Risk Factors Comparison 2024-03-19 to 2023-03-30 Form: 10-K

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An investment in our securities involves a high degree of risk. You should consider carefully the risks and uncertainties described below together with the other information included in this Report, including our consolidated financial statements and the related notes thereto included elsewhere in this Report. The occurrence of any of the following risks may materially and adversely affect our business, financial condition, results of operations, cash flows, reputation and future prospects. In this event, the market price ~~shares~~ of our common stock could decline, and you could lose part or all of your investment. Risks Related to Our Business If we do not remain an innovative leader in the real estate industry, we might not be able to grow our business and leverage our costs to achieve profitability. Innovation has been critical to our ability to compete for clients and real estate agents. If competitors follow our practices or develop more innovative practices, our ability to achieve profitability may diminish or erode. For example, ~~certain~~ other brokerages could develop or license cloud- based office platforms that are equal to or superior to ours. If we do not remain on the forefront of innovation, we might not be able to achieve or sustain profitability, particularly in the current environment of economic uncertainty and increased interest rates, which are having a negative effect on the real estate industry. The market for Internet products and services is characterized by rapid technological developments, evolving industry standards and customer demands, and frequent new product introductions and enhancements. Our future success will depend in significant part on our ability to continually improve the performance, features and reliability of our technological developments in response to both evolving demands of the marketplace and competitive product offerings, and there can be no assurance that we will be successful in doing so. We might not be able to effectively manage rapid growth in our business. We might not be able to scale our business services and support quickly enough to meet the growing needs of our real estate agents. If we are not able to grow efficiently, our operating results could be harmed. As we **continue to** add new agents and make acquisitions, we will need to devote additional financial and human resources to improving our 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 agents as our demographics expand over time. Any failure of, or delay in, these efforts could ~~cause impaired~~ -- **impair** system performance and ~~reduced~~ **negatively impact our agents'** satisfaction ~~from our agents~~. These issues could result in difficulty in both attracting and retaining agents. Even if we **can** ~~are able to~~ upgrade our systems and expand our staff, 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 might 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. Continued **technological and geographic** growth could also strain our ability to maintain reliable service levels for our users and advertisers, develop and improve our operational, financial, and management controls, enhance our reporting systems and procedures, and recruit, train, and retain highly skilled personnel. Our products are accessed by **many** ~~a large number of~~ users **,** often **simultaneously** ~~at the same time~~. If the use of our marketplace continues to expand, we might not be able to scale our technology to accommodate increased capacity requirements, which might result in interruptions or delays in service. The failure of our systems and operations to meet our capacity requirements could result in interruptions or delays in service or impede our ability to scale our operations. ~~The~~ **These** ~~lingering effects~~ **issues could result in difficulty in both attracting and retaining agents. Even if we are able to upgrade our systems and expand our staff, 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 ~~the COVID- 19 pandemic~~ **our efforts to scale our infrastructure and we** might ~~have~~ **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 ~~material~~ **timely basis, if at all. These efforts may reduce revenue and our margins and** ~~adverse~~ **adversely** ~~effect on our businesses, financial condition, results of operations, and liquidity. Since early 2020, the COVID- 19 pandemic has had a profound effect on the global economy and financial markets. This unprecedented situation has created considerable risks and uncertainties for the U. S. real estate services industry in general and for the Company in particular, including those arising from the potential adverse effects on the economy as well as risks related to employees, independent agents, and consumers. The extent of the continued~~ impact ~~of the pandemic on~~ our ~~business and~~ financial results ~~will depend largely on future developments, including the extent and duration of the spread of the outbreak (including new variants), the extent of governmental regulation (including, but not limited to, mandated " shelter in place " or other regulations that, for example, preclude or strictly limit open houses or in- person showings of properties), the impact on capital and financial markets and the related impact on consumer confidence and spending, and the magnitude of the financial and operational consequences to our agents and brokers, all of which are highly uncertain and cannot be predicted~~. 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 for the consumer relationships that they bring. Our competitors could lower the fees that they charge to agents 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 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 both 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~~ **If we don' t grow organically in local markets, or if we fail to successfully identify and pursue new business opportunities we** may ~~implement~~ **decide to** ~~changes~~ - **change** ~~to~~ our business model and operations to improve ~~revenues~~ - **revenue** ~~that cause a~~ **. Such changes may** ~~disproportionate~~ **disproportionately** increase ~~in~~ our expenses or reduce profit margins. For example, we may allocate resources to acquire lower margin brokerage models or **to** develop a commercial real estate ~~division, or a continuing education~~ division. These decisions could involve significant up- front costs that may only be recovered after ~~lengthy~~ **long** periods of time. In addition, any of these additional activities 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 includes allowing them to keep more of their commissions than traditional companies do, and receive equity in our Company, which is not typical in the real estate industry. If agents do not understand our value proposition, we might not be able to attract, retain and incentivize agents or maintain our agent growth rate, which would adversely affect our revenue growth and results of operations. Participation in our commission plan represents a key component of our agent and broker value proposition. Agents might not understand or appreciate our value. In addition, agents might not appreciate other components of our value proposition including the systems and tools that we provide to agents, and the professional development opportunities we create and deliver. We compete with many other real estate brokerages for qualified agents and if agents 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 might not be able to attract, retain and incentivize new and existing agents to grow our ~~revenues~~ - **revenue** . This could also negatively impact our agent growth rate. Our net licensed agent and broker base grew by approximately ~~28~~ **14** % from ~~8, 100~~ - **10, 370** licensed agents and brokers at December 31, ~~2021~~ **2022** , to ~~10~~ **11** , ~~370~~ **795** licensed agents and brokers at December 31, ~~2022~~ **2023** . Because we derive revenue from real estate transactions in which our agents receive commissions, increases in our licensed agent base correlate to increases in ~~revenues, and the rate of growth of our~~ revenue ~~correlates to the rate of growth of our licensed agent base~~ . A slowdown in our licensed agent growth rate would have a material adverse effect on revenue growth and could adversely affect our results of operations. ~~18If~~ **If** we fail to expand effectively into adjacent markets, our growth prospects could be harmed. We intend to expand our operations into adjacent **real estate** markets, such as ~~rentals~~ - **rental properties** , mortgages, and home improvement **. We also intend to expand our geographic market as well** , **including** ~~and into~~ additional U. S. geographic markets, as well as potentially ~~someday~~ international ~~geographies~~ **markets** . We may incur losses or otherwise fail to enter these markets successfully. Our expansion into these markets will place us in competitive environments with which we are unfamiliar and involves various risks, including the need to invest significant resources and the possibility that returns on such investments will not be achieved for several years, or at all. In attempting to establish a presence in new markets, we expect to incur significant expenses and face various other challenges, such as expanding our sales force and management personnel to cover these markets. We have a history of losses, and we might not be able to achieve or sustain profitability. We experienced net losses of approximately $ **24. 