Risk Factors Comparison 2024-02-22 to 2023-02-28 Form: 10-K

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In addition to the other information set forth in this report, you should carefully consider the following factors, which could materially affect our business, financial condition or results of operations in future periods. The risks described below are not the only risks facing our Company. Additional risks not currently known to us or that we currently deem to be immaterial ~~also~~ may materially adversely affect our business, financial condition or results of operations in future periods. You should carefully consider the risk factors described below, together with all of the other information in this Annual Report ~~on Form 10- K~~, including our consolidated financial statements and notes thereto and the " Management' s Discussion and Analysis of Financial Condition and Results of Operations " in Part II, Item 7 of ~~the Company' s Annual Report on Form 10- K. Certain statements in~~ this Annual Report ~~on Form 10- K~~ **. Certain statements in this Annual Report** are forward- looking statements. See the section of this Annual Report ~~on Form 10- K~~ titled " Forward- Looking Statements. " Risks Related to Our Industries Our profitability is tied to the strength of the residential real estate market, which is subject to a number of general business and macroeconomic conditions beyond our control. Our profitability is closely related to the strength of the residential real estate market, which is cyclical in nature and typically is affected by changes in national, state and local economic conditions, which are beyond our control. Macroeconomic conditions that could adversely impact the growth of the real estate market and have a material adverse effect on our business include, but are not limited to, economic slowdown or recession, increased unemployment, increased energy costs, reductions in the availability of credit or higher interest rates, increased costs of obtaining mortgages, an increase in foreclosure activity, inflation, disruptions in capital markets, declines in the stock market, adverse tax policies or changes in other regulations, lower consumer confidence, lower wage and salary levels, war ~~or~~ **,** terrorist attacks **or other geopolitical and security issues, including Russia' s ongoing war with Ukraine, the conflict between Israel and Hamas and rising tensions between China and Taiwan** , natural disasters or adverse weather events, or the public perception that any of these events may occur. Unfavorable general economic conditions, such as a recession or economic slowdown, in the U. S., Canada, or other markets we enter and operate within, could negatively affect the affordability of and consumer demand for, our services, which could have a material adverse effect on our business and profitability. In addition, international, federal and state governments, agencies and government- sponsored entities such as Fannie Mae, Freddie Mac and Ginnie Mae could take actions that result in unforeseen consequences to the real estate market or that otherwise could negatively impact our business. Monetary policies of the U. S. federal government and its agencies may have a material adverse impact on our operations. The U. S. real estate market is substantially reliant on the monetary policies of the U. S. federal government and its agencies and is particularly affected by the policies of the Federal Reserve Board, which regulates the supply of money and credit in the U. S., which, in turn impacts interest rates. Our business could be negatively impacted by any rising interest rate environment. As mortgage rates rise, the number of home sale transactions may decrease as potential home sellers choose to stay with their lower mortgage rate rather than sell their home and pay a higher mortgage rate with the purchase of another home. Similarly, in higher interest rate environments, potential ~~home- buyers~~ **homebuyers** may choose to rent rather than pay higher mortgage rates. Changes in the interest rate environment and mortgage market are beyond our control and are difficult to predict and, as such, could have...... transactions closed by our brokers and agents and, as such, could have a material adverse effect on our business and profitability. Home inventory levels may result in excessive or insufficient supply, which could negatively impact home sale transaction growth. Home inventory levels have been meaningfully declining or increasing in certain markets and price points in recent years. In both instances, homeowners are more likely to retain their homes for longer periods of time **,** resulting in a negative impact on home sale volume growth. Insufficient home inventory levels can cause a reduction in housing affordability, which can result in potential ~~home buyers~~ **homebuyers** deferring entry or reentry into the residential real estate market. Alternatively, excessive home inventory levels can contribute to a reduction in home values, which can result in some potential home sellers deferring entry into the residential real estate market. These inventory trends are caused by many pressures outside of our control, including slow or accelerated new housing construction, macroeconomic conditions **, including rising interest rates and inflation** , real estate industry models that purchase homes for long- term rental or corporate use and other market conditions and behavioral trends discussed herein. **The** ~~In January 2022, the~~ U. S. ~~reported a record low for~~ home inventory levels **have been** ~~, which remained~~ low ~~through~~ **throughout 2023 and** ~~the remainder of~~ 2022. Continuing constraints on home inventory levels may adversely impact the volume of home sale transactions closed by our brokers and agents and, as such, could have a material adverse effect on our business and profitability. Material decreases in the average brokerage commission rate, due to conditions beyond our control, could materially adversely affect our financial results. There are many factors that contribute to average broker commission rates that are beyond our control. Factors that can contribute to a material decrease in brokerage commissions include regulation, ~~a~~ **litigation (including pending litigation described elsewhere in this Annual Report), the** rise **of certain competitive brokerage or non- traditional competitor modes, an increase** in **the popularity of** discount brokers and agents, increased adoption of flat fees, commission models with more competitive rates, rebates or lower commission rates on transactions **, adverse outcomes of pending antitrust litigation across our industry** , as well as other competitive factors. The average broker commission rate for a real estate transaction is a key determinant of our profitability and a material decrease in brokerage commission rates could have a material adverse effect on our business and profitability. **The introduction and integration of emerging technologies into the real estate industry and any delay or inability to successfully integrate such technologies into our business or the businesses of our real estate professionals could result in competitive harm. The real estate brokerage industry is susceptible to disruption by**

emerging technologies, particularly artificial intelligence and machine learning. Integrating advancements like natural language processing, artificial intelligence, and machine learning is vital for optimizing efficiency and reducing operational costs for real estate brokerages, professionals, and clients. These tools have the potential to streamline operations, enhance client interactions, and provide insights derived from vast data sets. These emerging technologies may also allow for new industry entrants and new industry platforms that compete with existing industry brokerages, including the Company, and agents and such new entrants and platforms could offer solutions that are more cost-effective, efficient, or user- friendly, and which may change broker, agent, and client expectations. Delays in embracing and integrating these AI- driven technologies could adversely impact existing industry participants to compete or risk displacement of traditional real estate offerings and services. If we and our affiliated real estate professionals are unable to provide enhancements and new features and efficiencies for our existing offerings or innovate quickly enough to keep pace with these rapid technological developments, our business could be harmed. Our operating results are subject to seasonality and vary significantly among quarters during each calendar year, making meaningful comparisons of successive quarters difficult. Seasons and weather traditionally impact the real estate industry. Continuous poor weather or natural disasters negatively impact listings and sales. Spring and summer seasons historically reflect greater sales periods in comparison to fall and winter seasons. We have historically experienced lower revenues during the fall and winter seasons, as well as during periods of unseasonable weather, which reduces our operating income, net income, operating margins and cash flow. ~~8~~ Real estate listings precede sales and a period of poor listings activity will negatively impact revenue. Past performance in similar seasons or during similar weather events can provide no assurance of future or current performance and macroeconomic shifts in the markets we serve can conceal the impact of poor weather or seasonality. Home sales in successive quarters can fluctuate widely due to a wide variety of factors, including holidays, national or international emergencies, the school year calendar' s impact on timing of family relocations, interest rate changes, speculation of pending interest rate changes and the overall macroeconomic market. Our revenue and operating margins each quarter will remain subject to seasonal fluctuations, poor weather and natural disasters and macroeconomic market changes that may make it difficult to compare or analyze our financial performance effectively across successive quarters. ~~Homesale 10~~ **and,as such,could have a material adverse effect on our business and profitability.