Nothing in any of the other Loan Documents shall affect the right of Lender to serve process in any other manner permitted by law or shall limit the right of Lender to bring any action or proceeding against any Obligor or with respect to any of its property in courts in other jurisdictions. Any action or proceeding by any Obligor against Lender shall be brought only in a court located in the Venue Site.

22. **Invalid Provisions.** If any provision of the Loan Documents is held to be illegal, invalid or unenforceable under present or future laws, such provision shall be fully severable and the remaining provisions of the Loan Documents shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance.

23. **Expenses.** Debtor shall pay all reasonable costs and expenses (including, without limitation, reasonable attorneys' fees) in connection with (a) the drafting and execution of the Loan Documents and the transactions contemplated therein; provided that Lender's attorneys' fees incurred in connection with the drafting and execution of the Loan Documents (exclusive of third party search, document and filing fees incurred by its attorneys in connection therewith) shall not exceed **FIFTEEN THOUSAND AND NO/100 DOLLARS (\$15,000.00)**, (b) any action required in the course of administration of the indebtedness and obligations evidenced by the Loan Documents, and (c) any action in the enforcement of Lender's rights upon the occurrence of an Event of Default.

24. **Participation of the Loans.** Debtor agrees that Lender may, at its option, sell interests in the Loans and its rights under this Agreement to a financial institution or institutions and, in connection with each such sale, Lender may disclose any financial and other information available to Lender concerning Debtor to each prospective purchaser subject to obtaining a confidentiality agreement with each prospective purchaser prior to disclosing Debtor's confidential information.

25. **Conflicts.** Except as otherwise expressly provided in the Note, in the event any term or provision of this Agreement is inconsistent with or conflicts with any provision of the other Loan Documents, the terms and provisions contained in this Agreement shall be controlling.

26. **Counterparts.** The Loan Documents may be separately executed in any number of counterparts, each of which shall be an original, but all of which, taken together, shall be deemed to constitute one and the same instrument.

27. **Survival.** All representations and warranties made in the Loan Documents or in any document, statement, or certificate furnished in connection with this Agreement shall survive the execution and delivery of the Loan Documents, and no investigation by Lender or any closing shall affect the representations and warranties or the right of Lender to rely upon them.

28. **Waiver of Right to Trial by Jury. THE PARTIES HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING, OR COUNTERCLAIM THAT RELATES TO OR ARISES OUT OF THE LOAN DOCUMENTS OR THE ACTS OR FAILURE TO ACT OF OR BY LENDER IN THE ENFORCEMENT OF ANY OF THE TERMS OR PROVISIONS OF THE LOAN DOCUMENTS.**

29. **Patriot Act Notice.** Lender hereby notifies each Obligor that pursuant to the requirements of Section 326 of the USA Patriot Act of 2001, 31 U.S.C. § 5318 (the "Act"), that Lender is required to obtain, verify and record information that identifies such Obligor, which information includes the name and address of such Obligor and other information that will allow such Lender to identify such Obligor in accordance with the Act.

30. **Disclosure Relating to Collateral Protection Insurance**. As of the date of this disclosure, Debtor and Lender have or shall have consummated a transaction pursuant to which Lender has agreed to make Loans to Debtor. Debtor has pledged Collateral to secure the Indebtedness in accordance with the Loan Documents. This notice relates to Debtor's obligations with respect to insuring the Collateral against damage. To this end, Debtor must do the following:

- (a) Keep the Collateral insured against damage in the amount equal to the Indebtedness or as otherwise required by the Loan Documents;
- (b) Purchase the insurance from an insurer that is authorized to do business in Texas or an eligible surplus lines insurer;
- (c) Name Lender the person to be paid under the policy in the event of loss; and
- (d) Deliver to Lender a copy of the policy and proof of the payment of premiums.

Lender may obtain collateral protection insurance on behalf of Debtor at Debtor's expense if Debtor fails to meet any of the foregoing requirements.

31. **Notice of Final Agreement**. It is the intention of each Obligor and Lender that the following **NOTICE OF FINAL AGREEMENT** be incorporated by reference into each of the Loan Documents (as the same may be amended, modified or restated from time to time). Each Obligor and Lender warrant and represent that the entire agreement made and existing by or among each Obligor and Lender with respect to the Loans is and shall be contained within the Loan Documents, and that no agreements or promises exist or shall exist by or among, any Obligor and Lender that are not reflected in the Loan Documents.

NOTICE OF FINAL AGREEMENT

THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES, AND THE SAME MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

REMAINDER OF PAGE LEFT INTENTIONALLY BLANK

AGREED as of the date first written above.

LENDER:

CAPITAL ONE, N.A.

By: /s/ Seth Allen
Name: Seth Allen
Title: Senior Vice President

With copies of notices to:

DEBTOR:

LEGACY HOUSING, LTD

By: GPLH, LC
Its: General Partner

By: /s/ Curtis Hodgson
Name: Curtis Hodgson
Title: Manager

ADDRESS:

600 N. Pearl, Suite 2500
Dallas, TX 75201

Gardere Wynne Sewell LLP
1601 Elm Street, Suite 3000
Dallas, TX 75201-4761
Attention: Steven S. Camp

ADDRESS:

4801 Mark IV Parkway
Fort Worth, TX 76106

SIGNATURES CONTINUED ON THE FOLLOWING PAGE

JOINDER OF GUARANTOR

GUARANTOR hereby agrees and consents to the provisions of this Agreement and agrees to be bound by the terms and conditions set forth therein. All representations and warranties applicable to Guarantor contained in the Agreement are true and correct on and as of the Effective Date.

GUARANTOR:

ADDRESS:

/s/ CURTIS HODGSON
CURTIS HODGSON

4801 Mark IV Parkway
Fort Worth, TX 76106

/s/ KENNETH SHIPLEY
KENNETH SHIPLEY

4801 Mark IV Parkway
Fort Worth, TX 76106

Documents Prepared By:

Steven S. Camp
Gardere Wynne Sewell LLP
1601 Elm Street, Suite 3000
Dallas, TX 75201
214-999-4354

**SCHEDULE I
TO
LOAN AND SECURITY AGREEMENT**

Existing Liens

None.

**SCHEDULE II
TO
LOAN AND SECURITY AGREEMENT**

Permitted Real Property Debt

1. 4801 Mark IV Parkway, Fort Worth, TX 76106
 2. 103 N. Neal Street, Commerce, TX 75248
 3. 301 Bishop Street, Commerce, TX 75248
-

**SCHEDULE III
TO
LOAN AND SECURITY AGREEMENT**

Patents, Copyrights, Trademarks and Licenses

<u>Copyright</u>	<u>Number</u>	<u>Date</u>
Floorplan 164411FKA.	VAu000992580	2009
Floorplan 164411FKB.	VAu000992578	2009
Floorplan 164411FLA	VAu000992577	2009
Floorplan 164411FLB.	VAu000992581	2009
Floorplan 1868FKA.	VAu000978866	2009
Floorplan Model 1868-22FLA.	VAu000979177	2009
Floorplan Model 1868FKB.	VAu000978871	2009
Floorplan Model 1876-32FKA.	VAu000978872	2009
Floorplan Model 1880-22MRA.	VAu000978873	2009
Floorplan Model 1880-32A.	VAu000978875	2009
Floorplan Model 1880-32B.	VAu000978877	2009
Floorplan Model 1880-32FKA.	VAu000978878	2009
Floorplan Model 1880-42A.	VAu000978880	2009
Floorplan Model 1880-42B.	VAu000978882	2009
Floorplan Model LH32566432A Offset DW.	VAu000986189	2009

**SCHEDULE IV
TO
LOAN AND SECURITY AGREEMENT**

Debt

None.

FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT

THIS FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT (this "Amendment") dated as of **DECEMBER 12, 2013**, is between CAPITAL ONE, N.A., a national association (together with its successors and assigns, "Lender"), and LEGACY HOUSING, LTD, a Texas limited partnership ("Debtor").

RECITALS

WHEREAS, Debtor and Lender entered into that certain LOAN AND SECURITY AGREEMENT dated as of **DECEMBER 14, 2011** (as amended, renewed and restated from time to time, the "Agreement");

WHEREAS, the parties desire to amend the Agreement pursuant to the terms and conditions set forth herein;

NOW, THEREFORE, the parties, intending to be legally bound, agree as follows:

1. **Definitions.** Capitalized terms used in this Amendment, to the extent not otherwise defined herein, shall have the same meanings as in the Agreement, as amended hereby.
2. **Amendment to Section 2(a).** Section 2(a) of the Agreement is hereby amended in its entirety to read as follows:
 - (a) **Nature of Credit Facility.** Subject to the terms and conditions set forth in this Agreement and the other Loan Documents, Lender hereby agrees to make loans to Debtor under a revolving credit facility (the "Credit Facility") in an aggregate sum not to exceed the lesser of: (i) an amount equal to the Borrowing Base, or (ii) **THIRTY MILLION AND NO/100 DOLLARS (\$30,000,000.00)**, from time to time continuing until the earlier of: (i) the acceleration of the Indebtedness pursuant to the terms of the Loan Documents; or (ii) **DECEMBER 12, 2016** (the earliest of such dates being the "Maturity Date"). If at any time the sum of the aggregate principal amount of Loans outstanding hereunder exceeds the lesser of the Borrowing Base or the maximum Dollar amount stated above, such amount shall be deemed an "Overadvance." Debtor shall immediately repay the amount of such Overadvance *plus* all accrued and unpaid interest thereon upon written demand from Lender. Notwithstanding anything contained herein to the contrary, an Overadvance shall be considered a Loan and shall bear interest at the interest rates set forth in the Note and be secured by this Agreement. Subject to the terms and conditions hereof, Debtor may borrow, repay and reborrow funds under the Credit Facility.
3. **Amendment to Section 10(f).** Section 10(f) of the Agreement is hereby amended in its entirety to read as follows:
 - (f) **Compliance Certificate.** As soon as available, and in any event within **TWENTY (20)** days after the end of each calendar quarter and together with the financial statements delivered under Section 10(a), a compliance certificate of an officer of Debtor substantially in the form attached as Exhibit A hereto.
4. **Addition of New Exhibit A.** A new Exhibit A is hereby added to the Agreement in the form attached as Exhibit A hereto.
5. **Conditions Precedent.** The obligations of Lender under this Amendment shall be subject to the conditions precedent that (a) Debtor shall have delivered to Lender this Amendment, an **AMENDED AND RESTATED PROMISSORY NOTE** in the amount of **THIRTY MILLION AND NO/100 DOLLARS (\$30,000,000.00)**, a **CLOSING CERTIFICATE** of a manager of the general partner of Debtor, and such other documents and instruments incidental and appropriate to the transaction provided for herein as Lender or its counsel may reasonably request.

FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT
CAPITAL ONE, N.A. — LEGACY HOUSING, LTD

6. **Payment of Fees and Expenses.** Debtor agrees to pay all reasonable attorneys' fees of Lender in connection with the drafting and execution of this Amendment.

7. **Ratifications.** Except as expressly modified and superseded by this Amendment, the Loan Documents are ratified and confirmed and continue in full force and effect. The terms, conditions and provisions of the Loan Documents (as the same may have been amended, modified or restated from time to time) are incorporated herein by reference, the same as if stated verbatim herein. The Loan Documents, as modified by this Amendment, continue to be legal, valid, binding and enforceable in accordance with their respective terms. Without limiting the generality of the foregoing, each Obligor hereby ratifies and confirms that all liens heretofore granted to Lender were intended to, do and continue to secure the full payment and performance of the Indebtedness. Each Obligor agrees to perform such acts and duly authorize, execute, acknowledge, deliver, file and record such additional assignments, security agreements, modifications or agreements to any of the foregoing, and such other agreements, documents and instruments as Lender may reasonably request in order to perfect and protect the liens and preserve and protect the rights of Lender.

8. **Representations, Warranties and Confirmations.** Each Obligor hereby represents and warrants to Lender that (a) this Amendment and the other Loan Documents have been duly executed and delivered by any Obligor party thereto, are valid and binding upon such Obligor and are enforceable against such Obligor in accordance with their terms, except as limited by any applicable bankruptcy laws, (b) no action of, or filing with, any governmental authority is required to authorize, or is otherwise required in connection with, the execution, delivery and performance by any Obligor of this Amendment or any other Loan Document, and (c) the execution, delivery and performance by such Obligor of this Amendment and any other Loan Documents do not require the consent of any other person and do not and will not constitute a violation of any laws, agreements or understandings to which such Obligor is a party or by which such Obligor is bound.

9. **Multiple Counterparts.** This Amendment may be executed in a number of identical separate counterparts, each of which for all purposes is to be deemed an original, but all of which shall constitute, collectively, one agreement. Signature pages to this Amendment may be detached from multiple separate counterparts and attached to the same document and a telecopy or other facsimile of any such executed signature page shall be valid as an original.

10. **Reference to Agreement.** Each of the Loan Documents, including the Agreement and any and all other agreements, documents, or instruments now or hereafter executed and delivered pursuant to the terms hereof containing a reference to the Agreement shall mean and refer to the Agreement as amended hereby.

11. **Severability.** Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

12. **Headings.** The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

13. **Release.** As a material inducement to Lender to enter into this Amendment, each Obligor hereby fully, finally, and absolutely and forever releases and discharges Lender and its present and former directors, shareholders, officers, employees, agents, representatives, successors and assigns, and their separate and respective heirs, personal representatives, successors and assigns, from any and all actions, causes of action, claims, debts, damages, demands, liabilities, obligations, and suits, of whatever kind or nature, in law or equity of such Obligor, whether now known or unknown to such Obligor, and whether contingent or matured (a) in connection with any and all obligations owed or owing to the Lender under or in respect of the Agreement, the Loan Documents, or the actions or omissions of Lender in respect of the Agreement and the Loan Documents; and (b) arising from events occurring prior to the date of this Amendment.