0 million and $** 27. 6 ~~million and $ 12. 5~~ million for the years ended December 31, **2023 and** 2022 ~~and December 31, 2021~~ , respectively. We cannot guarantee when or if we will achieve sustained profitability, particularly **considering** ~~in light of~~ current economic uncertainty and increased interest rates. We expect to make significant future expenditures to develop and expand our business. **We** ~~In addition, as a public company, we incur significant legal, accounting, and other expenses that we did not have as a private company. These expenditures make it harder for us to achieve and maintain future profitability. Our recent growth in revenue might not be sustainable, and we~~ might not achieve sufficient revenue to achieve or maintain profitability. We could incur significant losses in the future for **many** ~~a number of~~ reasons, including the other risks described in this Report, and we may encounter unforeseen expenses, difficulties, complications and delays and other unknown events. Accordingly, we might not be able to achieve or maintain profitability and we may incur significant losses for the foreseeable future. Our ~~recent~~ **historical** revenue growth rates might not be indicative of our future growth, and we might not continue to grow at our recent pace, or at all. For the year ended December 31, ~~2022~~ **2023** , our revenue ~~grew~~ **declined** to $ ~~413~~ **345** million from $ ~~330~~ **413** million, which represents an annual **rate of decline of approximately 16 %, however our historic** growth ~~rate of approximately~~ **has been better than market average increasing from 2020 to 2021 by 87 % and from 2021 to 2022 by** 25 ~~. 1~~ % **in** ~~. In the future, our~~ revenue ~~might not grow as rapidly as it has over the past several years~~ . We believe that our future revenue growth will depend, among other factors, on our ability to: ~~• acquire~~ **• recruit** additional agents and collect additional commissions ~~to~~ **from** existing agents; **•** ~~• attract a growing number of agents to our website and other cloud- based applications; •~~ increase our brand awareness; ~~•~~ **•** successfully develop and deploy new products for the residential real estate industry; ~~•~~ **•** integrate acquired companies, including those offering new ancillary services, such as title, insurance, and mortgage into our product offerings to increase our revenue per agent transaction; **•** ~~• maximize our sales personnel' s productivity; •~~ respond effectively to competitive threats; and ~~•~~ **•** successfully expand our business into adjacent markets. We might not be successful in our efforts to do any of the foregoing, and any failure to be successful in these matters could materially and adversely affect our revenue growth. Our past revenue growth ~~should~~ **is** not ~~be considered to be~~ indicative of our future growth. We currently are using and intend to continue to use Adjusted EBITDA, a non- GAAP financial measure, in reporting our annual and quarterly results of operations; however, Adjusted EBITDA is not equivalent to net income (loss) from operations as determined under GAAP, and shareholders may consider GAAP measures to be more relevant to our operating performance. As part of our reporting of our annual and quarterly results of operations, we publish and intend to continue to publish measures compiled in accordance with GAAP as well as non- GAAP financial measures, along with a reconciliation between the GAAP and ~~19non~~ -- **non** - GAAP financial measures. The reconciling items adjust amounts reported in accordance with GAAP for certain items which are described in detail in our published results of operations. Our financial statements themselves do not and will not contain any non- GAAP financial measures. Specifically, we use Adjusted EBITDA, which we use to ~~mean~~ **represent** net income (loss), excluding other income (expense), income taxes expense (benefit), depreciation and amortization, share- based compensation expense and transaction- related costs. **We** ~~In particular, we~~ believe the exclusion of share- based compensation expense related to restricted stock awards and stock options provides a useful supplemental measure in evaluating the performance of our operations and provides better transparency ~~into~~ **of** our results of operations. We believe that our non- GAAP financial measures are meaningful to investors when analyzing our results of operations as this is a key metric used by our management for financial and operational decision- making. The market price of our stock may fluctuate based on future non- GAAP results if investors base their investment decisions on such non- GAAP financial measures. If we decide to alter or discontinue the use of non- GAAP financial measures in reporting our annual and quarterly results of operations, the market price of our stock could be adversely affected if investors analyze our performance in a different manner. ~~.We believe the freedom of our agents to negotiate their own fees helps us recruit and retain agents without having any material adverse effect on our operations,revenues,earnings,or financial results.~~ We face significant risk to our brand and revenue if we fail to maintain compliance with the law and regulations of federal,state,foreign,or county governmental authorities,or private associations and governing boards.We operate in a heavily regulated ~~industry~~ **industries** with regulated labor classifications which present significant risk in general for each potential instance where we fail to maintain compliance.Our agents can be classified as either employees or independent contractors,and we could potentially misclassify or fail to consistently achieve compliance.Classifications and compliance are subject to the Internal Revenue Service regulations and applicable state law guidelines and penalties.Classifications,regulations and guidelines for agents are subject to judicial and agency interpretation as well as periodic changes.Changes,or any indication of changes,may adversely impact our workforce classifications,expenses,compensation,commission structure,roles and responsibilities and broker organization.Beyond workforce regulations and classifications,there exist complex,heavily regulated federal,state and local authority laws,regulations and policies governing our real estate business,as well as our title,title insurance,insurance,mortgage,lead generation,and other ancillary services.In general,the laws,rules and regulations ~~applicable~~ **that apply** to our business practices include,without limitation,the federal Real Estate Settlement Procedures Act,or RESPA,the federal Fair Housing Act,the Dodd- Frank Act,and federal advertising and other laws,as well as comparable state statutes;rules of trade organization such as ~~the~~ 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 our title,insurance and mortgage businesses;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 licensing requirements,as well as statutory due diligence,disclosure,record keeping and standard- of- care obligations relating to these licenses.The U.S.Department of Justice has opened an anti- trust investigation of some of our biggest competitors,and they are defendants in related lawsuits that could negatively impact our industry. ~~In addition,Fathom Realty,LLC (“ Fathom Realty ”),a wholly- owned subsidiary of the Company,has been named as a defendant in two purported class actions in the United States District Court for the Eastern District of Texas Sherman Division.The complaints,filed by named plaintiffs QJ Team,LLC,Five Points Holdings,LLC,Julie Martin,Mark Adamas,and Adelaida Matta,allege that coordination among several realtor associations,MLSs,and Texas real estate brokerages resulted in inflated commissions paid by home sellers to buyer brokers beginning in 2019.The Company believes the lawsuits are without merit,particularly with respect to Fathom Realty,which intends to vigorously defend itself.~~ Additionally,the Dodd- Frank Wall Street Reform and Consumer Protection Act contains the Mortgage Reform and Anti- Predatory Lending Act,or the Mortgage Act,which imposes ~~several~~ **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 and 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.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 might not be 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 laws and regulations between jurisdictions,and the difficulties in achieving both company- wide and region- specific knowledge and compliance. ~~If~~ **24If** we fail,or we have been 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.Additionally,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 impair our ability to attract and service home buyers,home sellers and agents,as well our ability to attract brokerages,teams of agents and individual agents to our Company,without increasing our costs.Further,if we lose our ability to obtain and maintain all of the regulatory approvals and licenses necessary to conduct business as we currently operate,our ability to conduct business may be harmed.Lastly,any lobbying or related activities we undertake in response to mitigate liability of current or new regulations could substantially increase our operating expenses.