** General changes in consumer attitudes and behaviors could negatively impact **homesale** ~~home sale~~ transaction volume.The real estate market is affected by changes in consumer attitudes and behaviors,including as a result of changing attitudes toward and behaviors related to home ownership.Certain real estate markets have or may experience a decline in homeownership based on changing social behaviors,including as a result of declining marriage and birth rates.Because of these changing attitudes and behaviors,consumers may be more or less likely to prefer renting a home versus purchasing a home.In the event consumer attitudes and behaviors in any of our markets cause a declining interest in home purchasing,it may adversely impact the volume of home sale transactions closed by our brokers and agents ~~and,as such,could have a material adverse effect on our business and~~ transaction volume can be impacted by natural disasters and other climate- related interruptions. Natural disasters are occurring more frequently and / or with more intense effects and may impact general population trends. Areas afflicted by natural disasters may experience a decline in home sale transaction volume due to home destruction and / or general population movement out of the afflicted area **, and the risk of non- insurability against such disasters** . Such events can make it difficult or impossible for home owners and builders to sell their homes and result in slowdowns in home sale transaction volume **. Additionally, the risk of non- insurability may disqualify certain prospective homebuyers whether due to heightened mortgage underwriting requirements or the perceived risk of loss to the homebuyer** . Because the real estate industry relies on home sale transactions, climate crises can exacerbate negative financial results for real estate companies operating in particularly affected areas. Risks Related to our General Business and OperationsWe may be unable to ~~effectively manage rapid growth in our business. We may not be able to scale our business quickly enough to meet the growing needs of our affiliated real estate professionals and if we are not able to grow efficiently, our operating results could be harmed. As the Company adds new real estate professionals, it will need to devote additional financial and human resources to improving its internal systems, integrating with third- party systems and maintaining infrastructure performance. In addition, we will need to appropriately scale our internal business systems and our services organization, including support of our affiliated real estate professionals as our workforce and agent network expand over time. Any failure of or delay in these efforts could cause impaired system performance and reduced real estate professional satisfaction. These issues could reduce the attractiveness of our Company to existing real estate professionals who might leave the Company, as well as resulting in decreased attraction of new real estate professionals. Even if we are able to upgrade our systems and expand our employees, such expansion may be expensive, complex and place increasing demands on our management. We could also face inefficiencies or operational failures as a result of our efforts to scale our infrastructure and we may not be successful in maintaining adequate financial and operating systems and controls as we expand. Moreover, there are inherent risks associated with upgrading, improving and expanding our information technology systems. We cannot be sure that the expansion and improvements to our infrastructure and systems will be fully or effectively implemented on a timely basis, if at all. These efforts may reduce revenue and our margins and adversely impact our financial results. We may be unable to~~ attract and retain additional qualified personnel. To execute our business strategy, we must attract and retain highly qualified personnel. In particular, we compete with many other real estate brokerages for qualified brokers who manage our operations in each state. We must also compete with technology companies for developers with high levels of experience in designing, developing and managing cloud- based software, as well as for skilled service and operations professionals and we may not be successful in attracting and retaining the professionals we need. Additionally, in order to realize the potential benefits of acquisitions, we may need to retain employees from the acquired businesses or hire additional personnel to fully capitalize on the opportunities that such acquisitions may offer and we may not be successful in retaining or attracting such individuals following an acquisition. From time to time in the past **,** we have 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. In addition, in making employment decisions, particularly in the software industry, job candidates often consider the value of the stock options or other equity incentives they are to receive in connection with their employment. If the price of our stock declines or continues to experience significant volatility, our ability to attract or retain key employees may be adversely affected. If we fail to attract new personnel or fail to retain and motivate our current personnel, our growth prospects could be severely harmed. **Our business** ~~We have experienced net losses in recent years and~~ , ~~because we have a limited~~ **financial condition and reputation may be substantially harmed by security breaches, interruptions, delays and failures in our systems and** ~~operating~~ **operations** ~~history,~~ **. The performance and reliability of** our **systems and operations are critical to our reputation and** ability to ~~fully~~ **attract agents, teams of agents** and ~~successfully develop~~ **brokers into our** company as well as our ability to service ~~home- buyers~~ **homebuyers** and sellers.Our systems and operations are vulnerable to security breaches,interruption or malfunction due to events beyond our control,including natural disasters,such as earthquakes,fire and flood,power loss,telecommunication failures,break- ins,sabotage,computer viruses,intentional acts of vandalism and similar events.In addition,we rely on third- party vendors to provide the cloud office platform and to provide additional systems and related support.If we cannot continue to retain these services on acceptable terms,our access to these systems and services could be interrupted.Any security breach,interruption,delay or failure in our systems and operations could substantially reduce the transaction volume that can be processed with our systems,impair quality of service,increase costs,prompt litigation and other consumer claims and damage our reputation,any of which could substantially harm our financial condition. ~~12~~ Cybersecurity incidents could disrupt our business ~~is unknown. We had a history of operating~~ **operations , result in the loss of critical and confidential information, adversely impact our reputation and harm our business. Cybersecurity threats and incidents directed** at ~~losses since~~ **us could range from uncoordinated individual attempts to gain unauthorized access to information technology systems to sophisticated and targeted measures aimed at disrupting business** ~~our~~ - **or gathering personal data** ~~inception in October 2009 until the fourth quarter~~ of ~~2020~~ **customers. Additionally, bad actors are increasingly using artificial intelligence technology to launch more automated, targeted** and ~~have had consecutive periods~~ **coordinated attacks generally. In the ordinary course** of ~~income since that time~~ **our business, we and our agents and brokers collect and store sensitive data, including proprietary business information and personal information about our clients and customers** . Our **business** ~~ability to realize consistent, meaningful revenues~~ and **particularly** ~~profit over a sustained period has not been established over the long term and cannot be assured in future periods. 9 While we believe that we have made significant progress in revenue growth and managing our overhead by implementing~~ our cloud- based **platform, is reliant on the uninterrupted functioning of our information** technology ~~strategy~~ **systems. The secure processing** , **maintenance** ~~our services must achieve broad market acceptance by consumers~~ and **transmission** ~~we must continue to grow our geographical reach, attract more agents and brokers and increase the volume~~ of **information are critical to** our ~~residential~~ **operations, especially the processing and closing of** real ~~-~~ estate transactions. ~~If~~ **Although** we **employ measures designed** ~~are unsuccessful in continuing~~ to **prevent** ~~gain market acceptance~~ , ~~we will not be able to generate sufficient revenue to continue~~ **detect, 11 address and mitigate these threats (including access controls, data encryption, vulnerability assessments and maintenance of backup and protective systems), cybersecurity incidents, depending on their nature and scope, could potentially result in the misappropriation, destruction, corruption,** ~~our~~ - **or unavailability of critical data and confidential or proprietary information (our own or that of third parties, including potentially sensitive personal information of our clients and customers) and the disruption of** business operations ~~and~~ **. Any such compromises to our security** could ~~recognize proprietary information (our own or that of third parties,including potentially sensitive personal information of our clients and customers) and the disruption of business operations.Any such compromises to our security could~~ cause harm to our reputation,which could cause customers to lose trust and confidence in us or could cause agents and brokers to stop working for us.In addition,we may incur significant costs for remediation that may include liability for stolen assets or information,repair of system damage and compensation to clients,customers and business partners.We may also be subject to legal claims,government ~~investigation~~ **investigations** and additional state and federal statutory requirements.The potential consequences of a material cybersecurity incident include regulatory violations of applicable U.S.and foreign privacy and other laws,reputational damage,loss of market value,litigation with third parties (which could result in our exposure to material civil or criminal liability),diminution in the value of the services we provide to our customers and increased cybersecurity protection and remediation costs (that may include liability for stolen assets or information),which in turn could have a material adverse effect on our competitiveness and results **of operations.Loss of our current executive officers or other key management could significantly harm our business.We depend on the industry experience and talent of our current executives.We believe that our** future **results will depend in part upon our ability to retain and attract highly skilled and qualified management. The loss of our executive officers could have a material adverse effect on our** ~~operating~~ **operations because** ~~and net losses. Despite our ongoing efforts to build