NOTICE OF FINAL AGREEMENT

THE AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS AMENDED BY THIS AMENDMENT, REPRESENT THE FINAL AGREEMENT BETWEEN AND AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN AND AMONG THE PARTIES.

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed as of the date first above written.

LENDER:

ADDRESS:

CAPITAL ONE, N.A.

600 N. Pearl Street, Suite 2500
Dallas, TX 75201

By: /s/ Seth P. Allen
Name: Seth P. Allen
Title: Senior Vice President

DEBTOR:

ADDRESS:

LEGACY HOUSING, LTD

4801 Mark IV Parkway
Fort Worth, TX 76106

By: GPLH, LC
Its: General Partner

By: /s/ Curtis Hodgson
Name: Curtis Hodgson
Title: Manager

CONSENT TO AND CONFIRMATION OF GUARANTY

To induce Lender to execute the foregoing Amendment, Guarantor (a) agrees and consents to the execution and delivery of the Amendment and the terms thereof; (b) ratifies and confirms that all guaranties and assurances granted, conveyed or otherwise provided to Lender under the Loan Documents, including, but not limited to that certain **GUARANTY AGREEMENT** dated as of **DECEMBER 14, 2011** (as the same may have been amended, modified or restated from time to time, the "*Guaranty*"), are not released, diminished, impaired, reduced, or otherwise adversely affected by the Amendment; (c) confirms and agrees that the Guaranty continues to guarantee and assure the payment and performance of the Indebtedness in accordance with its terms; (d) agrees to perform such acts and duly authorize, execute, acknowledge and deliver such additional guaranties, assurances and other documents, instruments and agreements as Lender may reasonably deem necessary or appropriate in order to create, perfect, preserve and protect those guaranties and assurances; and (e) waives notice of acceptance of this consent and confirmation, which consent and confirmation binds Guarantor and Guarantor's successors and assigns and inures to Lender and its successors and assigns. The terms, conditions and provisions of the Guaranty (as the same may have been amended, modified or restated from time to time) are incorporated herein by reference, as if stated verbatim herein.

EXECUTED as of the date first written above.

GUARANTOR:

ADDRESS:

4801 Mark IV Parkway
Fort Worth, TX 76106

/s/ CURTIS HODGSON
CURTIS HODGSON

4801 Mark IV Parkway
Fort Worth, TX 76106

/s/ KENNETH SHIPLEY
KENNETH SHIPLEY

EXHIBIT A
COMPLIANCE CERTIFICATE

ATTACHED

SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT

THIS SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT (this "Amendment") dated as of MARCH 31, 2014, is between CAPITAL ONE, N.A., a national association (together with its successors and assigns, "Lender"), and LEGACY HOUSING, LTD, a Texas limited partnership ("Debtor").

RECITALS

WHEREAS, Debtor and Lender entered into that certain LOAN AND SECURITY AGREEMENT dated as of DECEMBER 14, 2011 (as amended, renewed and restated from time to time, the "Agreement");

WHEREAS, the parties desire to amend the Agreement pursuant to the terms and conditions set forth herein;

NOW, THEREFORE, the parties, intending to be legally bound, agree as follows:

1. **Definitions.** Capitalized terms used in this Amendment, to the extent not otherwise defined herein, shall have the same meanings as in the Agreement, as amended hereby.
2. **Amendment to Section 2(a).** Section 2(a) of the Agreement is hereby amended in its entirety to read as follows:
 - (a) **Nature of Credit Facility.** Subject to the terms and conditions set forth in this Agreement and the other Loan Documents, Lender hereby agrees to make loans to Debtor under a revolving credit facility (the "Credit Facility") in an aggregate sum not to exceed the lesser of: (i) an amount equal to the Borrowing Base, or (ii) THIRTY-FIVE MILLION AND NO/100 DOLLARS (\$35,000,000.00), from time to time continuing until the earlier of: (i) the acceleration of the Indebtedness pursuant to the terms of the Loan Documents; or (ii) DECEMBER 12, 2016 (the earliest of such dates being the "Maturity Date"). If at any time the sum of the aggregate principal amount of Loans outstanding hereunder exceeds the lesser of the Borrowing Base or the maximum Dollar amount stated above, such amount shall be deemed an "Overadvance." Debtor shall immediately repay the amount of such Overadvance plus all accrued and unpaid interest thereon upon written demand from Lender. Notwithstanding anything contained herein to the contrary, an Overadvance shall be considered a Loan and shall bear interest at the interest rates set forth in the Note and be secured by this Agreement. Subject to the terms and conditions hereof, Debtor may borrow, repay and reborrow funds under the Credit Facility.
3. **Conditions Precedent.** The obligations of Lender under this Amendment shall be subject to the conditions precedent that Debtor shall have delivered to Lender this Amendment, a SECOND AMENDED AND RESTATED PROMISSORY NOTE in the amount of THIRTY-FIVE MILLION AND NO/100 DOLLARS (\$35,000,000.00), a CLOSING CERTIFICATE of a manager of the general partner of Debtor, and such other documents and instruments incidental and appropriate to the transaction provided for herein as Lender or its counsel may reasonably request.
4. **Payment of Fees and Expenses.** Debtor agrees to pay all reasonable attorneys' fees of Lender in connection with the drafting and execution of this Amendment.
5. **Ratifications.** Except as expressly modified and superseded by this Amendment, the Loan Documents are ratified and confirmed and continue in full force and effect. The terms, conditions and provisions of the Loan Documents (as the same may have been amended, modified or restated from time to time) are incorporated herein by reference, the same as if stated verbatim herein. The Loan Documents, as modified by this Amendment, continue to be legal, valid, binding and enforceable in accordance with their respective terms. Without limiting the generality of the foregoing, each Obligor hereby ratifies and confirms that all liens heretofore granted to Lender were intended to, do and continue to secure the full payment and performance of the Indebtedness. Each Obligor agrees to perform such acts and duly authorize, execute, acknowledge, deliver, file and record such additional assignments, security agreements, modifications or agreements to any of the foregoing, and such other agreements,

documents and instruments as Lender may reasonably request in order to perfect and protect the liens and preserve and protect the rights of Lender.

6. **Representations, Warranties and Confirmations.** Each Obligor hereby represents and warrants to Lender that (a) this Amendment and the other Loan Documents have been duly executed and delivered by any Obligor party thereto, are valid and binding upon such Obligor and are enforceable against such Obligor in accordance with their terms, except as limited by any applicable bankruptcy laws, (b) no action of, or filing with, any governmental authority is required to authorize, or is otherwise required in connection with, the execution, delivery and performance by any Obligor of this Amendment or any other Loan Document, and (c) the execution, delivery and performance by such Obligor of this Amendment and any other Loan Documents do not require the consent of any other person and do not and will not constitute a violation of any laws, agreements or understandings to which such Obligor is a party or by which such Obligor is bound.

7. **Multiple Counterparts.** This Amendment may be executed in a number of identical separate counterparts, each of which for all purposes is to be deemed an original, but all of which shall constitute, collectively, one agreement. Signature pages to this Amendment may be detached from multiple separate counterparts and attached to the same document and a telecopy or other facsimile of any such executed signature page shall be valid as an original.

8. **Reference to Agreement.** Each of the Loan Documents, including the Agreement and any and all other agreements, documents, or instruments now or hereafter executed and delivered pursuant to the terms hereof containing a reference to the Agreement shall mean and refer to the Agreement as amended hereby.

9. **Severability.** Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

10. **Headings.** The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

11. **Release.** As a material inducement to Lender to enter into this Amendment, each Obligor hereby fully, finally, and absolutely and forever releases and discharges Lender and its present and former directors, shareholders, officers, employees, agents, representatives, successors and assigns, and their separate and respective heirs, personal representatives, successors and assigns, from any and all actions, causes of action, claims, debts, damages, demands, liabilities, obligations, and suits, of whatever kind or nature, in law or equity of such Obligor, whether now known or unknown to such Obligor, and whether contingent or matured (a) in connection with any and all obligations owed or owing to the Lender under or in respect of the Agreement, the Loan Documents, or the actions or omissions of Lender in respect of the Agreement and the Loan Documents; and (b) arising from events occurring prior to the date of this Amendment.

NOTICE OF FINAL AGREEMENT

THE AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS AMENDED BY THIS AMENDMENT, REPRESENT THE FINAL AGREEMENT BETWEEN AND AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN AND AMONG THE PARTIES.

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed as of the date first above written.

LENDER:

ADDRESS:

CAPITAL ONE, N.A.

600 N. Pearl Street, Suite 2500
Dallas, TX 75201

By: /s/ Seth P. Allen
Name: Seth P. Allen
Title: Senior Vice President

DEBTOR:

ADDRESS:

LEGACY HOUSING, LTD

4801 Mark IV Parkway
Fort Worth, TX 76106

By: GPLH, LC
Its: General Partner

By: /s/ Curtis Hodgson
Name: Curtis Hodgson
Title: Manager

CONSENT TO AND CONFIRMATION OF GUARANTY

To induce Lender to execute the foregoing Amendment, Guarantor (a) agrees and consents to the execution and delivery of the Amendment and the terms thereof; (b) ratifies and confirms that all guaranties and assurances granted, conveyed or otherwise provided to Lender under the Loan Documents, including, but not limited to that certain **GUARANTY AGREEMENT** dated as of **DECEMBER 14, 2011** (as the same may have been amended, modified or restated from time to time, the "*Guaranty*"), are not released, diminished, impaired, reduced, or otherwise adversely affected by the Amendment; (c) confirms and agrees that the Guaranty continues to guarantee and assure the payment and performance of the Indebtedness in accordance with its terms; (d) agrees to perform such acts and duly authorize, execute, acknowledge and deliver such additional guaranties, assurances and other documents, instruments and agreements as Lender may reasonably deem necessary or appropriate in order to create, perfect, preserve and protect those guaranties and assurances; and (e) waives notice of acceptance of this consent and confirmation, which consent and confirmation binds Guarantor and Guarantor's successors and assigns and inures to Lender and its successors and assigns. The terms, conditions and provisions of the Guaranty (as the same may have been amended, modified or restated from time to time) are incorporated herein by reference, as if stated verbatim herein.

EXECUTED as of the date first written above.

GUARANTOR:

ADDRESS:

/s/ CURTIS HODGSON
CURTIS HODGSON

4801 Mark IV Parkway
Fort Worth, TX 76106

/s/ KENNETH SHIPLEY
KENNETH SHIPLEY

4801 Mark IV Parkway
Fort Worth, TX 76106

THIRD AMENDMENT TO LOAN AND SECURITY AGREEMENT

THIS THIRD AMENDMENT TO LOAN AND SECURITY AGREEMENT (this "*Amendment*") dated as of **MAY 20, 2014**, is between **CAPITAL ONE, N.A.**, a national association (together with its successors and assigns, "*Lender*"), and **LEGACY HOUSING, LTD**, a Texas limited partnership ("*Debtor*").

RECITALS

WHEREAS, Debtor and Lender entered into that certain **LOAN AND SECURITY AGREEMENT** dated as of **DECEMBER 14, 2011** (as amended, renewed and restated from time to time, the "*Agreement*");

WHEREAS, the parties desire to amend the Agreement pursuant to the terms and conditions set forth herein;

NOW, THEREFORE, the parties, intending to be legally bound, agree as follows:

1. **Definitions.** Capitalized terms used in this Amendment, to the extent not otherwise defined herein, shall have the same meanings as in the Agreement, as amended hereby.
2. **Amendment to Reporting Requirements.** Sections 10(a), (c) and (f) of the Agreement are hereby amended in their entirety to read as follows:
 - (a) **Interim Financial Statements.** As soon as available, and in any event within **FORTY-FIVE (45)** days after the end of each fiscal quarter, financial statements to include a balance sheet, income statement and cash flow statement of Debtor, as of the end of such fiscal quarter all in form and reasonable detail satisfactory to Lender and duly certified (subject to year-end review adjustments) by an appropriate officer of Debtor (i) as being true and correct in all material aspects to the best of such officer's knowledge (subject to year-end adjustments), and (ii) as having been prepared in accordance with GAAP.
 - (c) **Budget.** Upon Lender's request prior to the beginning of a fiscal year of Debtor, a budget for the upcoming fiscal year of Debtor, in form and reasonable detail satisfactory to Lender.
 - (f) **Compliance Certificate.** As soon as available, and in any event within **FORTY-FIVE (45)** days after the end of each calendar quarter, a compliance certificate of an officer of Debtor (i) stating that to such officer's knowledge, no Event of Default has occurred and is continuing, or if an Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which is proposed to be taken with respect thereto, and (ii) showing in reasonable detail the calculations demonstrating compliance with the financial covenants set forth in **Section 9** of this Agreement.
3. **Conditions Precedent.** The obligations of Lender under this Amendment shall be subject to the conditions precedent that Debtor shall have delivered to Lender this Amendment and such other documents and instruments incidental and appropriate to the transaction provided for herein as Lender or its counsel may reasonably request.
4. **Payment of Fees and Expenses.** Debtor agrees to pay all reasonable attorneys' fees of Lender in connection with the drafting and execution of this Amendment.
5. **Ratifications.** Except as expressly modified and superseded by this Amendment, the Loan Documents are ratified and confirmed and continue in full force and effect. The terms, conditions and provisions of the Loan Documents (as the same may have been amended, modified or restated from time to time) are incorporated herein by reference, the same as if stated verbatim herein. The Loan Documents, as modified by this Amendment, continue to be legal, valid, binding and enforceable in accordance with their respective terms. Without limiting the generality of the foregoing, each Obligor hereby ratifies and confirms that all liens heretofore granted to Lender were intended to, do and continue to secure the full payment and performance of the Indebtedness. Each Obligor agrees to perform such acts and duly authorize, execute, acknowledge, deliver, file and record such additional

assignments, security agreements, modifications or agreements to any of the foregoing, and such other agreements, documents and instruments as Lender may reasonably request in order to perfect and protect the liens and preserve and protect the rights of Lender.

