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

Legend: New Text ~~Removed Text~~ Unchanged Text Moved Text Section

RE / MAX Holdings, Inc. and its consolidated subsidiaries (collectively, the " Company, " " we, " " our " or " us ") could be adversely impacted by various risks and uncertainties. An investment in our Class A common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as all of the other information contained in this Annual Report on Form 10- K, including our audited consolidated financial statements and the related notes thereto before making an investment decision. If any of these risks actually occur, our business, financial condition, operating results, cash flow and prospects may be materially and adversely affected. As a result, the trading price of our Class A common stock could decline, and you could lose some or all of your investment. We have grouped our risks according to: ● Risks Related to Our Business; ● Risks Related to Our Industry; ● Risks Related to Our Legal and Capital Structure; ● Risks Related to Governmental Regulations; and ● General Risks. We may fail to execute our strategies to grow our business, which could have a material adverse effect on our financial performance and results of operations. We **are pursuing** ~~intend to pursue~~ a number of strategies to grow our revenue and earnings and to deploy the cash generated by our business. We constantly strive to increase the value proposition for our franchisees, agents, and loan originators. If we do not reinvest in our business in ways that make our networks attractive to franchisees, agents and loan originators, we may become less competitive. Additionally, we explore opportunities to acquire other businesses, including RE / MAX Independent Regions, or other businesses that are complementary to our core businesses. If we fail to develop, execute, or focus on our business strategy, fail to make good business decisions, fail to enforce a disciplined management process to ensure that our investment of resources aligns with our strategic plan and our core management and franchising competencies, or fail to properly ~~focus and~~ allocate resources ~~or~~ **to and focus** management attention on strategic areas, any of these could negatively impact ~~the overall value~~ **our financial performance and results** of **operations** ~~the Company~~. Failing to develop and maintain a positive relationship with our franchisees, agents and loan originators could compromise our ability to maintain or expand the RE / MAX and Motto networks. Although we believe our relationship with our franchisees and their agents and loan originators is strong, the nature of such relationships can give rise to conflict. For example, franchisees, agents or loan originators may become dissatisfied with the fees and dues owed to us, particularly in a period of economic downturn and uncertainty **or** in the event that we increase fees and dues. They may disagree with certain network- wide policies and procedures, including policies dictating brand standards or affecting their marketing efforts. They may also be disappointed with other aspects of our value proposition including, our marketing campaigns, technology offerings, or educational content. If we experience any conflicts with our franchisees on a large scale, our franchisees may decide not to renew their franchise agreements upon expiration or seek to disaffiliate with us, which could result in litigation. These events may, in turn, materially and adversely affect our business and operating results. An organized franchisee association could also pose risks to our ability to set the terms of our franchise agreements and our pricing. Our financial results are affected directly by the operating results of franchisees and their agents and loan originators who operate independently from our control. Our financial results and the financial results of our franchisees are affected by the ability of our franchisees to attract and retain agents and loan originators, which can be impacted by the overall macro- economic environment. Our financial results depend upon the operational and financial success of our franchisees and, for RE / MAX, their agents and for Motto Mortgage, their loan originators. Our franchise systems provide substantial autonomy to these independent franchisees, more so than is common in other franchised industries such as hospitality. Given this autonomy, we have virtually no control over the day- to- day operations of our franchisees and no control over the fees they charge. Our financial results depend heavily upon the number of RE / MAX agents and Motto offices in our networks, and the success of our franchisees depends largely on the ability of franchisees to attract and retain high quality agents and loan originators. Our independent franchise operators may choose not to adopt initiatives and products designed to help them, and therefore may be less successful. Most of our revenue is derived from recurring **franchise** fees paid by our franchisees or regional franchise owners based on the number of affiliated agents or offices, **annual** dues paid by RE / MAX agents, and recurring franchise fees based on the number of open Motto offices. If our franchisees are not able to attract and retain agents and loan originators (or successfully manage teams of agents within their brokerages), none of which is within our direct control, our revenue may decline. **Our** ~~If our franchisees' financial results worsen due to an inability to attract and retain agents and loan originators, a deterioration in the real estate or mortgage industries, or other factors, our~~ revenue may decline if franchisees are unable to pay the fees owed to us. We terminate franchisees for non- payment, non- reporting and other non- compliance with their franchise agreements. We may terminate franchisees more frequently in the future which may, in turn, materially and adversely affect our business and operating results. Our RE / MAX franchisees self- report their agent counts and agent commissions which drive the fees due to us, and we have limited tools to verify these reports. This could impact our ability to collect revenue owed to us by our Independent Regions, franchisees, and agents, and could affect our ability to forecast our performance accurately. Under our RE / MAX franchise agreements, franchisees, including Independent Regions, self- report (a) the number of agents and (b) gross commissions and other statistics from home sale transactions. This data is used to determine our billings for continuing franchise fees, annual dues and broker fees. We have limited methods of validating the data and must rely on reports submitted and our internal protocols for verifying the data. If franchisees were to underreport or erroneously report such data, even unintentionally, we may not receive all the revenues due to us. In addition, to the extent that we were underpaid, we may not have a definitive method for determining such underpayment. If a material number of our franchisees were to underreport or erroneously report their agent counts, agent commissions, or fees due to us, it could have a material adverse effect on our financial performance and results of operations. Further, RE / MAX agent count is a key performance indicator (KPI), and incomplete information, or information that is not reported in a timely manner could impair our ability to evaluate and forecast key business drivers and financial performance. We rely on traffic to our websites...... the risks associated with these relationships. Our franchisees and their agents or loan originators could take actions that could harm our reputation and our business. Our franchisees are ~~independent~~ **independently owned and operated** businesses and as such, the agents and loan originators who work within ~~these~~ **those** ~~brokerages~~ **businesses** are not our employees and we do not exercise control over their day- to- day operations. Franchisees may not operate their real estate and mortgage brokerage businesses consistent with industry standards