** If we fail to protect the privacy of employees, independent contractors, or consumers or personal information that they share with us, or fail to comply with privacy or data security legal requirements, our reputation and business could be significantly harmed. Tens of thousands of consumers, independent contractors, and employees have shared personal information with us during the normal course of our business processing residential real estate transactions. ~~This~~ **Such information** 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. The application, disclosure and safeguarding of this information is regulated by federal and state privacy laws. To comply with privacy laws, we invested resources and adopted a privacy policy outlining ~~policies and~~ procedures for the use ~~of~~ **and** safeguarding **of** personal information. This policy includes informing consumers, independent contractors and employees that we will not share their personal information with third parties without their consent unless required by law. Privacy policies and compliance with federal and state privacy laws ~~presents~~ - **present** ~~risk~~ **risks including** ~~and we could incur~~ legal liability for ~~failing~~ **failure** to **comply** ~~maintain compliance~~ . We might not become aware of all privacy laws, changes to privacy laws, or third- party privacy regulations governing the real estate business or be unable to comply with all of these regulations, 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. 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. ~~Our legal~~ **Legal** liability **under such laws** ~~could~~ **would** ~~include~~ **impose** significant ~~defense~~ costs ~~, settlement costs, damages~~ and **would** ~~penalties, plus,~~ damage our reputation ~~with consumers, which could significantly damage our ability to attract and maintain customers~~ . Any ~~or all~~ of these consequences ~~would~~ **could** result in ~~meaningful~~ **a material** unfavorable impact on our brand, business model, revenue, expenses, income and margins. We participate in a highly competitive market, and pressure from existing and new companies might adversely affect our business and operating results. The market to provide home listings and marketing services for the residential real estate industry is highly competitive and fragmented. Homes are not typically marketed exclusively through any single channel. ~~Consumers can access home listings and related data through more than one source.~~ Accordingly, current and potential competitors could aggregate a set of listings similar to ours. We compete with online real estate marketplaces, such as Zillow and Realtor. com, ~~other real estate websites,~~ and traditional offline media. We compete to attract consumers **by** ~~primarily on the basis of~~ the number and quality of listings; user experience; the breadth, depth, and relevance of insights and other content on homes, neighborhoods, and professionals; brand and reputation; and the quality of mobile products. We compete to attract real estate professionals **through** ~~primarily on the basis of~~ the quality of the website and mobile products ~~,~~ **;** the size and attractiveness of the consumer audience ~~,~~ **;** the quality and measurability of the leads we generate ~~,~~ **;** the perceived return on investment we deliver, and the effectiveness of marketing and workflow tools. We also compete for advertisers against other media, including print media, television and radio, social networks, search engines, other websites, and email marketing. We compete primarily on the ~~basis of the~~ size and attractiveness of the audience; pricing; and the ability to target desired audiences. ~~20Many~~ -- **Many** of our existing and potential competitors have substantial competitive advantages, such as: ~~•~~ **•** greater scale; ~~•~~ **•** stronger brands and greater name recognition; ~~•~~ **•** longer operating histories; ~~•~~ **•** more financial, research and development, sales and marketing, and other resources; ~~•~~ **•** more extensive relationships with participants in the residential real estate industry, such as brokers, agents, and advertisers; ~~•~~ **•** strong relationships with third- party data providers, such as multiple listing services and listing aggregators; ~~•~~ **•** access to larger user bases; and ~~•~~ **•** larger intellectual property portfolios. These advantages could be **increasingly** ~~all the more~~ important **considering** ~~in light of~~ current economic uncertainties and increased interest rates. The success of our competitors could result in fewer users visiting our website and mobile applications, ~~the loss of subscribers~~ and **the** ~~advertisers, price reductions for our subscriptions and display advertising, weaker operating results, and~~ loss of market share ~~. Our competitors also might be able to provide users with products that are different from or superior to those we can provide, or to provide users with a broader range of products and prices~~ . There is also intense competition in the related businesses we recently expanded into via acquisitions, including insurance, title insurance, mortgage, lead generation, and other ancillary services. We added these services to our platform **so** ~~to enable~~ our agents ~~to~~ **could** offer critical ancillary services to their clients, but also to gain new and significant incremental revenue streams and enhance our revenues per transaction. Our efforts to create a more complete transaction experience for consumers through these services will require significant integration and coordination on our part and might not result in increased revenues or earnings, particularly if competitors offer more attractive rates or are perceived as offering a better transactional experience by agents or consumers. This increased competition could stall our growth in these areas. We expect increased competition if our market continues to expand. In addition, current or potential competitors might be acquired by third parties with greater resources than ours, which would further strengthen these current or potential competitors and enable them to compete more vigorously or broadly with us. If we are not able to compete effectively, our business and operating results will be materially and adversely affected. Listing aggregator concentration and market power creates, and is expected to continue to create, disruption in the residential real estate brokerage industry, which might have a material adverse effect on our results of operations and financial condition. The concentration and market power of the top real estate listing aggregators allow them to monetize their platforms by ~~a variety of actions, including~~ expanding into the brokerage business, charging significant referral **, listing, and display** fees, charging listing and display fees, diluting the relationship between agents and brokers and between agents and the consumer, tying referrals to use of their products, consolidating and leveraging data, and engaging in preferential or exclusionary practices to favor or disfavor other industry participants. These actions divert and reduce the earnings of other industry participants, including Fathom and our agents. One dominant listing aggregator has introduced an iBuying offering to consumers and recently launched a brokerage with employee sales agents in several locations to support this offering, and has joined many local MLSs as a participating broker to gain electronic access directly to real estate listings rather than relying on disparate electronic feeds from other brokers participating in ~~the MLSs~~ - **MLS** or MLS syndication feeds. If this listing aggregator or another aggregator is successful in gaining market share with such offering, it could control significant industry inventory and an increasing portion of agent referrals, including the ability to direct referrals to agents and brokers that share revenue with them. In addition, this listing aggregator may attempt to use its growing access to key data spanning the home buying experience to displace or pre- empt its competitors before they can reach customers. ~~21Aggregators~~ -- **Aggregators** could intensify their current business tactics or introduce new programs that could be materially disadvantageous to our business and other brokerage participants in the industry including, but not limited to: ~~•~~ **•** broadening and / or increasing fees for their programs that charge brokerages and their affiliated sales agents fees including, referral, listing, display, advertising and related fees or introducing new fees for new or existing services; ~~•~~ **•** setting up competing brokerages and / or expanding their offerings to include products (including agent tools) and services ancillary to the real estate transaction, such as title, escrow and mortgage origination services, that compete with services offered by us; ~~•~~ **•** not including ~~our~~ **Fathom' s** or our franchisees' listings on their websites; ~~•~~ **•** controlling significant inventory and agent referrals, tying referrals to use of their products, and / or engaging in preferential or exclusionary practices to favor or disfavor other industry participants; ~~•~~ **•** utilizing their aggregated data for competitive advantage and / or establishing oppressive contract terms, including with respect to data sharing requirements; and / or ~~•~~ **•** disintermediating our relationship with affiliated franchisees and independent sales agents and / or the relationship between the independent sales agent and the buyers and sellers of homes. Such tactics could further increase pressures on our ~~revenues~~ -- **revenue** and profitability, and the profitability of our agents, which could harm our business and results of operations. 