Risk Factors Comparison 2024-02-27 to 2023-02-28 Form: 10-K

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Investing in our securities involves a high degree of risk. You should carefully consider the following risk factors and the other information in this Annual Report on Form 10- K, including **" Management' s Discussion and Analysis of Financial Position and Results of Operations,"" Quantitative and Qualitative Disclosures About Market Risk," and** our consolidated financial statements and related notes, before making any investment decisions regarding our securities. If any of the following risks actually occur, our business, financial condition and operating results could be adversely affected. As a result, the trading price of our securities could decline, and you may lose part or all of your investment **. Moreover, the risks below are not the only risks we face, and additional risks not currently known to us or that we presently deem immaterial may emerge or become material at any time and may negatively impact business, financial condition and operating results. Investors should carefully consider all relevant risks and uncertainties before investing in our common stock** . Overview We are impacted by and manage many risk factors detailed below affecting our business including External Business Risks, Human Resource and Personnel Risks, Internal Business Risks, Technology and Cybersecurity Risks, Investment Risks, Risks Related to Our Founder and General Risks as well as the risks discussed in " Management' s Discussion and Analysis of Financial Position and Results of Operations " and " Quantitative and Qualitative Disclosures About Market Risk. " Many of these factors described below in External Business Risks are outside of our control. In addition, we are a personnel and relationship- intensive business rather than a capital- intensive business. While all the risk factors discussed below have the potential to negatively impact our business, the most significant risks facing us are the risks associated with general economic conditions, commercial real estate market conditions, and our ability to attract and retain qualified and experienced managers and investment sales and financing professionals. General economic conditions and commercial real estate market conditions have had and may in the future have a negative impact on our business. Over the past several years macroeconomic factors ~~, including the COVID- 19 pandemic,~~ have caused significant volatility to the U. S. economy. The impact of these factors has led to uncertainty in the financial markets, ~~high~~ inflation, ~~rising~~ **increased** interest rates ~~and may lead to an extended economic downturn~~ , which ~~could~~ **has** adversely ~~impact~~ **impacted** the commercial real estate industry. **The commercial real estate industry, in particular, has seen significant slowing, and we experienced a significant decline in revenues in 2023 resulting in an operating loss.** We may **continue to** be negatively impacted by periods of economic downturns, recessions and disruptions in the capital markets; credit and liquidity issues in the capital markets, including international, national, regional and local markets; inflationary pressures; tax and regulatory changes and corresponding declines in the demand for commercial real estate investment and related services. Historically, commercial real estate markets and, in particular, the U. S. commercial real estate market, have tended to be cyclical and related to the flow of capital to the sector, the condition of the ~~economyas~~ -- **economy as** a whole, and to the perceptions and confidence of market participants to the economic outlook. Cycles in the real estate markets may lead to similar cycles in our earnings and significant volatility in our stock price. Further real estate markets may " lag " behind the broader economy such that even when underlying economic fundamentals improve in a given market, additional time may be required for these improvements to translate into strength in the real estate markets. The " lag " may be exacerbated when banks delay their resolution of commercial real estate assets whose values are less than their associated loans. Negative economic conditions, changes in interest rates such as the significant increase in rates during 2022 **and 2023** , credit and the availability of capital, both debt and / or equity, disruptions in capital markets, uncertainty of the tax and regulatory environment and / or declines in the demand for commercial real estate investment and related services in international and domestic markets or in significant markets in which we do business, ~~have~~ had **a significant impact to our financial results in 2023** and could have in the future a material adverse effect on our business, results of operations and / or financial condition. In particular, the commercial real estate market is directly impacted by (i) the lack of debt and / or equity financing for commercial real estate transactions, (ii) increased interest rates and changes in monetary policies by the U. S. Federal Reserve, (iii) changes in the perception that commercial real estate is an accepted asset class for portfolio diversification, (iv) changes in tax policy affecting the attractiveness of real estate as an investment choice, (v) changes in regulatory policy impacting real estate development opportunities and capital markets, (vi) slowdowns in economic activity that could cause residential and commercial tenant demand to decline, (vii) declines in the regional or local demand for commercial real estate, or (viii) significant disruptions in other ~~segments~~ **areas** of the real estate markets could adversely affect our results of operations. Any of the foregoing could adversely affect the operation and income of commercial real estate properties. Additionally, we are subject to inflationary pressures on employee and contractor wages and salaries, which ~~can~~ materially impact our financial results. These and other types of events ~~could~~ **have recently** ~~lead~~ - **led** to a decline in transaction activity as well as a decrease in property values which, in turn, ~~would likely~~ **has and may continue to** lead to a reduction in brokerage commissions and financing fees relating to such transactions. These effects ~~would likely~~ **have and may continue to** cause us to realize lower revenue from our transaction service fees, including brokerage commissions, which fees usually are tied to the transaction value and are payable upon the successful completion of a particular transaction. Such declines in transaction activity and value ~~would likely~~ **have and may continue to** also significantly reduce our financing activities and revenue. Fiscal uncertainty, significant changes and volatility in the financial markets and business environment, and similar significant changes in the global, political, security and competitive landscape, make it increasingly difficult for us to predict our revenue and earnings into the future. As a result, any revenue or earnings projections or economic outlook which we may give, may be affected by such events or may otherwise turn out to be inaccurate. Our business has been, and may in the future, be adversely affected by restrictions in the availability of debt or equity capital, the fluctuating cost of capital, as well as a lack of adequate credit and the risk of deterioration of the debt or credit markets and commercial real estate markets. Restrictions on the availability of capital, both debt and / or equity, can create significant reductions in the liquidity and flow of capital to the commercial real estate markets. Severe restrictions in debt or equity liquidity as well as the lack of the availability of credit in the markets we service can significantly reduce the volume and pace of commercial real estate transactions. These restrictions can also have a general negative effect upon commercial real estate prices themselves. Our business is particularly sensitive to the volume of activity and pricing in the commercial real estate market. This has **recently** had, and may have in the future, a significant adverse effect on our business. We cannot predict with any degree of certainty the magnitude or duration of developments in the credit markets and commercial real estate markets as it is inherently difficult to make accurate predictions with respect to such macroeconomic movements that are beyond our control. This uncertainty limits our ability to plan for future developments. In addition, uncertainty regarding market conditions **have and** may **continue to** limit the ability of other participants in the credit markets or commercial real estate markets to plan for the future. As a result, market participants **have and** may **continue to** act