6. **Representations, Warranties and Confirmations.** Each Obligor hereby represents and warrants to Lender that (a) this Amendment and the other Loan Documents have been duly executed and delivered by any Obligor party thereto, are valid and binding upon such Obligor and are enforceable against such Obligor in accordance with their terms, except as limited by any applicable bankruptcy laws, (b) no action of, or filing with, any governmental authority is required to authorize, or is otherwise required in connection with, the execution, delivery and performance by any Obligor of this Amendment or any other Loan Document, and (c) the execution, delivery and performance by such Obligor of this Amendment and any other Loan Documents do not require the consent of any other person and do not and will not constitute a violation of any laws, agreements or understandings to which such Obligor is a party or by which such Obligor is bound.

7. **Multiple Counterparts.** This Amendment may be executed in a number of identical separate counterparts, each of which for all purposes is to be deemed an original, but all of which shall constitute, collectively, one agreement. Signature pages to this Amendment may be detached from multiple separate counterparts and attached to the same document and a telecopy or other facsimile of any such executed signature page shall be valid as an original.

8. **Reference to Agreement.** Each of the Loan Documents, including the Agreement and any and all other agreements, documents, or instruments now or hereafter executed and delivered pursuant to the terms hereof containing a reference to the Agreement shall mean and refer to the Agreement as amended hereby.

9. **Severability.** Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

10. **Headings.** The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

11. **Release.** As a material inducement to Lender to enter into this Amendment, each Obligor hereby fully, finally, and absolutely and forever releases and discharges Lender and its present and former directors, shareholders, officers, employees, agents, representatives, successors and assigns, and their separate and respective heirs, personal representatives, successors and assigns, from any and all actions, causes of action, claims, debts, damages, demands, liabilities, obligations, and suits, of whatever kind or nature, in law or equity of such Obligor, whether now known or unknown to such Obligor, and whether contingent or matured (a) in connection with any and all obligations owed or owing to the Lender under or in respect of the Agreement, the Loan Documents, or the actions or omissions of Lender in respect of the Agreement and the Loan Documents; and (b) arising from events occurring prior to the date of this Amendment.

NOTICE OF FINAL AGREEMENT

THE AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS AMENDED BY THIS AMENDMENT, REPRESENT THE FINAL AGREEMENT BETWEEN AND AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN AND AMONG THE PARTIES.

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed as of the date first above written.

LENDER:

ADDRESS:

CAPITAL ONE, N.A.

600 N. Pearl Street, Suite 2500
Dallas, TX 75201

By: /s/ Seth P. Allen
Name: Seth P. Allen
Title: Senior Vice President

DEBTOR:

ADDRESS:

LEGACY HOUSING, LTD

4801 Mark IV Parkway
Fort Worth, TX 76106

By: GPLH, LC
Its: General Partner

By: /s/ Curtis Hodgson
Name: Curtis Hodgson
Title: Manager

CONSENT TO AND CONFIRMATION OF GUARANTY

To induce Lender to execute the foregoing Amendment, Guarantor (a) agrees and consents to the execution and delivery of the Amendment and the terms thereof; (b) ratifies and confirms that all guaranties and assurances granted, conveyed or otherwise provided to Lender under the Loan Documents, including, but not limited to that certain **GUARANTY AGREEMENT** dated as of **DECEMBER 14, 2011** (as the same may have been amended, modified or restated from time to time, the "Guaranty"), are not released, diminished, impaired, reduced, or otherwise adversely affected by the Amendment; (c) confirms and agrees that the Guaranty continues to guarantee and assure the payment and performance of the Indebtedness in accordance with its terms; (d) agrees to perform such acts and duly authorize, execute, acknowledge and deliver such additional guarantees, assurances and other documents, instruments and agreements as Lender may reasonably deem necessary or appropriate in order to create, perfect, preserve and protect those guaranties and assurances; and (e) waives notice of acceptance of this consent and confirmation, which consent and confirmation binds Guarantor and Guarantor's successors and assigns and inures to Lender and its successors and assigns. The terms, conditions and provisions of the Guaranty (as the same may have been amended, modified or restated from time to time) are incorporated herein by reference, as if stated verbatim herein.

EXECUTED as of the date first written above.

GUARANTOR:

ADDRESS:

/s/ CURTIS HODGSON
CURTIS HODGSON

4801 Mark IV Parkway
Fort Worth, TX 76106

/s/ KENNETH SHIPLEY
KENNETH SHIPLEY

4801 Mark IV Parkway
Fort Worth, TX 76106

AMENDMENT TO LOAN AND SECURITY AGREEMENT

THIS AMENDMENT TO LOAN AND SECURITY AGREEMENT (this "Amendment") dated as of MAY 12, 2017, is between CAPITAL ONE, N.A., a national association (together with its successors and assigns, "Lender"), and LEGACY HOUSING, LTD, a Texas limited partnership ("Debtor").

RECITALS

WHEREAS, Debtor and Lender entered into that certain LOAN AND SECURITY AGREEMENT dated as of DECEMBER 14, 2011 (as amended, renewed and restated from time to time, the "Agreement");

WHEREAS, the parties desire to amend the Agreement pursuant to the terms and conditions set forth herein;

NOW, THEREFORE, the parties, intending to be legally bound, agree as follows:

1. **Definitions.** Capitalized terms used in this Amendment, to the extent not otherwise defined herein, shall have the same meanings as in the Agreement, as amended hereby.

2. **Addition of Definition.** Section 1 of the Agreement is hereby amended by adding the following definition in the correct alphabetical order therein:

"Excluded Swap Obligation" means, with respect to any Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the Guaranty of such Guarantor of, or of any Guarantor's Lien granted by such Guarantor to secure, such Swap Obligation (or any Guaranty thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Guarantor's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act and the regulations thereunder at the time the Guaranty of such Guarantor or the grant of such Guarantor's Lien becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such Guaranty or Guarantor's Lien is or becomes illegal for the reasons identified in the immediately preceding sentence of this definition.

"Guarantor's Lien" means any Lien granted by a Guarantor for the purpose of securing all or any part of: (i) the Guaranteed Obligations (as defined in the Guaranty); (ii) the obligations of such Guarantor under the Guaranty; (iii) the obligations of any other Guarantor under the Guaranty, and/or the obligations of any other Person to pay or perform all or any part of the Guaranteed Obligations.

"Hedge Agreement" means: (i) any and all interest rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options or exchanges, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options or exchanges, spot contracts, interest rate protection transactions or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, including (without limitation) any Master Agreement published by International Swaps and Derivatives Association, Inc.; and (ii) any instrument, document or agreement at any time evidencing or confirming any transaction described in the preceding clause (i), whether or not such instrument, document or agreement is subject to the terms and conditions of, or governed by, any form of master agreement.

“Hedge Obligations” means, at any time with respect to any Person, all indebtedness, liabilities, and obligations of such Person under or in connection with any Hedge Agreement, whether actual or contingent, due or to become due and existing or arising from time to time.

“Swap Obligation” means, with respect to any Guarantor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a “swap” within the meaning of Section 1a(47) of the Commodity Exchange Act.

3. **Amendment to Definitions.** The definitions of “Bank Products” and “Indebtedness” in Section 1 of the Agreement are hereby amended in their entirety to read as follows:

“Bank Products” means all bank, banking, treasury, financial, and other similar or related products and services provided by Lender and/or its Affiliates, including, without limitation: (i) commercial cards, merchant card services, credit or stored value cards, and corporate purchasing cards; (ii) cash management or related services, including, without limitation, the automated clearinghouse transfers of funds and any other ACH services, remote deposit capture services, account reconciliation services, lockbox services, depository and checking services, deposit accounts, securities accounts, controlled disbursement services, and wire transfer services; (iii) bankers’ acceptances, drafts, letters of credit (and the issuance, amendment, renewal, or extension thereof), documentary services, foreign currency exchange services; and (iv) Hedge Agreements.

“Indebtedness” means: (i) all indebtedness, obligations and liabilities of Debtor to Lender of any kind or character, now existing or hereafter arising, whether direct, indirect, related, unrelated, fixed, contingent, liquidated, unliquidated, joint, several or joint and several, and regardless of whether such indebtedness, obligations and liabilities may, prior to their acquisition by Lender, be or have been payable to or in favor of a third party and subsequently acquired by Lender (it being contemplated that Lender may make such acquisitions from third parties), including without limitation, the Loan and all indebtedness, obligations and liabilities of Debtor to Lender now existing or hereafter arising under the Note, this Agreement, any one or more of the other Loan Documents, any Bank Product or any draft, acceptance, guaranty, endorsement, letter of credit, assignment, purchase, overdraft, discount or indemnity agreement; (ii) all Hedge Obligations owing by Debtor to Lender or any Affiliate of Lender under any Hedge Agreement (including related confirmations and schedules) between Debtor and Lender or any Affiliate of Lender now existing or hereafter entered into; (iii) all accrued but unpaid interest on any of the indebtedness described in (i) or (ii) above; (iv) all other obligations of Debtor to Lender under the Loan Documents; (v) except for Excluded Swap Obligations, all obligations of Obligor (other than Debtor) to Lender under the Loan Documents; (vi) all costs and expenses incurred by Lender in connection with the collection and administration of all or any part of the indebtedness and obligations described in (i), (ii), (iii), (iv) and (v) above or the protection or preservation of, or realization upon, the collateral securing all or any part of such indebtedness and obligations, including without limitation all reasonable attorneys’ fees; and (vii) all renewals, extensions, modifications and rearrangements of all or any part of the indebtedness and obligations described in (i), (ii), (iii) (iv), (v) and (vi) above.

4. **Amendment to Section 2(a).** Section 2(a) of the Agreement is hereby amended in its entirety to read as follows:

(a) **Nature of Credit Facility.** Subject to the terms and conditions set forth in this Agreement and the other Loan Documents, Lender hereby agrees to make loans to Debtor under a revolving credit facility (the “Credit Facility”) in an aggregate sum not to exceed the lesser of: (i) an amount equal to the Borrowing Base; or (ii) **FORTY-FIVE MILLION AND NO/100 DOLLARS (\$45,000,000.00)**, from time to time continuing until the earlier of: (i) the acceleration of the Indebtedness pursuant to the terms of the Loan Documents; or (ii) **MAY , 2020** (the earliest of such dates being the “Maturity Date”). If at any time the sum of the aggregate principal amount of Loans outstanding hereunder exceeds the lesser of the Borrowing Base or the maximum Dollar amount stated above, such amount shall be deemed an “Overadvance.” Debtor shall

immediately repay the amount of such Overadvance *plus* all accrued and unpaid interest thereon upon written demand from Lender. Notwithstanding anything contained herein to the contrary, an Overadvance shall be considered a Loan and shall bear interest at the interest rates set forth in the Note and be secured by this Agreement. Subject to the terms and conditions hereof, Debtor may borrow, repay and reborrow funds under the Credit Facility. From **MAY , 2017** through , upon not less than **THIRTY (30)** Business Days *prior* written request from Debtor to Lender, Debtor may request that Lender consider an increase in the maximum principal amount of the Credit Facility (an "*Increase Request*"). Within **FIVE (5)** Business Days of notice of Lender's denial of any Increase Request pursuant to this Section, Debtor may request that Lender consider releasing certain Collateral (a "*Collateral Release Request*"). In connection with Lender's consideration of any Increase Request or Collateral Release Request, Debtor and such other Persons as may be required by Lender shall execute and deliver to Lender such documents, agreements and instruments as Lender may reasonably require. No Increase Request or Collateral Release Request will be considered by Lender if a Default or Event of Default shall have occurred and be continuing as of the date of such request. The granting of any Increase Request or Collateral Release Request shall be in Lender's sole and absolute discretion. Nothing in this Section shall be deemed a commitment by Lender to increase the maximum principal amount of the Credit Facility or to release any Collateral.

5. **Amendment to Section 8(o)**. Section 8(o) of the Agreement is hereby amended in its entirety to read as follows:

(o) **Debt**. Debtor will not create, incur, assume or permit to exist any Debt except for the following ("*Permitted Indebtedness*"):

(i) The Indebtedness created hereunder;

(ii) The Permitted Real Property Debt, in an amount not to exceed **FIVE MILLION AND NO/100 DOLLARS (\$5,000,000.00)**;

(iii) Debt to **VERITEX COMMUNITY BANK** ("*Veritex*") in the maximum principal amount of **TWENTY MILLION AND NO/100 DOLLARS (\$20,000,000.00)** (the "*Veritex Loan*"), as evidenced by that that certain **LOAN AGREEMENT** dated as of **APRIL 4, 2016**, and subject to that certain **INTERCREDITOR AGREEMENT** dated as of **APRIL 4, 2016** by and among Veritex, Lender and Debtor (as amended pursuant to that certain **AMENDMENT TO INTERCREDITOR AGREEMENT** dated **MAY , 2017**, and as further amended from time to time); and

(iv) Other Debt existing on the Effective Date and set forth in Schedule IV.

6. **Amendment to Section 9(a)**. Section 9(a) of the Agreement is hereby amended in its entirety to read as follows:

(a) **Tangible Net Worth**. Debtor will maintain at all times a Tangible Net Worth of not less than **NINETY MILLION AND NO/100 DOLLARS (\$90,000,000.00)**.

7. **Amendment to Section 10**. Sections 10(a), (c) and (f) of the Agreement are hereby amended in their entirety to read as follows:

(a) **Interim Financial Statements**. As soon as available, and in any event within **FORTY-FIVE (45)** days after the end of each fiscal quarter, financial statements to include a balance sheet, income statement and cash flow statement of Debtor, as of the end of such fiscal quarter all in form and reasonable detail satisfactory to Lender and duly certified (subject to year-end review adjustments) by an appropriate officer of Debtor: (i) as being true and correct in all material aspects to the best of such officer's knowledge (subject to year-end adjustments); and

(ii) as having been prepared in accordance with GAAP.