revenue growth, both organically and through acquisitions and to control the~~ **other officers** ~~anticipated expenses associated with the continued development, marketing and provision of our services, we~~ may not **have the experience and expertise to readily replace these individuals. To the extent that one or more of our top executives or other key management personnel depart from the Company, our operations and business prospects may** be **adversely affected. In addition, changes** ~~able to consistently generate significant net income and cash flows from operations~~ in ~~the future~~ **executives and key personnel could be disruptive to our business** . We may not be able to utilize a portion of our net operating loss or research tax credit carryforwards, which may adversely affect our profitability. As of December 31, ~~2022~~ **2023** , we had federal, state and foreign net operating losses carryforward due to prior years' losses. **Pre** ~~The pre~~ - fiscal 2018 ~~federal,~~ certain state and foreign net operating losses will carry forward for a limited number of years. Federal, as well as ~~,~~ some state and foreign net operating losses generated in and after fiscal 2018 ~~,~~ do not expire and can be carried forward indefinitely. We also have recorded federal research tax credits for the years ~~2019,~~ 2020 ~~,~~ **-** ~~2021~~ **2023** ~~and 2022~~ which will carry forward for 20 years and are expected to be fully utilized before expiration. A nominal portion of our net operating loss may expire, increasing future income tax liabilities which may adversely affect our profitability. In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, our ability to utilize net operating loss carryforwards or other tax attributes, in any taxable year, may be limited if we experience an" ownership change. " A Section 382 " ownership change " generally occurs if one or more stockholders or groups of stockholders who own at least 5 % of our stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three- year period. Similar rules may apply under state tax laws. It is possible that an ownership change, or any future ownership change, could have a material effect on the use of our net operating loss carryforwards or other tax attributes, which could adversely affect our profitability. We could be subject to changes in tax laws and regulations that may have a material adverse effect in our business. We operate and are subject to taxes in the United States and numerous other jurisdictions throughout the world. Changes to federal, state, local, or international tax laws on income, sales, use, indirect, or other tax laws, statutes, rules or regulations may adversely affect our effective tax rate, operating results or cash flows. Our effective tax rate could increase due to several factors, including: changes in the relative amounts of income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates; changes in tax laws, tax treaties **,** and regulations or the interpretation of them, including the Tax Cuts and Jobs Act of 2017 (the " Tax Act ") which requires research and experimental expenditures attributable to research conducted in the United States to be capitalized as of January 1, 2022 and amortized over a five- year period or expenditures attributable to research conducted outside the United States to be amortized over a ~~15~~ **fifteen-** year period; the Inflation Reduction Act of 2022 which imposes a ~~1 %~~ **one- percent** non- deductible excise tax on ~~repurchase~~ **repurchases** of stock that are made by U. S ~~.~~ publicly traded ~~corporations~~ - **corporation** after December 31, 2022; changes to our assessment about our ability to realize our deferred tax assets that are based on estimates of our future results, the prudence and feasibility of possible tax planning strategies **,** and the economic and political environments in which we do business; the outcome of current and future tax audits, examinations or administrative appeals; and limitations or adverse findings regarding our ability to do business in some jurisdictions. In particular, new income, sales and use or other tax laws or regulations could be enacted at any time, which could adversely affect our business operations and financial performance. Further, existing tax laws and regulations could be interpreted, modified or applied adversely to us. For example, the Tax Act enacted many significant changes to the U. S. tax laws. Future guidance from **12** the Internal Revenue Service and other tax authorities with respect to the Tax Act may affect us **,** and certain aspects of the Tax Act could be repealed or modified in future legislation. In addition, it is uncertain if and to what extent various states will conform to the Tax Act or any newly enacted federal tax legislation. Changes in corporate tax rates, the realization of net operating losses **,** and other deferred tax assets relating to our operations, the taxation of foreign earnings **,** and the deductibility of expenses under the Tax Act or future reform legislation could have a material impact on the value of our deferred tax assets and could increase our future U. S. tax expense. We **may be unable to effectively and efficiently manage growth in our business. We may struggle to manage growth in our business efficiently. Failing to scale our operations to meet the increasing demands of our real estate professionals could negatively impact our performance. As we onboard more real estate professionals, the need to enhance our systems, integrate third- party systems, and maintain infrastructure becomes vital. Any delay in these upgrades can lead to system issues and reduced satisfaction among our real estate professionals. This could deter existing and potential professionals from associating with our Company. Expanding our systems efficiently may be challenging and also poses inherent risks, and we cannot guarantee timely and effective implementation. Such efforts might lead to decreased revenues and margins, impacting our financial results. Our business could be adversely affected if we are unable to expand, maintain and improve the systems and technologies which we rely on to operate or fail to adopt and integrate new technologies. As the number of agents and brokers in our company grows, our success will depend on our ability to expand, maintain and improve the technology that supports our business operations, including, but not limited to, our cloud office platform, as well as our ability to adopt and integrate new technologies, including, but not limited to, machine learning and artificial intelligence solutions. Loss of key personnel or the lack of adequate staffing with the requisite expertise and training could impede our efforts in this regard. If we do not adopt and offer new in- demand technologies and / or if our systems and technologies lack capacity or quality sufficient to service agents and their clients, then the number of agents who wish to use our products could decrease, the level of client service and transaction volume afforded by our systems could suffer and our costs could increase. In addition, our competitors or other third parties may incorporate artificial intelligence and emerging technologies into their products or operations more quickly or more successfully than we do, which could impair our ability to compete effectively. Additionally, artificial intelligence algorithms and other emerging technologies may be flawed and datasets underlying such technologies may be insufficient or contain biased information. If the new technologies integrated into our products or that we use in our operations produce analyses or recommendations that are or are alleged to be deficient, inaccurate, or biased, our reputation, business, financial condition, and results of operations may be adversely affected. We** intend to evaluate acquisitions, mergers, joint ventures or investments in third- party technologies and businesses, but we may not realize the anticipated benefits from and may have to pay substantial costs related to, any acquisitions, mergers, joint ventures, or investments that we undertake. ~~10~~ As part of our business and growth strategy, we evaluate acquisitions of, or investments in, a wide array of potential strategic opportunities, including third- party technologies and businesses, as well as other real estate brokerages. If we are not able to effectively integrate acquired businesses and assets or successfully execute ~~on~~ joint venture strategies, our operating results and prospects could be harmed. Since 2019, we have acquired new technology and operations and entered into various joint venture arrangements. We will continue to look for opportunities to acquire technologies or operations that we believe will contribute to our growth and development ~~, including our July 2022 acquisition of Zoocasa~~ . The success of our future acquisition strategy will depend on our ability to identify, negotiate, complete and integrate acquisitions. The success of our future joint venture strategies will depend on our ability to identify, negotiate, complete and successfully manage and grow joint ventures with other parties. In addition, acquisitions and joint ventures could cause potentially dilutive issuances of equity securities or incurrence of debt. Acquisitions and joint ventures are inherently risky and any we complete may not be successful. Any acquisitions and joint ventures we pursue would involve numerous risks, including the following: ● difficulties in integrating and managing the operations and technologies of the companies we acquire, including higher than expected integration costs and longer integration periods; ● diversion of our management' s attention from normal daily operations of our business; ● our inability to maintain the customers, key employees, key business relationships and reputations of the businesses we acquire; ● our inability to generate sufficient revenue or business efficiencies from acquisitions or joint ventures to offset our increased expenses associated with acquisitions or joint ventures; ● our responsibility for the liabilities of the businesses we acquire or gain ownership in through joint ventures, including, without limitation, liabilities arising out of their failure to maintain effective data security, data integrity, disaster recovery and privacy controls prior to the acquisition, their infringement or alleged infringement of third- party intellectual property, **13** contract or data access rights prior to the acquisition, or failure to comply with regulatory standards applicable to new business lines; ● difficulties in complying with new markets or regulatory standards to which we were not previously subject; ● delays in our