more conservatively than they might in a stabilized market, which may perpetuate and amplify the adverse developments in the markets we service. While business opportunities may emerge from assisting clients with transactions relating to distressed commercial real estate assets, ~~there can be no assurance that~~ the volume of such transactions ~~will~~ **has not been, and may in the future not** be **,** sufficient to meaningfully offset the declines in transaction volumes within the overall commercial real estate market. Increases in prevailing interest rates may result in downward pressure on the price of real estate and reduce activity in the commercial real estate industry resulting in a negative impact on our business. Market interest rates are affected by many factors outside of our control, including governmental monetary policies, domestic and international economic conditions, inflation, deflation, recession, changes in unemployment, the money supply, international disorder and instability in domestic and foreign financial markets. ~~Rising~~ **Increased** interest rates create downward pressure on the price of real estate and reduce activity in the commercial real estate industry, which have recently and may continue to have an adverse impact on our business. Interest rates remained at relatively low levels on a historical basis and the U. S. Federal Reserve maintained the federal funds target range at 0. 0 % to 0. 25 % for much of 2020 and 2021. During 2022, the Federal Reserve raised interest rates by an aggregate of 425 basis points. These increases resulted in a **slowdown** ~~slow down~~ in activity during the second half of 2022 **. During 2023, the Federal Reserve raised rates by an additional 100 basis points, which further contributed to the market slowdown** . The market consensus is that interest rates will **decrease** ~~be increased additional times~~ during ~~2023~~ **2024** . If interest rates **continue at current rates or** increase further, the resulting reduction in commercial real estate transactions and subsequent price reduction of commercial real estate generally may result in us ~~closing~~ **continuing to close** fewer brokerage, financing and other transactions, which would result in **further** decreased revenue and adversely impact our business. Inflation can have an adverse impact on our business and on our clients. Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. The annual inflation rate in the U. S. increased to 9. 1 % in June 2022, the highest annual inflation rate since November 1981, but decreased to ~~6~~ **3** . ~~5~~ **4** % in December ~~2022~~ **2023** . As a result, during ~~2022~~ **2023** , the Federal Reserve increased the federal funds rate ~~and~~ - **an additional 100 basis points** ~~indicated its intention to continue to increase interest rates~~ in an effort to combat inflation. Inflation has increased the wages paid to our employees and independent contractors. Furthermore, our clients are also affected by inflation and ~~rising~~ **increased** interest rates. A significant and continued increase in interest rates and inflation would be expected to have a **further** negative impact on client demand for commercial real estate and ~~need~~ **demand** for our services, which would, in turn, affect our profitability. Our loss sharing indemnification obligation pursuant to our agreement with M & T Realty Capital Corporation may adversely impact our results of operations, cash flows and / or our financial condition. In September 2021, MMCC entered into an agreement with MTRCC, which has a DUS Agreement with Fannie Mae and is an approved lender for Freddie Mac' s Conventional and Targeted Affordable Housing loans. MTRCC originates, underwrites, closes and services loans under the DUS Agreement and is subject to indemnifying Fannie Mae for ~~of~~ a portion of the risk of loss for those loans. Under the agreement with MTRCC, MMCC provides loan opportunities to MTRCC, and for those loans closed under the DUS Agreement by MTRCC, MMCC has the option to assume a portion of the indemnification obligation of MTRCC to Fannie Mae. We may need to secure additional sources of financing to satisfy our loss sharing indemnification obligations under these programs. We cannot make any assurances that such financing would be available on attractive terms, if at all, or that any indemnification obligations might be material or would not have an adverse effect on our business, financial condition and results of operations. We have numerous significant competitors and potential future competitors, some of which may have greater resources than we do, and we may not be able to continue to compete effectively. We compete in investment sales and financing within the commercial real estate industry. Our investment sales focus is on the private client market ~~segment~~ , which is highly fragmented. The fragmentation of our market makes it challenging to effectively gain market share. **We** ~~While we may have a competitive advantage over other national firms in the private client market segment, we~~ also face competition from local and regional service providers who have existing relationships with potential clients. Furthermore, transactions in the private client market ~~segment~~ are smaller than many other commercial real estate transactions. Although the brokerage commissions in this ~~segment~~ **market** are generally a higher percentage of the sales price, the smaller size of the transactions requires us to close many more transactions to sustain revenue. If the commission structure or the velocity of transactions were to change, we could be disproportionately affected by changes compared to other companies that focus on larger transactions, institutional clients and other ~~segments~~ **areas** of the commercial real estate market. There is no assurance that we will be able to continue to compete effectively, maintain our current fee arrangements with our private clients, maintain current margin levels or counteract increased competition. The services we provide to our clients are highly competitive on a national, regional and local level. Depending on the geography, property type or service, we face competition from, including, but not limited to, commercial real estate service providers, in-house real estate departments, private owners and developers ~~, commercial mortgage servicers~~ , institutional lenders, research and consulting firms, and investment managers, some of whom are clients and many of whom may have greater financial resources than we do. In addition, future changes in laws and regulations could lead to the entry of other competitors. Many of our competitors are local, regional or national firms. Although most are substantially smaller than we are, some of these competitors are larger on a local, regional or national basis, and we believe more national firms are exploring entry into or expansion in the $ 1 million to $ 10 million private client market ~~segment~~ . We may face increased competition from even stronger competitors in the future due to a trend toward acquisitions and consolidation. We are also subject to competition from other large national and multi- national firms as well as regional and local firms that have similar service competencies to ours. Our existing and future competitors may choose to undercut our fees or increase the levels of compensation they are willing to pay to their employees and investment sales and financing professionals. This could result in these competitors recruiting our employees and investment sales and financing professionals, cause us to increase our level of compensation or commission necessary to retain employees or investment sales and financing professionals, and / or require us to recruit new employees or investment sales and financing professionals. These occurrences could cause our revenue to decrease, and / or expenses to increase, which could have an adverse effect on our business, financial condition and results of operations. Our brokerage operations are subject to geographic and commercial real estate market risks, which could adversely affect our revenue and profitability. Our real estate brokerage offices are located in and around large metropolitan areas as well as mid- market regions throughout the U. S. and Canada. Local and regional economic conditions in these locations could differ materially from prevailing conditions in other parts of the country. We realize more of our revenue in California than in any other state. In ~~2022~~ **2023** , we earned approximately ~~23~~ **24** % of our revenue from offices in California. In particular, as a result of this concentration, we are subject to risks related to the California economy and real estate markets more than in other geographic markets. In addition to economic conditions, this