(c) **Budget.** Upon Lender's request prior to the beginning of a fiscal year of Debtor, a budget for the upcoming fiscal year of Debtor, in form and reasonable detail satisfactory to Lender.

(f) **Compliance Certificate.** As soon as available, and in any event within **FORTY-FIVE (45)** days after the end of each calendar quarter, a compliance certificate of an officer of Debtor: (i) stating that to such officer's knowledge, no Event of Default has occurred and is continuing, or if an Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which is proposed to be taken with respect thereto; and (ii) showing in reasonable detail the calculations demonstrating compliance with the financial covenants set forth in **Section 9** of this Agreement.

8. **Amendment to Section 12.** The following is hereby added to the Agreement as **Section 12(o)** thereof:

(o) **Veritex Loan.** The occurrence of an event of default with respect to the Veritex Loan.

9. **Amendment to Section 14.** **Section 14** of the Agreement is hereby amended in its entirety to read as follows:

14. **Indemnity.** Debtor hereby indemnifies and agrees to hold harmless Lender, and its officers, directors, employees, agents and representatives (each an "**Indemnified Person**") from and against any and all liabilities, obligations, claims, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature (collectively, the "**Claims**") which may be imposed on, incurred by, or asserted against, any Indemnified Person arising in connection with the Loan Documents, the Indebtedness (including, for the avoidance of doubt, any Bank Product) or the Collateral (including without limitation, the enforcement of the Loan Documents and the defense of any Indemnified Person's actions and/or inactions in connection with the Loan Documents). **WITHOUT LIMITATION, THE FOREGOING INDEMNITIES SHALL APPLY TO EACH INDEMNIFIED PERSON WITH RESPECT TO ANY CLAIMS WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF THE NEGLIGENCE OF SUCH AND/OR ANY OTHER INDEMNIFIED PERSON, EXCEPT TO THE LIMITED EXTENT THE CLAIMS AGAINST AN INDEMNIFIED PERSON ARE PROXIMATELY CAUSED BY SUCH INDEMNIFIED PERSON'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.** If Debtor or any third party ever alleges such gross negligence or willful misconduct by any Indemnified Person, the indemnification provided for in this Section shall nonetheless be paid upon demand, subject to later adjustment or reimbursement, until such time as: (a) a court of competent jurisdiction enters a final judgment as to the extent and effect of the alleged gross negligence or willful misconduct; or (b) Lender has expressly agreed in writing with Debtor that such Claim is proximately caused by such Indemnified Person's gross negligence or willful misconduct. The indemnification provided for in this Section shall survive the termination of this Agreement and shall extend and continue to benefit each individual or entity that is or has at any time been an Indemnified Person hereunder.

10. **Collateral.** As collateral security for the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Indebtedness (including, for the avoidance of doubt, the Bank Products and Hedge Obligations), Debtor hereby re-pledges to and re-grants Lender a security interest in all of Debtor's right, title and interest in the Collateral, whether now owned by Debtor or hereafter acquired and whether now existing or hereafter coming into existence.

11. **Conditions Precedent.** The obligations of Lender under this Amendment shall be subject to the conditions precedent that: (a) Debtor shall have executed delivered to Lender this Amendment, a **THIRD AMENDED AND RESTATED PROMISSORY NOTE** in the amount of **FORTY-FIVE MILLION AND**

NO/100 DOLLARS (\$45,000,000.00), a **CLOSING CERTIFICATE** of a manager of the general partner of Debtor and such other documents and instruments incidental and appropriate to the transaction provided for herein as Lender or its counsel may reasonably request; (b) Guarantor shall have executed and delivered to Lender an **AMENDED AND RESTATED GUARANTY AGREEMENT** acceptable to Lender in form and content; (c) Debtor shall have paid Lender an origination fee in the amount of **TWO HUNDRED TWENTY-FIVE THOUSAND AND NO/100 DOLLARS (\$225,000.00)** as consideration for the increase to the Note amount; and (d) Debtor shall enter into, make all payments required under, and satisfy all conditions precedent to the effectiveness of, a Hedge Agreement (governed by and subject to a Master Agreement published by International Swaps and Derivatives Association, Inc.) for not less than **FIFTEEN MILLION AND NO/100 DOLLARS (\$15,000,000.00)** of the principal amount of the Credit Facility, in form and substance and with a counterparty reasonably acceptable to Lender, which Hedge Agreement shall be effective through the Maturity Date of the Credit Facility. In the event Debtor enters into the Hedge Agreement referenced herein with a financial institution other than Lender, Debtor acknowledges and agrees that such Hedge Agreement shall not be secured by a lien or security interest in and to any of the Collateral. Debtor shall comply with all of its obligations under the terms and provisions of such Hedge Agreement, and Debtor shall take all actions reasonably requested by Lender to enforce Debtor's rights under such Hedge Agreement in the event of a default by the counterparty thereunder and shall not waive, amend or otherwise modify any of its rights thereunder without Lender's prior written consent.

12. **Payment of Fees and Expenses.** Debtor agrees to pay all reasonable attorneys' fees of Lender in connection with the drafting and execution of this Amendment.

13. **Ratifications.** Except as expressly modified and superseded by this Amendment, the Loan Documents are ratified and confirmed and continue in full force and effect. The terms, conditions and provisions of the Loan Documents (as the same may have been amended, modified or restated from time to time) are incorporated herein by reference, the same as if stated verbatim herein. The Loan Documents, as modified by this Amendment, continue to be legal, valid, binding and enforceable in accordance with their respective terms. Without limiting the generality of the foregoing, each Obligor hereby ratifies and confirms that all liens heretofore granted to Lender were intended to, do and continue to secure the full payment and performance of the Indebtedness. Each Obligor agrees to perform such acts and duly authorize, execute, acknowledge, deliver, file and record such additional assignments, security agreements, modifications or agreements to any of the foregoing, and such other agreements, documents and instruments as Lender may reasonably request in order to perfect and protect the liens and preserve and protect the rights of Lender.

14. **Representations, Warranties and Confirmations.** Each Obligor hereby represents and warrants to Lender that: (a) this Amendment and the other Loan Documents have been duly executed and delivered by any Obligor party thereto, are valid and binding upon such Obligor and are enforceable against such Obligor in accordance with their terms, except as limited by any applicable bankruptcy laws; (b) no action of, or filing with, any governmental authority is required to authorize, or is otherwise required in connection with, the execution, delivery and performance by any Obligor of this Amendment or any other Loan Document; and (c) the execution, delivery and performance by such Obligor of this Amendment and any other Loan Documents do not require the consent of any other person and do not and will not constitute a violation of any laws, agreements or understandings to which such Obligor is a party or by which such Obligor is bound.

15. **Multiple Counterparts.** This Amendment may be executed in a number of identical separate counterparts, each of which for all purposes is to be deemed an original, but all of which shall constitute, collectively, one agreement. Signature pages to this Amendment may be detached from multiple separate counterparts and attached to the same document and a telecopy or other facsimile of any such executed signature page shall be valid as an original.

16. **Reference to Agreement.** Each of the Loan Documents, including the Agreement and any and all other agreements, documents, or instruments now or hereafter executed and delivered pursuant to the terms hereof containing a reference to the Agreement shall mean and refer to the Agreement as amended hereby.

17. **Severability.** Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

18. **Headings.** The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

19. **Release.** As a material inducement to Lender to enter into this Amendment, each Obligor hereby fully, finally, and absolutely and forever releases and discharges Lender and its present and former directors, shareholders, officers, employees, agents, representatives, successors and assigns, and their separate and respective heirs, personal representatives, successors and assigns, from any and all actions, causes of action, claims, debts, damages, demands, liabilities, obligations, and suits, of whatever kind or nature, in law or equity of such Obligor, whether now known or unknown to such Obligor, and whether contingent or matured: (a) in connection with any and all obligations owed or owing to the Lender under or in respect of the Agreement, the Loan Documents, or the actions or omissions of Lender in respect of the Agreement and the Loan Documents; and (b) arising from events occurring prior to the date of this Amendment.

NOTICE OF FINAL AGREEMENT

THE AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS AMENDED BY THIS AMENDMENT, REPRESENT THE FINAL AGREEMENT BETWEEN AND AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN AND AMONG THE PARTIES.

REMAINDER OF PAGE LEFT INTENTIONALLY BLANK

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed as of the date first above written.

LENDER:

ADDRESS:

CAPITAL ONE, N.A.

600 N. Pearl Street, Suite 2500
Dallas, TX 75201

By: /s/ Kurt Schaal
Name: Kurt Schaal
Title: Fort Worth Market President

DEBTOR:

ADDRESS:

LEGACY HOUSING, LTD

4801 Mark IV Parkway
Fort Worth, TX 76106

By: GPLH, L C
Its: General Partner

By: /s/ Curtis Hodgson
Name: Curtis Hodgson
Title: Manager

CONFIRMATION OF GUARANTY

To induce Lender to execute the foregoing Amendment, Guarantor: (a) agrees and consents to the execution and delivery of the Amendment and the terms thereof; (b) ratifies and confirms that all guaranties and assurances granted, conveyed or otherwise provided to Lender under the Loan Documents, including, but not limited to that certain **AMENDED AND RESTATED GUARANTY AGREEMENT** dated as of **MAY , 2017** (as the same may have been amended, modified or restated from time to time, the "*Guaranty*"), are not released, diminished, impaired, reduced, or otherwise adversely affected by the Amendment; (c) confirms and agrees that the Guaranty continues to guarantee and assure the payment and performance of the Indebtedness in accordance with its terms; (d) agrees to perform such acts and duly authorize, execute, acknowledge and deliver such additional guarantees, assurances and other documents, instruments and agreements as Lender may reasonably deem necessary or appropriate in order to create, perfect, preserve and protect those guaranties and assurances; and (e) waives notice of acceptance of this consent and confirmation, which consent and confirmation binds Guarantor and Guarantor's successors and assigns and inures to Lender and its successors and assigns. The terms, conditions and provisions of the Guaranty (as the same may have been amended, modified or restated from time to time) are incorporated herein by reference, as if stated verbatim herein.

EXECUTED as of the date first written above.

GUARANTOR:

ADDRESS:

/s/ CURTIS HODGSON
CURTIS HODGSON

4801 Mark IV Parkway
Fort Worth, TX 76106

/s/ KENNETH SHIPLEY
KENNETH SHIPLEY

4801 Mark IV Parkway
Fort Worth, TX 76106

LOAN AGREEMENT

for a loan in the amount of

\$15,000,000.00

MADE BY AND BETWEEN

LEGACY HOUSING, LTD.
a Texas limited partnership
4801 Mark IV Parkway
Fort Worth, Texas 76106,
as Borrower

AND

VERITEX BANK,
8214 Westchester Drive, Suite 400
Dallas, Texas 75225,
as Lender

Dated as of April 4, 2016

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LOAN AGREEMENT

THIS LOAN AGREEMENT ("Agreement") is made as of April 4, 2016 (the "Effective Date"), by and between LEGACY HOUSING, LTD., a Texas limited partnership ("Borrower"), and VERITEX BANK, a Texas savings bank, its successors and assigns ("Lender").

WITNESSETH:

RECITALS

A. Borrower has applied to Lender for a revolving loan in the amount of up to FIFTEEN MILLION DOLLARS AND NO/100 (\$15,000,000.00) (the "Loan") for working capital and other general purposes, and Lender is willing to make the Loan on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1.

INCORPORATION OF RECITALS AND EXHIBITS

1.1 Incorporation of Recitals.

The foregoing preambles and all other recitals set forth herein are made a part hereof by this reference.

1.2 Incorporation of Exhibits.

Exhibits A through B, to this Agreement, attached hereto are incorporated in this Agreement and expressly made a part hereof by this reference.

2.

DEFINITIONS

2.1 Defined Terms.

The following terms as used herein shall have the following meanings:

Affiliate: With respect to a specified person or entity, any individual, partnership, corporation, limited liability company, trust, unincorporated organization, association or other entity which, directly or indirectly, through one or more intermediaries, Controls or is Controlled by or is under common control with such person or entity, including, without limitation, any general or limited partnership in which such person or entity is a partner.

Aged Eligible Inventory: Finished goods that are aged more than one year, but that otherwise meet the requirements of Eligible Inventory.

Agreement: As such term is defined in the Preamble.

Applicable Rate: At any time, a rate per annum equal to the LIBOR Rate at such time, plus 2.50%.

Authorized Representative: The person appointed as the Authorized Representative pursuant to Section 16.3.

Bankruptcy Code: Title 11 of the United States Code entitled "Bankruptcy" as now or hereafter in effect, or any successor thereto or any other present or future bankruptcy or insolvency statute.

Borrower: As such term is defined in the Preamble.

Borrowing Base: An amount equal to (a) sixty percent (60%) of the book value of Eligible Inventory. plus (b) forty-five percent (45%) of the book value of Aged Eligible Inventory aged at least one year, but less than two years, plus (c) twenty-five percent (25%) of the book value of Aged Eligible Inventory aged two years or greater. Prior to the satisfactory completion of the initial field audit under Section 10.1(f) hereunder, the Borrowing Base shall not exceed Five Million Dollars (\$5,000,000).

Borrowing Base Certificate: A certificate by the Authorized Representative, in form and substance satisfactory to the Lender, listing all Eligible Inventory, along with the book value of such Eligible Inventory, and a calculation of the Borrowing Base in accordance with the terms hereof.

Business Day: A day of the year on which banks are not required or authorized to close in Dallas, Texas.

Capital Lease Obligations: With respect to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

Capital One Indebtedness: The indebtedness of Borrower to Capital One, N.A. owing under the Capital One Loan Agreement.