ability to implement internal standards, controls, procedures and policies in the businesses we acquire or gain ownership in through joint ventures and increased risk that our internal controls will be ineffective; ● operations in a nascent state depend directly on utilization by eXp Realty agents and brokers and new and existing customers; ● adverse effects of acquisition and joint venture activity on the key performance indicators we use to monitor our performance as a business; and ● inability to fully realize intangible assets recognized through acquisitions or joint ventures and related non- cash impairment charges that may result if we are required to revalue such intangible assets. Our failure to address these risks or any other challenges we encounter with our future acquisitions, joint ventures and investments could cause us to not realize all or any of the anticipated benefits of such acquisitions, mergers, joint ventures or investments, incur unanticipated liabilities and harm our business, which could negatively impact our operating results, financial condition and cash flows. Our international operations are subject to risks not generally experienced by our U. S. operations. **We have** ~~In addition to operating~~ **operations** in Canada, ~~we expanded our business into~~ **the U. K.,** Australia **,** ~~and the United Kingdom in 2019 and into~~ South Africa, India, Mexico, Portugal ~~and~~ **,** France, ~~during 2020 and into~~ Puerto Rico, Brazil, Italy, Hong Kong, Colombia, Spain, Israel, Panama ~~and~~ **,** Germany **,** ~~in 2021. During 2022 we commenced operations in~~ the Dominican Republic, Greece, New Zealand, Chile ~~and~~ **,** Poland **,** and ~~announced the opening of the~~ Dubai ~~market, which is expected to be fully operational in 2023~~ . Our international operations are subject to risks not generally experienced by our U. S. operations. The risks involved in our international operations and relationships that could result in losses against which we are not insured and, therefore, affect our profitability include: ● fluctuations in foreign currency exchange rates; ● exposure to local economic conditions and local laws and regulations; ● employment laws that are significantly different that U. S. laws; ● diminished ability to legally enforce our contractual rights and use of our trademarks in foreign countries; ● difficulties in registering, protecting or preserving trade names and trademarks in foreign countries; ● restrictions on the ability to obtain or retain licenses required for operations; ~~11~~ ● withholding and other taxes on third- party cross- border transactions as well as remittances and other payments by subsidiaries; ● onerous requirements, subject to broad interpretation, for indirect taxes and income taxes that can result in audits with potentially significant financial outcomes; ● changes in foreign taxation structures; ● compliance with the Foreign Corrupt Practices Act, the U. K. Bribery Act, or similar laws of other countries; ~~● uncertainties and effects of the implementation of the United Kingdom' s withdrawal of its membership from the European Union (referred to as Brexit), including financial, legal and tax implications;~~ and ● regional and country specific data protection and privacy laws including the European Union' s General Data Protection Regulation (" GDPR "). In addition, activities of agents and brokers outside of the U. S. are more difficult and more expensive to monitor and improper activities or mismanagement may be more difficult to detect. Negligent or improper activities involving our agents and brokers may result in reputational damage to us and may lead to direct claims against us based on theories of vicarious liability, negligence, joint operations and joint employer liability which, if determined adversely, could increase costs and subject us to incremental liability for their actions. ~~Loss of our current executive officers or other key management could significantly harm our business. We depend on the industry experience and talent of our current executives. We believe that our future results will depend in part upon our ability to retain and attract highly skilled and qualified management. The loss of our executive officers could have a material adverse effect on our operations because other officers may not have the experience and expertise to readily replace these individuals. To the extent that one or more of our top executives or other key management personnel depart from the Company, our operations and business prospects may be adversely affected. In addition, changes in executives and key personnel could be disruptive to our business.~~ Failure to protect intellectual property rights could adversely affect our business. Our intellectual property rights, including existing and future trademarks, trade secrets, patents and copyrights, are important assets of the business. We have taken measures to protect our intellectual property, but these measures may not be sufficient or effective. We may bring lawsuits to protect against the potential infringement of our intellectual property rights and other companies, including our competitors, could make claims against us alleging our infringement of their intellectual property rights. **14** There can be no assurance that we would prevail in such lawsuits. Any significant impairment of our intellectual property rights could harm our business. Our business could be adversely affected if...... our competitiveness and results of operations. We are actively **,** and intend to continue, developing new products and services complementary to our brokerage business and our failure to accurately predict their demand or growth could have an adverse effect on our business. We are actively and intend in the future to continue, investing resources in developing new technology, services, products and other offerings complementary to our brokerage business. New business initiatives are inherently risky and may involve unproven business strategies and markets with which we have limited or no prior development or operating experience. Risks from these new initiatives include those associated with potential defects in the design, ongoing development and maintenance of technologies, reliance on data or user inputs that may prove inadequate or unavailable, failure to design products and services in a way that is more effective or affordable than competing third- party products and services and failure to scale businesses as they grow, among others. As a result of these risks, we could experience increased legal claims, reputational damage, financial loss or other adverse effects, which could be material. We can provide no assurance that we will be able to efficiently or effectively develop, commercialize and achieve market acceptance of new products and services. Additionally, the human and financial capital committed to develop new products and services may either be insufficient or result in expenses that exceed the revenue actually originated from these new products and services. In addition, our efforts to develop new products and services could distract management from current operations and could divert capital and other resources from our existing business, including our brokerage business. Failure to achieve the expected benefits of our investments may occur and could harm our business. Risks Related to our Real Estate BusinessWe may be unable to maintain our agent growth rate, which would adversely affect our revenue growth and results of operations. ~~We have experienced rapid and accelerating growth in our real estate broker and agent base.~~ During the year ended December 31, ~~2022~~ **2023** , our agent and broker base grew to **87, 515 agents and brokers, or by 2 %, from** 86, 203 agents and brokers ~~, or by 21 %, from 71, 137 agents and brokers~~ as of December 31, ~~2021~~ **2022** . Because we derive revenue from real estate transactions in which our brokers and agents receive commissions, the amount and rate of growth of our revenue typically correlate to the amount and rate of growth of our agent and broker base, respectively. The rate of growth of our agent and broker base cannot be predicted and is subject to many factors outside of our control, including actions taken by our competitors and macroeconomic factors affecting the real estate industry in general. We cannot **provide** ~~assure~~ **assurances** that we will be able to maintain **or increase** our recent agent growth rate or that our agent and broker base will continue to expand in future periods. A slowdown in our agent growth rate would have a material adverse effect on revenue growth and could adversely affect our business, results of operations, financial condition and cash flows. Inflation and rising interest rates have and may continue to contribute to declining real estate transaction volumes, which have and may continue to materially impact operating results, profits and cash flows. ~~13~~ Inflation and rising interest rates have generally impacted real estate transaction volumes in the U. S., Canada and other international markets. ~~During~~ **In** 2022 **and 2023** , the Company has experienced declining transaction volume, which has had an impact on operating results ~~in the last few months of 2022~~ . If we are not able to organically grow our market share, to offset the declining transactions, our operating results, profits and cash flow may be materially impacted in the event interest rates stay level or continue to rise. The Company believes that it continues to be well positioned for growth in the current economic climate, due to our strong base of agent support, ~~along with~~ **and the superior agent value proposition enabled by** our efficient operating model, with lower fixed costs and no brick- and- mortar locations **, but we cannot provide assurances that our operating results or cash flows will not be materially impacted by the macroeconomic factors. Any reduction in the Company' s portion of the commission revenue from property sales transactions could harm our financial performance. Our industry faces intense competition for real estate professionals, and our efforts to attract and retain real estate sales agents and brokers may continue to put upward pressure on our commissions and related costs. For example, the Company competes with other brokerages that may have reduced operating margins and access to capital resources permitting them to prioritize market share over profits, as well as the growing popularity of non- traditional platforms such as listing aggregators, which may put additional pressure on our commissions and related costs. If our brokerage has to pay a larger share of commissions to independent