geographic concentration means that California- specific legislation, **real estate and income taxes, rent control or rent stabilization laws and regulations, a migration of residents from the** California **markets** ~~- specific COVID- 19 outbreaks~~ or ~~restrictions, taxes~~ **a reduction in the attractiveness of the California market as a place to live** and regional disasters, such as earthquakes and wildfires as well as the impact of climate change, could disproportionately affect us. A downturn in investment real estate demand or economic conditions in California and other regions could result in a further decline in our total gross commission income which could have an adverse effect on our business, financial condition and results of operations. Seasonal fluctuations and other market data in the investment real estate industry could adversely affect our business and make comparisons of our quarterly results difficult. Our revenue and profits have historically tended to be significantly higher in the second half of each year than in the first half of the year. This is a result of a general focus in the real estate industry on completing or documenting transactions by calendar year end and because certain of our expenses are relatively constant throughout the year. This historical trend can be disrupted both positively and negatively by major economic, regulatory or political events impacting investor sentiment for a particular property type or location, current and future projections of interest rates and tax rates, attractiveness of other asset classes, market liquidity and the extent of limitations or availability of capital allocations for larger institutional buyers, to name a few. During the year ended December 31, ~~2022~~ **2023** , seasonal fluctuations were disrupted by ~~changes~~ **continued volatility** in overall market conditions and ~~rising~~ **increased** interest rates. As a result, our historical pattern of seasonality may or may not continue to the same degree experienced in the prior years and may make it difficult to determine, during the course of the year, whether planned results will be achieved, and thus to adjust to changes in expectations. A change in the tax laws relating to like- kind exchanges could adversely affect our business and the value of our stock. Section 1031 of the Internal Revenue Code of 1986, as amended (the " Code "), provides for tax- free exchanges of real property for other real property. Legislation has been proposed on several occasions that would repeal or restrict the application of Section 1031. If tax- free exchanges under Section 1031 were to be limited or unavailable, our clients or prospective clients may decide not to purchase or sell property that they would have otherwise purchased or sold due to the tax consequences of the transaction, thus reducing the commissions we would have otherwise received. Any repeal or significant change in the tax rules pertaining to like- kind exchanges could have a substantial adverse impact on our business, financial condition, results of operations, and the value of our stock. A change in the tax laws could adversely affect our business and the value of our stock. Changes in tax laws can impact investors' perceived value of real estate, timing of transactions and perception of real estate as a favorable investment. As a result, such changes may increase or decrease investors' desire to engage in real estate transactions, which could have an unfavorable impact on our business, financial condition, results of operations ~~,~~ and the value of our stock. Changes in tax laws in the various jurisdictions in which we operate may also impact the taxes we are required to pay, our ability to transact business in such jurisdictions, and may make operating in these jurisdictions unprofitable and unfavorably impact our results of operations and ability to execute our growth plans . The Internet could devalue our information...... terminate or reduce their relationships with us . New laws or regulations or changes in existing laws or regulations or the application thereof could adversely affect our businesses, financial condition, results of operations, and prospects. We are subject to numerous federal, state, local and foreign regulations specific to the services we perform in our business, as well as laws of broader applicability, such as securities, financial services and employment laws. In general, the brokerage of real estate transactions requires us to maintain applicable licenses where we perform these services. If we fail to maintain our licenses, conduct these activities without a license, or violate any of the regulations covering our licenses, we may be required to pay fines (including treble damages in certain states), return commissions received or have our licenses suspended or revoked. We could also be subject to disciplinary or other actions in the future due to claimed noncompliance with these regulations, which could have a material adverse effect on our operations and profitability. Our business is also governed by various laws and regulations, limiting the manner in which prospective clients may be contacted, including federal and state " Do Not Call " and " Do Not Fax " regulations. We may be subject to legal claims and governmental action if we are perceived to be acting in violation of these laws and regulations. We may also be subject to claims to the extent individual employees or investment sales and financing professionals breach or fail to adhere to Company policies and practices designed to maintain compliance with these laws and regulations. The penalties for violating these laws and regulations can be material and could result in changes to the ways in which we are able to contact prospective clients. As the size and scope of commercial real estate transactions have increased significantly during the past several years, both the difficulty of ensuring compliance with numerous licensing regimes and the possible loss resulting from non- compliance have increased. New or revised legislation or regulations applicable to our business, both within and outside of the U. S., as well as changes in administrations or enforcement priorities may have an adverse effect on our business. Such new or revised legislation or regulations applicable to our business may impact transaction volumes and values, increase the costs of compliance or prevent us from providing certain types of services in certain jurisdictions or in connection with certain transactions or clients. For example, legislation which limits or prohibits dual agency could have an adverse impact on our revenue. We are unable to predict how any of these new laws, rules, regulations and proposals will be implemented or in what form, or whether any additional or similar changes to laws or regulations, including the interpretation or implementation thereof, will occur in the future. Risks of legislative changes, including as a result of interpretive guidance or other directives from the current administration, and new laws, regulations and interpretations may also come into effect. The impact of any new or revised legislation or regulations under the current administration is unknown. Any such action could affect us in substantial and unpredictable ways and could have an adverse effect on our business, financial condition and results of operations. If we are unable to attract and retain qualified and experienced managers, investment sales and financing professionals, our growth may be limited, and our business and operating results could suffer. Our most important asset is people, and our continued success is highly dependent upon the efforts of our managers and investment sales and financing professionals. If these managers or investment sales and financing professionals depart, we will lose the substantial time and resources we have invested in training and developing those individuals and our business, financial condition and results of operations may suffer. Additionally, such departures may have a disproportionate adverse effect on our operations if our most experienced investment sales and financing professionals do not remain with us or if departures occur in geographic areas where substantial amounts of our real estate brokerage commissions and financing fee revenue are generated. Our competitors frequently attempt to recruit our investment sales and financing professionals or change commission structures in the marketplace. For a variety of reasons, the exclusive independent contractor and employment arrangements we have entered into or may enter into with these professionals may not prevent these professionals from departing and competing against us. As the majority of our investment sales and financing professionals are independent contractors and we currently do not have employment