Capital One Loan Agreement: That certain Loan and Security Agreement between Borrower and Capital One, N.A., dated as of December 14, 2011.

Change of Control: The Borrower ceases to be controlled by the Guarantors.

Collateral: Collectively, all of the real, personal and mixed property (including Equity Interests) in which Liens are purported to be granted pursuant to the Security Documents as security for the Loan.

Control: As such term is used with respect to any person or entity, including the con-elative meanings of the terms "controlled by" and "under common control with", shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such person or entity, whether through the ownership of voting securities, by contract or otherwise.

Default: Any event, circumstance or condition, which, if it were to continue uncured, would, with notice or lapse of time or both, constitute an Event of Default hereunder.

Default Rate: A rate per annum equal to three percentage points (3.00%) in excess of the Applicable Rate, but which shall not at any time exceed the Maximum Lawful Rate.

EBITDA: For any Person for any period of determination, an amount equal to (i) net income plus (ii) the sum of the following to the extent deducted from net income: (1) interest expense; plus (2) income taxes; plus (3) depreciation; plus (4) amortization for such period determined and consolidated in accordance with GAAP.

Effective Date: As defined in the Preamble.

Eligible Inventory: shall mean all Inventory of the Borrower which meets each of the following requirements:

- (a) it is not subject to any Lien whatsoever, other than Permitted Liens;
- (b) it is either raw materials or finished inventory that is new and unused held for sale and is aged less than one year;
- (c) it is in the possession and control of Borrower and is not now and shall not at any time hereafter be stored with a bailee, warehouseman or similar party without delivery to the Lender by such party, non-negotiable warehouse receipts therefor in the Lender's name or such other bailee's letter, in form and substance acceptable to the Lender;
- (d) it is salable and not "slow moving", obsolete or discontinued, as determined in the commercially reasonable discretion of Lender;
- (e) it is not unacceptable to the Lender, in the commercially reasonable discretion of Lender, due to type, category and/or quantity;
- (f) it is not produced in violation of the Fair Labor Standards Act and/or subject to the so-called "hot goods" provisions contained in Title 29 U.S.C. 215;
- (g) it is not subject to any agreement or license which would restrict the Lender's ability to sell or otherwise dispose of such Inventory;
- (h) it is located in the continental United States;
- (i) it is not "in transit" to the Borrower or held by the Borrower on consignment;
- (j) it is not supply items, packaging or any other similar materials;
- (k) it is not identified to any purchase order or contract to the extent progress or advance payments are received with respect to such Inventory;
- (l) it does not breach any of the representations, warranties or covenants, if any, pertaining to Inventory set forth in the Loan Documents; and

(m) it is otherwise not unacceptable to the Lender for any other reason in Lender's commercially reasonable discretion.

Inventory which is Eligible Inventory shall cease to be Eligible Inventory whenever it ceases to meet any one of the foregoing requirements.

Environmental Proceedings: Any environmental proceedings, whether civil (including actions by private parties), criminal, or administrative proceedings, relating to Borrower.

BRISA: The Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder from time to time.

Equity Interests: Shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

Event of Default: As such term is defined in Article 14.

GAAP: Generally accepted accounting principles in the United States of America.

Governmental Authority: Any federal, state, county or municipal government, or political subdivision thereof, any governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality, or public body, or any court, administrative tribunal, or public utility.

Guarantee: Any obligation, contingent or otherwise of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

Guarantor: Curt Hodgson and Kenny Shipley, individually or collectively, as the context shall imply.

Guaranty: A guaranty executed by each Guarantor and pursuant to which the Guarantors jointly and severally guarantee payment of principal, interest and other amounts due under the Loan Documents.

Including or including: Including but not limited to.

Indebtedness: Without duplication, with respect to any Person (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) *all* obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such

Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

Internal Revenue Code: The Internal Revenue Code of 1986, as amended from time to time.

Inventory: As defined in the UCC.

Laws: Collectively, all federal, state and local laws, statutes, codes, ordinances, orders, rules and regulations, including judicial opinions or precedential authority in the applicable jurisdiction.

Late Charge: As such term is defined in Section 4.6.

Lender: As defined in the opening paragraph of this Agreement, and including any successor holder of the Loan from time to time.

Leverage Ratio: With respect to any Person, the ratio as of the last day of any fiscal quarter of (a) Debt of such Person to (b) EBITDA of such Person for the four fiscal quarter period ending on such date.

LIBOR Rate: On any date, the one-month LIBOR rate published in the Wall Street Journal, or similar publication at Lender's discretion, for such date, or if no such rate is published for such date, then such rate for the immediately preceding date for which such rate is available.

Lien: With respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

Loan: As defined in Recital A.

Loan Amount: The maximum amount of the Loan as set forth in Section 4.1(a).

Loan Documents: The collective reference to this Agreement, the documents and instruments listed in Section 4.2, and all the other documents and instruments entered into from time to time, evidencing or securing the Loan or any obligation of payment thereof or performance of

Borrower's or any Guarantor's obligations in connection with the transaction contemplated hereunder, each as amended.

Loan Opening Date: The date of the initial disbursement of proceeds of the Loan.

Material Adverse Change or material adverse change: If, in Lender's reasonable discretion, the business prospects, operations or financial condition of a person, entity or property has changed in a manner which could impair the value of Lender's security for the Loan, prevent timely repayment of the Loan or otherwise prevent the applicable person or entity from timely performing any of its material obligations under the Loan Documents.

Maturity Date: April 4, 2019.

Maximum Lawful Rate: As such term is defined in Section 5.3.

Note: A promissory note, in the Loan Amount, executed by Borrower and payable to the order of Lender, evidencing the Loan.

OFAC: As defined in Section 3.1(u).

Open the Loan, Opening of the Loan or Loan Opening: The disbursement of Loan proceeds.

Permitted Investments: Each of the following:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody's;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than \$500,000,000;

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above; and

(e) money market funds that (i) comply with the criteria set forth in Securities and Exchange Commission Rule 2a-7 under the Investment Company Act of 1940, (ii) are rated AAA by S&P and Aaa by Moody's and (iii) have portfolio assets of at least \$5,000,000,000.

Permitted Liens: Each of the following:

- (a) Liens imposed by law for Taxes that are not yet due or are being contested in compliance with Section 10.3;
- (b) carriers', warehousemen's, mechanics', materialmen' s, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in good faith by appropriate proceedings and which could not reasonably be expected to cause a Material Adverse Change;
- (c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;
- (d) deposits to secure the performance of bids, trade contracts leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;
- (e) judgment liens in respect of judgments that do not constitute an Event of Default under Section 14.1(f);
- (f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Borrower; and
- (g) liens seeming the Capital One Indebtedness: provided that such liens securing the Collateral shall be subordinated to the liens in the Collateral in favor of the Lender.

Person: Any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

Real Estate Asset: At any time of determination, any interest (fee, leasehold or otherwise) then owned by Borrower in any real property.

Restricted Payment: Any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests in the Borrower, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interests in the Borrower or any option, warrant or other right to acquire any such Equity Interests in the Borrower, or any management fee or similar fee payable by the Borrower to the holder (either direct or indirect) of any Equity Interest of the Borrower, or any Affiliate thereof.

Security Agreement: The Security Agreement to be executed by Borrower in form and substance satisfactory to Lender, as it may be amended, restated, supplemented or otherwise modified from time to time.

Security Documents: The Security Agreement, and all other instruments, documents and agreements delivered by or on behalf of Borrower pursuant to this Agreement or any of the other Loan Documents in order to grant to, or perfect in favor of, Lender, a Lien on any real, personal or mixed property of Borrower as security for the Loan.

Swap Agreement: Any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of Borrower shall be a Swap Agreement.

Tangible Net Worth: At any particular time, all amounts which, in conformity with GAAP, would be included as equity on a balance sheet of a Person; provided, however, there shall be excluded therefrom: (i) any amount of which the equity of such Person appears as an asset on such Person's balance sheet, (ii) goodwill, including any amounts, however designated, that represent the excess of the purchase price paid for assets or stock over the value assigned thereto, (iii) patents, trademarks, trade names, and copyrights, (iv) deferred expenses, (v) loans and advances to any equity holder, directors, officer, or employee of the Person or any affiliate of such Person, and (vi) all other assets which are properly classified as intangible assets.

Taxes: Any present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

UCC: The Uniform Commercial Code, as in effect in the State of Texas.

2.2 Other Definitional Provisions.

All terms defined in this Agreement shall have the same meanings when used in the Note, Deed of Trust, any other Loan Documents, or any certificate or other document made or delivered pursuant hereto. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement.

3.

BORROWER'S REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties.

To induce Lender to execute this Agreement and perform its obligations hereunder, Borrower hereby represents and warrants to Lender as follows:

(a) Except as previously disclosed to Lender in writing, no litigation or proceedings are pending, or to the best of Borrower's knowledge threatened, against Borrower or any Guarantor, which could, if adversely determined, cause a Material Adverse Change with respect to Borrower or any Guarantor. There are no pending Environmental Proceedings and Borrower has no knowledge of any threatened Environmental Proceedings or any facts or circumstances which may give rise to any future Environmental Proceedings.

(b) Borrower is a duly organized and validly existing limited partnership and has full power and authority to execute, deliver and perform all Loan Documents to which Borrower is a party, and such execution, delivery and performance have been duly authorized by all requisite action

on the part of Borrower. Each Loan Document to which Borrower is a party has been duly executed and delivered by Borrower and is the legally valid and binding obligation of Borrower, enforceable against Borrower in accordance with its respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

(c) No consent, approval or authorization of or declaration, registration or filing with any Governmental Authority or nongovernmental person or entity, including any creditor, partner, or member of Borrower or any Guarantor, is required in connection with the execution, delivery and performance of this Agreement or any of the Loan Documents other than the filing of UCC-1 Financing Statements, except for such consents, approvals or authorizations of or declarations or filings with any Governmental Authority or nongovernmental person or entity where the failure to so obtain would not have an adverse effect on Borrower or such Guarantor or which have been obtained as of any date on which this representation is made or remade.

(d) The execution, delivery and performance of this Agreement, the execution and payment of the Note and the granting of the security interests under the Security Documents have not constituted and will not constitute, upon the giving of notice or lapse of time or both, a breach or default under any other agreement to which Borrower or Guarantor is a party or may be bound or affected, or a violation of any Law or court order.

(e) Borrower is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Change. Borrower has received all permits and licenses issued by any Governmental Authority as are necessary for the conduct of its business.

(f) There is no Default or Event of Default under this Agreement or any of the other Loan Documents.

(g) No brokerage fees or commissions are payable by or to any person in connection with this Agreement or the Loan to be disbursed hereunder.

(h) All financial statements and other information previously furnished by Borrower or any Guarantor to Lender in connection with the Loan are true, complete and correct and fairly present the financial conditions of the subjects thereof as of the respective dates thereof and do not fail to state any material fact necessary to make such statements or information not misleading, and no Material Adverse Change with respect to Borrower or any Guarantor has occurred since the respective dates of such statements and information. Neither Borrower nor any Guarantor has any Indebtedness or other material liability, contingent or otherwise, not disclosed in such financial statements.

(i) Borrower has good title to, or valid leasehold interests *in*, all its real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes. Except as permitted by this Agreement, all such property is free and clear of Liens.

(j) As of the Effective Date, Schedule 3.1(j)¹ contains a true, accurate and complete list

of (i) all Real Estate Assets, and (ii) all leases, subleases or assignments of leases (together with all amendments, modifications, supplements, renewals or extensions of any thereof) affecting each Real Estate Asset, regardless of whether Borrower is the landlord or tenant (whether directly or as an assignee or successor in interest) under such lease, sublease or assignment. Each agreement listed in clause (ii) of the immediately preceding sentence is in full force and effect and Borrower does not have knowledge of any default that has occurred and is continuing thereunder, except where the failure to do so could not reasonably be expected to have a Material Adverse Change and each such agreement constitutes the legally valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles.

(k) Borrower owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Borrower and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Change.

(l) The Loan is not being made for the purpose of purchasing or carrying "margin stock" within the meaning of Regulation T, U or X issued by the Board of Governors of the Federal Reserve System.

(m) Borrower is not an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940.

(n) Borrower has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except Taxes that are being contested in good faith by appropriate proceedings and for which the Borrower has set aside on its books adequate reserves.

(o) Borrower is not a party in interest to any plan defined or regulated under BRISA, and the assets of Borrower are not "plan assets" of any employee benefit plan covered by BRISA or Section 4975 of the Internal Revenue Code.

(p) Borrower has disclosed to Lender all agreements, instruments and corporate or other restrictions to which it is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Change. No reports, financial statements, certificates or other information furnished by or on behalf of Borrower to Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

(q) Borrower is not a "foreign person" within the meaning of Section 1445 or 7701 of the Internal Revenue Code.

1 NOTE to Borrower: Please provide.

(r) Borrower uses no trade name other than its actual name set forth herein. The principal place of business of Borrower is as stated in Section 17.16.

(s) Borrower's place of formation or organization is the State of Texas.

(t) All statements set forth in the Recitals are true and correct.

(u) Neither Borrower nor any Guarantor is (or will be) a person with whom Lender is restricted from doing business under regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury of the United States of America (including, those Persons named on OFAC's Specially Designated and Blocked Persons list) or under any statute, executive order (including, the September 24, 2001 Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action and is not and shall not engage in any dealings or transactions or otherwise be associated with such persons. In addition, Borrower hereby agrees to provide to the Lender with any additional information that the Lender deems necessary from time to time will order to ensure compliance with all applicable Laws concerning money laundering and similar activities.