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. **Historically,** ~~Spring~~ **spring** and summer ~~seasons historically~~ reflect greater sales activity 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. 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 seasonality. Home sales in successive quarters can fluctuate widely due to a wide variety of seasonal factors, including holidays, and the school year calendar' s impact on timing of family relocations. Our revenue and operating margins each quarter (including downstream revenue at our title, insurance and mortgage groups) will remain subject to seasonal fluctuations, which may make it difficult to compare or analyze our financial performance effectively across successive quarters. ~~22Our~~ -- **Our** business could be adversely affected if we are unable to expand, maintain and improve the systems and technologies upon which we rely to operate. As the number of our agents ~~and~~ **,** acquired companies and business lines grow, 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. Loss of key personnel or the lack of adequate staffing with the requisite expertise and training could impede our efforts in this regard. 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, if our systems, procedures or controls are not adequate to provide reliable, accurate and timely financial and other reporting, we might not be able to satisfy regulatory scrutiny or contractual obligations with third parties and may suffer a loss of reputation. Any of these events could negatively affect our financial position. Cybersecurity incidents, data breaches and other privacy / data security incidents could disrupt our business operations, result in the loss or exposure of critical, confidential and / or sensitive information, adversely impact our reputation, result in costly regulatory investigations or litigation, create legal liability and harm our business. Cybersecurity incidents, data breaches and other types of privacy / data security incidents are not uncommon in our industry due to the nature of our industry' s services, the volume of sensitive information involved, and the desirability of that information to bad actors. Incidents involving phishing, hacking and unintentional exposure of sensitive information, among others, can and do occur. Cybersecurity and other threats directed at us could range from uncoordinated individual attempts to gain unauthorized access to information technology systems to sophisticated and targeted measures aimed at disrupting business or gathering personal data of customers, employees, contractors and other individuals. Recent high-profile ransomware attacks are examples of the kinds of cybersecurity risks we face. In the ordinary course of our business, we collect and store sensitive data, including proprietary business information and personal information about our customers, employees and contractors. Our business, and particularly our cloud- based platform, is reliant on the uninterrupted functioning of our information technology systems. The secure processing, maintenance, and transmission of information are critical to our operations, especially the processing and closing of real estate transactions. Although we employ measures designed to prevent, detect, address, and mitigate these threats (including access controls, data encryption, vulnerability assessments, and maintenance of backup and protective systems), cybersecurity incidents and other privacy / data security incidents, depending on their nature and scope, could potentially result in the misappropriation, destruction, corruption, or unavailability of critical data and confidential or proprietary information (our own or that of third parties, including potentially sensitive personal information of our 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 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 customers and business partners. We may also be subject to legal claims, government investigation, and additional state and federal statutory requirements. Like others in our industry, we experience **immaterial** privacy / data security incidents, such as cybersecurity incidents and other attempts to disrupt or gain unauthorized access to our systems on a regular basis and instances of unauthorized or inadvertent access to or disclosure of sensitive personal information. When we become aware of privacy / data security incidents, we work diligently to address them, including by working to terminate unauthorized or inappropriate access and implementing additional measures and operational changes to avoid reoccurrence and future incidents. The consequences of a material privacy / data security incident can include violations of applicable privacy or data security laws, reputational damage, loss of market value, costly litigation with third parties (which could result in our exposure to material civil or criminal liability) and regulatory investigations, 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. **For more information see Item 1C. Cybersecurity.** ~~23Our~~ -- **Our** business, financial condition and reputation may be substantially harmed by security breaches, interruptions, delays and failures in our systems and operations. The performance and reliability of our systems and operations are critical to our reputation and ability to attract agents and teams of agents to join our Company as well as our ability to service home buyers and sellers. Our systems and operations are vulnerable to security breaches, interruption or malfunction due to certain 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. We face significant risk to our brand...... could substantially increase our operating expenses. Our mortgage business might be unable to sell its originated loans and, in that situation, Fathom will need to service the loans and potentially foreclose on the home by itself or through a third party, and either option could impose significant costs, time ~~, and resources~~ on Fathom. Our inability to sell originated loans could also expose us to adverse market conditions affecting mortgage loans. Our mortgage business, Encompass Lending Group, intends to sell the mortgage loans that it originates to investors in the secondary mortgage market. Our ability to sell originated loans in the secondary market and receive net proceeds from the sale that exceed the loan amount depends largely on ~~there being sufficient~~ liquidity ~~in~~ **of** the secondary market. While the residential real estate market has been impacted by the recent increase in real estate mortgage interest rates, the secondary market for mortgage loans **remains** ~~is still~~ stable. However, the secondary market can experience negative impact if interest rates move faster than the market can adjust as occurred in 2008 and 2009, which could negatively impact our business. To the extent that we are unable to sell originated loans, we would be exposed to adverse market conditions affecting mortgage loans. For example, we may be required to write down the value of the loan, which reduces the amount of our current assets. Additionally, if we borrowed under a warehouse credit facility for the loan, then we will be required to repay the borrowed amount, which reduces our cash on hand ~~that is~~ available for other corporate uses. Finally, if a homeowner ~~were~~ **was** unable to make his or her mortgage payments, then we may be required to foreclose on the home securing the loan. We do not currently have processes to foreclose a home, and we may be unable to establish such processes or retain a third party on economically feasible terms to foreclose the home. Furthermore, any proceeds from selling a foreclosed home may be significantly less than the remaining amount of the loan due to us. If we are unable to obtain sufficient financing through warehouse credit facilities to fund origination of mortgage loans, then we may be unable to grow our mortgage business. We rely on borrowings from warehouse credit facilities to fund substantially all of the mortgage loans that our mortgage business originates. To grow, our mortgage business depends, in part, on having sufficient borrowing capacity under current facilities or obtaining additional borrowing capacity under new facilities. The borrowing capacity under one or more of our current facilities may be reduced if we fail to comply with a facility' s ongoing obligations, including failing to satisfy financial covenants and