agreements with most key employees, there is no assurance that we will be able to retain their services. Similarly, most key employees in sales leadership roles, which includes our experienced managers, currently do not have employment agreements and there is no assurance that we will be able to retain their services. An ~~increasing~~ **important** component of **maintaining and growing** our **business includes** ~~growth has also occurred through~~ the recruiting, training and retention of ~~key~~ **new and** experienced investment sales and financing professionals. Any future growth ~~through attracting these types of professionals~~ will be ~~partially~~ dependent upon the continued availability of qualified candidates fitting the culture of our firm ~~at reasonable~~ **that can be recruited and retained on favorable economic** terms and conditions. However, our competitors ~~continue~~ **compete vigorously with us** to **recruit and retain investment sales and financing professionals and may** offer lucrative compensation packages and commission splits **that we may not be able** to ~~these~~ **match on terms that are economically favorable to us. The recruitment and retention of** key experienced professionals ~~that we may not be able to match or exceed while also remaining profitable. As a result, the professionals whom we would like to recruit or retain may not agree to terms and conditions acceptable to us. In addition, as the recruitment and retention of what appear to be the key experienced professionals~~ may require substantial ~~investment~~ **investments** , such as lucrative compensation packages, support agreements, and commission splits **. Additionally** , ~~this~~ **in order to recruit and retain** investment **sales and financing professionals, we may, and often have had to, advance funds in the form of forgivable loans which would be expensed over the contractual term of the loan agreement. All of these investments** ~~involves~~ - **involve the** ~~risks~~ - **risk** that **such professionals** ~~the persons acquired~~ will not perform in accordance with **performance** expectations **under such arrangements** and that **the** business judgments concerning the value, strengths and weaknesses of **such professionals** ~~the persons recruited~~ will prove incorrect, and therefore may not have been worth the substantial investment **. During a downturn in the commercial real estate industry, the number of experienced professionals may be reduced temporarily because they have a harder time transacting in a difficult market and may need to seek income from other sources. In addition, it is more difficult to recruit and retain less experienced professionals because the industry is less attractive during downturns from an income opportunity perspective** . If we lose the services of our executive officers or certain other members of our senior management team, we may not be able to execute our business strategy. Our success depends in a large part upon the continued service of our senior management team, who are important to our vision, strategic direction and culture. Our current long- term business strategy was developed in large part by our senior- level management team, some of whom have recently retired or will be transitioning to new positions, and depends in part on their skills and knowledge to implement. Our focus on new growth and investment initiatives may require additional management expertise to successfully execute our strategy. We may not be able to offset the impact on our business of the loss of the services of our senior- level management team or other key officers or employees or be able to recruit additional or replacement talent, which could negatively impact our business, financial condition and results of operations. Our business could be hurt if we are unable to retain our business philosophy and culture of information sharing and efforts to retain our philosophy and culture could adversely affect our ability to maintain and grow our business. Our policy of information sharing, matching properties with large pools of investors and the emphasis that we place on our clients, our people and our culture define our business philosophy and differentiates our services from that of our competitors. Various factors could adversely affect this culture. If we do not continue to develop and implement the right processes and tools to manage our changing enterprise and maintain this culture, our ability to compete successfully and achieve our business objectives could be impaired, which could negatively impact our business, financial condition and results of operations. The concentration of sales among our top investment sales and financing professionals could lead to losses if we are unable to retain them **or if there is an economic downturn** . Our most successful investment sales and financing professionals are responsible for a significant percentage of our revenue. They also serve as mentors and role models, and provide invaluable training for younger professionals, which is an integral part of our culture. This concentration among our top investment sales and financing professionals of real estate brokerage commissions and financing fees revenue can lead to greater and more concentrated risk of loss if we are unable to retain them, and could have a material adverse impact on our business and financial condition. Furthermore, many of our investment sales and financing professionals work in teams. If a team leader or manager leaves our Company, his or her team members may leave with the team leader or manager. ~~Most of~~ **Additionally, in economic downturns sales are often further concentrated among** our **top investment sales and financing professionals who have negotiated high commission splits that further reduce our profits and could have a material adverse impact on our business and financial condition. Our investment** sales professionals are independent contractors, not employees, and if laws, regulations or rulings mandate that they be employees, our business would be adversely impacted. **Our** ~~Most of our~~ investment sales professionals are retained as independent contractors, and we are subject to the Internal Revenue Service regulations and applicable state law guidelines regarding independent contractor classification. These regulations and guidelines are subject to judicial and agency interpretation, and it could be determined that the independent contractor classification is inapplicable to some or all of our investment sales professionals. Further, if legal standards for classification of these investment sales professionals as independent contractors change or appear to be changing, it may be necessary to modify our compensation or commission structure for these investment sales professionals in some or all of our markets, including paying additional compensation or reimbursing expenses. If we are forced to classify these investment sales professionals as employees, we would also become subject to laws regarding employee classification and compensation, and to claims regarding overtime, minimum wage, and meal and rest periods. We could also incur substantial costs, penalties and damages due to future challenges by current or former investment sales professionals to our classification or compensation practices. Any of these outcomes could result in substantial costs to us, could significantly impair our financial condition and our ability to conduct our business as we choose, and could damage our reputation and impair our ability to attract clients and investment sales and financing professionals. Fraud, or theft, which is difficult to detect and deter, could harm us by impairing our ability to attract and retain clients and subjecting us to significant legal liability and reputational harm. If our employees or investment sales and financing professionals engage in misconduct, our business could be adversely affected. It is not always possible to deter misconduct, and the precautions we take to deter and prevent this activity may not be effective in all cases. If our employees or investment sales and financing professionals were to engage in unethical business practices, improperly use, disseminate, fail to disseminate or disclose information provided by our clients, we could be subject to regulatory sanctions, suffer serious harm to our reputation, financial position and current client relationships and significantly impair our ability to attract future clients. These events could adversely affect our business, financial condition and results of operations. To the extent any fraud or theft of funds or misconduct result in losses that exceeds our insurance coverage, our business could be materially adversely affected. We may fail to successfully differentiate our brand from those of our competitors, which