or may not attract and retain qualified agents and loan originators. If franchisees, agents, or loan originators were to provide diminished quality of service to customers, engage in fraud, misconduct, negligence or otherwise violate the law or applicable codes of ethics, our image and reputation may suffer materially and we may become subject to liability claims based upon such actions. Any such incidents could adversely affect our results of operations. Brand value can be severely damaged even by isolated incidents, particularly if the incidents receive considerable negative publicity or result in litigation. Some of these incidents may relate to the way we manage our relationship with our franchisees, our growth strategies or the ordinary course of our business or our franchisees' businesses. Other incidents may arise from events that are or may be beyond our control and may damage our brand, such as actions taken (or not taken) by one or more franchisees or their agents and loan originators relating to health, safety, cybersecurity, welfare or other matters, litigation and claims, failure to maintain high ethical and ~~social~~ **professional** standards ~~for all of our operations and activities~~ , failure to comply with local laws and regulations, and illegal activity targeted at us or others. Our brands' value could diminish significantly if any such incidents or other matters erode consumer confidence in us, which may result in a decrease in our total agent ~~and~~ **,** loan **officer and franchisee** office ~~count~~ **counts** and, ultimately, lower revenues, which in turn would materially and adversely affect our business and results of operations. The failure of Independent Region owners to successfully develop or expand within their respective regions could adversely impact our revenue and earnings growth opportunities. We sold regional master franchises in the U. S. and Canada and have sold and continue to sell regional master franchises in our global locations outside of Canada. While we are pursuing a strategy to reacquire select regional franchise rights in the U. S. and Canada, we still rely on independent regional master franchises in Independent Regions. We continue to depend on Independent Regions in the U. S., Canada and globally, which have the exclusive right to grant franchises within a particular region, to successfully develop or expand within their respective regions and to monitor franchisees' use of our brand. The failure of any of these Independent Region owners to do these things, or the termination of an agreement with a regional master franchisee could delay the development of a particular franchised area, interrupt the operation of our brand in a particular market or markets while we seek alternative methods to develop our franchises in the area, and weaken our brand image. Such an event could result in lower revenue growth opportunities for us, which would adversely impact our growth prospects. We may be unable to reacquire the regional...... liabilities associated with acquired businesses. We are subject to certain risks related to litigation filed by or against us, and adverse results may harm our business and financial condition. We cannot predict with certainty the costs of defense, the costs of ~~prosecution~~ **filing claims** , insurance coverage or the ultimate outcome of litigation and other proceedings filed by or against us, including remedies or damage awards, and adverse results in such litigation and other proceedings may harm our business and financial condition. Such litigation and other proceedings may include, but are not limited to, the ~~currently pending antitrust litigations~~ **industry class- action lawsuits** as disclosed in Note 14, Commitments and Contingencies, securities litigation including class actions and shareholder derivative litigation **, privacy and Telephone Consumer Protection Act litigation including class actions** , complaints from or litigation by franchisees, usually related to alleged breaches of contract or wrongful termination under the franchise arrangements, actions relating to intellectual property, commercial arrangements and franchising arrangements. A substantial unsatisfied judgment against us or one of our subsidiaries could result in bankruptcy, which would materially and adversely affect our business and operating results. Our global operations may be subject to additional risks related to litigation, including difficulties in enforcement of contractual obligations governed by foreign law due to differing interpretations of rights and obligations, compliance with multiple and potentially conflicting laws, new and potentially untested laws and judicial systems and reduced protection of intellectual property. Our franchise model can be subject to particular litigation risks. Litigation against a franchisee or its affiliated agents or loan originators ~~by third parties~~ , whether in the ordinary course of business or otherwise, may also include claims against us for liability by virtue of the franchise relationship. Franchisees may fail to obtain insurance naming the Company as an additional insured on such claims. ~~In addition to increasing franchisees' costs and limiting the funds available to pay us fees and dues and reducing the execution of new franchise arrangements, claims~~ **Claims** against us (including vicarious liability claims) **could result in substantial costs,** divert our management resources and could cause adverse publicity, which may materially and adversely affect us and our brand, regardless of whether such allegations are valid or whether we are liable. In addition to claims over individual or isolated franchisee actions, third parties could attempt to hold us responsible for actions of our franchisees and their agents or loan originators in the aggregate. Our franchised business model is unlike a traditional, integrated corporation where company- owned outlets provide goods or services to consumers and the corporation has direct responsibility for operations at those outlets. Our franchised business model is also unlike many franchisors in other industries — such as the restaurant and hospitality industries — where franchisors may dictate many operational details of the franchisees' businesses and the delivery of goods and services to consumers and thereby have some of the liability for those or other aspects of the franchisees' operations. Because we franchise in professional service fields where licensure is required — real estate and mortgage brokerage — we do not dictate or control the day- to- day operations, or the advice provided by our franchisees or their affiliated agents or loan originators. Nonetheless, third parties may try to hold us liable for actions of our franchisees and their agents or loan originators, even when we have no involvement with those actions and they are beyond our control and, we believe, should not result in liability to us. As a franchisor, unlike an integrated corporation, we obtain ~~in fees~~ only a small portion of the revenue of our franchisees, and as a result our capital is limited in comparison with the size of our entire franchise networks. Therefore, if third parties were successful in asserting liability for practices of our franchise network in its entirety, and in holding us vicariously responsible for that liability, the resulting damages could exceed our available capital, could materially affect our earnings, or even render us insolvent. Our mortgage segment businesses operate in a heavily regulated and competitive industry. As younger businesses, they may carry a higher risk of failure. We sell residential mortgage brokerage franchises in the U. S. under the Motto Mortgage brand and trademarks **and we provide loan processing services through our wemlo brand** . Our strategy hinges on our ability to recruit franchisees and help them recruit loan originators, **on our ability** to develop and maintain strong competencies within the mortgage brokerage **and loan processing** ~~market~~ **markets** , on favorable conditions in the related regulatory