cross- default clauses. If we were unable to receive the necessary capacity on acceptable terms and did not have sufficient liquidity or established operations to fund originations ourselves, then we may be unable to maintain or increase the amount of mortgage loans that we originate, which will adversely affect the growth of our mortgage business. ~~25We~~ **We** might identify material weaknesses in the future that might cause us to fail to meet our reporting obligations or result in material misstatements of our financial statements. If we fail to remediate any material weaknesses or if we otherwise fail to establish and maintain effective internal controls over financial reporting, our ability to accurately and timely report our financial results could be adversely affected. In the future, we might identify ~~future~~ material weaknesses in our internal controls over financial reporting or fail to meet the demands that will be placed upon us as a public company, including the requirements of the Sarbanes- Oxley Act, and we may be unable to accurately report our financial results, or report them within the timeframes required by law or stock exchange regulations. We cannot provide assurance that material weaknesses will not exist or otherwise be discovered, any of which could adversely affect our reputation, financial condition and results of operations. We are an " emerging growth company, " and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors. We are an " emerging growth company, " as defined in the Jumpstart Our Business Startups Act enacted in April 2012, and, for as long as we continue to be an " emerging growth company, " we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to " emerging growth companies, " including, but not limited to, not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes- Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We could be an " emerging growth company " for up to five years following the completion of our initial public offering (" IPO ") in 2020, although, if we have more than $ 1. ~~07~~ **235** billion in annual revenue, if the market value of our common stock that is held by non- affiliates exceeds $ 700 million as of June 30 of any year, or **if** we issue more than $ 1. 0 billion of non- convertible debt over a three- year period before the end of that five- year period, we would cease to be an " emerging growth company " as of the following December 31. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and our stock price may be more volatile. Under the Jumpstart Our Business Startups Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards, and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. 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, including our ~~Founder~~ **President** and Chief Executive ~~Officer Joshua Harley, and President and Chief Financial~~ Officer Marco Fregenal. We also rely on individuals in key management positions within our operations, finance, and technology teams. 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 or any key personnel could have a material adverse effect on our operations because other officers might 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 our company, our operations and business prospects may be adversely affected. In addition, changes in executives and key personnel could be disruptive to our business. We do not have any key person insurance. ~~26Employee~~ -- **Employee** or agent litigation and unfavorable publicity could negatively affect our future business. Our employees or agents may, from time to time, bring lawsuits against us alleging injury, creating a hostile workplace, discrimination, wage and hour disputes, sexual harassment, or other employment issues. In recent years there has been an increase in the number of discrimination and harassment claims against companies generally. Coupled with the expansion of social media platforms and similar devices that allow individuals access to a broad audience, these claims can have a significant negative impact on some businesses. Certain companies that have faced such lawsuits have terminated management or other key personnel as a result and have suffered reputational harm that has negatively impacted their business. If we were to face any claims, our business could be negatively affected. Failure to protect intellectual property rights could adversely affect our business. Our intellectual property rights, including existing and future trademarks, trade secrets and copyrights, are important assets of the business. We have taken measures to protect our intellectual property, but these measures might 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. There can be no assurance that we would prevail in such lawsuits. Any significant impairment of our intellectual property rights could harm our business. We may evaluate potential vendors, suppliers and other business partners for acquisition in order to accelerate growth but might not succeed in identifying suitable candidates or may acquire businesses that negatively impact us. As part of our growth strategy, we may evaluate the potential acquisition of businesses offering products or services that complement our services offerings. If we identify a business that we deem to be suitable for acquisition and complete an acquisition, our evaluation may prove ~~faulty~~ **inaccurate** , and the acquisition may prove unsuccessful. In addition, an acquisition may prove unsuccessful if we fail to effectively execute a post- acquisition integration strategy. We may be unable to successfully integrate the systems and personnel of the acquired businesses. An acquisition could negatively impact our culture or undermine its core values. Acquisitions could disrupt our existing operations or cause management to divert its focus from our core business. An acquisition could cause potentially dilutive issuances of equity securities, incurrence of debt, contingent liabilities or could cause us to assume or incur unknown or unforeseen liabilities. From time to time, we intend to evaluate other brokerages for acquisition in order to accelerate growth and might not succeed in identifying suitable candidates or we may acquire brokerages that negatively impact us. We have recently acquired businesses that are outside our core competencies as a real estate brokerage, which could be difficult to integrate, disrupt our core business, dilute stockholder value, and adversely affect our operating results and the value of our common stock. In the past few years, we have made acquisitions outside our core real estate brokerage competency, including Verus Title Inc., Naberly Solutions, LiveBy, Inc., E4: 9 Holdings, Inc. and Cornerstone. These acquisitions present challenges that, should we fail to understand or address them adequately, could result in not achieving the expected financial results of these acquisitions, including for many of them failing to result in improved agent acquisition and retention, as well as increased revenue per agent transitions. Those acquisitions that are less established businesses as Fathom carry the additional risk of not having a long track record of success. In addition, integrating the operations, technologies, services and personnel of acquisitions takes time and resources, and could disrupt our core business by the diversion of financial and managerial resources from existing operations. If we fail to properly integrate these acquisitions, we might not achieve the anticipated benefits of these acquisitions or future acquisitions. Our future ~~revenues~~ - **revenue** and growth prospects could be adversely affected by our dependence on other contractors. Our business is highly dependent on a few significant technology vendors. In the event we were to lose one of our significant vendor partners, our business could be adversely affected because we could be forced to ~~move~~ **source** this technology ~~to~~ **from** another vendor, which would take significant time away from management running our core business. Our business, results of operations and financial condition could be materially adversely affected by the loss of one key relationship, as it would take a significant amount of time to replace this relationship with uncertain results. ~~27We~~ **We** may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all. We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new features and products or enhance our existing products, improve our operating infrastructure, or acquire complementary businesses and technologies. Accordingly, we might need to engage in equity or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our existing shareholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our common stock. Any debt financing we secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which might make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We might not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be impaired, and our business might be harmed. We are subject to certain risks related to litigation filed by or against us, and adverse results might harm our business and financial condition. The real estate industry often involves litigation, ranging from individual lawsuits by unhappy buyers or sellers to large class actions and government investigations, like