3.2 Survival of Representations and Warranties.

Borrower agrees that all of the representations and warranties set forth in Section 3.1 and elsewhere in this Agreement are true as of the date hereof, will be true at the Loan Opening and, except for matters which have been disclosed by Borrower and approved by Lender in writing, at all times thereafter. Each request for a disbursement under the Loan Documents shall constitute a reaffirmation of such representations and warranties, as deemed modified in accordance with the disclosures made and approved as aforesaid, as of the date of such request. It shall be a condition precedent to the Loan Opening and each subsequent disbursement that each of said representations and warranties is true and correct as of the date of such requested disbursement. Each disbursement of Loan proceeds shall be deemed to be a reaffirmation by Borrower that each of the representations and warranties is true and correct as of the date of such disbursement. In addition, at Lender's request, Borrower shall reaffirm such representations and warranties in writing prior to each disbursement hereunder.

4.

LOAN AND LOAN DOCUMENTS

4.1 Agreement to Borrow and Lend; Lender's Obligation to Disburse.

Subject to the terms, provisions and conditions of this Agreement and the other Loan Documents, Borrower agrees to borrow from Lender and Lender agrees to lend to Borrower the Loan, for the purposes and subject to all of the terms, provisions and conditions contained in this Agreement. If Lender consists of more than one party, the obligations of each such party *with* respect to the amount it has agreed to loan to Borrower shall be several (and not joint and several) and shall be limited to its proportionate share of the Loan and of each advance.

(a) The maximum aggregate amount of the Loan shall not exceed the Lesser of (i) Fifteen Million Dollars and No/100 (\$15,000,000.00) (the "Loan Amount") or (b) the Borrowing Base. Should the amount drawn on the Loan ever exceed the Borrowing Base, the Borrower shall

immediately repay the Loan in the amount of such excess. Subject to such maximum amount and the terms and conditions hereof, Borrower may borrow, prepay, and re-borrow amounts under the Loan.

(b) Lender agrees, upon Borrower's compliance with and satisfaction of all conditions precedent to the Loan Opening and provided no Material Adverse Change has occurred with respect to Borrower or any Guarantor and no Default or Event of Default has occurred and is continuing hereunder, to Open the Loan.

(c) After the Opening of the Loan, Borrower shall be entitled to receive further successive disbursements of the proceeds of the Loan in accordance with Article 9, within three (3) Business Days after compliance with all conditions precedent thereto, provided that (i) Borrower has complied with all conditions precedent to disbursement from time to time including the requirements of Section 3.2 and Article 9; (iii) no Material Adverse Change has occurred with respect to Borrower or any Guarantor, and (iv) no Default or Event of Default exists hereunder or under any other Loan Document.

(d) To the extent that Lender may have acquiesced in noncompliance with any requirements precedent to the Opening of the Loan such acquiescence shall not constitute a waiver by Lender, and Lender may at any time after such acquiescence require Borrower to comply with all such requirements.

4.2 Loan Documents.

Borrower agrees that it will, on or before the Loan Opening Date, execute and deliver or cause to be executed and delivered to Lender the following documents in form and substance acceptable to Lender:

(a) The Note.

(b) Each Security Document.

(c) The Guaranties.

(d) Such UCC financing statements as Lender determines are advisable or necessary to perfect or notify third parties of the security interests intended to be created by the Loan Documents.

(e) Such other documents, instruments or certificates as Lender and its counsel may reasonably require, including such documents as Lender in its sole discretion deems necessary or appropriate to effectuate the terms and conditions of this Agreement and the Loan Documents, and to comply with the Laws of the State.

4.3 Term of the Loan.

All principal, interest and other sums due under the Loan Documents shall be due and payable in full on the Maturity Date.

4.4 Prepayments. Borrower shall have the right to make prepayments of the Loan, in whole or in part, at any time.

4.5 Required Principal Payments.

All principal shall be paid on or before the Maturity Date.

4.6 Late Charge.

Any and all amounts due hereunder or under the other Loan Documents which remain unpaid on the tenth (10th) day after the date said amount was due and payable shall incur a fee (the "Late Charge") of five percent (5%) per annum of said amount, which payment shall be in addition to all of Lender's other rights and remedies under the Loan Documents, provided that no Late Charge shall apply to the final payment of principal on the Maturity Date. Nothing in this Section shall be deemed a cure period for the purpose of determining the occurrence of an Event of Default.

5. INTEREST

5.1 Interest Rate.

- (a) Subject to Section 5.3, the Loan will bear interest at the Applicable Rate, unless the Default Rate is applicable.
- (b) Interest at the Applicable Rate (or Default Rate) shall be calculated for the actual number of days elapsed on the basis of a 360-day year, including the first date of the applicable period to, but not including, the date of repayment.
- (c) The Loan shall bear interest at the Default Rate at any time at which an Event of Default shall exist.

5.2 Payment Dates.

Borrower shall pay interest in arrears on the fourth (4th) day of every calendar month in the amount of all interest accrued and unpaid. All payments (whether of principal or of interest) shall be deemed credited to Borrower's account only if received by 2:00 p.m. Dallas time on a Business Day; otherwise, such payment shall be deemed received on the next Business Day.

5.3 Maximum Lawful Rate.

It is the intent of Borrower and Lender to conform to and contract in strict compliance with applicable usury law from time to time in effect. In no way, nor in any event or contingency (including but not limited to prepayment, default, demand for payment, or acceleration of the maturity of any obligation), shall the rate of interest taken, reserved, contracted for, charged or received under this Agreement and the other Loan Documents exceed the highest lawful interest rate permitted under applicable law (the "Maximum Lawful Rate"). If Lender shall ever receive anything of value which is characterized as interest under applicable law and which would apart from this provision be in excess of the Maximum Lawful Rate, an amount equal to the amount which would have been excessive interest shall, without penalty, be applied to the reduction of the principal amount owing on the Loan in the inverse order of its maturity and not to the payment of interest, or refunded to the Borrower or the other payor thereof if and to the extent such amount which would have been excessive exceeds such unpaid principal. All interest paid or agreed to be paid to the holder hereof shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full stated term (including any renewal or extension) of the Loan so that the amount of interest on account of such obligation does not exceed the Maximum Lawful Rate. As

used in this Section, the term “applicable law” shall mean the laws of the State of Texas or the federal laws of the United States, whichever laws allow the greater interest, as such laws now exist or may be changed or amended or come into effect in the future.

6.

COSTS OF MAINTAINING LOAN

6.1 Increased Costs and Capital Adequacy.

(a) Borrower recognizes that the cost to Lender of maintaining the Loan or any portion thereof may fluctuate and, Borrower agrees to pay Lender additional amounts to compensate Lender for any increase in its actual costs incurred *in* maintaining the Loan or any portion thereof outstanding or for the reduction of any amounts received or receivable from Borrower as a result of any change after the date hereof in any applicable Law, regulation or treaty, or in the interpretation or administration thereof, or by any domestic or foreign court, (A) changing the basis of taxation of payments under this Agreement to Lender (other than taxes imposed on all or any portion of the overall net income or receipts of Lender), or (B) imposing, modifying or applying any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, credit extended by, or any other acquisition of funds for loans by Lender (which includes the Loan or any applicable portion thereof), or (C) imposing on Lender any other condition affecting the Loan, provided that the result of the foregoing is to increase the cost to Lender of maintaining the Loan or any portion thereof or to reduce the amount of any sum received or receivable from Borrower by Lender under the Loan Documents.

(b) If the application of any Law, rule, regulation or guideline adopted or arising out of the Basle Committee on Banking Regulations and Supervisory Practices entitled “International Convergence of Capital Measurements and Capital Standards”, or the adoption after the date hereof of any other Law, rule, regulation or guideline regarding capital adequacy, or any change after the date hereof in any of the foregoing, or in the interpretation or administration thereof by any domestic or foreign Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by Lender, with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has the effect of reducing the rate of return on Lender’s capital to a level below that which Lender would have achieved but for such application, adoption, change or compliance (taking into consideration the policies of Lender with respect to capital adequacy), then, from time to time Borrower shall pay to Lender such additional amounts as will compensate Lender for such reduction with respect to any portion of the Loan outstanding.

(c) Any amount payable by Borrower under subsection (a) or subsection (b) of this Section 6.1 shall be paid within five (5) days of receipt by Borrower of a certificate signed by an authorized officer of Lender setting forth the amount due and the basis for the determination of such amount, which statement shall be conclusive and binding upon Borrower, absent manifest error. Failure on the part of Lender to demand payment from Borrower for any such amount attributable to any particular period shall not constitute a waiver of Lender’s right to demand payment of such amount for any subsequent or prior period. Lender shall use reasonable efforts to deliver to Borrower prompt notice of any event described in subsection (a) or (b) above, of the amount of the reserve and capital adequacy payments resulting therefrom and the reasons therefor and of the basis of calculation of such amount; provided, however, that any failure by Lender to so notify Borrower

shall not affect Borrower's obligation to pay the reserve and capital adequacy payment resulting therefrom.

6.2 Borrower Withholding.

If by reason of a change in any applicable Laws occurring after the date hereof, Borrower is required by Law to make any deduction or withholding in respect of any taxes (other than taxes imposed on or measured by the net income of Lender or any franchise tax imposed on Lender), duties or other charges from any payment due under the Note to the maximum extent permitted by Law, the sum due from Borrower in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, Lender receives and retains a net sum equal to the sum which it would have received had no such deduction or withholding been required to be made.

7.

LOAN EXPENSE AND ADVANCES

7.1 Loan and Administration Expenses.

Borrower unconditionally agrees to pay all costs and expenses incurred by Lender in connection with the Loan, including all amounts payable pursuant to this Article 7 and any and all other fees owing to Lender pursuant to the Loan Documents or any separate fee agreement, and also including, without limiting the generality of the foregoing, if applicable, all recording, filing and registration fees and charges, mortgage or documentary taxes, all insurance premiums, title insurance premiums and other charges in connection with Title Policies, printing and photocopying expenses, survey fees and charges, cost of certified copies of instruments, cost of premiums on surety company bonds, all appraisal fees, insurance consultant's fees, environmental consultant's fees, travel related expenses and all costs and expenses incurred by Lender in connection with the determination of whether or not Borrower has performed the obligations undertaken by Borrower hereunder or has satisfied any conditions precedent to the obligations of Lender hereunder and, if any Default or Event of Default occurs hereunder or under any of the Loan Documents or if the Loan or Note or any portion thereof is not paid in full when and as due, all costs and expenses of Lender (including, without limitation, court costs and counsel's fees and disbursements and fees and costs of paralegals) incurred in attempting to enforce payment of the Loan and expenses of Lender incurred (including court costs and counsel's fees and disbursements and fees and costs of paralegals) in attempting to realize, while a Default or Event of Default exists, on any security or incurred in connection with the sale or disposition (or preparation for sale or disposition) of any security for the Loan. Whenever Borrower is obligated to pay or reimburse Lender for any attorneys' or paralegals' fees, those fees shall include the reasonable allocated costs for services of in-house counsel. Borrower agrees to pay all brokerage, finder or similar fees or commissions payable in connection with the transactions contemplated hereby and shall indemnify and hold Lender harmless against all claims, liabilities, costs and expenses (including attorneys' fees and expenses) incurred in relation to any claim by broker, finder or similar person.

7.2 Lender's Attorneys' Fees and Disbursements.

Borrower agrees to pay Lender's attorney fees and disbursements incurred in connection with this Loan, including (i) the preparation of this Agreement, any intercreditor agreements and the other Loan Documents and the preparation of the closing binders, (ii) the disbursement, syndication,

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amendment, and administration of the Loan and (iii) the enforcement of the terms of this Agreement and the other Loan Documents.

7.3 Time of Payment of Fees and Expenses.

Borrower shall pay all expenses and fees incurred as of the Loan Opening on the Loan Opening Date (unless sooner required herein). At the time of the Opening of the Loan, Lender may pay from the proceeds of the initial disbursement of the Loan all Loan expenses and all fees payable to Lender. Lender may require the payment of outstanding fees and expenses as a condition to any disbursement of the Loan. Lender is hereby authorized, without any specific request or direction by Borrower, to make disbursements from time to time in payment of or to reimburse Lender for all Loan expenses and fees.

7.4 Expenses and Advances Secured by Loan Documents.

Any and all advances or payments made by Lender under this Article 7 from time to time, and any amounts expended by Lender pursuant to Article 15, shall, as and when advanced or incurred, constitute additional indebtedness evidenced by the Note and secured by the Security Documents and the other Loan Documents.

7.5 Right of Lender to Make Advances to Cure Borrower's Defaults.

In the event that Borrower fails to perform any of Borrower's covenants, agreements or obligations contained in this Agreement or any of the other Loan Documents (after the expiration of applicable grace periods, except in the event of an emergency or other exigent circumstances) Lender may (but shall not be required to) perform any of such covenants, agreements and obligations, and any amounts expended by Lender in so doing and shall constitute additional indebtedness evidenced by the Note and secured by the Security Documents and the other Loan Documents and shall bear interest at the Default Rate.

8.

REQUIREMENTS PRECEDENT TO THE OPENING OF THE LOAN

8.1 Conditions Precedent.

Borrower agrees that Lender's obligation to open the Loan is conditioned upon Borrower's delivery, performance and satisfaction of the following conditions precedent in form and substance satisfactory to Lender in its reasonable discretion:

(a) Loan Documents: The Lender shall have received copies of each of the documents set forth in Section 4.2, executed by the Borrower or Guarantor, as the case may be, and recorded, if applicable, each in form and substance satisfactory to the Lender.