environment and on our success in developing ~~a~~ strong, respected ~~brand~~ **brands** . We may fail to understand, interpret, implement and / or train franchisees adequately concerning compliance requirements related to the mortgage brokerage industry or the relationship between us and our franchisees, any of which failures could subject us or our franchisees to adverse actions from regulators. Our mortgage segment businesses may also have regulatory obligations; we **or our franchisees** may fail to comply with those obligations, and that failure could also subject us to adverse actions from regulators. In addition, residential mortgage brokerage is a highly competitive industry and Motto will suffer if we are unable to attract **and retain** franchisees. Our business depends on strong brands, and any failure to maintain, protect, and enhance our brands would hurt our ability to grow our business, particularly in new markets where we have limited brand recognition. Infringement, misappropriation or dilution of our intellectual property could harm our business. RE / MAX is a strong brand that we believe has contributed significantly to the success of our business, and the Motto brand continues to gain recognition. Maintaining, protecting and enhancing the RE / MAX brand, as well as our younger brands such as Motto and wemlo, is critical to growing our business. If we do not successfully build and maintain strong brands, our business could be materially harmed. We derive significant benefit from our market share leadership and our ability to make claims regarding the same, including through use of our slogan that " Nobody in the world sells more real estate than RE / MAX " as measured by residential transaction sides. Loss of market leadership, and as a result an inability to tout the same, may hinder public and industry perception of RE / MAX as a leader in the real estate market and hurt agent recruitment and franchise sales as a result. **Our** ~~Inasmuch as our business depends in part on strong brands, our~~ business may be subject to risks related to events and circumstances that have a negative impact on our brands. If we are exposed to adverse publicity or events that damage our brands' images, our business may suffer materially. We regard our RE / MAX trademark, balloon logo and ~~yard~~ **property** sign design trademarks and our Motto trademarks as valuable assets and important factors in the marketing of our brands. We believe that these and other intellectual property are valuable assets that are critical to our success. Not all the trademarks or service marks that we currently use have been registered in all the countries in which we do business, and they may never be registered in all those countries. There can be no assurance that we will be able to adequately maintain, enforce, and protect our trademarks or other intellectual property rights. We are commonly involved in numerous **legal** proceedings, generally on a small scale, to enforce our intellectual property **rights** and protect our brands. Unauthorized uses or other infringement of our trademarks or service marks, including uses that are currently unknown to us, could diminish the value of our brands and may adversely affect our business. **Also, third parties may initiate legal proceedings against us to allege that we infringe their intellectual property rights or to challenge the validity of our intellectual property rights.** Effective intellectual property protection may not be available in every market. Failure to adequately protect **or defend** our intellectual property rights could damage our brands and impair our ability to compete effectively. In addition, franchisee noncompliance with the terms and conditions of our franchise agreements and our brand standards may reduce the overall goodwill of our brands, whether through diminished consumer perception of our brands, dilution of our intellectual property, noncompliance with applicable laws, or through the participation in improper or objectionable business practices. Our global RE / MAX operations, including those in Canada, are subject to risks not generally experienced by our U. S. operations. The risks involved in our global operations and relationships could result in losses against which we are not insured and therefore affect our profitability. These risks include: ● fluctuations in foreign currency exchange rates, primarily related to changes in the Canadian dollar and Euro to U. S. dollar exchange rates; ● exposure to local economic conditions and local laws and regulations, including those relating to the agents of our franchisees; ● economic and / or credit conditions abroad; ● potential adverse changes in the political stability of foreign countries or in their diplomatic relations with the U. S.; ● restrictions on the withdrawal of foreign investments and earnings; ● government policies against businesses owned by foreigners; ● diminished ability to legally enforce our contractual rights in foreign countries; ● withholding and other taxes on remittances and other payments by subsidiaries; and ● changes in tax laws regarding taxation of foreign profits. We may ~~.and Canada~~ **be unable to execute on strategic acquisitions or transactions,including reacquiring the regional franchise rights of RE / MAX Independent Regions,** or successfully integrate ~~the regions or other businesses once~~ acquired **companies** .We ~~continue to~~ pursue ~~a~~ growth **initiatives with respect to** ~~strategy~~ **strategic** ~~of~~ **acquisitions,including the** ~~reacquiring~~ - **reacquisition of** select RE / MAX independent regional franchises ~~to support our growth~~ .The acquisition of a regional franchise enables us to focus on a consistent delivery of the RE / MAX value proposition,increases our revenue,and provides an opportunity for us to enhance profitability.This growth strategy depends on our ability to find regional franchisees willing to sell the franchise rights in their regions,as well as our ability to finance,complete and integrate these transactions.The number of remaining Independent Regions is limited so we may have difficulty finding suitable regional franchise acquisition opportunities at an acceptable price.Additionally, **our** ~~we continue to pursue a~~ growth strategy ~~of acquiring~~ **may also include pursuing complimentary** businesses that ~~complement our existing businesses and~~ enhance our value proposition.It is possible we may not **be able to successfully capitalize on a given opportunity and / or** achieve the expected returns **,including the execution of** ~~on a given acquisition;and we may not be able to deliver~~ expected cost and growth synergies. ~~Integrating~~ - **Integration activities** ~~acquired businesses~~ involves complex operational and personnel- related challenges and we may encounter unforeseen difficulties and higher than expected integration costs.Delays or difficulties encountered in connection with ~~the~~ integration **activities** ~~of any acquired business~~ could lead to prolonged diversion of management' s attention away from other important business ~~activities~~ **matters** . ~~Acquisitions may present other~~ **Other** challenges and difficulties ~~,~~ **could also** ~~including~~ **include** :● the possible departure of a significant number of key employees;● the possible defection of franchisees and agents to other brands or independent real estate companies;● limits on growth due to exclusive territories granted to current franchisees by former region owners;● the failure to maintain important business relationships and contracts of the acquired business;● ~~for any technology acquisitions,~~ our ability to implement appropriate cybersecurity controls while concurrently enhancing their platforms;● legal or regulatory challenges or litigation ~~post- acquisition~~ ,which could result in significant costs;● potential unknown liabilities ~~associated with~~ **.We may** not successfully manage the transition **and integration** associated with the ~~resignation of our previous Chief Executive Officer and the~~ appointment of ~~a~~ **our** new Chief Executive Officer **and other executive officer changes** , which could have an adverse impact on us **and our stakeholders** . ~~Our current~~ **We may not successfully manage the transition and integration associated with our new** Chief Executive Officer **and other executive officer changes. In November 2023, we announced the appointment of Erik Carlson as our new Chief Executive Officer and a board member. Prior to Mr. Carlson' s appointment** , Stephen Joyce ~~, is serving~~ **served as CEO** on an interim basis following the departure of our **previous CEO in March 2022. Additionally, on February 22, 2024, we announced the departure of Nick Bailey,** former **President and** CEO **of RE / MAX, LLC and the promotion of Amy Lessinger to President of RE / MAX, LLC. We also announced other executive officer promotions** on **the same day** ~~March 31, 2022~~ . **We have had multiple changes in our** ~~Our Board of Directors has initiated a search process to identify a permanent~~ Chief Executive Officer ~~replacement~~ **and other executive officer positions during the last several years and if we fail to manage transitions in these roles successfully, we face risks, including risks related to further changes in key senior leadership positions** . ~~Although~~ **Any disruption in the services of our key personnel could make it more difficult to successfully operate our business and achieve our business goals and could adversely affect our results of operation and financial condition.These changes could also increase the volatility of our stock price.** We rely on traffic to our websites,including our flagship websites,remax.com,remax.ca,and mottomortgage.com,directed from search engines.If our websites fail to rank prominently in unpaid search results,traffic to our websites could decline and our business could be adversely affected.Any disruption to our websites ~~or lead generation tools could harm our business.Our success depends in part on our ability to attract home buyers and sellers to our websites,including our flagship websites,remax.com,remax.ca,and mottomortgage.com through unpaid Internet search our~~ - **or** ~~Board~~ **lead generation tools could harm our business. Our success depends in part on our ability to attract home buyers and sellers to our websites, including our flagship websites remax. com, remax. ca, and mottomortgage. com through unpaid Internet search results on search engines. The number** of ~~Directors~~ **users we attract from search engines** is ~~confident in the interim leadership of Mr. Joyce~~ due **in large part** to ~~his proven success leading global franchise operations, leadership transitions~~ **how and where our websites rank in unpaid search results. These rankings** can be **affected by** ~~inherently difficult to manage, and an inadequate transition to~~ a ~~permanent Chief Executive Officer~~ **number of factors, such as changes in ranking algorithms which are not under our control and** may **change frequently** ~~cause disruption within the Company~~ . In addition, ~~if~~ **our websites face competition for audience from real estate portal websites such as Zillow, Redfin, Homes. com and Realtor. com. Our websites have experienced fluctuations in search result rankings in the past, and** we **anticipate fluctuations in the future. Any reduction in the number of users directed to our websites could adversely impact our business and results of operations. We** are ~~unable~~ **vulnerable** to ~~attract and retain~~ - **certain additional risks and uncertainties associated with websites, which include our lead referral system, remax. com, remax. ca, global. remax. com, theremaxcollection. com, remaxcommercial. com, mottomortgage. com, and wemlo. io. These risks include changes in required technology interfaces, website downtime and other technical failures, security breaches, and consumer privacy concerns. We may experience service disruptions, outages, and other performance problems due to** a **variety of factors** ~~qualified candidate to become the permanent Chief Executive Officer in a timely manner~~ , **including reliance on our third- party hosted services, infrastructure changes, human** ~~our~~ - ~~infrastructure changes,human~~ or software errors,capacity constraints due to an overwhelming number of users accessing our platform simultaneously,and denial of service,fraud or other attacks.Our failure to address these risks and uncertainties successfully could reduce our Internet presence,generate fewer leads for RE / MAX agents and damage our brand.We rely on third parties for certain important aspects of our business,including technology that is critical to our value proposition and to our internal operations.Any failures by these third- party vendors could disrupt our business operations.We have outsourced certain key aspects of our business to external parties,including providing RE / MAX agent and office technology products,supporting our flagship external websites ~~as well as the Motto loan origination system~~ ,all of which are key aspects of our value proposition. **We also rely on third parties for technology that is critical to** financial **reporting,** ~~performance and ability to meet operational goals and strategic plans may be adversely impacted. This may also impact~~ our **franchise** ~~ability to retain~~ and ~~hire~~ **membership tracking and billing, tools to support RE / MAX consumer facing websites, agents and office technology, and information security. We may enter into** other key ~~members~~ **outsourcing relationships in the future. If one or more** of ~~management~~ **these external parties are not able to perform their functions for a period of time, perform them at an acceptable service level, or handle increased volumes, our business operations could be constrained, disrupted, or otherwise negatively affected** . Our ~~business relies heavily on technology. Technology platforms~~ **ability to monitor the activities or performance of vendors** may be ~~less effective than anticipated in attracting~~ **constrained, which makes it difficult** ~~or~~ **for us to assess** ~~retaining agents, loan originators,~~ and **manage the risks associated with** ~~franchisees. Technology platforms may not perform as desired and we may not achieve the~~ **these relationships** ~~benefits anticipated or required from any new technology or system. If technology platforms do not satisfy the needs of agents, loan originators, and franchisees, or have poorer than expected adoption rates, such platforms may not be effective in attracting and retaining agents, loan originators, or franchisees~~ . The real estate market may be negatively impacted by industry changes as the result of certain class action lawsuits **and potential regulatory changes which could adversely affect our financial condition and results of operations** . As disclosed in Note 14, Commitments and Contingencies, we are a defendant in class action complaints referred to as the " Moehrl- related antitrust litigations " which allege violations of federal antitrust law **, among other claims. RE / MAX, LLC entered into the Settlement Agreement on October 5, 2023, with the plaintiffs in two of the Moehrl- related antitrust litigations (referred to as the Burnett Action and the Moehrl Action) and the terms of the Settlement Agreement extended to plaintiffs in another Moehrl- related antitrust litigation (referred to as the Nosalek Action) as well as any other similar claims on a nationwide basis. The Settlement Agreement was preliminarily approved by the court on November 20, 2023, and remains subject to final court approval, which is set for hearing on May 9, 2024. Further details on the Moehrl- related antitrust litigations and the Settlement Agreement are in Note 14, Commitments and Contingencies. Despite the Settlement Agreement, the Moehrl- related antitrust litigations, and the other industry class- action lawsuits, and the direct and indirect effects thereof, continue to pose substantial risks to the Company and its business. See Note 14, Commitments and Contingencies for additional information. On October 31, 2023, after a two- week trial, the jury in the Burnett Action found that an unlawful conspiracy existed and awarded approximately $ 1. 