real estate professionals involved in property transactions, or if our commission earnings from these transactions decrease, it could harm the operating margins of our Company** . If we fail to grow in the various local markets that we serve or are unsuccessful in identifying and pursuing new business opportunities our long- term prospects and profitability will be harmed. To capture and retain market share in the various local markets that we serve, we must compete successfully against other brokerages for agents and brokers and for the consumer relationships that they bring. Our competitors could lower the fees that they charge to agents and brokers or could raise the compensation structure for those agents. Our competitors may have access to greater financial resources than us, allowing them to undertake expensive local advertising or marketing efforts. In addition, our **15** competitors may be able to leverage local relationships, referral sources and strong local brand and name recognition that we have not established. Our competitors could, as a result, have greater leverage in attracting new and established agents in the market and in generating business among local consumers. Our ability to grow in the local markets that we serve will depend on our ability to compete with these local brokerages. We may implement changes to our business model and operations to improve revenues that cause a disproportionate increase in our expenses or reduce profit margins. For example, we may allocate resources to acquiring lower margin brokerage models and have invested in the development of a mortgage servicing division, a commercial real estate division, a title and escrow company, a mortgage lending company, a personal development company ~~and~~ **or** a continuing education division. Expanding our service offerings could involve significant up- front costs that may only be recovered after lengthy periods of time. The barrier to entry in new real estate markets is low given our cloud- based operating model; however, attempts to pursue new business opportunities could result in a disproportionate increase in our expenses and in reduced profit margins. In addition, expansion into new markets and business lines, including internationally, could expose us to additional compliance obligations and regulatory risks. If we fail to continue to grow in the local markets we serve or if we fail to successfully identify and pursue new business opportunities, our long- term prospects, financial condition and results of operations may be harmed and our stock price may decline. Our value proposition for agents and brokers includes allowing them to participate in the revenues of our Company and is not typical in the real estate industry. If agents and brokers do not understand our value proposition, we may not be able to attract, retain and incentivize agents. Participation in our revenue sharing plan represents a key component of our agent and broker value proposition. Agents and brokers may not understand or appreciate its value due to the intricacies of our programs. In addition, agents may not appreciate other components of our value proposition, including the cloud office platform, the mobility it affords, the systems and tools that we provide to agents and brokers and the professional development opportunities we create and deliver. If agents and brokers do not understand the elements of our agent value proposition, or do not perceive it to be more valuable than the models used by most competitors, we may not be able to attract, retain and incentivize new and existing agents and brokers to grow our revenues. **Negligence or willful misconduct of independent real estate professionals affiliated with our Company owned brokerages could materially and adversely affect our reputation and subject us to liability. Our Company- owned brokerage operations rely on the performance of independent real estate professionals. If the independent real estate professionals engage in poor quality services, negligent or willful misconduct, our image and reputation could be materially adversely affected. In addition, we could also be subject to litigation and regulatory claims arising out of their actions, which if adversely determined, could materially and adversely affect us, our operations, and our financial condition. To mitigate these risks, we have executed contractual agreements with our real estate professionals that mandate compliance with applicable laws and adherence to our established policies and procedures, and stipulate potential liabilities for agents in the event of contractual breaches.** Risks Related to our Virbela ~~BusinessThe~~ **BusinessWe** ~~utilization of~~ **may continue to experience** a ~~3D cloud~~ **decline in demand for the application** - based **Virbela platform** ~~immersive office as a suitable substitute for a physical brick-~~ and **may not** ~~- mortar location is a new and unproven strategy and we cannot guarantee that we will~~ be able to ~~operate and grow within~~ **leverage our costs to achieve profitability in our Virbela business. The virtual reality industry, encompassing 3D immersive experiences,** ~~its~~ - **is in a constant state** ~~confines. Currently, our cloud office adequately supports the needs~~ of **flux due to swift technological advancements, shifting industry standards, and evolving consumer preferences. During 2023, we experienced declining demand for** our ~~agent population~~ -- **application - based Virbela platform** ~~located across the markets we serve~~ . ~~We cannot guarantee~~ **This decline can be attributed to several factors, including the post- COVID shift back to in- person work, increased focus on artificial intelligence solutions, including virtual reality solutions** that **incorporate artificial intelligence** ~~our cloud office platform will continue to support our agent population and meet our business needs as we grow. The effectiveness of our cloud office platform is tied to a number of variables at any given time~~ , ~~including server capacity~~ and **uncertainty in the** ~~concurrent users. In addition~~ **adoption** ~~, the use of the cloud office platform and the use generally~~ of 3D immersive office **solutions** ~~environments as an acceptable substitute among agents and brokers for physical office locations is unproven~~ . **While platforms like** ~~We cannot guarantee that industry rank and file will adopt or~~ **our** ~~accept~~ **web- accessible Frame are emerging, the sustainability of such** cloud- based 3D office environments as **replacements for traditional offices remains uncertain** . ~~16 We~~ **Given these dynamics,it' s challenging for us to assure profitability in our Virbela operations,despite our efforts to optimize costs.Risks Related to Legal and Regulatory MattersWe** are subject to certain risks related to legal proceedings filed by or against us and adverse results may harm our business and financial condition.We are subject to risk of and are from time to time involved in,or may in the future be subject to,claims,suits,government investigations and proceedings arising from our business,including actions with respect to securities,intellectual property,privacy,information security,data protection or law enforcement matters,tax matters,labor and employment,including claims challenging the classification of our agents and brokers as independent contractors and compliance with wage and hour regulations and claims alleging violations of RESPA or state consumer fraud statutes and commercial arrangements.We are also subject to risk related to ~~shareholder~~ **stockholder** derivative actions,standard brokerage disputes like the failure to disclose hidden defects in ~~a property such as mold,vicarious liability based upon conduct of individuals or entities outside of our control,including our agents,brokers,third- party service or product providers and purported class~~ a ~~substitute~~ **property such as mold, vicarious liability based upon conduct of individuals** ~~for~~ - ~~to,claims,suits,government investigations and proceedings arising from our business,including actions with respect to securities,intellectual property,privacy,information security,data protection or law enforcement matters,tax matters,labor and employment,including claims challenging the classification of our agents and brokers as independent contractors and compliance with wage and hour regulations and claims alleging violations of RESPA or state consumer fraud statutes and commercial arrangements.We are also subject to risk related to shareholder derivative actions,standard brokerage disputes like the failure to disclose hidden defects in a property such as mold,vicarious liability based upon conduct of individuals~~ or entities outside of our control,including our agents,brokers,third- party service or product providers and purported class action lawsuits **.Such litigation and other proceedings may include,but are 16 not limited to,the currently pending antitrust litigation as disclosed in Note 13 – Commitments and Contingencies to the consolidated financial statements included elsewhere within this Annual Report.A substantial unsatisfied judgment against us or one of our subsidiaries could result in bankruptcy,which would materially and adversely affect our business and operating results** .We cannot predict with certainty the cost of defense,the cost of prosecution,insurance coverage or the ultimate outcome of litigation and other proceedings filed by or against us,including remedies or damage awards.Adverse results in such litigation and other proceedings may harm our business and financial condition.Class action lawsuits can often be particularly burdensome given the breadth of claims,large potential damages and significant costs of defense.In the case of intellectual property litigation and proceedings,adverse outcomes could include the cancellation,invalidation or other loss of material intellectual property rights used in our business and injunctions prohibiting our use of business processes or technology that is subject to third- party patents or other third- party intellectual property rights.In addition,we may be required to enter into licensing agreements (if available on acceptable terms) and be required to pay royalties.In the case of securities litigation and proceedings,adverse outcomes could include the cancellation,invalidation,or modification of our existing equity incentive program.From time to time,we may become involved in lawsuits and legal proceedings which arise in the ordinary course of business. ~~At present~~ **Except as set forth in Note 13 – Commitments and Contingencies to the consolidated financial statements included elsewhere within this Annual Report** ,we are not involved in **any material pending legal proceedings and there are no proceedings in which any of our directors,officers or affiliates is an adverse party or has** a **material interest adverse to our interest** ~~physical office environment in a sustainable, long- term manner~~ . **Adverse outcomes in litigation** ~~14 If we do not remain an~~ **and** ~~innovative leader in~~ **regulatory actions against** ~~the~~ **other companies and agents in our industry could adversely impact our**