could adversely affect our revenue. The value of our brand and reputation is one of our most important assets. An inherent risk in maintaining our brand is we may fail to successfully differentiate the scope and quality of our service and product offerings from those of our competitors, or we may fail to sufficiently innovate or develop improved products or services that will be attractive to our clients. Additionally, given the rigors of the competitive marketplace in which we operate, there is the risk we may not be able to continue to find ways to operate more productively and more cost- effectively, including by achieving economies of scale, or we will be limited in our ability to further reduce the costs required to operate on a nationally coordinated platform. Our attempts to expand our services and businesses may not be successful and we may expend significant resources without corresponding returns. We intend to expand our specialty groups, particularly multi- tenant retail, office, industrial and hospitality, as well as various niche ~~segments~~ **markets** , including multifamily tax credit, affordable housing, student housing, manufactured housing, seniors housing and self- storage. We also plan to grow our financing services provided through our subsidiary, Marcus & Millichap Capital Corporation. We expect to incur expenses relating to acquisitions, recruitment, training, and expanding our markets and services. The planned expansion of services and platforms requires significant resources, and there can be no assurance we will compete effectively, attract or train a sufficient number of professionals to support the expansion, or operate these businesses profitably. We may incur significant expenses for these plans without corresponding returns, which would harm our business, financial condition and results of operations. If we experience significant growth in the future, such growth may be difficult to sustain and may place significant demands on our administrative, operational and financial resources. If we experience significant growth in the future, such growth could place additional demands on our resources and increase our expenses, as we will have to commit additional management, operational and financial resources to maintain appropriate operational and financial systems to adequately support expansion. There can be no assurance we will be able to manage our expanding operations effectively or we will be able to maintain or accelerate our growth, and any failure to do so could adversely affect our ability to generate revenue and control our expenses, which could adversely affect our business, financial condition and results of operations. Moreover, we may have to delay, alter or eliminate the implementation of certain aspects of our growth strategy due to events beyond our control, including, but not limited to, changes in general economic conditions and commercial real estate market conditions. Such delays or changes to our growth strategy may adversely affect our business. Our growth plan includes completing acquisitions, which may or may not happen depending on the acquisition opportunities that are available in the marketplace. Our ability to grow by acquiring companies or assets and by making investments to complement our existing businesses will depend upon the availability of suitable acquisition candidates. If we are unable to find suitable acquisition candidates, if we are unable to attract the interest of such candidates, or if we are unable to successfully negotiate and complete such acquisitions, that could limit our ability to grow. If we acquire businesses in the future, we may experience high transaction and integration costs, the integration process may be disruptive to our business and the acquired businesses may not perform as we expect. From time to time, we pursue strategic acquisitions to add and enhance our real estate brokerage and financing service offerings. The companies we have acquired have generally been regional or specialty firms that expand our network of investing and financing professionals and / or provide further diversification to our brokerage and financing services. Our acquisition structures may include deferred and / or contingent consideration payments in future periods that are subject to the passage of time or achievement of certain financial performance metrics and other conditions. Acquisitions also frequently involve significant costs related to integrating culture, information technology, accounting, reporting and management services and rationalizing personnel levels. If we are unable to fully integrate the culture, accounting, reporting and other systems of the businesses we acquire, we may not be able to effectively manage them, and our financial results may be materially adversely affected. In addition, the acquisitions of businesses involve risks that the businesses acquired will not perform in accordance with expectations, that the expected synergies associated with acquisitions will not be achieved, that we will experience attrition from professionals licensed or associated with the acquired companies and that business judgments concerning the value, strengths and weaknesses of the businesses acquired will prove incorrect, which could have an adverse effect on our business, financial condition and results of operations. A majority of our revenue is derived from transaction fees, which are not long-term contracted sources of recurring revenue and are subject to external economic conditions and declines in those engagements could have a material adverse effect on our financial condition and results of operations. We historically have earned principally all our revenue from real estate brokerage transactions and financing fees. We expect that we will continue to rely heavily on revenue from these sources for substantially all our revenue for the foreseeable future. A **continued** decline in the number of transactions completed or in the value of the commercial real estate we sell could significantly decrease our revenue **further** , which would adversely affect our business, financial condition and results of operations. If we are unable to retain existing clients and develop new clients, our financial condition may be adversely affected. We are substantially dependent on long-term client relationships and on revenue received for services provided for them. Our listing agreements generally expire within six months and depend on the cooperation of the client during the pendency of the agreement, as is typical in the industry. In this competitive market, if we are unable to maintain these relationships or are otherwise unable to retain existing clients and develop new clients, our business, results of operations and / or financial condition may be materially adversely affected. Historically, a global economic downturn and weaknesses in the markets in which our clients and potential clients compete have led to a lower volume of transactions and fewer real estate clients generally, which makes it more difficult to maintain existing and establish new client relationships. These effects **have in the past and** could increase again in the wake of the continuing political and economic uncertainties in the U. S. and in other countries. We may face significant liabilities and / or damage to our professional reputation as a result of litigation allegations and negative publicity. As a licensed real estate broker, we and our licensed professionals and brokers are subject to regulatory due diligence, disclosure and standard- of- care obligations. The actual or perceived failure to fulfill these obligations could subject us or our professionals and brokers to litigation from parties who attempted to or in fact financed, purchased or sold properties that we or they brokered, managed or had some other involvement. We could become subject to claims by those who either wished to participate or did participate in real estate transactions alleging that we did not fulfill our regulatory, contractual or other legal obligations. We also face potential conflicts of interest claims when we represent both the buyer and the seller in a transaction. We depend on our business relationships and our reputation for integrity and high- caliber professional services to attract and retain clients. As a result, allegations by private litigants or regulators, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us or our investment activities, whether or not valid, may harm our reputation and damage our business prospects. In addition, if any lawsuits were brought against us and resulted in a finding of substantial legal liability, it could materially, adversely affect our business, financial condition or results of operations or cause significant reputational harm to us, which could materially impact our business. **In** ~~Some