8 billion against the three defendants that did not settle the case in advance of the trial: NAR, Keller Williams, and HSA. If the verdict is not overturned, the Company expects the award to be trebled and the court to order injunctive relief against the non- settling defendants. Even though RE / MAX, LLC would not be subject to any injunctive relief ordered in the Burnett Action, such injunctive relief could have adverse collateral impacts on RE / MAX, LLC through potential changes to business practices in the real estate industry. These changes may also result in enhanced competition from new or existing business models. The indirect and direct effects of this action upon the real estate industry and the Company are not yet clear. There can be no assurance that the court will grant final approval of RE / MAX, LLC' s Settlement Agreement in its current form or at all. If the court modifies or does not approve the Settlement Agreement, the Company could incur substantial legal fees in continued litigation, and ultimately, RE / MAX, LLC could be found liable for damages and subject to injunctive relief, which could have a significant impact on our business and results of operations. Following the trial, on February 1, 2024, Keller Williams entered into a settlement with plaintiffs agreeing to make certain changes to its business practices and to pay a total settlement of $ 70 million. Further, the Moehrl- related antitrust litigations and other legal proceedings may prompt regulatory changes to rules established by NAR, local or state real estate boards, or multiple listing services** . The Department of Justice (" DOJ ") ~~had~~ **previously** agreed to settle a suit with ~~the National Association of Realtors ("~~ NAR ~~")~~ in which NAR agreed to adopt certain rule changes, such as increased disclosure of commission offers from sellers' agents to buyers' agents, but the DOJ subsequently withdrew from the proposed settlement **and issued a civil investigative demand (" CID ") to NAR. A court set aside the CID, ruling that NAR had a valid settlement agreement with the DOJ which prohibited the CID at issue** . The ~~indirect and direct effects~~ **DOJ appealed the decision. It is not clear what rule changes** , if any, ~~of this~~ **may ultimately be implemented as a result. In the Nosalek** ~~action~~ **Action** ~~upon~~ **, on February 15, 2024,** the **DOJ filed a statement of interest requesting that the court deny preliminary approval of the second amended settlement agreement between MLS PIN and plaintiffs, and recommending that the settling parties propose an injunction that prohibits offers of buyer- broker compensation by MLS PIN participants. The amount and structure of commissions that** real estate **agents receive could be impacted by** ~~industry are not yet clear. Moreover,~~ the ~~Moehrl- related~~ **outcome of the** antitrust litigations ~~seek additional changes in real estate industry practices beyond those in the withdrawn settlement between NAR and the DOJ. Further~~ , **related** ~~these lawsuits have prompted discussion of~~ regulatory **matters,** ~~changes to rules established by local or state real estate boards or multiple listing services. The resolution of the Moehrl- related antitrust litigations~~ and / or **increased focus on commissions** ~~other regulatory changes may require changes to our or our brokers' business models, including changes in agent and broker compensation~~ . This could reduce **RE / MAX agent count and / or** the fees we receive from our franchisees **and agents** , which, in turn, could adversely affect our financial condition and results of operations. Our results are tied to the residential real estate and mortgage markets, and we have been and likely will continue to be negatively impacted by downturns in these markets. The residential real estate and mortgage markets tend to be cyclical and typically are affected by changes in general economic conditions which are beyond our control. These conditions include fluctuations in interest rates **(** and by extension, mortgage rates **)** , inflation, wage and job growth, unemployment, home affordability, down payment requirements, inventory, consumer confidence, demographic changes, local or regional economic conditions, and the general condition of the U. S., Canadian, and global economies. The residential real estate and mortgage markets were negatively impacted by rising interest rates in 2022, which led to mortgage rates that more than doubled. Increased mortgage rates strained affordability, which resulted in a reduction in existing home sales that began in the second quarter of 2022 and continued throughout the second half of ~~the year~~ **2022 and throughout 2023** . ~~The~~ **Although the** Federal Reserve Board has indicated that it ~~intends~~ **expects** to **cut** ~~continue to increase~~ interest rates in ~~2023~~ **2024** ~~which is~~ **, high interest rates are** likely to continue to adversely impact existing home sales. While the majority of our revenues are derived from continuing franchise fees and annual dues, rather than being directly tied to residential real estate transaction volumes, ~~we anticipate~~ these declines in the residential real estate and mortgage markets ~~will~~ **have had and are likely to continue to** have a negative effect on our financial condition and results of operations, and such effect may be material. 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. The residential real estate market could also be negatively impacted by acts of nature. Climate change may negatively affect the residential real estate market. Changes in local, state and federal laws or regulations that affect residential real estate transactions or encourage ownership, and potential future tax law changes could negatively impact the residential real estate market. Any of these aforementioned events – whether they be changes in general economic conditions or the regulatory environment or acts of nature – may lead us to grant fee concessions. Competition in the residential real estate **brokerage** franchising **and real estate brokerage** business is intense, and we may be unable to grow our business organically, including increasing our agent count, expanding our network of franchises and their agents, and increasing franchise and agent fees, which could adversely affect our brand, our financial performance, and results of operations. We generally face strong competition in the residential real estate services business from other franchisors and brokerages (i. e., national, regional, independent, boutique, discount, and web- based brokerages). We also face competition from web- based companies focused on real estate that have made substantial investments in ~~innovative~~ **new** technology aimed at disrupting the real estate market and making more aspects of the real estate industry digital. Upon the expiration of a franchise agreement, a franchisee may choose to renew their franchise with us, operate as an independent broker or to franchise with **or join** one of our competitors. **Motto franchise agreements generally have a seven- year term. As Motto was founded in October 2016, 2024 is the first full year Motto has offices up for renewal.