financial results. Adverse outcomes in legal and regulatory actions against other companies, brokers, and agents in the residential and commercial real estate industry **may adversely impact the financial condition of the Company and our real estate brokers and agents when those matters relate to business practices shared by the Company** , **our real estate brokers and agents, or our industry at large. Such matters may include, without limitation, RESPA, Telephone Consumer Protection Act of 1991 and state consumer protection law, antitrust and anticompetition, and worker classification claims. Additionally, if plaintiffs or regulatory bodies are successful in such actions, this may increase the likelihood that similar claims are made against the Company and / or our real estate brokers and agents which claims could result in significant liability and be adverse to our financial results if** we **or our brokers and agents are unable to distinguish or defend our business practices.As an example,in the matter of Burnett v.National Association of Realtors (U.S.District Court for the Western District of Missouri),a federal jury found NAR and certain other remaining brokerage defendants liable for $ 1.8 billion in damages related to allegations of breach of federal and state antitrust laws,which matter remains subject to final court approval.Additionally,certain other brokerage defendants settled with the plaintiffs,including both monetary and non- monetary settlement terms,which also remain subject to final court approval.Since that time,the Company has been named in multiple putative class action complaints making substantially similar allegations and seeking substantially similar relief.The Company is vigorously defending those lawsuits.We** face significant risk to our brand and revenue if we fail to maintain compliance with the law and regulations of federal,state,county and foreign governmental authorities,or private associations and governing boards.We operate in a heavily regulated industry subject to complex,federal,state,provincial and local laws and regulations within the markets in which we operate and third- party organizations' regulations,policies and bylaws governing the real estate business.In general,the laws,rules and regulations that apply to our business practices include,without limitation,the Real Estate Settlement Procedures Act (" RESPA "),the federal Fair Housing Act,the Dodd- Frank Act,the Exchange Act and federal ~~15~~ advertising and other laws,as well as comparable state statutes;rules of trade organizations such as NAR,local MLSs and state and local AORs;licensing requirements and related obligations that could arise from our business practices relating to the provision of services other than real estate brokerage services,including without limitation,our mortgage lending services;privacy regulations relating to our use of personal information collected from the registered users of our websites;laws relating to the use and publication of information through the internet;and state real estate brokerage and mortgage lending licensing requirements,as well as statutory due diligence,disclosure,record keeping and standard- of- care obligations relating to these licenses.Additionally,the Dodd- Frank Act contains the Mortgage Reform and Anti- Predatory Lending Act (" Mortgage Act "),which imposes a number of additional requirements on lenders and servicers of residential mortgage loans,by amending certain existing provisions and adding new sections to RESPA and other federal laws.It also broadly prohibits unfair,deceptive or abusive acts or practices and knowingly or recklessly providing substantial assistance to a covered person in violation of that prohibition.The penalties for noncompliance with these laws are also significantly increased by the Mortgage Act,which could lead to an increase in lawsuits against mortgage lenders and servicers.As we expand our business **in** ~~into new~~ international markets,including ~~our~~ **new and** existing international markets,we are subject to additional foreign governmental regulation.Ensuring compliance with these newly applicable laws could substantially increase our operating expenses.In addition,entry into these new markets exposes us to increased risk and liability.A violation of any of these applicable laws could have a material adverse effect on our business. **17** Maintaining legal compliance is challenging and increases our costs due to resources required to continually monitor business practices for compliance with applicable laws,rules and regulations and to monitor changes in the applicable laws themselves.We ~~may not become aware of all the laws,rules and regulations that govern our business,or be able to comply with all of them,given the rate of regulatory changes,ambiguities in regulations,contradictions in regulations between jurisdictions and the difficulties in achieving both company- wide and region- specific knowledge and compliance.If we fail,or we have alleged to have failed,to comply with any existing or future applicable laws,rules and regulations,we could be subject to lawsuits and administrative complaints and proceedings,as well as criminal proceedings.Our noncompliance could result in significant defense costs,settlement costs,damages and penalties.Our business licenses could be suspended or revoked,our business practices enjoined,or we could be required to modify our business practices,which could materially impair,~~ may not **become aware of all the laws, rules and regulations that govern our business, or** be able to ~~grow~~ **comply with all of them, given the rate of regulatory changes, ambiguities in regulations, contradictions in regulations between jurisdictions and the difficulties in achieving both company- wide and region- specific knowledge and compliance. If we fail,** ~~our~~ **or we have alleged to have failed, to comply with any existing or future applicable laws, rules and regulations, we could be subject to lawsuits and administrative complaints and proceedings, as well as criminal proceedings. Our noncompliance could result in significant defense costs, settlement costs, damages and penalties. Our** business **licenses could be suspended or revoked, our business practices enjoined, or we could be required to modify our business practices, which could materially impair, or even prevent, our ability to conduct all or any portion of our business. Any such events could also damage our reputation** and ~~leverage~~ **impair our ability to attract and service homebuyers, home sellers, agents, clients and customers as well our ability to attract brokerages, brokers, teams of agents and agents to our company, without increasing** our costs ~~to achieve profitability~~. ~~Innovation has been critical to~~ **Further, if we lose** our ability to ~~compete against~~ **obtain and maintain all of** ~~other~~ **the regulatory approvals** ~~brokerages for clients~~ and **licenses necessary to conduct** ~~agents. For example, we have pioneered the utilization of a 3D immersive online office environment in the real estate market, which reduces our need for office space and facilitates the transaction of~~ business **as we currently operate** ~~away from an office. If competitors follow our practices or develop innovative practices~~, our ability to ~~achieve profitability~~ **conduct business** may **be harmed** ~~diminish or erode~~. **Lastly, any lobbying** ~~For~~ **or** ~~example, certain other brokerages~~ **related activities we undertake in response to mitigate liability of current or new regulations** could **substantially increase** ~~develop or license cloud- based office platforms that are equal to or superior to ours~~ **our operating expenses** . **We** ~~If we do not remain on the forefront of~~

~~innovation, we may not be able to achieve or sustain profitability. The market for internet products and services including, without limitation, 3D immersive experiences, virtual reality and augmented reality is characterized by rapid technological developments, evolving industry standards and consumer demands and frequent new product introductions and enhancements. The Company' s future success will depend in significant part on its ability to continually improve the performance, features and reliability of its internet- based virtual environment, its tools and other properties in response to both evolving demands of the marketplace and competitive product offerings and there can be no assurance that the Company will be successful in doing so. In addition, the widespread adoption of new virtual reality and augmented reality applications through new technology developments could require fundamental changes in the Company' s services. Risks Related to Legal and Regulatory MattersWe~~ offer our independent agents the opportunity to earn additional commissions through our revenue sharing plan, which pays under a multi- tiered compensation structure similar in some respects to network marketing. Network marketing is subject to intense government scrutiny and regulation and changes in the law, or the interpretation and enforcement of the law, might adversely affect our business. Various laws and regulations in the United States and other countries regulate network marketing. These laws and regulations exist at many levels of government in many different forms, including statutes, rules, regulations, judicial decisions and administrative orders. Network marketing regulations are inherently fact- based and often do not include" bright line" rules. Additionally, we are subject to the risk that the regulations, or a regulator' s interpretation and enforcement of the regulations, could change. From time to time, we have received requests to supply information regarding our revenue sharing plan to regulatory agencies. We could potentially in the future be required to modify our revenue sharing plan in certain jurisdictions in order to comply with the interpretation of the regulations by local authorities. In the United States, the Federal Trade Commission (" FTC ") has entered into several highly publicized settlements with network marketing companies that required those companies to modify their compensation plans and business models. Those settlements