of these litigation risks may be mitigated by the commercial insurance we maintain in amounts we believe are appropriate. However, in~~ the event of a substantial loss, our commercial insurance coverage and / or self- insurance reserve levels might not be sufficient to pay the full damages, or the scope of available coverage may not cover certain types of claims. Further, the value of otherwise valid claims we hold under insurance policies could become uncollectible in the event of the covering insurance company’ s insolvency, although we seek to limit this risk by placing our commercial insurance only with highly- rated companies. Any of these events could negatively impact our business, financial condition or results of operations. Failure to appropriately deal with actual or perceived conflicts of interest could adversely affect our businesses. Outside of our employees and investment sales and financing professionals, our reputation is one of our most important assets. As we have expanded the scope of our services, we increasingly must address potential, actual or perceived conflicts of interest relating to the services we provide to our existing and potential clients. For example, conflicts may arise between our position as an advisor to both the buyer and seller in commercial real estate sales transactions or in instances when a potential buyer requests that we represent them in securing the necessary capital to acquire an asset we are selling for another client, or when a capital source takes an adverse action against an owner client that we are advising in another matter. From time to time, we also advise or represent entities and parties affiliated with us in commercial real estate transactions which also involve clients who are unaffiliated with us. In this context, we may be subject to complaints or claims of a conflict of interest. ~~While we believe we have attempted to adopt various policies, controls and procedures to address or limit actual or perceived conflicts, these policies and procedures may not be adequate, require excessive expenditures and may not be adhered to by our employees.~~ Appropriately dealing with conflicts of interest is complex and difficult and our reputation could be damaged and cause us to lose existing clients or fail to gain new clients if we fail, or appear to fail, to deal appropriately with conflicts of interest, which could have an adverse effect on our business, financial condition and results of operations. If we do not respond to technological innovations or changes or upgrade our technology systems, our growth prospects and results of operations could be adversely affected. To remain competitive, we must continue to enhance and improve the functionality, features and security of our technology infrastructure. Infrastructure upgrades may require significant capital investment outside of the normal course of business. In the future, we will likely need to improve and upgrade our technology, database systems and network infrastructure ~~in order~~ to allow our business to grow in both size and scope. Without such improvements, our operations might suffer from unanticipated system disruptions, slow performance or unreliable service levels, any of which could negatively affect our ability to provide rapid customer service. We may face significant delays in introducing new services, investment sales professional tools and enhancements. Moreover, if we do not keep pace with the rapid innovations and changes taking place in information technology in our industry, we could be at a competitive disadvantage. ~~our~~ **The proliferation of freely available** information **on** ~~services and lead to reduced client relationships,which could reduce the demand for our services.The dynamic nature of~~ the Internet, ~~which~~ **including advancements in areas such as artificial intelligence,for example,** has substantially increased the ~~availability~~ **accessibility** and transparency of information relating to commercial real estate listings and transactions, **which** could change the way commercial real estate transactions are ~~done~~ **conducted** .This has occurred to some extent in the residential real estate market as online brokerage and / or auction companies have eroded part of the market for traditional residential real estate brokerage firms.The ~~proliferation~~ **accumulation** of large amounts of data on the Internet could also devalue the information that we gather and disseminate as part of our business model and may harm certain aspects of our investment brokerage business in the event that principals of transactions prefer to transact directly with each other.Further,the rapid dissemination and increasing transparency of information,particularly for public companies,increases the risks to our business that could result from negative media or announcements about ethics lapses,improper behavior or other operational problems,which could lead clients to terminate or reduce their **relationships with us.** If competitors introduce new products and services using new technologies, our proprietary technology and systems may become less competitive, and our business may be harmed. In addition, the expansion and improvement of our systems and infrastructure may require us to commit substantial financial, operational and technical resources, with no assurance that our business will improve. Interruption, data security breaches, or failure of our information technology, communications systems or data services could hurt our ability to effectively provide our services, which could damage our reputation and harm our operating results. Our business requires the continued operation of information technology and communication systems and network infrastructure. Our ability to conduct our business may be adversely impacted by disruptions or breaches to these systems or infrastructure. Our information technology and communications systems are vulnerable to damage or disruption from fire, power loss, telecommunications failure, system malfunctions, computer viruses, third- party misconduct or penetration and criminal acts, natural disasters such as hurricanes, earthquakes, wildfires and floods, acts of war or terrorism, or other events which are beyond our control. For example, in August 2021, we were subject to a cybersecurity attack on our information technology systems. We immediately engaged cybersecurity experts to secure and restore all essential systems and were able to do so with only minimal disruption to our business ~~. There are no guarantees, however, that if we were to experience another cybersecurity attack on our information technology systems, we would be able restore all essential systems with only minimal disruption to our business again or that we would not incur significant expense in connection with an attack~~ . In addition, the operation and maintenance of these systems and networks is, in some cases, dependent on third- party technologies, systems and service providers for which there is no certainty of **security or** uninterrupted availability. Any of these events could cause system interruption, delays, and loss of critical data or intellectual property (such as our client lists and information, business methods and research) and may also disrupt our ability to provide services to or interact with our clients, and we may not be able to successfully implement contingency plans that depend on communication or travel. **The** ~~We have business continuity plans and backup systems to reduce the potentially adverse effect of such events, but our~~ business continuity planning **and backup systems we have in place for such events** may not be sufficient and cannot account for all eventualities. **An** ~~A catastrophic~~ event that results in the destruction or disruption of any of our data centers or our critical business or information technology systems could severely affect our ability to conduct normal business operations and, as a result, our future operating results could be adversely affected. Our business relies significantly on the use of commercial real estate data. We produce much of this data internally, but a significant portion is purchased from third- party providers for which there is no certainty of uninterrupted availability. A disruption of our ability to provide data to our professionals and / or clients could damage our reputation, and our operating results could be adversely affected. Failure to maintain the security of our information and technology networks, including personally identifiable and client information could adversely affect us. Security breaches and other disruptions could compromise our **and our clients'** information and expose us to liability, which could cause our business and reputation to suffer. In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information