those some of our biggest competitors are currently facing for alleged anti- trust law violations. We **are** often ~~are~~ involved in various lawsuits and legal proceedings that arise in the ordinary course of business. We cannot predict with certainty the cost of our 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 might harm our business and financial condition. Such litigation and other proceedings may include, but are not limited to, actions relating to intellectual property, commercial arrangements, negligence and fiduciary duty claims arising from our brokerage operations, actions against our title company for defalcations on closing payments or claims against the title agent contending that the agent knew or should have known that a transaction was fraudulent or that the agent was negligent in addressing title defects or conducting settlement, 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, third- party service or product providers, antitrust claims, general fraud claims, employment law claims, including claims challenging the classification of our agents as independent contractors and compliance with wage and hour regulations, and claims alleging violations of RESPA or state consumer fraud statutes. In addition, 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. The real estate industry generates **frequent** ~~a lot of~~ litigation, which could harm our business, reputation, operating results, and liquidity. We have general liability and an errors and omissions insurance policy to help protect us against claims of inadequate work or negligent action. However, this insurance might not continue to be available to us on commercially reasonable terms or at all, or a claim otherwise covered by our insurance may exceed our coverage limits, or a claim might not be covered at all. We may be subject to errors or omissions claims that could have an adverse effect on us. Moreover, defending a suit, regardless of its merits, could entail substantial expense and require the time and attention of key management personnel. ~~28We~~ **We** might experience significant claims relating to our operations, and losses resulting from fraud, defalcation or misconduct. We issue title insurance policies covering real property to mortgage lenders and buyers of real property. When acting as a title agent issuing a policy on behalf of an underwriter, our insurance risk is typically limited to the first five thousand dollars for claims on any one policy, though our insurance risk is not limited if we are negligent. To date, we have experienced claims losses that are significantly below the industry average; however, our claims experience could increase in the future, which could negatively impact our profitability. We may also be subject to legal claims or additional claims losses arising from the handling of escrow transactions and closings by our owned title agency. We carry errors and omissions insurance for errors made by our title and escrow companies, by our company owned brokerage business during the real estate settlement process, and by us related to real estate services. The occurrence of a significant number of claims in any given period could have a material adverse effect on our financial condition and results of operations during the period. In addition, insurance carriers may dispute coverage for various reasons and there can be no assurance that all claims will be covered by insurance. Fraud, defalcation and misconduct by employees are also risks inherent in our business, particularly given the high transactional volumes in our company owned brokerage, title, escrow and settlement services and relocation operations. To the extent that any loss or theft of funds substantially exceeds our insurance coverage, our business could be materially adversely affected. We might use interest rate derivatives from time to time to manage our exposure to interest rate risks associated with our mortgage business. To manage the risks associated with fluctuating interest rates, we may from time to time invest in derivative instruments in an attempt to offset this risk of volatility, but no hedging strategy can protect us completely. We cannot assure our shareholders that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging of these transactions will not result in losses. If we are not effective in hedging this volatility, we may experience an increase in our costs of borrowing and our business could be materially adversely affected. Part of our technology is currently being developed in foreign countries, including Brazil, **India, and the Philippines,** which makes us subject to certain risks associated with foreign laws and regulations. We currently develop portions of our technology in Brazil **, India, and Philippines** and could ~~in the future~~ conduct operations in foreign jurisdictions **in the future** . Conducting business in foreign countries involves inherent risks, including, but not limited to: difficulties in staffing, funding and managing foreign operations; unexpected changes in regulatory requirements; export restrictions; tariffs and other trade barriers; difficulties in protecting, acquiring, enforcing and litigating intellectual property rights; fluctuations in currency exchange rates; and potentially adverse tax consequences. If we were to experience any of the difficulties listed above, or any other difficulties, any international development activities and our overall financial condition may suffer. Risks Related to Our ~~IndustryOur~~ --- **Industry Our** results are tied to the residential real estate market and we might be negatively impacted by downturns in this market and general global economic conditions. The residential real estate market tends to be cyclical and typically is affected by changes in general macroeconomic conditions which are beyond our control. These conditions include short- term and long- term interest rates, inflation, fluctuations in debt and equity capital markets, levels of unemployment, consumer confidence ~~, geopolitical stability~~ and the general condition of the U. S. and the global economy **. Further, geopolitical factors, including the ongoing war in Ukraine and the Israeli- Palestinian conflict, could have residual effects on the global economy that negatively impact the U. S. residential real estate market and our business. The results of the 2024 U. S. presidential election, along with the speculation and market response to primaries, campaigning, and candidate statements, could also alter lending and consumer behavior that could adversely affect our business** . The residential real estate market also depends upon the strength of financial institutions, which are sensitive to changes in the general macroeconomic and regulatory environment. Lack of available credit or lack of confidence in the financial sector could impact the residential real estate market, which in turn could materially and adversely affect our business, financial condition and results of operations. ~~29For~~ -- **For** example, although the U. S. residential real estate market has improved in the years after the significant and prolonged downturn that began in the second half of 2008 and continued through 2011, the COVID- 19 pandemic significantly impacted the U. S. residential real estate market during the spring of 2020 with home sales in April and May declining to levels ~~unseen~~ **unprecedented** since the recession of the late 2000' s. More recently, while U. S. residential home sales rebounded sharply beginning in June 2020 ~~and overall 2020~~, they declined sharply in the latter half of 2022 as interest rates rose and economic uncertainties increased. We cannot predict whether the market will improve. If the residential real estate market or the economy ~~as a whole~~ does not ~~continue to~~ improve, we may experience adverse effects on our business, financial condition and liquidity, including our ability to access capital and grow our business. Any of the following could cause further decline in the housing or mortgage markets and have a material adverse effect on our business by causing periods of lower growth or a decline in the number of home sales or home prices which, in turn, could adversely affect our revenue and profitability: ~~•~~ **•** an increase in ~~the~~ unemployment ~~rate~~; ~~•~~ **•** a decrease in the affordability of homes due to changes in interest rates, home prices **, the cost and availability of building materials** , and rates of wage and job growth; ~~•~~ **•** slow economic growth or recessionary conditions; ~~•~~ **•** weak credit markets; ~~•~~ **•** low consumer confidence in the economy or the residential real estate market; ~~•~~ **•** instability of financial institutions; ~~•~~ **•** legislative, tax or regulatory changes that would adversely impact the residential real estate or mortgage markets, including but not limited to potential reform relating to Fannie Mae, Freddie Mac and other government sponsored entities, or GSEs, that provide liquidity to the U. S. housing and mortgage markets; ~~•~~ **•** increasing mortgage rates, like we have experienced recently, and increasing down payment requirements or constraints on the availability of mortgage financing, including but not limited to the potential impact of various provisions of the