** Competing ~~franchisors~~ **businesses** may offer ~~franchisees~~ fees that are lower than those we charge, or that they perceive as more attractive. Further, some of our largest competitors may have greater financial resources and larger budgets than we do to enhance their value proposition to agents, franchisees and consumers. To remain competitive in the sale of franchises and to retain our existing franchisees at the time of renewal of their franchise agreements, we may have to reduce the cost of renewals and / or the recurring monthly fees we charge our franchisees. We may have to offer incentives to encourage franchisees to recruit new agents and successfully manage teams of agents. In addition, even with these measures, franchisees may choose not to renew their franchise, or may not recruit new agents. As a result of this competition, we may face many challenges in adding franchises and attracting agents in new and existing markets to expand our network, as well as other challenges such as: ● selection and availability of suitable markets; ● finding qualified franchisees in these markets who are interested in opening franchises on terms that are favorable to us; ● increasing our local brand awareness in new markets; and ● attracting and educating qualified local agents. A significant adoption by consumers of alternatives to full- service agents or loan originators could have a material adverse effect on our business, prospects and results of operations. A significant increase in consumer use of technology that eliminates or minimizes the role of the real estate agent or mortgage loan originator could have a material adverse effect on our business, prospects, and results of operations. These options include direct- buyer companies (also called iBuyers) that purchase homes directly from sellers at below- market rates in exchange for speed and convenience, and then resell them shortly thereafter at market prices, and discounters who reduce the role of the agent or loan originator in order to offer sellers a low commission or a flat fee while giving rebates to buyers. How consumers want to buy or sell houses and finance their purchase will determine if these models reduce or replace the long- standing preference for full- service agents and loan originators. Our operating results are subject to fluctuations due to existing home sales, and results for any quarter may not necessarily be indicative of the results that may be achieved for the full fiscal year. Historically, we have realized, and expect to continue to realize, lower profitability in the first and fourth quarters due primarily to the impact of lower broker fees and other revenue primarily as a result of lower overall home sale transactions, and higher selling, operating and administrative expenses in the first quarter for expenses incurred in connection with our RE / MAX annual **agent** convention. Accordingly, our results of operations may fluctuate on a quarterly basis, which would cause period to period comparisons of our operating results to not be necessarily meaningful and cannot be relied upon as indicators of future annual performance. RIHI has substantial influence over us including over decisions that require the approval of stockholders, and its interest in our business may conflict with yours. RIHI, a company controlled by David Liniger, our current Chairman and Co- Founder, and Gail Liniger, our Vice Chair **Emerita** and Co- Founder, respectively, owns all of our outstanding Class B common stock. Although RIHI no longer controls a majority of the voting power of RE / MAX Holdings' common stock, RIHI remains a significant stockholder of the Company and through its ownership of the Class B common stock holds ~~41~~ **40** . ~~3~~ **7** % of the voting power of the Company' s stock. Mr. Liniger also personally owns Class A common stock with an additional 1. ~~16~~ **1** % of the voting power of the Company' s stock. Therefore, RIHI has the ability to significantly influence all matters submitted to a vote of our stockholders. In addition, RIHI' s entire economic interest in us is in the form of its direct interest in RMCO through the ownership of RMCO common units, the payments it may receive from us under its tax receivable agreement and the proceeds it may receive upon any redemption of its RMCO common units, including issuance of shares of our Class A common stock, upon any such redemption and any subsequent sale of such Class A common stock. As a result, RIHI' s interests may conflict with the interests of our Class A common stockholders. For example, RIHI may have a different tax position from us which could influence its decisions regarding certain transactions, especially in light of the existence of the tax receivable agreements, including whether and when we should terminate the tax receivable agreements and accelerate our obligations thereunder. In addition, RIHI could have an interest in the structuring of future transactions to take into consideration its tax or other considerations, even in situations where no similar considerations are relevant to us. Our tax receivable agreements require us to make cash payments based upon future tax benefits to which we may become entitled. The amounts that we may be required to pay could be significant, may be accelerated **or deferred** in certain circumstances and could significantly exceed the actual tax benefits that we ultimately realize. In connection with our IPO, we entered into tax receivable agreements that are currently held by RIHI and Parallaxes Rain Co- Investment, LLC (" Parallaxes " and together, the " TRA Parties "). The amount of the cash payments that we may be required to make under the tax receivable agreements could be significant and will depend, in part, upon facts and circumstances that are beyond our control **. To the extent that we are unable to make timely payments under tax receivable agreements for any reason, the unpaid amounts generally will be deferred and will accrue interest until paid** . The tax receivable agreements provide that if certain mergers, asset sales, other forms of business combination, or other changes of control were to occur, or that if, at any time, we elect an early termination of the tax receivable agreements, then our obligations, or our successor' s obligations, to make payments under the tax receivable agreements would be based on certain assumptions, including an assumption that we would have sufficient taxable income to fully utilize all potential future tax benefits that are subject to the tax receivable agreements. As a result, (i) we could be required to make cash payments to the TRA Parties that are greater than the specified percentage of the actual benefits we ultimately realize in respect of the tax benefits that are subject to the tax receivable agreements, and (ii) if we elect to terminate the tax receivable agreements early, we would be required to make an immediate cash payment equal to the present value of the anticipated future tax benefits that are the subject of the tax receivable agreements, which payment may be made significantly in advance of the actual realization, if any, of such future tax benefits. We will also not be reimbursed for any cash payments previously made to the TRA Parties (or their predecessors) pursuant to the tax receivable agreements if any tax benefits initially claimed by us are subsequently challenged by a taxing authority and are ultimately disallowed. Instead, any excess cash payments made by us to either of the TRA Parties will be netted against any future cash payments that we might otherwise be required to make under the terms of the tax receivable agreements. However, we might not determine that we have effectively made an excess cash payment to either of the TRA Parties for a number of years following the initial time of such payment. As a result, it is possible that we could make cash payments under the tax receivable agreements that are substantially greater than our actual cash tax savings. We have significant debt service obligations and may incur additional indebtedness in the future. We have significant debt service obligations, including principal, interest and commitment fee payments due quarterly pursuant to RE / MAX, LLC' s Senior Secured Credit Facility. Our currently existing indebtedness, or any additional indebtedness we may incur, could require us to divert funds identified for other purposes for debt service and impair our liquidity position. If we cannot generate sufficient cash flow from operations to service our debt, we may need to refinance our debt, dispose of assets or issue additional equity to obtain necessary funds. We do not know whether we would be able to take such actions on a timely basis, on terms satisfactory to