resulted from actions brought by the FTC involving a variety of alleged violations of consumer protection laws, including misleading earnings representations by the companies' independent distributors, as well as the legal validity of the companies' business model and distributor compensation plans. FTC determinations such as these have created an ambiguity regarding the proper interpretation of the law and regulations applicable to network marketing companies in the U. S. Although a consent decree between the FTC and a specific company does not represent judicial precedent, FTC officials have indicated that the network marketing industry should look to these consent decrees and the principles contained therein, for guidance. Additionally, following the issuance of these consent decrees, the FTC issued non- binding guidance to the network marketing industry, suggesting it **intended** ~~was intending~~ to reinforce the principles contained in the consent decrees and provide other operational guidance to the network marketing industry. While we strive to ensure that our overall business model and revenue **-** sharing plan, are regulatory compliant in each of our markets, we cannot assure you that a regulator, if it were to review our business, would agree with our assessment and would not require us to change one or more aspects of our operations. Any action against us in the future by the FTC or another regulator could materially and adversely affect our operations. We cannot predict the nature of any future law, regulation, or guidance, nor can we predict what effect additional governmental regulations, judicial decisions, or administrative orders, when and if promulgated, would have on our business. Failure by us, or our independent agents, to comply with these laws, could adversely affect our business. We face significant risk to our brand and...... substantially increase our operating expenses. We may suffer significant financial harm and loss of reputation if we do not comply, cannot comply, or are alleged to have not complied with applicable laws, rules and regulations concerning our classification and compensation practices for the agents in our owned- and- operated brokerage. Except for our employed state brokers and commission **-** only employees, all real estate professionals in our brokerage operations have been retained as independent contractors, either directly or indirectly through third- party entities formed by these independent contractors for their business purposes. With respect to these independent contractors, like most brokerage firms, we are subject to the taxing authorities' regulations and applicable laws regarding independent contractor classification. These regulations and guidelines are subject to judicial and agency interpretation and it might be determined that the independent contractor classification is inapplicable to any of our affiliated real estate professionals. Further, if legal standards for classification of real estate **18** professionals as independent contractors change or appear to be changing, it may be necessary to modify our compensation and benefits structure for our affiliated real estate professionals in some or all of our markets, including by paying additional compensation or reimbursing expenses. In the future we could incur substantial costs, penalties and damages, including back pay, unpaid benefits, taxes, expense reimbursement and attorneys' fees, in defending future challenges by our affiliated real estate professionals to our employment classification or compensation practices . 16 We are subject to certain...... a material interest adverse to our interest . We are and may, in the future, be blocked from or limited in providing our agent compensation plans in certain jurisdictions and may be required to modify our business model in those jurisdictions as a result. Our agent compensation plans represent a key lever in our strategy to attract and retain independent agents and brokers and are subject to various international, federal, state, territorial and local laws, rules and regulations which differ in each of our existing and future markets. As a result, we are and may, in the future, be blocked from or limited in providing each of our agent compensation plans in certain markets. In addition, these laws, rules and regulations are subject to judicial and agency interpretation and it might be determined that our agent compensation plans are not permitted to be offered to independent contractors. In response to such limitations, we have and may, in the future, be required to modify our agent compensation practices in such markets. Failure to comply with applicable law, rules and regulations or failure to subsequently modify our business model in certain jurisdictions to effectively attract and retain agents and brokers could negatively affect our business, results of operations or financial condition. The costs attributable to developing compliant agent compensation plans can be significant and could adversely affect our financial condition. If we fail to protect the privacy and personal information of our customers, agents or employees, we may be subject to legal claims, government action and damage to our reputation. Hundreds of thousands of consumers, independent contractors and employees have shared personal information with us during the normal course of our business processing real estate transactions. This includes, but is not limited to, Social Security numbers, annual income amounts and sources, consumer names, addresses, telephone and cell phone numbers and email addresses. To run our business, it is essential for us to store and transmit this sensitive information in our systems and networks. At the same time, we are subject to numerous laws, regulations and other requirements that require businesses like ours to protect the security of personal information, notify customers and other individuals about our privacy practices and limit the use, disclosure, or transfer of personal data across country borders. Regulators in the U. S. and abroad continue to enact comprehensive new laws or legislative reforms imposing significant privacy and cybersecurity restrictions. The result is that we are subject to increased regulatory scrutiny, additional contractual requirements from corporate customers and heightened compliance costs. These ongoing changes to privacy and cybersecurity laws also may make it more difficult for us to operate our business and may have a material adverse effect on our operations. For example, the European Union' s GDPR conferred new and significant privacy rights on individuals (including employees and independent agents) and materially increased penalties for violations. In the U. S., California enacted the California Consumer Privacy Act — which went into full effect in 2021 — imposing new and comprehensive requirements on organizations that collect and disclose personal information about California residents. In March 2017, the New York Department of Financial Services' cybersecurity regulation went into effect, requiring regulated financial institutions to establish a detailed cybersecurity program. Program requirements include corporate governance, incident planning, data management, system testing, vendor oversight and regulator notification rules. Now, other state regulatory agencies are expected to enact similar requirements ~~17~~ following the adoption of the Insurance Data Security Model Law by the National Association of Insurance Commissioners that is consistent with the New York regulation. Any significant violations of privacy ~~and~~ **, including as a result of** cybersecurity **breaches,** could result in the loss of new or existing business, litigation, regulatory investigations, the payment of fines, damages and penalties and damage to our reputation, which could have a material adverse effect on our business, financial condition and results of operations. We could also be adversely affected if legislation or regulations are expanded to require changes in our business practices or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our business, results of operations or financial condition **. For example, we have and may continue to incorporate new technologies such as machine learning and artificial intelligence into our processes and systems, which are under increased regulatory scrutiny. We may be required to change our platforms and services due to new laws and / or decisions related to emerging technologies which may decrease our operational efficiency and / or hinder our ability to improve our services** . In addition, while we disclose our information collection and dissemination practices in a published privacy statement on our websites, which we may modify from time to time, we may be subject to legal claims, government action and damage to our reputation if we act or are perceived to be acting inconsistently with the terms of our privacy statement, customer expectations or state, national and international regulations. Our policy and safeguards could be deemed insufficient if third parties with whom we have shared personal information fail to protect the privacy of that information. The occurrence of a significant claim in excess of our insurance coverage or which is not covered by our insurance in any given period could have a material adverse effect on our financial condition and results of operations during the period. In the event we **19** or the vendors with which we contract to provide services on behalf of our customers were to suffer a breach of personal information, our customers and independent agents could terminate their business with us. Further, we may be subject to claims to the extent individual employees or independent contractors breach or fail to adhere to Company policies and practices and such actions jeopardize any personal information. Our legal liability could include significant defense costs, settlement costs, damages and penalties, plus, damage our reputation with consumers, which could significantly damage our ability to attract customers. Any or all of these consequences would result in a meaningful unfavorable impact on our brand, business model, revenue, expenses, income and margins. In addition, concern among potential ~~home- buyers~~ **homebuyers** or sellers about our privacy practices could result in regulatory investigations, especially in the European Union as related to the GDPR. Additionally, concern among potential ~~home- buyers~~ **homebuyers** or sellers could keep them from using our services or require us to incur significant expense to alter our business practices or educate them about how we use personal information. SUCCESS Lending and SUCCESS Franchising are **relatively** new business initiatives with regulatory and compliance risks, many of which are beyond our control. ~~The~~ **Both the** SUCCESS Lending **joint venture** and SUCCESS Franchising ~~businesses~~ - **business** , both launched in 2021, have limited operating histories and have encountered and will continue to encounter risks, uncertainties, difficulties and expenses, including, without limitation, ongoing compliance with a complex and evolving regulatory environment. If we are not able to timely and effectively respond to these requirements, or if risks arise outside our reasonable ability to respond effectively, our business and financial condition may be harmed. ~~Additionally, SUCCESS Lending relies on third- party sources, including credit bureaus, for credit, identification, employment and other relevant information in order to review and select qualified borrowers. If this information becomes unavailable, becomes more expensive to access or is incorrect, our business may be harmed.