Dodd- Frank Wall Street Reform and Consumer Protection Act, or the Dodd- Frank Act, or other legislation and regulations that may be promulgated thereunder relating to mortgage financing, including restrictions imposed on mortgage originators, as well as retention levels required to be maintained by sponsors to securitize certain mortgages; ~~•~~ **•** excessive or insufficient home inventory levels on a regional level; ~~•~~ **•** high levels of foreclosure activity, including but not limited to the release of homes already held for sale by financial institutions; ~~•~~ **•** adverse changes in local or regional economic conditions, including potential impacts from the COVID- 19 pandemic; ~~•~~ **•** the inability or unwillingness of homeowners to enter into home sale transactions due to negative equity in their existing homes; ~~•~~ **•** demographic changes, such as a decrease in household formations, lower turnover in the housing market due to homeowners staying in the same home longer than in the past, or slowing rate of immigration or population growth; ~~•~~ **•** decrease in home ownership rates, declining demand for real estate and changing social attitudes toward home ownership; ~~•~~ **•** changes in local, state and federal laws or regulations that affect residential real estate transactions or encourage ownership, including but not limited to changes in tax law in late 2017 that limit the deductibility of certain mortgage interest expense, the application of the alternative minimum tax, and real property taxes and employee relocation expense; ~~or30 •~~ **or •** acts of nature, such as hurricanes, earthquakes and other natural disasters that disrupt local or regional real estate markets and which may, in some circumstances lead us to waive certain fees in impacted areas. The continued decline in global economic conditions could also materially impact the revenue of our recently acquired businesses, including insurance, title insurance, mortgage, lead generation, and other ancillary services. For example, ~~revenues~~ - **revenue** of our newly acquired insurance business ~~rely~~ **relies** on premiums and commission rates set by insurers. These premiums and commissions are cyclical in nature and may vary widely based on market condition. Volatility or declines in market condition, or any other adverse trends in the insurance industry, could have a negative impact on the profitability of our insurance business. A lack of financing for homebuyers in the U. S. residential real estate market at favorable rates and on favorable terms could have a material adverse effect on our financial performance and results of operations. Our business is significantly impacted by the availability of financing at favorable rates or on favorable terms for homebuyers, which may be affected by government regulations and policies. For example, residential mortgage interest rates rose significantly through **most** ~~the end~~ of ~~2022~~ **2023** , negatively impacting our business. Certain potential reforms such as the U. S. federal government' s conservatorship of Fannie Mae and Freddie Mac, proposals to reform the U. S. housing market, attempts to increase loan modifications for homeowners with negative equity, monetary policy of the U. S. government, increases in interest rates and the Dodd- Frank Act may adversely impact the housing industry, including homebuyers' ability to finance and purchase homes. The monetary policy of the U. S. government, and particularly the Federal Reserve Board, which regulates the supply of money and credit in the United States, significantly affects the availability of financing at favorable rates and on favorable terms, which in turn affects the domestic real estate market. Policies of the Federal Reserve Board can affect interest rates available to potential homebuyers. Further, we are affected by any rising interest rate environment. Changes in the Federal Reserve Board' s policies, the interest rate environment and mortgage market are beyond our control, are difficult to predict, and could restrict the availability of financing on reasonable terms for homebuyers, which could have a material adverse effect on our business, results of operations and financial condition. Since December 2015, the Federal Open Market Committee of the Federal Reserve Board has raised the target range for federal funds 18 times, including three times in 2017, four times in 2018, seven times in 2022 and ~~two~~ **four** times in 2023, after leaving the federal funds interest rate near ~~zero~~ **0 %** since late 2008. ~~The pace of future~~ **Future** ~~increases~~ **changes** in the federal funds rate ~~is~~ **are** uncertain, ~~although~~ **however** the Federal Open Market Committee has indicated it **does not** ~~expects~~ - **expect** additional increases to occur in ~~2023~~ **2024** ~~and beyond~~. Historically, changes in the federal funds rate have led to changes in interest rates for other loans, but the extent of the impact on the future availability and price of mortgage financing cannot be predicted with certainty. Furthermore, many lenders significantly tightened their underwriting standards since the real estate downturn, and many subprime and other alternative mortgage products are no longer common in the marketplace. If these mortgage loans continue to be difficult to obtain, including in the jumbo mortgage markets, the ability and willingness of prospective buyers to finance home purchases or to sell their existing homes could be adversely affected, which would adversely affect our operating results. The Dodd- Frank Act, which was passed to more closely regulate the financial services industry, created the Consumer Financial Protection Bureau (" CFPB "), an independent federal bureau, which enforces consumer protection laws, including various laws regulating mortgage finance. The Dodd- Frank Act also established new standards and practices for mortgage lending, including a requirement to determine a prospective borrower' s ability to repay a loan, removing incentives to originate higher cost mortgages, prohibiting prepayment penalties for non- qualified mortgages, prohibiting mandatory arbitration clauses, requiring additional disclosures to potential borrowers and restricting the fees that mortgage originators may collect. Rules implementing many of these changes protect creditors from certain liabilities for loans that meet the requirements for " qualified mortgages. " The rules place several restrictions on qualified mortgages, including caps on certain closing costs. These and other rules promulgated by the CFPB could have a significant impact on the availability of home mortgages and how mortgage agents and lenders transact business. In addition, the Dodd- Frank Act contained provisions that require GSEs, including Fannie Mae and Freddie Mac, to retain an interest in the credit risk arising from the assets they securitize. This may serve to reduce GSEs' demand for mortgage loans, which could have a material adverse effect on the mortgage industry, and may reduce the availability of mortgages to certain borrowers. While we are continuing to evaluate all aspects of legislation, regulations and policies affecting the domestic real estate market, we cannot predict whether ~~or not~~ such legislation, regulation and policies may increase down payment requirements, increase mortgage costs, or result in increased costs and potential litigation for housing market participants, any of which could have a material adverse effect on our financial condition and results of operations. ~~31Potential~~ -- **Potential** reform of Fannie Mae or Freddie Mac or certain federal agencies or a reduction in U. S. government support for the housing market could have a material impact on our operations. Numerous pieces of legislation seeking various ~~types of~~ changes for government sponsored entities **,** or GSEs have been introduced in Congress to reform the U. S. housing finance market **. Such proposed changes** ~~including~~ **include** among other things, changes designed to reduce government support for housing finance and the winding down of the federal conservatorship of Fannie Mae or Freddie Mac over a period of years. Legislation, if enacted, or additional regulation which curtails Fannie Mae' s and / or Freddie Mac' s activities and / or results in the wind down of the federal conservatorship of these entities **,** could increase mortgage costs and could result in more stringent underwriting guidelines imposed by lenders or cause other disruptions in the mortgage industry. Any of the foregoing could have a material adverse effect on the housing market in general and our operations in particular. The occurrence of natural or man- made disasters or pandemics could adversely affect our operations, results of operations and financial condition. The occurrence of natural disasters, including hurricanes, floods, earthquakes, tsunamis, tornadoes, fires, explosions, pandemic disease, such as the ~~current~~ coronavirus pandemic, and man- made disasters, including acts of terrorism and military actions, could adversely affect our operations, results of operations or financial condition, even if home values and buyers' access to financing has not been affected. Risks Related to Ownership of Our Common ~~StockThe~~ --- **Stock The** requirements of being a public company may strain our resources, divert management' s attention, and affect our ability to attract and retain qualified board of director members. As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes- Oxley Act, and other applicable securities rules and regulations. Compliance with these rules and regulations, even as a " smaller reporting company, " will increase our legal and financial compliance costs, make some activities more difficult, time- consuming, or costly, and increase demand on our systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and operating results. The Sarbanes- Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. **To** ~~In order to~~ maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management' s attention may be diverted from other business concerns, which could harm our business and operating results. Although we have already hired additional employees to comply with these requirements, we may need to hire more resources in the future, which will increase our costs and expenses. In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure create uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations, and standards, and this investment may result in increased general and administrative expenses and a diversion of management' s time and attention from revenue- generating activities to compliance activities. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us, and our business may be harmed. Being a relatively new public company combined with these new rules and regulations makes it more expensive for us to obtain director and officer liability insurance, and, in the future, we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors also could make it more difficult for us to attract and retain qualified management and members of our board of directors (the " Board "), particularly to serve on our audit committee and compensation committee. ~~32As~~ **As** a result of filings required of a public company, our business and financial condition is now more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and operating results could be harmed. Even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and materially harm our business, operating results, and financial condition. Our common stock price might fluctuate significantly, and the price of our common stock might be negatively impacted by factors which are unrelated to our operations. Prior to our 2020 initial public offering, there was no market for shares of our common stock. An active trading market for our common stock might not be sustained, which could depress the market price of our common stock and affect your ability to sell our shares. The trading price of our common stock has ranged from $ ~~3~~ **2** . ~~70~~ **10** to $ 56. 81 and is likely to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. These factors include: • our operating performance and the operating performance of similar companies; • our non- GAAP operating performance, as reported using Adjusted EBITDA, is not equivalent to net income (loss) from operations as determined under GAAP and shareholders may consider GAAP measures to be more relevant to our operating performance; • the overall performance of the equity markets; • announcements by us or our competitors of acquisitions, business plans, or commercial relationships; • threatened or actual litigation; • any major change in our board of directors or management; • publication of research reports or news stories about us, our competitors, or our industry, or positive or negative recommendations or withdrawal of research coverage by securities analysts; • large volumes of sales of our shares of common stock by existing shareholders; and • general political and economic conditions, including lingering impacts from the COVID- 19 pandemic. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company' s securities. This litigation, if instituted against us, could result in substantial costs, divert our management' s attention and resources, and harm our business, operating results, and financial condition. Our amended and restated bylaws provide that, unless we consent in writing, North Carolina state court is, to the fullest extent permitted by law, the sole and exclusive forum for substantially all disputes between us and our shareholders. These choice of forum provisions could limit the ability of shareholders to obtain a favorable judicial forum for disputes with us or our directors, officers or employees. Unless we consent to the selection of an alternative forum, our amended and restated bylaws provide that North Carolina state courts will be, to the fullest extent permitted by law, the sole and exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees to the Company or our shareholders; any action asserting a claim against us arising pursuant to the North Carolina Business Corporation Act, or our articles of incorporation or bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. Since the choice of forum provisions are only applicable to " the fullest extent permitted by law, " as provided in our bylaws, the provisions do not designate North Carolina courts as the exclusive forum for any derivative action or other claim for which the applicable statute creates exclusive jurisdiction in another forum. As such, the choice of forum provision does not apply to any actions arising under the Securities Act or the Exchange Act. ~~33~~ **These choice of forum provisions may limit a shareholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provisions contained in our bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially adversely affect our business, financial condition and operating results. Because we do not intend to pay any cash dividends on our shares of common stock in the near future, our shareholders will not be able to receive a return on their shares unless they sell them. We intend to retain any future earnings to finance the development and expansion of our business. We do not anticipate paying any cash dividends on our common stock in the near future. The declaration, payment and amount of any future dividends will be made at the discretion of our Board, and will depend upon, among other things, the results of operations, cash flows and financial condition, operating and capital requirements, and other factors as our Board considers relevant. 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. Unless we pay dividends, our shareholders will not be able to receive a return on their shares unless they sell them. Future sales of shares of our common stock by existing shareholders could depress the market price of our common stock. Sales of substantial amounts of our common stock in the public market by our shareholders might cause the market price of our common stock to decrease significantly. Joshua Harley, our Founder and former Chief Executive Officer, Marco Fregenal, our President and Chief Executive Officer, and a director, and Glenn Sampson, a significant shareholder and director, have previously engaged in sales of our stock under Rule 10b5- 1 trading plans, which have put pressure on our stock price. In November 2021, Mr. Harley and Mr. Fregenal sold an aggregate of 350, 000 shares of common stock in our underwritten public offering of common stock, and in December 2023 Mr. Harley sold 1, 000, 000 shares of common stock in our underwriting public offering. The perception that such additional sales could occur could also depress the market price of our common stock. Any such sales could also create public perception of difficulties or problems with our business and might also make it more difficult for us to raise capital through the sale of equity securities in the future at a time and price that we deem appropriate. Joshua Harley, our Founder and former Chief Executive Officer, together with Marco Fregenal, our President and Chief Executive Officer, and a director, and Glenn Sampson, a significant shareholder and director, own a significant percentage of our stock, and as a result, they can take actions that may be adverse to the interests of the other shareholders and the trading price for our common stock may be depressed. As of December 31, 2023, Joshua Harley, Marco Fregenal, and Glenn Sampson beneficially owned approximately 20. 2 %, 7. 2 %, and 7. 4 % of our outstanding common stock, respectively. 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 companies with controlling shareholders. The three shareholders voting together can significantly influence all matters requiring approval by our shareholders, including the election and removal of directors and any proposed merger, acquisition, consolidation or sale of all or substantially all of our assets. In addition, due to his significant ownership stake and his service as our Chief Executive Officer, Mr. Fregenal controls the management of our business and affairs. This concentration of ownership 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 shareholders. 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, 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 recommendations about our competitors, our stock price would likely decline. If any analyst who may cover us were to cease coverage of the 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.