us, or at all. Future indebtedness may impose additional restrictions on us, which could limit our ability to respond to market conditions, to make capital investments or to take advantage of business opportunities. Our level of indebtedness has important consequences to you and your investment in our Class A common stock. **We face risks related to our cash position and liquidity if we are unable to access our line of credit or other sources of financing. Historically, the resiliency of our operation model, which translates to the cash generative nature of our financial model, has allowed us to generate positive cash flows in periods of economic strength and weakness. However, given the recent litigation settlement and poor economic climate for the housing and mortgage markets, the risk of weakened cash generation has increased. The litigation settlement payment in particular affects the ratios under our credit agreement, and due to higher ratios, we will be unable to draw on the revolving line of credit until we are below the minimum requirements. Additionally, the current market conditions have had a significant impact on our cash balances while also facing a decrease in revenue. We could continue to face strains on cash flows until the markets improve notably. Lastly, lower stock prices also limit our ability to raise capital in the form of equity. Additionally, our cash position could be adversely affected until market conditions improve. If we are not able to access further borrowing under our line of credit, we may be required to rely on other sources of financing to fund our business operations and there can be no assurance that such financing sources will be available or that the terms of such alternative financing will not have an adverse effect on our financial condition and results of operation.** Anti- takeover provisions in our charter documents and Delaware law might discourage or delay acquisition attempts for us that you might consider favorable. Our certificate of incorporation and bylaws contain provisions that may make the acquisition of our Company more difficult without the approval of our Board of Directors. These provisions: ● establish a classified Board of Directors so that not all members of our Board of Directors are elected at one time; ● authorize the issuance of undesignated preferred stock, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend or other rights or preferences superior to the rights of the holders of common stock; ● provide that our Board of Directors is expressly authorized to make, alter, or repeal our bylaws; ● delegate the sole power to our Board of Directors to fix the number of directors; ● provide the power of our Board of Directors to fill any vacancy on our Board of Directors, whether such vacancy occurs as a result of an increase in the number of directors or otherwise; ● eliminate the ability of stockholders to call special meetings of stockholders; and ● establish advance notice requirements for nominations for elections to our Board of Directors or for proposing matters that can be acted upon by stockholders at stockholder meetings. Our certificate of incorporation also contains a provision that provides us with protections similar to Section 203 of the Delaware General Corporation Law, and prevents us from engaging in a business combination with a person who acquires at least 15 % of our common stock for a period of three years from the date such person acquired such common stock unless board or stockholder approval is obtained prior to the acquisition, except that David and Gail Liniger are deemed to have been approved by our Board of Directors, and thereby not subject to these restrictions. These anti- takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of our Company, even if doing so would benefit our stockholders. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire. Financing for homebuyers in the U. S. and Canada is regulated and a lack of residential real estate market financing 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 changing macro **-** economic conditions as well as government regulations and policies. The monetary policy of the U. S. and Canadian governments, and particularly the Federal Reserve Board and the Bank of Canada, which regulate the supply of money and credit, significantly affects the availability of financing at favorable rates and on favorable terms, which in turn affects the real estate markets. Changes in the Federal Reserve Board' s and the Bank of Canada' s policies, as well as laws or regulations at the national, state, or provincial level are beyond our control, are difficult to predict, and could restrict the availability of financing on reasonable terms at favorable interest rates for homebuyers, which could have a material adverse effect on our business, results of operations and financial condition. In addition, a reduction in government support for home financing, including the possible winding down or privatization of GSEs could further reduce the availability of financing for homebuyers in the U. S. residential real estate market. No consensus has emerged in Congress concerning potential reforms relating to Fannie Mae and Freddie Mac and a potential transition to alternative structures for the secondary market, so we cannot predict either the short or long term- effects of such regulation and its impact on homebuyers' ability to finance and purchase homes. Lenders may from time to time tighten their underwriting standards or cease to offer subprime and other alternative mortgage products in the marketplace. If mortgage loans are difficult to obtain, 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. While we are continuing to evaluate all aspects of legislation, regulations and policies affecting the 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. Our franchising activities are subject to a variety of laws and regulations regarding franchises, and any failure to comply with such existing or future laws and regulations could adversely affect our business. In the U. S., the sale of franchises is regulated by various state laws as well as by the Federal Trade Commission (" FTC "). The FTC requires that franchisors make extensive disclosure to prospective franchisees but does not require registration. A number of states require registration and / or disclosure in connection with franchise offers and sales. In addition, several states have " franchise relationship laws " or " business opportunity laws " that limit the ability of franchisors to terminate franchise agreements or to withhold consent to the renewal or transfer of these agreements. In Canada, the sale of franchises is regulated at the provincial level. Currently, six of the 13 provinces and territories have passed legislation requiring franchisors to provide extensive disclosure in connection with franchise sales. These laws also impose duties on the conduct of the franchisee- franchisor relationship. We believe that our franchising procedures comply in all material respects with both the FTC guidelines and all applicable U. S. state and Canadian provincial laws regulating franchising in those jurisdictions in which we offer franchises. However, noncompliance could reduce anticipated revenue, which in turn may materially and adversely affect our business and operating results. The real estate **and mortgage** ~~business~~ **businesses** ~~is~~ **are** highly regulated and any failure to comply with such regulations or any changes in such regulations could adversely affect our business. The businesses of our franchisees are highly regulated and are subject to requirements governing the licensing and conduct of real estate and mortgage brokerages and brokerage- related businesses in the jurisdictions in which they do business. Our franchisees must comply with RESPA. RESPA and comparable state statutes, among other things, restrict payments which real estate brokers, agents, mortgage brokers, loan originators and other settlement service providers may receive for the referral of business to other settlement service providers in connection with the closing of real estate transactions. Such laws may to some extent restrict preferred vendor arrangements involving our franchisees. RESPA and similar state laws also require timely disclosure of certain relationships or financial interests that a broker has with providers of real estate settlement services. There is a risk that we and our franchisees could be adversely affected by current laws, regulations or interpretations or that more restrictive laws, regulations or interpretations will be adopted in the future that could make compliance more difficult or expensive. We, or our franchisees, are also subject to various other rules and regulations such as: ● the Gramm- Leach- Bliley Act, which governs the disclosure and safeguarding of consumer financial information **; ● The Mortgage Acts and Practices (" MAP ") Advertising Rule; ● The Federal Trade Commission' s Franchise Rule; ● State franchise laws and regulations** ; ● the European Union' s General Data Protection Regulation (" GDPR "), the California Consumer Privacy Act, **the Personal Information Protection and Electronic Documents Act (Canada);** and various other laws protecting consumer data; ● the USA PATRIOT Act **and the proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)** ; ● restrictions on transactions with persons on the Specially Designated Nationals and Blocked Persons list promulgated by the Office of Foreign Assets Control of the Department of the Treasury; ● federal ~~and~~ **,** state **, and provincial** " Do Not Call, " " Do Not Fax, " and " Do Not E- Mail " laws; ● the Fair Housing Act **and National Housing Act (Canada)** ; ● laws and regulations, including the Foreign Corrupt Practices Act, that impose sanctions on improper payments; ● laws and regulations in jurisdictions outside the U. S. in which we do business; ● **federal,** state **,** and ~~federal~~ **provincial** employment **, workplace and taxation** laws and regulations, including any changes that would require reclassification of independent contractors to employee status, and wage and hour regulations; and ● consumer fraud statutes. Our or our franchisees' failure to comply with any of the foregoing laws and regulations may result in fines, penalties, injunctions and / or potential criminal ~~violations~~ **charges** . Any changes to these laws or regulations or any new laws or regulations may make it more difficult for us to operate our business and may have a material adverse effect on our operations. Cyberattacks, security breaches and improper access to, disclosure or deletion of our data, personally identifiable information we collect, or business records could harm our business, damage our reputation and cause losses. Our information technologies and systems and those of our third- party hosted services are vulnerable to breach, damage or interruption from various causes, including: (i) natural disasters, war and acts of terrorism, (ii) power losses, computer systems failure, Internet and telecommunications or data network failures, operator error, losses and corruption of data, and similar events, and (iii) employee error, malfeasance or otherwise. Of particular risk and focus in recent years is the potential penetration of internal or outsourced systems by individuals seeking to disrupt operations or misappropriate information (aka, cyberattacks). Cyberattacks, including the use of phishing and malware, continue to grow in sophistication making it impossible for us to mitigate all of these risks. Any extended interruption of our systems or exposure of sensitive data to third parties could cause significant damage to our business or our brand, for which our business interruption insurance may be insufficient to compensate us for losses that may occur. In addition, we rely on the collection and use of personally identifiable information from franchisees, agents and consumers to conduct our business and in certain instances such data may include social security numbers, payment card numbers, or customer financial information. Global privacy legislation (including the GDPR regulations in the European Union), enforcement and policy activity are rapidly expanding and creating a complex compliance environment. Changes in these laws may limit our data ~~access~~ **collection** , use, and disclosure, and may require increased expenditures by us or may dictate that we not offer certain types of services. For example, **several states in the U. S. such as** California **, Colorado, Connecticut, Virginia, and Utah, among**

others, have enacted **comprehensive** ~~the California Consumer~~ **consumer** ~~Privacy~~ **privacy laws** ~~Act on January 1, 2020,~~ which ~~requires~~ - **require** covered businesses to, among other things, provide disclosures to ~~California~~ consumers regarding the collection, use and disclosure of such consumers' personal information and afford such consumers new rights with respect to their personal information, including the right to opt out of ~~certain~~ **the** ~~sales~~ - **sale or sharing** of personal information **and targeted advertising** . We believe that further increased regulation in additional jurisdictions is likely in the area of data privacy. ~~Should~~ **We may be subject to legal claims and regulatory scrutiny if** we misuse or improperly store the personally identifiable information that we collect, **if** ~~or should~~ we ~~be~~ **fail to timely honor consumer rights requests, or if we are** the victim of a cyberattack that results in improper access to such personally identifiable information ~~, we may be subject to legal claims and regulatory scrutiny~~ . Any legal claims, government action or damage to our reputation due to actions, or the perception that we are taking actions, inconsistent with the terms of our privacy statement, consumer expectations, or privacy-related or data protection laws and regulations, could expose us to liability and adversely impact our business and results of operations. Expectations of the Company relating to environmental, social and governance factors may impose additional costs and expose us to new risks. There is an increasing focus from certain investors, employees and other stakeholders concerning corporate responsibility, specifically related to environmental, social and governance factors. Some investors may use these factors to guide their investment strategies and, in some cases, may choose not to invest in us if they believe our policies relating to corporate responsibility are inadequate. Third- party providers of corporate responsibility ratings and reports on companies have increased to meet growing investor demand for measurement of corporate responsibility performance. The criteria by which companies' corporate responsibility practices are assessed may change, which could result in greater expectations of us and cause us to undertake costly initiatives to satisfy such new criteria. If we elect not to or are **39** ~~unable to satisfy such new criteria, investors may conclude that our policies with respect to corporate responsibility are inadequate. We may face reputational damage in the event that our corporate responsibility procedures or standards do not meet the standards set by various constituencies. Furthermore, if our competitors' corporate responsibility performance is perceived to be greater than ours, potential or current investors may elect to invest with our competitors instead. In addition, in the event that we communicate certain initiatives and goals regarding environmental, social and governance matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. If we fail to satisfy the expectations of investors, employees and other stakeholders or our initiatives are not executed as planned, our reputation and financial results could be materially and adversely affected. Failure to maintain effective internal controls over financial reporting could have a material adverse effect on our business and stock price. Our internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain adequate internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their 38~~