~~ Risks Related to Our StockGlenn Sanford, our Chairman and Chief Executive Officer, together with Penny Sanford, a significant **stockholder** ~~shareholder, Jason Gesing, a director and our Chief Industry Relations Officer and Gene Frederick, a director and agent~~ , own a significant percentage of our stock and have agreed to act as a group on any matter submitted to a vote of our stockholders. As a result, the trading price for our shares may be depressed and they can ~~take~~ **significantly influence** actions that may be adverse to the interests of our other stockholders. On ~~November 2~~ **January 12** , ~~2022~~ **2024** , Glenn Sanford ~~,~~ **and** Penny Sanford ~~, Jason Gesing and Gene Frederick~~ filed an amended Schedule 13D with the Securities and Exchange Commission, which disclosed that they beneficially owned approximately ~~51~~ **45** . 73 % of our outstanding common stock as of ~~September~~ **November** 30, ~~2022~~ **2023** and that they had agreed to vote their shares as a group with respect to the election of directors and any other matter on which our shares of common stock are entitled to vote. This significant concentration of share ownership may adversely affect the trading price for our common stock because investors may perceive disadvantages in owning stock in a company with a ~~controlling~~ stockholder group **holding a significant number of our shares** . The group can significantly influence all matters requiring approval by our stockholders, including the election and removal of directors and any proposed merger, consolidation or sale of all or substantially all of our assets. In addition, due to his significant ownership stake and his service as our ~~Principal~~ **Chief** Executive Officer and Chairman of ~~the~~ **our** Board of Directors, Mr. Sanford ~~controls~~ **significantly influences** the management of our business and affairs. ~~Together, Messrs. Sanford, Gesing and Frederick hold three of our seven board seats.~~ This ~~18~~ concentration of ownership and ~~control~~ **influence** could have the effect of delaying, deferring, or preventing a change in control, or impeding a merger or consolidation, takeover or other business combination that could be favorable to our other stockholders. ~~We are~~ **Until July 31, 2023, we were** a " controlled company " within the meaning of Nasdaq rules and, as a result, we ~~qualify~~ **qualified** for and **relied** ~~intend to rely~~ on, exemptions from certain corporate governance requirements. **Under applicable Nasdaq rules** ~~As of September 30, 2022, Glenn Sanford, Penny Sanford, Jason Gesing and Gene Frederick beneficially owned approximately 51. 73 % of the total combined voting power of our outstanding common stock. Accordingly~~ , we qualify **for and intend to rely on certain phase- in periods to comply with the previously exempt governance requirements. Until July 31, 2023, we qualified** as a " controlled company " within the meaning of Nasdaq corporate governance standards **and, accordingly, we qualified for and from time- to- time relied on exemptions to certain governance requirements** . Under Nasdaq rules, a company **may phase- in to compliance with certain governance requirements after ceasing to be** ~~of which more than 50 % of the voting power Nasdaq is held by an individual, group, or another company is~~ a " controlled company " ~~and may elect not to comply with certain Nasdaq corporate governance standards~~ , including ~~: ● the requirement that a majority of the members of our board of directors be independent directors; ● the requirement that our nominating and corporate governance committee be composed entirely of independent directors with a written charter addressing the committee' s purpose and responsibilities; ●~~ the requirement that we have a compensation committee that is composed entirely of independent directors ~~with~~ **within** a **year** ~~written charter for addressing the committee' s purpose and responsibilities; and ● the requirement for an annual performance evaluation~~ of **losing controlled company status** ~~the nominating and corporate governance and compensation committees~~ . We ~~intend to use these~~ **are presently using this** ~~exemptions~~ - **exemption** . As a result, ~~we will not have a majority of independent directors,~~ our compensation ~~and our nominating and corporate governance committees~~ - **committee** will not consist entirely of independent directors ~~and such committees may~~ **in the immediate future. Consequently, our stockholders do** not **presently** ~~be subject to annual performance evaluations. Consequently, our stockholders will not~~ have the same ~~protections~~ - **protection** afforded to stockholders of companies that are subject to all of the Nasdaq corporate governance rules and requirements. Our **reliance on this exemption** ~~status as a controlled company~~ could make our common stock less attractive to some investors or otherwise harm our stock price. Because we can issue additional shares of common stock and because we issue stock under ~~Equity~~ **equity** ~~Incentive~~ **incentive** ~~Plans~~ **plan** , our stockholders may experience dilution in the future. We are authorized to issue up to 900, 000, 000 shares of common stock, of which ~~171~~ **183** , ~~656~~ **606** , ~~030~~ **708** shares were issued and ~~152~~ **154** , ~~839~~ **669** , ~~239~~ **037** shares were outstanding as of December 31, ~~2022~~ **2023** . Additionally, the Company maintains a 2015 Equity Incentive Plan from which employees, agents, brokers and certain service providers of the Company and its affiliates can receive awards of the Company' s common stock. As of December 31, ~~2022~~ **2023** , there were ~~84~~ **88** , ~~011~~ **596** , ~~043~~ **220** shares registered and authorized under the 2015 Equity Incentive Plan, of which **20, 760,** ~~28~~ **284** ~~, 125, 785~~ are available for future issuance. Our Board of Directors has the authority to cause us to issue **20** additional shares of common stock without consent of any of our stockholders **, subject to applicable Nasdaq listing rules** . Consequently, current stockholders may experience more dilution in their ownership of our common stock in the future. The stock price of our common stock has been and likely will continue to be volatile and may decline in value regardless of our performance. The market price for our common stock could fluctuate significantly for various reasons, many of which are outside our control, including those described above and the following: ● our operating and financial performance and prospects; ● future sales of substantial amounts of our common stock in the public market, including but not limited to shares we may issue as consideration for acquisitions or investments; ● housing and mortgage finance markets; ● our quarterly or annual earnings or those of other companies in our industry; ● the public' s reaction to our press releases, other public announcements and filings with the SEC; ● changes in recommendations or analysis of our prospects by securities analysts who track our common stock; ● market and industry perception of our success, or lack thereof, in pursuing our growth strategy; ● strategic actions by us or our competitors, such as acquisitions or restructurings; ● actual or potential changes in laws, regulations and regulatory interpretations; ● changes in interest rates; ~~19~~ **● changes in demographics relating to housing such as household formation or other consumer preferences toward home ownership; ● changes in accounting standards, policies, guidance, interpretations or principles; ● arrival and departure of key personnel; ● the filing of and / or adverse resolution of new or pending litigation or regulatory proceedings against us; and ● changes in general market, economic and political conditions in the United States and global economies. In addition, the stock markets have experienced periods of high price and volume fluctuations that have affected and continue to affect the market prices of the equity securities of many companies, including technology companies and real estate brokerages. Such price fluctuations can be unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and harm our business. Because we may not pay any cash dividends on our shares of common stock in the near future, our stockholders may not be able to receive a return on their shares unless they sell them. On August 4, 2021, the Company' s Board of Directors declared and subsequently paid its first cash dividend. The Company then declared and paid subsequent dividends during each quarter of the fiscal year ended December 31, 2023. There is no assurance that future dividends will be paid and if dividends are paid, there is no assurance with respect to the amount of any such dividend. The declaration, payment and amount of any future dividends will be made at the discretion of the Board of Directors and will depend upon, among other things, the results of operations, cash flows and financial condition, operating and capital requirements and other factors as the Board of**

Directors considers relevant. Unless we pay dividends, our stockholders will not be able to receive a return on their shares unless they sell them. Delaware law and our organizational documents may impede or discourage a takeover, which could deprive our investors of the opportunity to receive a premium for their shares. We are a Delaware corporation and the anti- takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change of control would be beneficial to our existing stockholders. In addition, provisions of our amended and restated certificate of incorporation and amended and restated bylaws may make it more difficult 21