and intellectual property and that of our clients and personally identifiable information of our employees and contractors, in our data centers and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations. **Our** ~~Despite our~~ security measures ~~,~~ **vary in maturity across** our **business. Our** information technology and infrastructure have been subject to, and may in the future be vulnerable to various cyber- attacks, such as hacking, spoofing and phishing attacks and ransomware attacks, **exploitation of system or application vulnerabilities** or our systems may be breached due to employee error, malfeasance or other disruptions **. We may also not have sufficient logging available to fully investigate the scope of a cyber- attack** . Additionally, since 2020, a portion of our workforce has worked remotely in some capacity in response to the COVID- 19 pandemic. This arrangement introduces ~~potential~~ new **threat vectors and** vulnerabilities ~~to cyber threats~~ . A significant actual or potential theft, loss, fraudulent use or misuse of client, employee or other personally identifiable data, whether by third parties or as a result of employee malfeasance or otherwise, non- compliance with our contractual or other legal obligations regarding such data or a violation of our privacy and security policies with respect to such data could result in significant costs, fines, litigation or regulatory actions against us. Such an event could additionally disrupt our operations and the services we provide to clients, damage our reputation, and cause a loss of confidence in our services, which could adversely affect our business, revenue and competitive position. Additionally, we increasingly rely on third- party data storage providers, including cloud storage solution providers, resulting in less direct control over our data. Such third parties may also be vulnerable to security breaches and compromised security systems, which could adversely affect our reputation **. In the past several years, supply chain attacks have increased in frequency and severity. As we are a consumer of information systems and technology, we are at risk of being impacted either directly or indirectly by these attacks. The control systems, cybersecurity program, infrastructure, physical facilities of, and personnel associated with third parties that we rely on are beyond our control** . We rely on the collection and use of personally identifiable information from clients to conduct our business. 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, including under the Racketeer Influenced and Corrupt Organizations Act, and damage to our reputation if we act or are perceived to be acting inconsistently with the terms of our privacy statement, client expectations or the law. In the event we or the vendors with which we contract to provide services on behalf of our clients were to suffer a breach of personally identifiable information, our customers could terminate their business with us. Further, we may be subject to claims to the extent individual employees or investment sales and financing professionals breach or fail to adhere to Company policies and practices and such actions jeopardize any personally identifiable information. In addition, concern among potential buyers or sellers about our privacy practices 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 personally identifiable information. Our investments in marketable debt securities, available- for- sale are subject to certain risks which could affect our overall financial condition, results of operations or cash flows. We invest a portion of our available cash and cash equivalent balances in money market funds, some of which have floating net asset values or by purchasing marketable debt securities with maturities in excess of three months in a managed portfolio in a variety of fixed or variable rate debt securities, including U. S. government and federal agency securities and corporate debt securities. The primary objective of our investment activity is to maintain the safety of principal, provide for future liquidity requirements while maximizing yields without significantly increasing risk. Should any of our investments or marketable debt securities lose value or have their liquidity impaired, it could affect our overall financial condition. Additionally, ~~should~~ **if** we choose or are required to sell these securities in the future at a loss, our consolidated operating results or cash flows may be affected. We may be deemed to be an investment company due to our investments in marketable debt securities, available- for- sale and, if such a determination were made, we would become subject to significant regulation that would adversely affect our business. We may be deemed to be an investment company under the Investment Company Act of 1940 **, as amended (the" Investment Company Act"),** if, among other things, we own " investment securities " with a value exceeding 40 % of the value of our total assets, unless we qualify under a particular exemption or safe harbor. We invest part of our available cash and cash equivalents in a variety of short- term, investment- grade securities, some of which may qualify as " investment securities " under the Investment Company Act. Investment companies are subject to registration under the Investment Company Act and compliance with a variety of restrictions and requirements. If we were to be deemed an investment company we would become subject to these restrictions and requirements, and the consequences of having been an investment company without registering under the Investment Company Act could have a material adverse effect on our business, financial condition and results of operations, as well as restrict our ability to sell and issue securities, borrow funds, engage in various transactions or other activities and make certain investment decisions. In addition, we may incur significant costs or limitation on business opportunities to avoid investment company status if an exemption from the Investment Company Act were to be considered unavailable to us at a time when the value of our " investment securities " exceeds 40 % of the value of our total assets. We believe that we satisfy the conditions to be exempt from the Investment Company Act because, among other things, we are engaged directly and primarily in a business other than that of investing, reinvesting, owning, holding or trading in securities. However, absent an exemptive order from the SEC, our status of being exempt cannot be assured. Our Chair and founder owns a significant portion of our common stock, which may prevent other stockholders from influencing significant decisions, and the sale of such stock may depress the price of our common stock and impair our ability to raise capital. George M. Marcus, our Chair and founder beneficially owns approximately 15. 0 million shares, or approximately ~~38~~ **39** % of our outstanding common stock as of December 31, ~~2022~~ **2023** . Because of Mr. Marcus' ~~s~~ substantial ownership of our outstanding common stock, he may be able to significantly influence the outcome of corporate actions requiring stockholder approval, including the election and removal of directors, so long as he controls a significant portion of our common stock. Mr. Marcus' shares may also be sold in a public or private sale which could adversely affect the prevailing market price of our common stock and could impair our ability to raise capital through the future sales of equity securities. Our Chair may have actual or potential conflicts of interest because of his position with MMC. George M. Marcus serves as the Chair of our Board of Directors and is Chair of the Board of Directors of MMC. In addition, Mr. Marcus beneficially owns substantially all of the outstanding stock of MMC. His position at MMC and the ownership of any MMC equity or equity awards creates or may create the appearance of conflicts of interest if and when he is faced with decisions that could have different implications for MMC and for us. Our existing goodwill and other intangible assets could become impaired, which may require us to take non- cash charges. Under current accounting guidelines, we evaluate our goodwill and other intangible assets for potential impairment annually or more frequently if circumstances indicate impairment may have occurred. We perform the required annual goodwill impairment evaluation in the fourth quarter of each year. Any impairment of goodwill or other intangible assets would result in a non- cash charge against earnings, and such charge could materially adversely affect our reported results of operations and the market price of our common stock in future periods. In preparing our financial statements we make certain assumptions, judgments, and estimates that affect