(b) Insurance Policies: Borrower shall have furnished to Lender policies or binders evidencing that insurance coverages are in effect with respect to Borrower, in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

(c) No Litigation: No litigation or proceedings shall be pending or threatened which could or might cause a Material Adverse Change with respect to Borrower or any Guarantor;

(d) Searches: Borrower shall have furnished to Lender current bankruptcy federal tax lien and judgment searches and searches of all Uniform Commercial Code financing statements filed in each place UCC Financing Statements are to be filed hereunder, demonstrating the absence of adverse claims;

(e) Financial Statements: Borrower shall have furnished to Lender current annual financial statements of Borrower, the Guarantors, the General Contractor and such other persons or entities connected with the Loan as Lender may request, each in form and substance and certified by such individual as acceptable to Lender. Borrower and the Guarantors shall provide such other additional financial information Lender reasonably requires;

(t) Pro Forma Projection: Borrower shall have furnished to Lender a Pro Forma Projection covering 2016;

(g) Organizational Documents: Borrower shall have furnished to Lender proof satisfactory to Lender of authority, formation, organization and good standing in the state of its incorporation or formation and, if applicable, qualification as a foreign entity in good standing in the state of its incorporation or formation of all corporate, partnership, trust and limited liability company entities (including Borrower and each Guarantor) executing any Loan Documents, whether in their own name or on behalf of another entity. Borrower shall also provide certified resolutions in form and content satisfactory to Lender, authorizing execution, delivery and performance of the Loan Documents, and such other documentation as Lender may reasonably require to evidence the authority of the persons executing the Loan Documents;

(h) No Default: There shall be no uncured Default or Event of Default by Borrower hereunder;

(i) Additional Documents: Borrower shall have furnished to Lender such other materials, documents, papers or requirements regarding Borrower and any Guarantor as Lender shall reasonably request.

9.

REQUIREMENTS PRECEDENT TO SUBSEQUENT DISBURSEMENTS OF THE LOAN

9.1 Conditions Precedent.

Borrower agrees that Lender's obligation to make subsequent disbursements of the Loan is conditioned upon Borrower's satisfaction of the following conditions prevalent in form and substance satisfactory to Lender in its reasonable discretion.

(a) Borrower's Certificate: Lender shall have received a fully executed and delivered Borrower's Certificate in the form of Exhibit A attached hereto, along with a completed Borrowing Base Certificate.

(b) Maximum Loan Amount: After making such disbursement, the aggregate outstanding balance of the Loan shall not exceed the lesser of (a) Loan Amount, or (b) the Borrowing Base.

(c) Representations and Warranties: The representations and warranties of the Borrower set forth in this Agreement shall be true and correct on and as of the date of such disbursement.

(d) No Default or Event of Default: At the time of and immediately after giving effect to such disbursement, no Default or Event of Default shall have occurred and be continuing.

10.

AFFIRMATIVE COVENANTS

Borrower covenants and agrees as follows:

10.1 Furnishing Information.

(a) Monthly Reports. Borrower shall deliver or cause to be delivered to Lender, within twenty (20) days after the end of each month, a completed Borrowing Base Certificate.

(b) Quarterly Reports. Borrower shall deliver or cause to be delivered to Lender, within thirty (30) days after the end of each calendar quarter, quarterly internally-prepared financial statements and a duly executed Certificate of Compliance in the form of Exhibit B attached hereto.

(c) Annual Reports. Borrower shall deliver or cause to be delivered to Lender, within one hundred fifty (150) days after the end of each calendar year, an annual financial statement, audited by certified professional accountants satisfactory to the Lender.

(d) Personal Financial Statements. Borrower shall deliver or cause to be delivered to Lender, personal financial statements of each Guarantor, not later than fifteen (15) months after the most recent such statements delivered to Lender.

(e) Tax Returns. Borrower shall deliver or cause to be delivered to Lender, tax returns for each Guarantor, within thirty (30) days of timely filing.

(f) Field Audits. Borrower shall permit Lender or a representative of Lender to perform, at Borrower's sole cost and expense, field audits with respect to the Collateral and shall cooperate and shall cause its employees, agents and representatives to cooperate with such field audits. For so long as no Default or Event of Default exists hereunder, Lender shall perform no more than one such field audit in any calendar quarter.

(g) Financial Reports. All financial statements delivered in accordance with clauses (b), (c) and (d) above shall be in a format approved in writing by Lender in Lender's reasonable sole discretion. Each financial statement shall be certified as true, complete and correct by its preparer and by Borrower or, in the case of each of the Guarantors' financial statements, by the Guarantor to whom it relates. Borrower and the Guarantor shall provide such additional financial information as Lender reasonably requires. Borrower shall during regular business hours permit Lender or any of its agents or representatives to have access to and examine all of its books and records. If any such

financial statement or other report or information described in this subsection is not delivered to Lender as provided above, Borrower agrees to pay a late charge to Lender in the amount of \$500 per item per day.

10.2 Maintenance of Insurance.

Borrower shall maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations. Lender shall be named as a loss payee or additional insured, as applicable, on each such policy. Each policy shall provide that it may not be canceled, reduced or terminated without at least thirty (30) days prior written notice to Lender.

10.3 Payment of Taxes.

Borrower shall pay all Taxes before the same become delinquent, provided, however, that Borrower shall have the right to pay such Tax under protest or to otherwise contest any such Tax or assessment, but only if (i) such contest has the effect of preventing the collection of such Taxes so contested and also of preventing the attachment of any Lien to any of Borrower's property, (ii) Borrower has notified Lender of Borrower's intent to contest such Taxes, and (iii) Borrower has deposited security *in* form and amount satisfactory to Lender, in its sole discretion, and has increased the amount of such security so deposited promptly after Lender's request therefor. If Borrower fails to commence such contest or, having commenced to contest the same, and having deposited such security required by Lender for its full amount, shall thereafter fail to prosecute such contest in good faith or with due diligence, or, upon adverse conclusion of any such contest, shall fail to pay such Tax, Lender may, at its election (but shall not be required to), pay and discharge any such Tax, and any interest or penalty thereon, and any amounts so expended by Lender shall be deemed to constitute disbursements of the Loan proceeds hereunder (even if the total amount of disbursements would exceed the face amount of the Note). Borrower shall furnish to Lender evidence that Taxes are paid at least five (5) days prior to the last date for payment of such Taxes and before imposition of any penalty or accrual of interest.

10.4 Lender's Attorneys' Fees for Enforcement of Agreement.

In case of any Default or Event of Default hereunder, Borrower (in addition to Lender's attorneys' fees, if any, to be paid pursuant to Article 7) will pay Lender's attorneys' and paralegal fees (including, without limitation, any attorney and paralegal fees and costs incurred in connection with any litigation or bankruptcy or administrative hearing and any appeals therefrom and any post-judgment enforcement action including, without limitation, supplementary proceedings) in connection with the enforcement of this Agreement; without limiting the generality of the foregoing, if at any time or times hereafter Lender employs counsel (whether or not any suit has been or shall be filed and whether or not other legal proceedings have been or shall be instituted) for advice or other representation with respect to this Agreement, or any of the other Loan Documents, or to protect, collect, lease, sell, take possession of, or liquidate any of the Collateral, or to attempt to enforce any security interest or lien in any portion of the Collateral, or to enforce any rights of Lender or Borrower's obligations hereunder, then in any of such events all of the attorneys' fees arising from such services, and any expenses, costs and charges relating thereto (including fees and costs of paralegals), shall constitute an additional liability owing by Borrower to Lender, payable on demand.

10.5 Use of Proceeds.

The proceeds of the Loans will be used only for working capital and general corporate purposes. No part of the proceeds of the Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations T, U and X.

10.6 Lost Note.

Upon Lender's furnishing to Borrower an affidavit to such effect, Borrower shall, if the Note is mutilated, destroyed, lost or stolen, deliver to Lender, in substitution therefor, a new note containing the same terms and conditions as the Note.

10.7 Indemnification.

BORROWER SHALL INDEMNIFY LENDER, INCLUDING EACH PARTY OWNING AN INTEREST IN THE LOAN AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND CONSULTANTS (EACH, AN "INDEMNIFIED PARTY") AND DEFEND AND HOLD EACH INDEMNIFIED PARTY HARMLESS FROM AND AGAINST ALL CLAIMS, INJURY, DAMAGE, LOSS AND LIABILITY, COST AND EXPENSE (INCLUDING ATTORNEYS' FEES, COSTS AND EXPENSES) OF ANY AND EVERY KIND TO ANY PERSONS OR PROPERTY BY REASON OF (I) ANY BREACH OF REPRESENTATION OR WARRANTY, DEFAULT OR EVENT OF DEFAULT UNDER THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR RELATED DOCUMENT; OR (II) ANY OTHER MATTER ARISING IN CONNECTION WITH THE LOAN, BORROWER, OR GUARANTOR. BORROWER'S DUTY TO INDEMNIFY, HOLD HARMLESS, AND DEFEND THE INDEMNIFIED PARTIES AGAINST LOSSES EXTENDS TO LOSS THAT MAY BE CAUSED OR ALLEGED TO BE CAUSED IN PART BY THE NEGLIGENCE OF INDEMNITEES TO THE FULLEST EXTENT THAT SUCH INDEMNIFICATION IS PERMITTED BY APPLICABLE LAW. THE FOREGOING INDEMNIFICATION SHALL SURVIVE REPAYMENT OF THE- LOAN AND SHALL CONTINUE TO BENEFIT LENDER FOLLOWING ANY ASSIGNMENT OF THE LOAN WITH RESPECT TO MATTERS ARISING OR ACCRUING PRIOR TO SUCH ASSIGNMENT.

**11.
NEGATIVE COVENANTS**

Borrower covenants and agrees as follows:

11.1 Indebtedness.

Borrower will not create, incur, assume or permit to exist any Indebtedness, except:

- (a) Indebtedness created hereunder;
- (b) The Capital One Indebtedness; provided that such Indebtedness shall not exceed \$35,000,000;
- (c) Indebtedness of the Borrower as an account party in respect of trade letters of credit.

- (d) Other Indebtedness of the Borrower not to exceed \$5,000,000 in the aggregate.

11.2 Liens.

Borrower will not create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

- (a) Permitted Liens;

(b) Liens on fixed or capital assets acquired, constructed or improved by the Borrower; provided that (i) such security interests secure Indebtedness permitted by clause (d) of Section 11.1, (ii) such security interests and the Indebtedness secured thereby are incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (iii) the Indebtedness secured thereby does not exceed 75% of the cost of acquiring, constructing or improving such fixed or capital assets and (iv) such security interests shall not apply to any other property or assets of the Borrower.

11.3 Fundamental Changes; Disposition of Assets.

The Borrower will not (a) merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all any part of its assets (other than sales of inventory in the ordinary course of business), or liquidate or dissolve, or (b) engage to any material extent in any business other than businesses of the type conducted by the Borrower on the Effective Date and businesses reasonably related thereto.

11.4 Investments, Loans, Advances, Guarantees and Acquisitions.

The Borrower will not purchase, hold or acquire any capital stock, evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, Guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit, except:

- (a) Permitted Investments;
- (b) Investments in the aggregate not to exceed \$5,000,000 over the course of this Agreement; and
- (c) Guarantees constituting Indebtedness permitted by Section 11.1.

11.5 Swap Agreements.

The Borrower will not enter into any Swap Agreement, except (a) Swap Agreements entered into to hedge or mitigate risks to which the Borrower has actual exposure, and (b) Swap Agreements entered into in order to effectively cap, collar or exchange interest rates (from fixed to floating rates,

from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of the Borrower.

11.6 Restricted Payments.

The Borrower will not declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except (a) the Borrower may declare and pay dividends with respect to its Equity Interests payable solely in additional Equity Interests in the Borrower, (b) the Borrower may make Restricted Payments pursuant to and in accordance with stock option plans or other benefit plans for management or employees of the Borrower.

11.7 Transactions with Affiliates.

The Borrower will not sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) in the ordinary course of business at prices and on terms and conditions not less favorable to the Borrower than could be obtained on an arm's-length basis from unrelated third parties, and (b) any Restricted Payment permitted by Section 11.6.

11.8 Restrictive Agreements.

The Borrower will not, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon the ability of the Borrower to create, incur or permit to exist any Lien upon any of its property or assets; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by Law or by this Agreement, (ii) the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness and (iii) the foregoing shall not apply to customary provisions in leases and other contracts restricting the assignment thereof.

11.9 Minimum Tangible Net Worth.

At the end of each fiscal quarter, Borrower shall have Tangible Net Worth of not less than Eighty Million Dollars (\$80,000,000).

11.10 Leverage Ratio.

At the end of each fiscal quarter, Borrower shall have a Leverage Ratio of no greater than 4.00:1.00.

12.

ASSIGNMENTS BY LENDER AND BORROWER

12.1 Assignments and Participations.

Lender may from time to time sell the Loan and the Loan Documents (or any interest therein) and may grant participations in the Loan. Borrower agrees to cooperate with Lender's efforts to do any of the foregoing and to execute all documents reasonably required by Lender in connection therewith which do not materially adversely affect Borrower's rights under the Loan Documents.

12.2 Prohibition of Assignments by Borrower.

Borrower shall not assign or attempt to assign its rights under this Agreement and any purported assignment shall be void.

12.3 Successors and Assigns.

Subject to the foregoing restrictions on transfer and assignment contained in this Article 12, this Agreement shall inure to the benefit of and shall be binding on the parties hereto and their respective successors and permitted assigns.

13.

TIME OF THE ESSENCE

13.1 Time is of the Essence.

Borrower agrees that time is of the essence under this Agreement.

14.

EVENTS OF DEFAULT

14.1 Events of Default.

The occurrence of any one or more of the following shall constitute an “Event of Default” as said term is used herein:

(a) Failure of Borrower (i) (A) to make any payment when due, or (B) for a period of five (5) days after written notice from Lender that the same is due and payable, to observe or perform any of the other covenants or conditions by Borrower to be performed under the terms of this Agreement or any other Loan Document concerning the payment of money; or (ii) for a period of ten (10) days after written notice from Lender, to observe or perform any nonmonetary covenant or condition contained in this Agreement or any other Loan Documents; provided, that if a different notice or grace period is specified under any other subsection of this Section 14.1 with respect to a particular breach or default, such specific provision shall control; and provided further, that if another subsection of this Section 14.1 applies to a particular breach or default and does not expressly provide for a notice or grace period, no notice or grace period will be applicable with respect to such breach or default.

(b) Any assignment in violation of Section 12.2.

(c) If any warranty, representation, statement, report or certificate made now or hereafter by Borrower or any Guarantor is untrue or incorrect at the time made or delivered, provided that if such breach is reasonably susceptible of cure, then no Event of Default shall exist so long as Borrower cures said breach (i) within the notice and cure period provided in (a)(i) above for a breach that can be cured by the payment of money or (ii) within the notice and cure period provided in (a)(ii) above for any other breach.

(d) Borrower or any Guarantor shall commence a voluntary case concerning Borrower or such Guarantor under the Bankruptcy Code; or an involuntary proceeding is commenced against Borrower or any Guarantor under the Bankruptcy Code and relief is ordered against Borrower or

such Guarantor, or the petition is controverted but not dismissed or stayed within sixty (60) days after the commencement of the case, or a custodian (as defined in the Bankruptcy Code) is appointed for or takes charge of all or substantially all of the property of Borrower or any Guarantor; or the Borrower or any Guarantor commences any other proceedings under any reorganization, arrangement, readjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar Law of any jurisdiction whether now or hereafter in effect relating to the Borrower or any Guarantor; or there is commenced against Borrower or any Guarantor any such proceeding which remains undismissed or unstayed for a period of sixty (60) days; or the Borrower or any Guarantor fails to controvert in a timely manner any such case under the Bankruptcy Code or any such proceeding, or any order of relief or other order approving any such case or proceeding is entered; or the Borrower or any Guarantor by any act or failure to act indicates its consent to, approval of, or acquiescence in any such case or proceeding or the appointment of any custodian or the like of or for it for any substantial part of its property or suffers any such appointment to continue undischarged or unstayed for a period of sixty (60) days.

(e) Borrower or any Guarantor shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or shall consent to the appointment of a receiver or trustee or liquidator of all of its property or the major part thereof or if all or a substantial part of the assets of Borrower or any Guarantor are attached, seized, subjected to a writ or distress warrant, or are levied upon, or come into the possession of any receiver, trustee, custodian or assignee for the benefit of creditors.

(t) One or more final, non-appealable judgments are entered (i) against Borrower in amounts aggregating in excess of \$500,000 or (ii) against any Guarantor in amounts aggregating in excess of \$250,000, and said judgments are not stayed or bonded over within thirty (30) days after entry.

(g) If Borrower or any Guarantor shall fail to pay any debt owed by it or is in default under any agreement with Lender or any other party (other than a failure or default for which Borrower's maximum liability does not exceed \$500,000 and Guarantor's maximum liability does not exceed \$250,000) and such failure or default continues after any applicable grace period specified in the instrument or agreement relating thereto.

(h). If a Material Adverse Change occurs with respect to Borrower or any Guarantor.

(i) The failure at any time of a security interest created under any Security Document to be a valid first lien upon the Collateral described therein.

(j) The death of the Guarantor, or the revocation by a Guarantor, and the failure of Borrower to provide a replacement Guarantor, acceptable to Lender in its sole discretion, within thirty (30) days thereafter.

(k) A Change of Control shall occur.

(l) Failure of Borrower to comply with Section 10.1, or Article 11.

(m) The occurrence of any other event or circumstance denominated as an Event of Default in this Agreement or under any of the other Loan Documents and the expiration of any

applicable grace or cure periods, if any, specified for such Event of Default herein or therein, as the case maybe.

15.

LENDER'S REMEDIES IN EVENT OF DEFAULT

15.1 Remedies Conferred Upon Lender.

Upon the occurrence of any Event of Default, Lender may pursue any one or more of the following remedies concurrently or successively, it being the intent hereof that none of such remedies shall be to the exclusion of any other:

(a) Enforce any Liens or security interests under the Security Documents;

(b) Declare the Note to be immediately due and payable;

(c) Use and apply any monies or letters of credit deposited by Borrower with Lender, regardless of the purposes for which the same was deposited, to cure any such Default or to apply on account of any indebtedness under this Agreement which is due and owing to Lender; and

(d) Exercise or pursue any other remedy or cause of action permitted under this Agreement or any other Loan Documents, or conferred upon Lender by operation of Law.

Notwithstanding the foregoing, upon the occurrence of any Event of Default under Section 14.1(d) or @ with respect to Borrower, all amounts evidenced by the Note shall automatically become due and payable, without any presentment, demand, protest or notice of any kind to Borrower.

16.

GENERAL PROVISIONS

16.1 Captions.

The captions and headings of various Articles, Sections and subsections of this Agreement and Schedules and Exhibits pertaining hereto are for convenience only and are not to be considered as defining or limiting in any way the scope or intent of the provisions hereof.

16.2 Modification; Waiver.

No modification, waiver, amendment or discharge of this Agreement or any other Loan Document shall be valid unless the same is in writing and signed by the party against which the enforcement of such modification, waiver, amendment or discharge is sought.

16.3 Authorized Representative.

Borrower hereby appoints Curt Hodgson as its Authorized Representative for purposes of dealing with Lender on behalf of Borrower in respect of any and all matters in connection with this Agreement, the other Loan Documents, and the Loan. The Authorized Representative shall have the power, in his discretion, to give and receive all notices, monies, approvals, and other documents and instruments, and to take any other action on behalf of Borrower. All actions by the Authorized

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Representative shall be final and binding on Borrower. Lender may rely on the authority given to the Authorized Representative until actual receipt by Lender of a duly authorized resolution substituting a different person as the Authorized Representative. No more than one person shall serve as Authorized Representative at any given time.

16.4 Governing Law.

Irrespective of the place of execution and/or delivery, this Agreement shall be governed by, and shall be construed in accordance with, the laws of the State of Texas.

16.5 Acquiescence Not to Constitute Waiver of Lender's Requirements.

Each and every covenant and condition for the benefit of Lender contained in this Agreement may be waived by Lender, provided, however, that to the extent that Lender may have acquiesced in any noncompliance with any conditions precedent to the Opening of the Loan or to any subsequent disbursement of Loan proceeds, such acquiescence shall not be deemed to constitute a waiver by Lender of such requirements with respect to any future disbursements of Loan proceeds.

16.6 Disclaimer by Lender.

This Agreement is made for the sole benefit of Borrower and Lender, and no other person or persons shall have any benefits, rights or remedies under or by reason of this Agreement, or by reason of any actions taken by Lender pursuant to this Agreement. Lender shall not be liable for any debts or claims accruing in favor of any party against Borrower or others. Lender, by making the Loan or taking any action pursuant to any of the Loan Documents, shall not be deemed a partner or a joint venturer with Borrower or fiduciary of Borrower.

16.7 Partial Invalidity; Severability.

If any of the provisions of this Agreement, or the application thereof to any person, party or circumstances, shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such provision or provisions to persons, parties or circumstances other than

those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and every provision of this Agreement shall be valid and enforceable to the fullest extent permitted by Law.

16.8 Definitions Include Amendments.

Definitions contained in this Agreement which identify documents, including, but not limited to, the Loan Documents, shall be deemed to include all amendments and supplements to such documents from the date hereof, and all future amendments, modifications, and supplements thereto entered into from time to time to satisfy the requirements of this Agreement or otherwise with the consent of Lender. Reference to this Agreement contained in any of the foregoing documents shall be deemed to include all amendments and supplements to this Agreement.

16.9 Execution in Counterparts.

This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

16.10 Entire Agreement.

This Agreement, taken together with all of the other Loan Documents and all certificates and other documents delivered by Borrower to Lender, embody the entire agreement and supersede all prior agreements, written or oral, relating to the subject matter hereof.

16.11 Waiver of Damages.

In no event shall Lender be liable to Borrower for punitive, exemplary or consequential damages, including, without limitation, lost profits, whatever the nature of a breach by Lender of its obligations under this Agreement or any of the Loan Documents, and Borrower for itself and its Guarantors waive all claims for punitive, exemplary or consequential damages.

16.12 Claims Against Lender.

Lender shall not be in default under this Agreement, or under any other Loan Documents, unless a written notice specifically setting forth the claim of Borrower shall have been given to Lender within three (3) months after Borrower first had knowledge of the occurrence of the event which Borrower alleges gave rise to such claim and Lender does not remedy or cure the default, if any there be, promptly thereafter. Borrower waives any claim, setoff or defense against Lender arising by reason of any alleged default by Lender as to which Borrower does not give such notice timely as aforesaid. Borrower acknowledges that such waiver is or may be essential to Lender's ability to enforce its remedies without delay and that such waiver therefore constitutes a substantial part of the bargain between Lender and Borrower with regard to the Loan. No Guarantor is intended to have any rights as a third-party beneficiary of the provisions of this Section 16.12.

16.13 Jurisdiction.

TO THE GREATEST EXTENT PERMITTED BY LAW, BORROWER HEREBY WAIVES ANY AND ALL RIGHTS TO REQUIRE MARSHALLING OF ASSETS BY LENDER. WITH RESPECT TO ANY SUIT, ACTION OR PROCEEDINGS RELATING TO THIS AGREEMENT (EACH, A "PROCEEDING"), BORROWER IRREVOCABLY (A) SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS HAVING JURISDICTION IN THE CITY OF DALLAS, COUNTY OF DALLAS AND STATE OF TEXAS, AND (B) WAIVES ANY OBJECTION WHICH IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY PROCEEDING BROUGHT IN ANY SUCH COURT, WAIVES ANY CLAIM THAT ANY PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND FURTHER WAIVES THE RIGHT TO OBJECT, WITH RESPECT TO SUCH PROCEEDING, THAT SUCH COURT DOES NOT HAVE JURISDICTION OVER SUCH PARTY. NOTHING IN THIS AGREEMENT SHALL PRECLUDE LENDER FROM BRINGING A PROCEEDING IN ANY OTHER JURISDICTION NOR WILL THE BRINGING OF A PROCEEDING IN ANY ONE OR MORE JURISDICTIONS PRECLUDE THE BRINGING OF A PROCEEDING IN ANY OTHER JURISDICTION. BORROWER FURTHER AGREES AND CONSENTS THAT, IN ADDITION TO ANY METHODS OF SERVICE OF PROCESS PROVIDED FOR UNDER APPLICABLE LAW, ALL SERVICE OF PROCESS IN ANY PROCEEDING IN ANY TEXAS STATE OR UNITED STATES COURT SITTING IN THE CITY OF DALLAS AND COUNTY OF DALLAS MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO BORROWER AT THE ADDRESS INDICATED BELOW, AND SERVICE SO MADE SHALL BE COMPLETE UPON RECEIPT;

EXCEPT THAT IF BORROWER SHALL REFUSE TO ACCEPT DELIVERY, SERVICE SHALL BE DEEMED COMPLETE FIVE (5) DAYS AFTER THE SAME SHALL HAVE BEEN SO MAILED.

16.14 Set-Offs.

After the occurrence and during the continuance of an Event of Default, Borrower hereby irrevocably authorizes and directs Lender from time to time to charge Borrower's accounts and deposits with Lender (or its Affiliates), and to pay over to Lender an amount equal to any amounts from time to time due and payable to Lender hereunder, under the Note or under any other Loan Document. Borrower hereby grants to Lender a security interest in and to all such accounts and deposits maintained by the Borrower with Lender (or its Affiliates).

16.15 Lender's Consent.

Wherever in this Agreement there is a requirement for Lender's consent and/or a document to be provided or an action taken "to the satisfaction of Lender", it is understood by such phrase that, except as expressly modified herein, Lender shall exercise its consent, right or judgment u.l its sole discretion.

16.16 Notices.

Any notice, demand, request or other communication which any party hereto may be required or may desire to give hereunder shall be in writing and shall be deemed to have been properly given (a) if hand delivered, when delivered; (b) if mailed by United States Certified Mail (postage prepaid, return receipt requested), three (3) Business Days after mailing (c) if by Federal Express or other reliable overnight courier service, on the next Business Day after delivered to such courier service or (d) if by telecopier on the day of transmission so long as copy is sent on the same day by overnight courier as set forth below:

If to Borrower:

Legacy Housing, Ltd.
4801 Mark IV Parkway
Fort Worth, Texas 76106
Attention: Curt Hodgson
Facsimile: 972-294-3765

If to Lender:

Veritex Bank
8214 Westchester Drive, Suite 400
Dallas, Texas 75225
Attention: Seth Allen
Facsimile: 972-349-6156

With a copy to:

Wick Phillips Gould & Martin, LLP
3131 McKinney Avenue, Suite 100
Dallas, Texas 75204

Attention: Michael W. Bailey
Facsimile: 214-692-6255

or at such other address as the party to be served with notice may have furnished in writing to the party seeking or desiring to serve notice as a place for the service of notice.

16.17 Waiver of Jury Trial.

BORROWER AND LENDER EACH WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS OR RELATING THERETO OR ARISING FROM THE LENDING RELATIONSHIP WHICH IS THE SUBJECT OF THIS AGREEMENT AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

16.18 No Oral Agreements.

THIS WRITTEN LOAN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[Signature page follows.]

EXECUTED as of the date first set forth above.

BORROWER:

LEGACY HOUSING, LTD.,

By: GPLH, LC, its general partner

By: /s/ Curtis Hodgson

Name: Curtis Hodgson

Title: Manager

Borrower's Tax ID No. 20-2897516

LENDER:

VERITEX VANK

By: /s/ Seth P. Allen

Name: Seth P. Allen

Title: EVP

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated September 19, 2018, with respect to the financial statements of Legacy Housing, Ltd. contained in the Registration Statement and Prospectus. We consent to the use of the aforementioned report in the Registration Statement and Prospectus, and to the use of our name as it appears under the caption "Experts."

/s/ GRANT THORNTON LLP

Dallas, Texas
December 11, 2018

QuickLinks

[Exhibit 23.2](#)

[CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM](#)