amounts reported in our consolidated financial statements, which, if not accurate, may significantly impact our financial results. We make assumptions, judgments, and estimates that affect amounts reported in our consolidated financial statements. These assumptions, judgments, and estimates are drawn from historical experience and various other factors that we believe are reasonable under the circumstances as of the date of the consolidated financial statements. Actual results could differ materially from our estimates, and such differences could significantly impact our financial results. ~~Changes in United States Generally Accepted Accounting Principles (" U. S. GAAP ") could adversely affect our financial results and may require significant changes to our internal accounting systems and processes. We prepare our consolidated financial statements in conformity with U. S. GAAP. These principles are subject to interpretation by the Financial Accounting Standards Board (" FASB "), the SEC and various bodies formed to interpret and create appropriate accounting principles and guidance. The FASB periodically issues new accounting standards on a variety of topics. For information regarding new accounting standards, please refer to Note 2 – " Accounting Policies and Recent Accounting Pronouncements " of our Notes to Consolidated Financial Statements. These and other such standards generally result in different accounting principles, which may significantly impact our reported results or could result in variability of our financial results. We are obligated to develop and maintain proper and effective internal control over financial reporting. If we fail to maintain an effective system of internal controls, we may not be able to accurately report financial results or prevent fraud. Effective internal controls are necessary to provide reliable financial reports and to assist in the effective prevention of fraud. Any inability to provide reliable financial reports or prevent fraud could harm our business. We must annually evaluate our internal control procedures to satisfy the requirements of Section 404 of the Sarbanes- Oxley Act of 2002, which requires our management and auditors to assess the effectiveness of internal controls. If we fail to remedy or maintain the adequacy of our internal controls when such standards are modified, supplemented, or amended from time to time, we could be subject to regulatory scrutiny, civil or criminal penalties, or shareholder litigation. In addition, failure to maintain adequate internal controls could result in financial statements that do not accurately reflect our financial condition. There can be no assurance that we will be able to continue to complete the work necessary to fully comply with the requirements of the Sarbanes- Oxley Act or that our management and external auditors will continue to conclude that our internal controls are effective.~~ The price of our common stock may fluctuate significantly, and you could lose all or part of your investment. Volatility in the market price of our common stock may prevent shareholders from being able to sell shares of our common stock at or above the price shareholders paid for them. The market price for our common stock could fluctuate significantly for various reasons, including quarterly and annual variations in our results and those of our competitors; changes to the competitive landscape; estimates and projections by the investment community; the arrival or departure of key personnel, especially the retirement or departure of key senior investment sales and financing professionals and management; the introduction of new services by us or our competitors; acquisitions, strategic alliances or joint ventures involving us or our competitors; and general global and domestic economic, credit and liquidity issues, market or political conditions. As a result of these factors, investors in our common stock may not be able to resell their shares at or above the price paid to acquire the stock or may not be able to resell them at all. These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance. In addition, price volatility may be greater if the public float and trading volume of our common stock is low. If securities analysts do not publish research or reports about our business or if they downgrade our Company or our sector, or we do not meet expectations of the analysts the price of our common stock could decline. The trading market for our common stock depends in part on the research and reports that industry or financial analysts publish about us or our business. These research reports about our business may contain information about us, including, but not limited to estimates of our future results of operations and stock price. We do not control these analysts, nor can we assure that any analysts will continue to follow us, issue research reports or publish information that accurately predicts our actual results or stock price. Furthermore, if we do not meet the expectations of industry or financial analysts or one or more of the analysts who do cover us downgrades our Company or our industry, or the stock of any of our competitors, the price of our common stock could decline. If one or more of these analysts ceases coverage of our Company, we could lose visibility in the market, which in turn could cause the price of our common stock to decline. Significant fluctuations in our revenue and net income may make it difficult for us to achieve steady earnings growth on a quarterly or an annual basis, which may make the comparison between periods difficult and may cause the price of our common stock to decline. We have experienced and may continue to experience fluctuations in revenue and net income as a result of many factors, including, but not limited to, economic conditions, capital market disruptions, the timing of transactions, revenue mix and the timing of additional selling, general and administrative expenses to support growth initiatives **, recognition and expensing of forgivable loans provided to investment sales and financing professionals** . We provide many of our services pursuant to contracts that typically expire within six months and that are dependent on the client' s cooperation. Consequently, many of our clients can terminate or significantly reduce their relationships with us on very short notice for any reason. ~~We plan~~ **In addition, a significant portion of our expenses are fixed and do not vary proportionately with fluctuations in revenues. If our clients terminate** ~~our~~ **or** ~~capital and operating expenditures based~~ **significantly reduce their relationships with us** on **short notice for** ~~our expectations of future revenue and, if revenue are below expectations in~~ any **reason** ~~given quarter or year~~ , we may be unable to adjust ~~capital or~~ **our expenses** ~~operating expenditures~~ in a timely manner ~~to compensate for any unexpected revenue shortfall,~~ which could have an immediate material adverse effect on our business, financial condition and results of operation. **We plan our capital and operating expenditures based on our expectations of future revenue and, if revenues are below expectations in any given quarter or year, we may be unable to adjust capital or operating expenditures in a timely manner to compensate for any unexpected revenue shortfall, which could have an immediate material adverse effect on our business, financial condition and results of operation.** Future sales or the perception of future sales of a substantial amount of our common stock may depress the price of shares of our common stock. Future sales, issuances of shares under our Amended and Restated 2013 Omnibus Equity Incentive Plan **, as amended (the" 2013 Plan"),** and 2013 Employee Stock Purchase Plan **(the" ESPP")** or the availability of a substantial amount of our common stock in the public market could adversely affect the prevailing market price of our common stock and could impair our ability to raise capital through the future sales of equity securities. We may issue shares of our common stock or other securities from time to time as consideration for future acquisitions and investments. If any such acquisition or investment is significant, the number of shares of our common stock, or the number or aggregate principal amount, as the case may be, of other securities that we may issue may in turn be substantial. We may also grant registration rights covering those shares of our common stock or other securities in connection with any such acquisitions and investments. We cannot predict the size of future issuances or sales of our common stock or the effect, if any, that future issuances and sales of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares of our common stock issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock.