UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2021

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-39412

FATHOM HOLDINGS INC.

(Exact name of Registrant as specified in its Charter)

North Carolina	**82-1518164**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2000 Regency Parkway Drive, Suite 300, Cary, North Carolina 27518
(Address of principal executive offices) (Zip Code)

(888) 455-6040
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, No Par Value	**FTHM**	**The NASDAQ Capital Market**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). ☒ Yes ☐ No

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 8, 2021, the registrant had 14,796,207 shares common stock outstanding.

FATHOM HOLDINGS INC.
FORM 10-Q
For the Quarterly Period Ended September 30, 2021

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PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements.

FATHOM HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(in thousands, except share data)

	September 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,753	$ 28,577
Restricted cash	3,570	984
Accounts receivable	3,635	1,595
Derivative assets	48	—
Mortgage loans held for sale, at fair value	10,674	—
Prepaid and other current assets	2,146	1,700
Total current assets	28,826	32,856
Property and equipment, net	1,007	155
Lease right of use assets	4,504	437
Intangible assets, net	23,958	922
Goodwill	20,342	799
Other assets	95	56
Total assets	$ 78,732	$ 35,225
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,016	$ 2,596
Accrued liabilities	4,985	1,065
Escrow liabilities	3,509	933
Derivative liabilities	17	—
Warehouse lines of credit	10,305	—
Long-term debt - current portion	1,211	256
Lease liability - current portion	1,732	140
Total current liabilities	25,775	4,990
Long-term debt, net of current portion	146	283
Lease liability, net of current portion	2,852	301
Deferred tax liabilities	365	—
Total liabilities	29,138	5,574
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Common stock, no par value, 100,000,000 authorized and 14,796,207 and 13,830,351 issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	—	—
Treasury Stock, at cost, 5,683 shares as of September 30, 2021 and December 31, 2020	(30)	(30)
Additional paid-in capital	65,977	37,169
Accumulated deficit	(16,353)	(7,488)
Total stockholders' equity	49,594	29,651
Total liabilities and stockholders' equity	$ 78,732	$ 35,225

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

FATHOM HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(in thousands, except share data)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue				
Gross commission income	$ 95,300	$ 55,848	$ 224,703	$ 123,375
Other service revenue	5,640	—	10,066	—
Total revenue	100,940	55,848	234,769	123,375
Operating expenses				
Commission and other agent-related costs	91,263	52,871	214,392	115,915
Operations and support	2,029	—	3,781	—
General and administrative	9,811	2,851	25,322	6,726
Marketing	591	218	1,371	587
Depreciation and amortization	931	44	1,778	108
Total operating expenses	104,625	55,984	246,644	123,336
(Loss) income from operations	(3,685)	(136)	(11,875)	39
Other (income) expense, net				
Gain on the extinguishment of debt	(76)	—	(127)	—
Interest expense, net	2	16	3	81
Other income, net	(28)	—	(66)	(10)
Other (income) expense, net	(102)	16	(190)	71
Loss before income taxes	(3,583)	(152)	(11,685)	(32)
Income tax benefit (expense)	210	(32)	2,820	(34)
Net loss	$ (3,373)	$ (184)	$ (8,865)	$ (66)
Net loss per share				
Basic	$ (0.24)	$ (0.02)	$ (0.64)	$ (0.01)
Diluted	$ (0.24)	$ (0.02)	$ (0.64)	$ (0.01)
Weighted average common shares outstanding				
Basic	14,312,675	12,156,111	13,948,862	10,721,917
Diluted	14,312,675	12,156,111	13,948,862	10,721,917

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

FATHOM HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(UNAUDITED)
(in thousands, except share data)

	Common Stock		Treasury Stock				
	Shares	Par Value	Shares	Amount	Additional Paid in Capital	Accumulated deficit	Total
Balance at June 30, 2021	14,741,814	$ —	5,683	$ (30)	$ 64,624	$ (12,980)	$ 51,614
Share-based compensation, net of forfeitures	54,393	—	—	—	1,353	—	1,353
Net loss	—	—	—	—	—	(3,373)	(3,373)
Balance at September 30, 2021	14,796,207	$ —	5,683	$ (30)	$ 65,977	$ (16,353)	$ 49,594

	Common Stock		Treasury Stock				
	Shares	Par Value	Shares	Amount	Additional Paid in Capital	Accumulated deficit	Total
Balance at June 30, 2020	10,210,571	$ —	5,683	$ (30)	$ 5,297	$ (6,030)	$ (763)
Issuance of common stock in connection with public offering	3,430,000	—	—	—	34,300	—	34,300
Offering costs in connection with public offering	—	—	—	—	(3,183)	—	(3,183)
Share-based compensation, net of forfeitures	(2,522)	—	—	—	97	—	97
Net loss	—	—	—	—	—	(184)	(184)
Balance at September 30, 2020	13,638,049	$ —	5,683	$ (30)	$ 36,511	$ (6,214)	$ 30,267

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

	Common Stock		Treasury Stock				
	Shares	Par Value	Shares	Amount	Additional Paid in Capital	Accumulated deficit	Total
Balance at December 31, 2020	13,830,351	$ —	5,683	$ (30)	$ 37,169	$ (7,488)	$ 29,651
Issuance of common stock for purchase of business	777,380	—	—	—	25,312	—	25,312
Issuance of common stock pursuant to exercise of stock options	16,972	—	—	—	80	—	80
Share-based compensation, net of forfeitures	171,504	—	—	—	3,416	—	3,416
Net loss	—	—	—	—	—	(8,865)	(8,865)
Balance at September 30, 2021	14,796,207	$ —	5,683	$ (30)	$ 65,977	$ (16,353)	$ 49,594

	Common Stock		Treasury Stock				
	Shares	Par Value	Shares	Amount	Additional Paid in Capital	Accumulated deficit	Total
Balance at December 31, 2019	10,211,658	$ —	—	$ —	$ 4,988	$ (6,148)	$ (1,159)
Issuance of common stock	15,726	—	—	—	83	—	83
Issuance of common stock in connection with public offering	3,430,000	—	—	—	34,300	—	34,300
Offering costs in connection with public offering	—	—	—	—	(3,183)	—	(3,183)
Purchase of treasury stock	(5,683)	—	5,683	(30)	—	—	(30)
Share-based compensation, net of forfeitures	(13,652)	—	—	—	322	—	322
Net loss	—	—	—	—	—	(66)	(66)
Balance at September 30, 2020	13,638,049	$ —	5,683	$ (30)	$ 36,511	$ (6,214)	$ 30,267

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

FATHOM HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Nine months ended September 30, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (8,865)	$ (66)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,778	108
Gain on the extinguishment of debt	(127)	—
Gain on sale of mortgages	(3,264)	—
Share-based compensation	2,833	322
Deferred income taxes	(2,865)	—
Bad debt expense	248	106
Other non-cash	44	—
Change in operating assets and liabilities:		
Accounts receivable	(908)	(1,093)
Agent annual fees receivable	36	(495)
Other operating assets	9	3
Prepaid and other assets	(797)	(621)
Accounts payable	387	1,148
Accrued liabilities	1,806	280
Escrow liabilities	2,418	—
Operating lease right of use assets	496	16
Other operating liabilities	(103)	(24)
Operating lease liabilities	(433)	(14)
Mortgage loans held for sale	(108,562)	—
Proceeds from sale and principal payments on mortgage loans held for sale	109,299	—
Net cash used in operating activities	(6,570)	(330)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(576)	(26)
Amounts paid for business and asset acquisitions; net of cash acquired	(10,969)	—
Purchase of intangible assets	(2,017)	(341)
Net cash used in investing activities	(13,562)	(367)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(399)	(13)
Proceeds from the issuance of common stock	80	83
Proceeds from note payable	865	454
Net borrowings on warehouse lines of credit	2,347	—
Proceeds from the issuance of common stock in connection with public offering	—	34,300
Payment of offering cost in connection with issuance of common stock in connection with public offering	—	(3,183)
Purchase of treasury stock	—	(30)
Extinguishment of note payable	—	(500)
Net cash provided by financing activities	2,893	31,111
Net (decrease) increase in cash, cash equivalents, and restricted cash	(17,239)	30,414
Cash, cash equivalents, and restricted cash at beginning of period	29,562	579
Cash, cash equivalents, and restricted cash at end of period	$ 12,323	$ 30,993
Supplemental disclosure of cash and non-cash transactions:		
Cash paid for interest	$ —	$ 82
Income taxes paid	$ —	$ 5
Amounts due to sellers	$ 1,477	$ —
Capitalized share-based compensation	$ 583	$ —
Right of use assets obtained in exchange for lease liabilities	$ 1,839	$ —
Issuance of common stock for the purchase of business	$ 25,312	$ —
Issuance of common stock warrants as offering costs in connection with public offering of common stock	$ —	$ 678
Extinguishment of Paycheck Protection Program Loan	$ 127	$ —
Loan receivable forgiven and used as purchase consideration	$ 165	$ —
Reconciliation of cash and restricted cash		
Cash and cash equivalents	$ 8,753	$ 30,993
Restricted cash	3,570	—
Total cash, cash equivalents, and restricted cash shown in statement of cash flows	$ 12,323	$ 30,993

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

FATHOM HOLDINGS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Description of Business and Nature of Operations

Fathom Holdings Inc. ("Fathom", "Fathom Holdings," and collectively with its consolidated subsidiaries and affiliates, the "Company") is a national, technology-driven, real estate services platform integrating residential brokerage, mortgage, title, insurance and software as a service ("SaaS") offerings to brokerages and agents leveraging our proprietary cloud-based software called intelliAgent.

During the nine months ended September 30, 2021, Fathom significantly grew its agent network, expanded its technology offerings, and entered into the residential mortgage lending and home and other insurance businesses by completing four business combinations and an asset acquisition.

On March 1, 2021, the Company acquired the real estate brokerage business of Red Barn Real Estate, LLC ("Red Barn"), a growing Atlanta metro area brokerage with approximately 230 agents. On June 30, 2021, the Company acquired the real estate brokerage business of Epic Realty, LLC ("Epic"), a growing regional brokerage based in greater Boise, Idaho, with approximately 350 agents.

Also on March 1, 2021 the Company acquired the technology platform of Naberly Inc. ("Naberly") to reduce the Company's reliance on third-party technology providers and offer more robust technology to agents to help them grow their businesses. On April 20, 2021, the Company acquired LiveBy, Inc. ("LiveBy"), a SaaS business with a technology platform that offers competitive, hyper-local tools for real estate professionals.

On April 16, 2021, the Company acquired E4:9 Holdings, Inc. ("E4:9"), a holding company with three operating subsidiaries, Encompass Lending Group ("Encompass") (mortgage), Dagley Insurance Agency (home and other insurance) and Real Results (lead generation). These companies are expected to provide agents and associates with new opportunities to grow their businesses, while giving consumers a one-stop-shop for all of their housing needs.

The Company's brands include Fathom Realty, Dagley Insurance, Encompass Lending, intelliAgent, LiveBy, Real Results, and Verus Title.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation — The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the unaudited interim consolidated financial statements reflect all adjustments, which include only normal recurring adjustments necessary for the fair statement of the balances and results of operations for the periods presented. These financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2020 included in the Company's Annual Report on Form 10-K filed with the Security and Exchange Commission ("SEC") on March 24, 2021. The results of operations for any interim periods are not necessarily indicative of the results that may be expected for the entire fiscal year or any other interim period.

The unaudited interim consolidated financial statements include the accounts of Fathom Holdings' wholly owned subsidiaries. All transactions and accounts between and among its subsidiaries have been eliminated. All adjustments and disclosures necessary for a fair presentation of these unaudited interim consolidated financial statements have been included.

Certain Significant Risks and Business Uncertainties — The Company is subject to the risks and challenges associated with companies at a similar stage of development. These include dependence on key individuals, successful development and marketing of its offerings, and competition with larger companies with greater financial, technical, and marketing resources. Furthermore, during the period required to achieve substantially higher revenue in order to become consistently profitable, the Company may require additional funds that might not be readily available or might not be on terms that are acceptable to the Company. See "COVID-19 Risks, Impacts and Uncertainties" below, and "Risk Factors" in Part II, Item 1A of this report for further detail regarding the risks the Company faces.

Liquidity — The Company has a history of negative cash flows from operations and operating losses. The Company generated net losses of approximately $8.9 million and $0.1 million for the nine months ended September 30, 2021 and 2020, respectively. The Company had cash and cash equivalents of $8.8 million and $28.6 million as of September 30, 2021 and December 31, 2020, respectively. Additionally, the Company anticipates further expenditures associated with the process of integrating acquisitions and expanding its business. Management believes that existing cash along with its planned budget, which includes continued increases in the number of our agents and transactions at rates consistent with historical growth, and the expected ability to achieve sales volumes necessary to cover forecasted expenses, provide sufficient funding to continue as a going concern for a period of at least one year from the date of the issuance of the unaudited interim consolidated financial statements.

COVID-19 Risks, Impacts and Uncertainties — On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China ("COVID-19") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified COVID-19 as a pandemic, based on the rapid increase in exposure globally.

The Company is subject to the risks arising from COVID-19 including its social and economic impacts on the residential real estate industry in the United States. Our management believes that these social and economic impacts, which to date have included but not been limited to the following, could have a significant impact on the Company's future financial condition, liquidity, and results of operations: (i) restrictions on in-person activities associated with residential real estate transactions arising from shelter-in-place, or similar isolation orders; (ii) decline in consumer demand for in-person interactions and physical home tours; and (iii) deteriorating economic conditions, such as increased unemployment rates, recessionary conditions, lower yields on individual investment portfolios, and more stringent mortgage financing conditions.

Given the daily evolution of COVID-19 and the global responses to curb its spread, the Company is not able to estimate the effects of COVID-19, including specifically the Delta variant and/or other variants, on its results of operations, financial condition, or liquidity for the year ending December 31, 2021 or beyond. If COVID-19 continues, it may have a material adverse effect on the Company's financial condition, liquidity, and future results of operations.

Use of Estimates — The preparation of the unaudited interim consolidated financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to income taxes, deferred tax asset valuation allowances, share-based compensation, goodwill, estimated lives of intangible assets, and intangible asset impairment. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company might differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

Business Combinations — The Company accounts for its business combinations under the provisions of ASC Topic 805-10, Business Combinations ("ASC 805-10"), which requires that the acquisition method of accounting be used for all business combinations. Assets acquired and liabilities assumed are recorded at the date of acquisition at their respective fair values. For transactions that are business combinations, the Company evaluates the existence of goodwill. Goodwill represents the excess purchase price over the fair value of the tangible net assets and intangible assets acquired in a business combination. ASC 805-10 also specifies criteria that intangible assets acquired in a business combination must meet to be recognized and reported apart from goodwill. Acquisition-related expenses are recognized separately from the business combinations and are expensed as incurred.

The estimated fair value of net assets acquired, including the allocation of the fair value to identifiable assets and liabilities, is determined using established valuation techniques. A fair value measurement is determined as the price received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. In the context of acquisition accounting, the determination of fair value often involves significant judgments and estimates by management, including the selection of valuation methodologies, estimates of future revenues, costs and cash flows, discount rates, and selection of comparable companies. The estimated fair values reflected in the acquisition accounting rely on management's judgment and the expertise of a third-party valuation firm engaged to assist in concluding on the fair value measurements. For the business combinations completed during the nine-month period ended September 30, 2021, the estimated fair value of identifiable intangible assets, primarily consisting of agent relationships, tradenames, customer relationships, know-how and technology, was determined using the relief-from royalty and multi-period excess earnings methods. The most significant assumptions include the estimated remaining useful life, expected future revenue, annual agent revenue attrition, costs to develop new agents, charges for contributory assets, tax rate, discount rate and tax amortization benefit. The most significant variables in these valuations are discount rates and the number of years on which to base the cash flow projections, as well as other assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates based on the risk inherent in the acquired assets, specific risks, industry beta and capital structure of guideline companies. Management has developed these assumptions on the basis of historical knowledge of the business and projected financial information of the Company. These assumptions may vary based on future events, perceptions of different market participants and other factors outside the control of Management, and such variations may be significant to estimated values.

The Company includes the results of operations from the acquisition date in the financial statements for all businesses acquired.

Asset Acquisitions — The Company follows the guidance in ASC 805-10 for determining the appropriate accounting treatment for asset acquisitions. ASU No. 2017-01, Clarifying the Definition of a Business, provides an initial fair value screen to determine if substantially all of the fair value of the assets acquired is concentrated in a single asset or group of similar assets. If the initial screening test is not met, the set is considered a business based on whether there are inputs and substantive processes in place. Based on the results of this analysis and conclusion on an acquisition's classification of a business combination or an asset acquisition, the accounting treatment is derived.

If the acquisition is deemed to be a business, the acquisition method of accounting is applied. Identifiable assets acquired and liabilities assumed at the acquisition date are recorded at fair value. If the transaction is deemed to be an asset acquisition, the cost accumulation and allocation model is used whereby the assets and liabilities are recorded based on the purchase price and allocated to the individual assets and liabilities based on relative fair values.

Mortgage Loans Held for Sale —Mortgage loans held for sale are carried at fair value under the fair value option with changes in fair value recorded in other service revenue on the statements of operations. The fair value of mortgage loans held for sale is typically calculated using observable market information including pricing from actual market transactions, purchaser commitment prices, or broker quotations. The fair value of mortgage loans held for sale covered by purchaser commitments is generally based on commitment prices. The fair value of mortgage loans held for sale not committed to a purchaser is generally based on current delivery pricing using best execution pricing.

Intangible Assets, Net — Intangible Assets, net is comprised of definite-lived intangibles and capitalized internal use software.

Definite-lived intangibles: The Company's definite-lived intangible assets primarily consist of trade names, agent relationships, customer relationships, know-how and technology acquired as part of the Company's business acquisitions. For definite-lived intangible assets,whenever impairment indicators are present, the Company performs a review for impairment. The Company calculates the undiscounted value of the projected cash flows associated with the asset, or asset group, and compares this estimated amount to the carrying amount. If the carrying amount is found to be greater, the Company will record an impairment loss for the excess of book value over the fair value. In addition, in all cases of an impairment review, the Company will reevaluate the remaining useful lives of the assets and modify them, as appropriate. Currently, trade names, agent relationships, customer relationships, know-how and software development have a useful life estimated at ten years, seven years, eight years, five years and five years, respectively.

Capitalized internal use software: The Company's capitalized internal use software consists of internally developed software and developed software acquired pursuant to acquisitions. Costs incurred in the preliminary stages of website and software development are expensed as incurred. Once an application has reached the development stage, direct internal and external costs relating to upgrades or enhancements that meet the capitalization criteria are capitalized in intangible assets, net and amortized on a straight-line basis over their estimated useful lives. Maintenance and enhancement costs (including those costs in the post-implementation stages) are typically expensed as incurred, unless such costs relate to substantial upgrades and enhancements to the websites (or software) that result in added functionality, in which case the costs are capitalized as well.

Capitalized software costs are amortized over the expected useful lives of the applicable software. Currently, capitalized software for internal use has a useful life estimated between five and seven years. The software acquired pursuant to the Naberly acquisition discussed in Note 3 has a useful life estimated at seven years.

Estimated useful lives of website and software development activities are reviewed annually or whenever events or changes in circumstances indicate that intangible assets may be impaired and adjusted as appropriate to reflect upcoming development activities that may include significant upgrades or enhancements to the existing functionality.

Goodwill - Goodwill, which represents the excess of purchase price over the fair value of net assets acquired, is carried at cost. Goodwill is not amortized; rather, it is subject to a periodic assessment for impairment by applying a fair value-based test. The Company is organized in six reporting units and evaluates the goodwill for the Company as a whole at the reporting unit level. Goodwill is assessed during the fourth quarter of each fiscal year for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the asset might be impaired. Under the authoritative guidance issued by the FASB, the Company has the option to first assess the qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative goodwill impairment test. If the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the goodwill impairment test is performed. The goodwill impairment test requires the Company to estimate the fair value of the reporting unit and to compare the fair value of the reporting unit with its carrying amount. If the fair value exceeds the carrying amount, then no impairment is recognized. If the carrying amount recorded exceeds the fair value calculated, then an impairment charge is recognized for the difference. The judgments made in determining the projected cash flows used to estimate the fair value can materially impact the Company's financial condition and results of operations. There was no impairment of goodwill during the three or nine months ended September 30, 2021.

Revenue Recognition — The Company applies the provisions of FASB ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), and all related appropriate guidance. The Company recognizes revenue under the core principle to depict the transfer of control to the Company's customers in an amount reflecting the consideration to which the Company expects to be entitled. In order to achieve that core principle, the Company applies the following five-step approach: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when a performance obligation is satisfied.

The Company has utilized the practical expedient in ASC 606 and elected not to capitalize contract costs for contracts with customers with durations less than one year. The Company does not have significant remaining unfulfilled performance obligations or contract balances.

The Company generates revenue from real estate brokerage services which consists of commissions generated from real estate transactions, which the Company classifies as gross commission income.The Company also generates revenues through mortgage lending, SaaS solutions, as well as title and insurance services, which the Company classifies as other service revenue.

Revenues from real estate brokerage services

The Company’s real estate brokerage services revenue substantially consists of commissions generated from real estate brokerage services. The Company is contractually obligated to provide for the fulfillment of transfers of real estate between buyers and sellers. The Company provides these services itself and controls the services of its agents necessary to legally transfer the real estate. Correspondingly, the Company is defined as the principal. The Company, as principal, satisfies its obligation upon the closing of a real estate transaction. The Company has concluded that agents are not employees of the Company, rather deemed to be independent contractors. Upon satisfaction of its obligation, the Company recognizes revenue in the gross amount of consideration it is entitled to receive. The transaction price is calculated by applying the Company’s portion of the agreed-upon commission rate to the property’s selling price. The Company may provide services to the buyer, seller, or both parties to a transaction. When the Company provides services to the seller in a transaction, it recognizes revenue for its portion of the commission, which is calculated as the sales price multiplied by the commission rate less the commission separately distributed to the buyer’s agent, or the “sell” side portion of the commission. When the Company provides services to the buyer in a transaction, the Company recognizes revenue in an amount equal to the sales price for the property multiplied by the commission rate for the “buy” side of the transaction. In instances in which the Company represents both the buyer and the seller in a transaction, it recognizes the full commission on the transaction. Commissions revenue contains a single performance obligation that is satisfied upon the closing of a real estate transaction, at which point the entire transaction price is earned. The Company’s customers remit payment for the Company’s services to the title company or attorney closing the sale of property at the time of closing. The Company receives payment upon close of property or within days of the closing of a transaction. The Company is not entitled to any commission until the performance obligation is satisfied and is not owed any commission for unsuccessful transactions, even if services have been provided.

Revenues from mortgage services

The revenue streams for the Company’s mortgage lending services business are primarily comprised of gains and losses from loans sold, and origination and other fees. The majority of these revenue streams are exempted from ASC 606. Origination and other fees are not specifically separable from actual mortgage loans.

The gain on sale of mortgage loans represents the difference between the net sales proceeds and the carrying value of the mortgage loans sold, including the servicing rights release premiums and is recorded in the statement of operations in other service revenue. Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity.

Servicing rights release premiums represent revenues earned when the risk and rewards of ownership of servicing rights are transferred to third parties.

Retail origination fees are principally revenues earned from loan originations. Direct loan origination costs and expenses associated with the loans are charged to expenses when the loans are sold. Interest income is interest earned on originated loans prior to the sale of the asset.

Revenues from technology

The Company generates revenue from subscription and services related to the use of the LiveBy platform. The SaaS contracts are generally annual contracts paid monthly in advance of service and cancellable upon 30 days’ notice after the first year. The Company’s subscription arrangements do not provide customers with the right to take possession of the software supporting the platform. Subscription revenue, which includes support, is recognized on a straight-line basis over the non-cancellable contractual term of the arrangement, generally beginning on the date that the Company’s service is made available to the customer, and recorded as other service revenue in the statement of operations.

Revenues from title services

The Company's title services revenue includes fees charged for title search and examination, property settlement and title insurance services provided in association with property acquisitions and refinance transactions. The Company provides the title search and property settlement services itself and controls the services before they are transferred to our customers since the Company is primarily responsible for fulfilling the promise and also has full discretion in establishing the price for the settlement services (except in states where fees are set statutorily). As such, the Company is defined as the principal. As principal, the Company satisfies our obligation upon the closing of a real estate transaction. Upon satisfaction of our obligation, the Company recognizes revenue in the gross amount of consideration the Company is entitled to receive. The transaction price for title and property settlement services is determined by the fixed fees the Company charges for our services. The Company provides services to the buyers and sellers involved in the purchase transaction, as well as to the borrower in a refinance transaction. Title and property settlement revenue contains a single performance obligation that is satisfied upon the closing of a real estate transaction, at which point the entire transaction price is earned. The Company is not entitled to any title and property settlement revenue until the performance obligation is satisfied and is not owed any consideration for unsuccessful transactions, even if services have been provided.

For title insurance services, the Company works in conjunction with insurance underwriters to perform these services, obtains the insurance policy premiums associated with title insurance on behalf of customers and remits the policy premium to the insurance underwriters. Since the insurance underwriter is ultimately providing the insurance policy to the borrower, the Company is not responsible for fulfilling the promise to provide the insurance. Additionally, the Company does not have discretion in dictating the price for the insurance policy, which is set by each jurisdiction and is either filed by insurance underwriters or set by the state insurance commissioners. Therefore, the Company does not control the specified service provided by the insurance underwriter. As such, in these circumstances, the Company acts as an agent. As the agent, the Company satisfies our obligation upon the closing of a real estate transaction. Upon satisfaction of our obligation, the Company recognizes revenue in the net amount of consideration the Company is entitled to receive, which is our fee for brokering the insurance policy less any consideration paid to the insurance underwriters. The transaction price for title insurance services is fixed, based on statutory rates depending on the jurisdiction. The Company negotiates with insurance underwriters the percentage they receive, and the rest is recognized as revenue. Title insurance revenue contains a single performance obligation that is satisfied upon the closing of a real estate transaction, at which point the entire transaction price is earned. The Company is not entitled to any title insurance revenue until the performance obligation is satisfied and is not owed any consideration for unsuccessful transactions, even if services have been provided.

Revenues from insurance agency services

The revenue streams for the Company's insurance agency services business are primarily comprised of new and renewal commissions paid by insurance carriers. The transaction price is set as the estimated commissions to be received over the term of the policy based upon an estimate of premiums placed, policy changes and cancellations, net of restraint. The commissions are earned at the effective date of the associated policies when control of the policy transfers to the client.

The Company is also eligible for certain contingent commissions from insurers based on the attainment of specific metrics (i.e., volume growth, loss ratios) related to underlying polices placed. Revenue for contingent commissions is estimated based on historical and current evidence of achievement towards each insurer's annual respective metrics and is recorded as the underlying policies that contribute to the achievement are placed. Due to the uncertainty of the amount of contingent consideration that will be received, the estimated revenue is constrained to an amount that is probable to not have a significant negative adjustment. Contingent consideration is generally received in the first quarter of the subsequent year.

Derivative financial instruments — The Company enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding ("interest rate lock commitments"). Interest rate lock commitments on loans that are intended to be sold are considered to be derivatives. Accordingly, such commitments, along with any related fees from potential borrowers, are recorded at fair value in derivative assets and liabilities, with changes in fair value recorded in the statement of operations in other service revenue. Fair value is based upon changes in the fair value of the underlying mortgages, estimated to be realized upon sale into the secondary market. Fair value estimates take into account interest rate lock commitments not expected to be exercised by customers, commonly referred to as fall out.

The Company manages the interest rate risk associated with its outstanding interest rate lock commitments and loans held for sale by entering into derivative loan instruments such as forward loan commitments, mandatory delivery commitments, options and future contracts, whereby the Company maintains the right to deliver residential loans to purchasers in the future at a specified yield. Fair value is based upon estimated amounts that the Company would receive or pay to terminate the commitment at the reporting date. The Company takes into account various factors and strategies in determining the portion of the mortgage pipeline it wants to economically hedge. Management expects the derivatives used to manage interest rate risk will experience changes in fair value opposite to changes in the fair value of the derivative loan commitments and loans held for sale, thereby reducing earnings volatility.

Reclassifications — Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current year presentation with no effect on the previously reported net (loss) income or stockholders' equity. Subsequent to the acquisitions of LiveBy and E4:9, the Company made a change to its segment reporting structure as more fully described in Note 17. This resulted in new line items on the consolidated statement of operations for the following:

- Gross commission income is comprised of revenues from the Real Estate Brokerage segment which were previously recorded in revenue
- Other service revenue is comprised of revenues not included in the Real Estate Brokerage segment which were previously recorded in revenue
- Commission and other agent-related costs is comprised of the direct costs to fulfill the services from the Real Estate Brokerage segment which were previously recorded in cost of revenue
- Operations and support are comprised of the direct costs to fulfill the services not included in the Real Estate Brokerage segment which were previously recorded in cost of revenue
- Depreciation and amortization represent the depreciation charged on the Company's fixed assets and intangible assets which were previously recorded in general and administrative expenses.

Recently Implemented Accounting Pronouncements

In December 2019, the FASB issued ASU No. 2019-12, "Simplifying the Accounting for Income Taxes". The provisions of ASU 2019-12 include eliminating certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The guidance is effective for the reporting period beginning after December 15, 2020, and the interim periods therein. The Company adopted this standard effective January 1, 2021 and the application of ASU 2019-12 did not have a material impact on the Company's condensed consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which changes the impairment model for most financial assets and certain other instruments. For receivables, loans and other instruments, entities will be required to use a new forward-looking "expected loss" model that generally will result in the earlier recognition of allowance for losses. In addition, an entity will have to disclose significantly more information about allowances and credit quality indicators. The new standard is effective for the Company for fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements and intends to adopt the standard on January 1, 2023.

Note 3. Acquisitions

Acquisition of Red Barn

On March 1, 2021, the Company completed the acquisition of Red Barn, in a transaction deemed immaterial to the Company. The Red Barn acquisition was accounted for as a business combination using the acquisition method of accounting. Due to the timing of the acquisition, the valuation of net assets acquired has not been finalized and is expected to be completed no later than one year from the acquisition date in accordance with GAAP.

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Acquisition of Naberly

On March 1, 2021 the Company acquired substantially all of the assets of Naberly for cash consideration of approximately $2.7 million. Based on the Company's preliminary estimation of the fair value of the assets acquired, the Naberly acquisition was accounted for as an asset acquisition. The total acquisition cost, including transaction costs of approximately $0.1 million, was approximately $2.8 million and was recorded as software intangible assets.

During the year ended December 31, 2020, in connection with, and in advance of the closing under the asset purchase agreement to acquire the assets of Naberly, the Company issued to Naberly, an unsecured loan (the "Loan") in the principal amount of up to approximately $ 0.2 million with an interest rate of two percent (2%) per annum, compounded annually, and a maturity date of February 28, 2021. The outstanding principal balance of the Loan was forgiven in connection with the closing of the acquisition and was accounted for as part of the purchase consideration transferred to Naberly.

Acquisition of E4:9

On April 16, 2021 the Company purchased 100% of outstanding capital stock of E4:9. The Company accounted for the E4:9 acquisition as a business combination. The purchase price consisted of approximately $9.8 million cash consideration and approximately $16.6 million common stock consideration for a total purchase price of approximately $26.5 million. The aggregate purchase price exceeded the fair value of the net tangible and intangible assets acquired, and accordingly the Company recorded goodwill of approximately $14.4 million.

The total purchase consideration and the fair values of the assets and liabilities at the acquisition date were as follows (amount in thousands):

Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash	$ 2,843
Accounts receivable	958
Mortgage loans held for sale	8,147
Derivative assets	90
Prepaid and other current assets	122
Property & equipment	356
Intangible assets	11,780
Lease right of use assets	1,498
Other long-term assets	7
Total identifiable assets acquired	25,801
Accounts payable and accrued liabilities	938
Escrow liabilities	75
Derivative liabilities	120
Warehouse lines of credit	7,958
Notes payable	486
Lease liability, current portion	337
Lease liability, net of current portion	1,161
Deferred tax liabilities	2,686
Total liabilities assumed	13,761
Total identifiable net assets	12,040
Goodwill	14,418
Net assets acquired	$ 26,458

The Company recognized approximately $0.3 million of acquisition related costs that were expensed in the nine months ended September 30, 2021 and are included in general and administrative expenses.

Goodwill of approximately $7.4 million and $7.0 million was assigned to the Company's Mortgage and Other services reporting units, respectively, and is attributable primarily to our assembled workforce and the anticipated future economic benefits of the vertical integration of E4:9's mortgage lending and insurance product offerings available to our real estate agents. None of the goodwill is expected to be deductible for income tax purposes.

The fair value associated with identifiable intangible assets was approximately $11.8 million, comprised of customer relationships of approximately $6.2 million, tradenames of approximately $5.2 million and know-how of approximately $0.4 million. Customer relationships is being amortized on an accelerated basis over a useful life of 8 years. Tradenames and know-how are amortized on a straight-line basis over 10 years and 5 years, respectively.

Due to the timing of the acquisition, the valuation of net assets acquired has not been finalized and is expected to be completed no later than one year from the acquisition date in accordance with GAAP.

The Company's condensed consolidated financial statements include the results of operations of E4:9 since the closing on April 16, 2021 during which period E4:9 contributed approximately $4.0 million and $1.0 million of revenues and net loss, respectively, for the three months ended September 30, 2021 and approximately $6.9 million and $2.6 million of revenues and net loss, respectively, for the nine months ended September 30, 2021, respectively.

Acquisition of LiveBy

On April 20, 2021 the Company purchased 100% of outstanding capital stock of LiveBy. The Company accounted for the LiveBy acquisition as a business combination. The purchase price consisted of approximately $3.4 million cash consideration and approximately $5.6 million common stock consideration for a total purchase price of approximately $9.0 million. The aggregate purchase price exceeded the fair value of the net tangible and intangible assets acquired, and accordingly the Company recorded goodwill of approximately $4.1 million.

The total purchase consideration and the fair values of the assets and liabilities at the acquisition date were as follows (amount in thousands):

Recognized amounts of identifiable assets acquired and liabilities assumed		
Cash	$	516
Accounts receivable		138
Intangible assets		4,920
Prepaid and other current assets		2
Total identifiable assets acquired		5,576
Deferred tax liabilities		543
Accounts payable and accrued liabilities		167
Total liabilities assumed		710
Total identifiable net assets		4,866
Goodwill		4,115
Net assets acquired	$	8,981

The Company recognized approximately $0.2 million of acquisition related costs that were expensed in the nine months ended September 30, 2021 and are included in general and administrative expenses.

Goodwill was assigned to the technology reporting unit and is attributable primarily to our assembled workforce and the anticipated future economic benefits to the Company's agents through technology product offerings. None of the goodwill is expected to be deductible for income tax purposes.

Due to the timing of the acquisition, the valuation of net assets acquired has not been finalized and is expected to be completed no later than one year from the acquisition date in accordance with GAAP.

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The Company's consolidated financial statements include the results of operations of LiveBy since the closing on April 20, 2021 during which period LiveBy contributed approximately $0.6 million and $0.1 million of revenues and net income, respectively, for the three months ended September 30, 2021 and approximately $1.0 million and less than $0.1 million of revenues and net loss, respectively, for the nine months ended September 30, 2021.

Acquisition of Epic Realty

On June 30, 2021, the Company completed the acquisition of Epic Realty ("Epic") in a transaction deemed immaterial to the Company. The Epic acquisition was accounted for as a business combination using the acquisition method of accounting. Due to the timing of the acquisition, the valuation of net assets acquired has not been finalized and is expected to be completed by no later than one year from the acquisition date in accordance with GAAP.

Supplemental Pro Forma Financial Information

On an unaudited pro forma basis, the revenues and net loss of the Company assuming the acquisitions of E4:9 and LiveBy occurred on January 1, 2020, are shown below. The unaudited pro forma information does not purport to present what the Company's actual results would have been had the acquisition happened on January 1, 2020, nor is the financial information indicative of the results of future operations. The pro forma financial information includes the estimated amortization expense based on the fair value and estimated useful lives of intangible assets as part of the acquisitions of E4:9 and LiveBy (amount in thousands, except per share):

	Nine months ended September 30,	
	2021	2020
Revenue	$ 240,282	$ 136,667
Net loss	$ (15,709)	$ (697)
Net loss per share (basic)	$ (1.07)	$ (0.07)

Note 4. Property and Equipment, Net

Property and equipment, net consisted of the following at the dates indicated (amount in thousands):

	September 30, 2021	December 31, 2020
Vehicles	$ —	$ 119
Computers and equipment	453	139
Furniture and fixtures	610	44
Leasehold improvements	132	4
Total property and equipment	1,195	306
Accumulated depreciation	(188)	(151)
Total property and equipment, net	$ 1,007	$ 155

Depreciation expense for property and equipment was approximately $0.1 million and $0.1 million for the three and nine months ended September 30, 2021, respectively, and de minimis amounts for the three and nine months ended September 30, 2020.

Note 5. Intangible Assets, Net

Intangible assets, net consisted of the following at the dates indicated (amount in thousands):

	September 30, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Trade names	$ 6,326	$ (562)	$ 5,764
Software development	8,182	(852)	7,330
Customer relationships	8,180	(314)	7,866
Agent relationships	2,670	(84)	2,586
Know-how	430	(18)	412
	$ 25,788	$ (1,830)	$ 23,958

	December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Trade names	$ 166	$ (1)	$ 165
Software development	921	(164)	758
	$ 1,087	$ (165)	$ 922

As of September 30, 2021, the estimated future amortization expense for definite-lived intangible assets was (amount in thousands):

Years Ended December 31,	
2021 (remaining)	$ 924
2022	3,802
2023	3,701
2024	3,588
2025	3,353
Thereafter	8,590
Total	$ 23,958

Amortization expense was approximately $0.9 million and $1.7 million for the three and nine months ended September 30, 2021, respectively and de minimis amounts for the three and nine months ended September 30, 2020.

Note 6. Goodwill

The Company recorded goodwill in connection with the acquisition of Verus which closed in November 2020 and in connection with the acquisitions of Red Barn, E4:9, LiveBy and Epic which closed in 2021. These acquisitions have been accounted for using the acquisition method of accounting. Under the acquisition method of accounting, the Company allocated the total purchase price to the tangible and identifiable intangible assets acquired, and assumed liabilities based on their estimated fair values as of the acquisition date, as determined by management. The excess of the purchase price over the aggregate fair values of the identifiable assets was recorded as goodwill.

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The changes in the carrying value of goodwill by segment as of September 30, 2021 are as noted in the table below (amount in thousands):

	Real Estate Brokerage	Mortgage	Technology	Other (a)	Total
Balance at December 31, 2020	$ —	$ —	$ —	$ 799	$ 799
Goodwill acquired during the period	1,009	7,400	4,115	7,019	19,543
Balance at September 30, 2021	$ 1,009	$ 7,400	$ 4,115	$ 7,818	$ 20,342

(a) – Other comprises goodwill not assigned to a reportable segment.

There are no accumulated impairment charges as of September 30, 2021 and December 31, 2020.

Note 7. Accrued Liabilities

Accrued liabilities consisted of the following at the dates indicated (amount in thousands):

	September 30, 2021	December 31, 2020
Deferred annual fee	$ 659	$ 293
Due to sellers	1,477	—
Accrued compensation	1,094	202
Other accrued liabilities	1,755	570
Total accrued liabilities	$ 4,985	$ 1,065

Note 8. Warehouse Lines of Credit

As a means of financing mortgage loans held for sale, the Company utilizes line of credit agreements for the purpose of temporarily warehousing mortgage loans pending the sale of the loans. The warehouse lines of credit are classified as current on the condensed consolidated balance sheet and secured by mortgage loans held for sale with fair values that approximate the obligations to the lender.

The Company maintained a warehousing credit and security agreement with a bank whereby the Company borrowed funds to finance the origination of eligible mortgage loans. The Company paid interest equal to the greater of Prime Rate less 0.75% or 3.85% per annum. The Prime Rate as of September 30, 2021 was 3.25%. The maximum funding limit of these loans was $15.0 million at September 30, 2021. At September 30, 2021, there was no outstanding balance on this warehouse line. The agreement expired in October 2021.

The Company maintains a master loan warehouse agreement with a bank whereby the Company borrows funds to finance the origination or purchase of eligible loans. The Company pays interest equal to the greater of the mortgage interest rate of the underlying loan or 3.625%. The maximum funding of these loans was $15.0 million at September 30, 2021. At September 30, 2021, the outstanding balance on this warehouse line was approximately $4.1 million. The credit agreement requires the Company to maintain at least $1.0 million in liquid assets. The agreement expires in July 2022.

The Company maintains a mortgage participation purchase agreement with a bank whereby the Company borrows funds to finance the origination or purchase of eligible loans. The Company pays interest equal to the greater of the mortgage interest rate of the underlying loan or 3.5%. The maximum funding of these loans was $25.0 million at September 30, 2021. At September 30, 2021, the outstanding balance on this warehouse line was approximately $6.2 million. The credit agreement requires the Company to maintain at least $1.0 million in liquid assets and have net income for the preceding 12 month period. The agreement expires in April 2023. During the three months ended September 30, 2021, the Company was not in compliance with the income debt covenants and obtained a waiver from the bank through December 31, 2021.

The Company maintains a warehousing credit and security agreement with a bank whereby the Company borrows funds to finance the origination of eligible mortgage loans. The Company pays interest equal to the Daily Adjusting LIBOR rate plus 2.00% or 3.5% per annum. The Daily Adjusting LIBOR rate plus 2.00% as of September 30, 2021 was 2.09%. The maximum funding limit of these loans was $15.0 million at September 30, 2021. The credit agreement requires the Company to maintain at least $1.0 million in liquid assets, a tangible net worth of $2.3 million, debt-to-tangible net worth ratio of 15 to 1 and have net income for the preceding 12 month period.

The income debt covenant becomes effective in July 2022. The agreement expires in April 2023. At September 30, 2021, there was no outstanding balance on this warehouse line.

Note 9. Debt

Long-term debt consisted of the following at the dates indicated (amount in thousands):

	September 30, 2021	December 31, 2020
Paycheck Protection Program Loan	$ 303	$ 354
Small Business Administration Loan	171	150
Note Payable	883	—
Loan Payable - Automobile Loan	—	35
Total debt	1,357	539
Less current portion of the Paycheck Protection Program Loan	(303)	(237)
Less current portion of the Small Business Administration Loan	(25)	(2)
Less current portion of Note Payable	(883)	—
Less current portion of the Loan Payable	—	(17)
Long-term debt, net of current portion	$ 146	$ 283

Note Payable – Paycheck Protection Program Loan

In May 2020, the Company applied for and received approximately $0.3 million in unsecured loan funding (the "PPP Loan") from the Paycheck Protection Program (the "PPP"), established pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and administered by the U.S. Small Business Administration ("SBA").

Under the terms of the promissory note (the "PPP Note") and the PPP Loan, interest accrued on the outstanding principal at the rate of 1% per annum. The Company believes it has used the entire PPP Note amount for qualifying expenses and applied for forgiveness in March 2021, however, until forgiveness is approved by the SBA there is no assurance that the Company will obtain forgiveness of the PPP Loan in whole or in part.

Additionally, in connection with the acquisition of Verus, the Company assumed approximately $0.1 million in additional loan funding from the PPP. The Company received full forgiveness of all outstanding principal, accrued, and unpaid interest on this loan as of January 6, 2021. The forgiveness of this loan qualified for debt extinguishment in accordance with ASC 470-50, *Debt Modifications and Extinguishments*, and as a result, the outstanding principal and accrued and unpaid interest was written off in the amount of approximately $0.1 million and the Company recorded a gain on extinguishment totaling approximately $0.1 million for the nine months ended September 30, 2021.

Additionally, in connection with the acquisition of E4:9, the Company assumed approximately $0.1 million in loan funding from the PPP ("E4:9 PPP Loan"). Under the terms of the promissory note (the "E4:9 PPP Note") and the E4:9 PPP Loan, interest accrued on the outstanding principal at the rate of 1% per annum. The Company received full forgiveness of all outstanding principal, accrued, and unpaid interest on this loan as of August 2021. The forgiveness of this loan qualified for debt extinguishment in accordance with ASC 470-50, *Debt Modifications and Extinguishments*, and as a result, the outstanding principal and accrued and unpaid interest was written off in the amount of approximately $0.1 million and the Company recorded a gain on extinguishment totaling approximately $0.1 million for the three and nine months ended September 30, 2021.

Note Payable

Additionally, in connection with the acquisition of E4:9, the Company assumed a non-interest-bearing approximately $0.4 million promissory note to be paid in full at maturity date of July 1, 2022. During the three months ended September 30, 2021, the Company paid approximately $0.2 million on the promissory note.

In July 2021, the Company entered into a promissory note for approximately $0.9 million in conjunction with a renewal of its director and officer insurance policy. The interest rate was 2.5% per annum. The note matures on July 31, 2022.

Note Payable – Small Business Administration Loan

On June 5, 2020, the Company received $0.2 million in loan funding from the SBA (the "SBA Note") under the Economic Injury Disaster Loan program. The Company will use all the proceeds of this secured SBA Note solely as working capital to alleviate economic injury caused by COVID-19. The SBA Note is evidenced by a promissory note of the Company dated June 5, 2020 in the principal amount of approximately $0.2 million, to the SBA, the lender. Under the terms of the SBA Note, interest accrues on the outstanding principal at a rate of 3.75% per annum, and installment payments began in June 2021. All remaining principal and accrued interest is due and payable in May 2050.

Note 10. Fair Value Measurements

FASB ASC 820, *Fair Value Measurement*, ("ASC 820") defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The methodology establishes consistency and comparability by providing a fair value hierarchy that prioritizes the inputs to valuation techniques into three broad levels, which are described below:

- Level 1 inputs are quoted market prices in active markets for identical assets or liabilities (these are observable market inputs).

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability (includes quoted market prices for similar assets or identical or similar assets in markets in which there are few transactions, prices that are not current or prices that vary substantially).

- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions in pricing the asset or liability (used when little or no market data is available).

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

In general, fair value is based upon quoted market prices, where evaluated. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure the financial instruments are recorded at fair value.

While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Mortgage loans held for sale – The fair value of mortgage loans held for sale is determined, when possible, using quoted secondary-market prices or purchaser commitments. If no such quoted price exists, the fair value of a loan is determined using quoted prices for a similar asset or assets, adjusted for the specific attributes of that loan, which would be used by other market participants. The loans are considered Level 2 on the fair value hierarchy.

Derivative financial instruments – Derivative financial instruments are reported at fair value. Fair value is determined using a pricing model with inputs that are unobservable in the market or cannot be derived principally from or corroborated by observable market data. These instruments are Level 3 on the fair value hierarchy.

The fair value determination of each derivative financial instrument categorized as Level 3 required one or more of the following unobservable inputs:

- Agreed prices from Interest Rate Lock Commitments ("IRLC")
- Trading prices for derivative hedges
- Closing prices at September 30, 2021 for derivative hedges

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The following are the major categories of assets and liabilities measured at fair value on a recurring basis as of September 30, 2021 (amount in thousands):

	Level 1	Level 2	Level 3	Total
Mortgage loans held for sale	$ —	$ 10,674	$ —	$ 10,674
Derivative assets	—	—	48	48
Derivative liabilities	—	—	(17)	(17)
	$ —	$ 10,674	$ 31	$ 10,705

The Company enters into IRLCs to originate residential mortgage loans held for sale, at specified interest rates and within a specific period of time (generally between 30 and 90 days), with customers who have applied for a loan and meet certain credit and underwriting criteria. These IRLCs meet the definition of a derivative and are reflected on the consolidated balance sheets at fair value with changes in fair value recognized in other service revenue on the consolidated statements of operations. Unrealized gains and losses on the IRLCs, reflected as derivative assets and derivative liabilities, respectively, are measured based on the fair value of the underlying mortgage loan, quoted agency mortgage-backed security ("MBS") prices, estimates of the fair value of the mortgage servicing rights and the probability that the mortgage loan will fund within the terms of the IRLC, net of commission expense and broker fees. The fair value of the forward loan sales commitment and mandatory delivery commitments being used to hedge the IRLCs and mortgage loans held for sale not committed to purchasers are based on quoted agency MBS prices.

The Company did not have any mortgage loans held for sale or derivative financial instruments at December 31, 2020.

Note 11. Leases

Operating Leases

The Company has operating leases primarily consisting of office space with remaining lease terms of1 to 7 years, subject to certain renewal options as applicable.

Leases with an initial term of twelve months or less are not recorded on the balance sheet, and the Company does not separate lease and non-lease components of contracts. There are no material residual guarantees associated with any of the Company's leases, and there are no significant restrictions or covenants included in the Company's lease agreements. Certain leases include variable payments related to common area maintenance and property taxes, which are billed by the landlord, as is customary with these types of charges for office space.

Our lease agreements generally do not provide an implicit borrowing rate. Therefore, the Company used a benchmark approach to derive an appropriate imputed discount rate. The Company benchmarked itself against other companies of similar credit ratings and comparable quality and derived an imputed rate, which was used in a portfolio approach to discount its real estate lease liabilities. The Company used estimated incremental borrowing rates for all active leases.

Lease Costs

The table below presents certain information related to the lease costs for the Company's operating leases for the periods indicated (amount in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Components of total lease costs:				
Operating lease expense	$ 296	$ 48	$ 589	$ 118
Short-term lease expense	120	12	244	47
Total lease cost	$ 416	$ 60	$ 833	$ 165

Lease Terms and Discount Rate

The table below presents certain information related to the weighted average remaining lease term and the weighted average discount rate for the Company's operating leases as of:

	September 30, 2021	December 31, 2020
Weighted average remaining lease term (in years) - operating leases	5.17	3.37
Weighted average discount rate - operating leases	5.92 %	7.67 %

Future Minimum Lease Payments

Future lease payments included in the measurement of lease liabilities on the consolidated balance sheet as of September 30, 2021, for the following five fiscal years and thereafter were as follows (amount in thousands):

Years Ended December 31,	Operating Leases
2021 (remaining)	$ 287
2022	1,119
2023	1,047
2024	968
2025	847
2026 and thereafter	1,103
Total minimum lease payments	$ 5,371
Less effects of discounting	(787)
Present value of future minimum lease payments	$ 4,584

Note 12. Share-based Compensation

The Company's 2017 Stock Plan (the "Plan") provides for granting stock options and restricted stock awards to employees, directors, contractors and consultants of the Company. A total of 3,182,335 shares of common stock are authorized to be issued pursuant to the Plan.

The Company's 2019 Omnibus Stock Incentive Plan (the "2019 Plan") provides for granting stock options and restricted stock awards to employees, directors, agents, contractors and consultants of the Company. A total of 1,060,778 shares of common stock are authorized to be issued pursuant to the 2019 Plan.

Restricted Stock Awards

	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2020	390,787	$ 13.56
Granted	230,976	37.22
Vested	(67,816)	(29.87)
Forfeited	(23,950)	(12.90)
Nonvested at September 30, 2021	529,997	$ 10.90

In March 2021, pursuant to the 2019 Plan, the Company granted82,003 restricted stock awards to certain employees and agents, of which4,564 awards vested immediately and the remaining 77,439 awards will vest three years from the grant date subject to continuous service with the Company. The fair value of these restricted stock awards was $32.87 per share based on the Company's closing stock price on the grant date.

In March 2021, pursuant to the 2019 Plan, in connection with the Company's acquisitions of Naberly and Red Barn (See Note 3), the Company granted 44,568 restricted stock awards to former founders who are now employees of the Company, of which10,478 will vest one year from the grant date, and the remaining 34,090 will vest 18 months from the grant date. The fair value of the Company's restricted stock awards granted in March 2021 was $44.00 per share based on the Company's closing stock price on the grant date.

Stock Option Awards

A summary of stock option activity under the Plans are as follows:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Aggregate intrinsic value *(in thousands)*
Balance at December 31, 2020	47,332	$ 8.03	8.8	$ 1,326
Granted	13,638	44.00		
Exercised	(16,974)	4.71		
Balance at September 30, 2021	43,996	$ 20.46	8.5	$ 510
Options exercisable at September 30, 2021	20,156	$ 4.71	7.5	$ 433

In March 2021, pursuant to the 2019 Plan, the Board granted stock option awards to the independent directors to acquire shares of common stock with an exercise price of $44.00 per share. The stock options will vest on the earlier of (a)one year from the date of grant and (b) the next annual stockholder meeting, subject to the director's continued service on the Board.

Stock based compensation related to the Company's stock plans are as follows (amount in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
General and administrative	$ 295	$ 97	$ 1,811	$ 322
Commission and other agent-related cost	474	—	1,022	—
Total stock-based compensation	$ 769	$ 97	$ 2,833	$ 322

The Company capitalized $0.6 million of stock-based compensation expense associated with the cost of developing software for internal use during the three and months ended September 30, 2021.

Note 13. Equity-classified Warrants

On August 4, 2020, the Company issued a warrant to the underwriter of its initial public offering ("IPO") (the "Underwriter Warrant") to purchase 240,100 shares of common stock. The Underwriter Warrant is exercisable at a per share exercise price of $11.00, and is exercisable at any time from and after January 31, 2021 through August 4, 2025.

During the nine months ended September 30, 2021, no warrants to purchase common stock were issued, exercised, or expired.

Note 14. Related Party Transactions

Included in revenue for the three and nine months ended September 30, 2020 was approximately $0.1 million and $0.4 million, respectively, from a related party in exchange for the Company providing lead generation services.

Included in marketing expense for the three months ended September 30, 2021 and 2020 was approximately $0.1 million and less than $0.1 million, respectively, and for the nine months ended September 30, 2021 and 2020 was approximately $0.4 million and $0.1 million, respectively, to related parties in exchange for the Company receiving marketing services.

Note 15. Net (Loss) Income per Share Attributable to Common Stock

Basic net (loss) income per share of common stock is computed by dividing net (loss) income attributable to common stockholders by the weighted average number of shares of common stock outstanding for the period. Diluted net (loss) income per share is calculated by adjusting the weighted-average number of shares outstanding for the dilutive effect of common stock equivalents outstanding for the period, determined using the treasury-stock method. Diluted (loss) income per share excludes, when applicable, the potential impact of stock options, unvested shares of restricted stock awards, and common stock warrants because their effect would be anti-dilutive due to our net loss.

The calculation of basic and diluted net loss per share attributable to common stock was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net loss	$ (3,373)	$ (184)	$ (8,865)	$ (66)
Weighted-average basic shares outstanding	14,312,675	12,156,111	13,948,862	10,721,917
Effect of dilutive securities:				
Unvested restricted stock awards	—	—	—	—
Stock options	—	—	—	—
Weighted-average diluted shares outstanding	14,312,675	12,156,111	13,948,862	10,721,917
Net loss per share - basic and diluted	$ (0.24)	$ (0.02)	$ (0.64)	$ (0.01)

The following outstanding shares of common stock equivalents were excluded from the computation of the diluted net loss per share attributable to common stock for the periods presented because their effect would have been anti-dilutive.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Stock options	43,996	37,130	43,966	37,130
Unvested restricted stock awards	529,997	214,329	529,997	214,329
Common stock warrants	240,100	240,100	240,100	240,100

Note 16. Income Taxes

As of December 31, 2020, the Company had federal net operating loss carryforwards of approximately $9.2 million and state net operating loss carryforwards of approximately $4.5 million. Losses will begin to expire, if not utilized, in 2032. Utilization of the net operating loss carryforwards may be subject to an annual limitation according to Section 382 of the Internal Revenue Code of 1986 as amended, and similar provisions.

The Company applies the standards on uncertainty in income taxes contained in ASC Topic 740, Accounting for Income Taxes. The adoption of this interpretation did not have any impact on the Company’s consolidated financial statements, as the Company did not have any significant unrecognized tax benefits during the three and nine months ended September 30, 2021 or the year ended December 31, 2020. Currently, the statute of limitations remains open subsequent to and including the year ended December 31, 2016.

In determining the quarterly provision for income taxes, the Company used the annual effective tax rate applied to year-to-date income. The Company’s annual estimated effective tax rate differs from the statutory rate primarily as a result of state taxes, permanent differences, and changes in the Company’s valuation allowance. The income tax effects of unusual or infrequent items including a change in the valuation allowance as a result of a change in judgment regarding the realizability of deferred tax assets are excluded from the estimated annual effective tax rate and are required to be discretely recognized in the interim period they occur.

The effective tax rate differed significantly in the nine months ended September 30, 2021 from prior periods. The Company has historically maintained a valuation allowance against deferred tax assets and reported only minimal current state tax expense. The Company recorded an income tax benefit of approximately $2.8 million and income tax expense of $33,500 for the nine months ended September 30, 2021 and 2020 respectively. The tax benefit for the nine months ended September 30, 2021 is primarily the result of the release of the valuation allowance against historical deferred tax assets and recognition of benefit from the current year projected loss. Net deferred tax liabilities of approximately $3.2 million recorded in connection with the E4:9 Holdings, Inc. and LiveBy, Inc acquisitions provide a source of taxable income to support the realizability of approximately $1.6 million of pre-existing deferred tax assets, as well as currently generated deferred tax assets from the projected loss for the year. The taxable temporary differences relating to the amortizable intangible assets support the realization of the net operating loss carryforwards. As a result of the transactions, the Company discretely released the historical valuation allowance and recognized a deferred tax benefit on a portion of current year losses. The remainder of the benefit not recorded in the period ended September 30, 2021 is expected to be recognized in the period ending December 31, 2021. The Company expects to maintain a valuation allowance on current year remaining net deferred tax assets by year-end due to historical operating losses.

Note 17. Segment Reporting

The Company identifies an operating segment as a component: (i) that engages in business activities from which it may earn revenues and incur expenses; (ii) that has available discrete financial information; and (iii) whose operating results are regularly reviewed by the Chief Operating Decision Maker ("CODM") to allocate resources and to assess the operating results and financial performance of each operating segment.

Historically, management has not made operating decisions nor assessed performance based on geographic locations. Rather, the CODM has made operating decisions and assessed performance based on the services of identified operating segments. Prior to the acquisition of E4:9 during the three months ended June 30, 2021 which included the mortgage lending and insurance agency services, the Company aggregated its real estate brokerage services segment and its affiliated services (e.g., title insurance) segment as the profits and losses and assets of the affiliated services segment were not material.

During the three months ended June 30, 2021, the Company identifiedthree reportable segments: Real Estate Brokerage, Mortgage, and Technology. Through its Real Estate Brokerage segment, the Company provides real estate brokerage services. Through its Mortgage segment, the Company provides residential loan origination and underwriting services. Through its Technology segment, the Company provides SaaS solutions and data mining for third party customers to develop its intelliAgent platform for current use by the Company's real estate agents. As a result, the Company has modified the presentation of its segment financial information with retrospective application to all prior periods presented.

Revenue and Adjusted EBITDA are the primary measures used by the CODM to evaluate financial performance of the reportable segments and to allocate resources. Adjusted EBITDA represents the revenues of the operating segment less operating expenses directly attributable to the respective operating segment. Adjusted EBITDA is defined by us as net income (loss) before depreciation and amortization, interest expense, net, income taxes, and other items. In particular, the Company believes the exclusion of non-cash share-based compensation expense related to restricted stock awards and stock options and transaction-related costs provides a useful supplemental measure in evaluating the performance of our operations and provides better transparency into our results of operations. The Company's presentation of Adjusted EBITDA might not be comparable to similar measures used by other companies.

The Company does not allocate assets to its reportable segments as they are not included in the review performed by the CODM for purposes of assessing segment performance and allocating resources. The balance sheet is managed on a consolidated basis and is not used in the context of segment reporting.

Key operating data for the reportable segments for the three and nine months ended September 30, 2021 and are set forth in the tables below (amount in thousands). The Company has included the results of the acquisitions from the acquisition date. As such, the

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key operating data for the three and nine months ended September 30, 2020 include only the result of the Real Estate Brokerage reportable segment.

	Revenue			
	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Real Estate Brokerage	$ 95,300	$ 55,848	$ 224,702	$ 123,375
Mortgage	2,623	—	4,125	—
Technology	679	—	1,278	—
Corporate and other services (a)	2,338	—	4,664	—
Total Company	$ 100,940	$ 55,848	$ 234,769	$ 123,375

	Adjusted EBITDA			
	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Real Estate Brokerage	$ 199	$ 6	$ 188	$ 469
Mortgage	(101)	—	(991)	—
Technology	56	—	(566)	—
Total Segment Adjusted EBITDA	154	6	(1,369)	469
Corporate and other services (a)	(1,961)	—	(4,755)	—
Total Company Adjusted EBITDA	$ (1,807)	$ 6	$ (6,124)	$ 469
Less: Depreciation and amortization	(931)	(45)	(1,778)	(108)
Other income (expense), net	102	(16)	190	(71)
Income tax benefit (expense)	210	(32)	2,820	(34)
Stock based compensation	(770)	(97)	(2,833)	(322)
Transaction-related costs	(177)	—	(1,140)	—
Net loss	$ (3,373)	$ (184)	$ (8,865)	$ (66)

(a) Transactions between segments are eliminated in consolidation. Such amounts are eliminated through the Corporate and Other services line.

Note 18. Commitments and Contingencies

From time to time the Company is involved in litigation, claims, and other proceedings arising in the ordinary course of business. Such litigation and other proceedings may include, but are not limited to, actions relating to employment law and misclassification, intellectual property, commercial or contractual claims, brokerage or real estate disputes, or other consumer protection statutes, ordinary-course brokerage disputes like the failure to disclose property defects, commission disputes, and vicarious liability based upon conduct of individuals or entities outside of the Company's control, including agents and third party contractor agents. Litigation and other disputes are inherently unpredictable and subject to substantial uncertainties and unfavorable resolutions could occur. As of September 30, 2021, there was no material litigation against the Company.

Encompass Net Worth Requirements

In order to maintain approval from the U.S. Department of Housing and Urban Development to operate as a Title II non-supervised mortgagee, Encompass is required to maintain adjusted net worth of $1,000,000 and must maintain liquid assets (cash, cash equivalents, or readily convertible instruments) of 20% of the required net worth. As of September 30, 2021, Encompass had adjusted net worth of approximately $2.4 million and liquid assets of $2.5 million.

Commitments to Extend Credit

Encompass enters into IRLCs with borrowers who have applied for residential mortgage loans and have met certain credit and underwriting criteria. These commitments expose the Encompass to market risk if interest rates change and the underlying loan is not economically hedged or committed to a purchaser. Encompass is also exposed to credit loss if the loan is originated and not sold to a purchaser and the mortgagor does not perform. The collateral upon extension of credit typically of a first deed of trust in the mortgagor's residential property. Commitments to originate loans do not necessarily reflect future cash requirements as commitments are expected to expire without being drawn upon.

Regulatory Commitments

Encompass is subject to periodic audits and examinations, both formal and informal in nature, from various federal and state agencies, including those made as part of the regulatory oversight of mortgage origination, servicing and financing activities. Such audits and examinations could result in additional actions, penalties or fines by state or federal government bodies, regulators or the courts.

Note 19. Subsequent Events

All subsequent events requiring recognition as of September 30, 2021 have been incorporated into these financial statements and there are no subsequent events that require disclosure in accordance with ASC Topic 855 - Subsequent Events.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Company's consolidated operating results are affected by a wide variety of factors that could materially and adversely affect revenues and profitability, including the risk factors described in the section titled "Risk Factors" included in Item 1A of Part II of this Quarterly Report on Form 10-Q, and the risks discussed in our other filings with the Securities and Exchange Commission ("SEC"). As a result of these and other factors, the Company might experience material fluctuations in future operating results on a quarterly or annual basis, which could materially and adversely affect its business, consolidated financial condition, liquidity, operating results, and common stock prices. Furthermore, this document and other documents filed by the Company with the SEC contain certain forward-looking statements under the Private Securities Litigation Reform Act of 1995 ("Forward-Looking Statements") with respect to the business of the Company. Forward-Looking Statements are necessarily subject to risks and uncertainties, many of which are outside our control, that could cause actual results to differ materially from these statements. Forward-Looking Statements can be identified by such words as "anticipates," "believes," "plan," "assumes," "could," "should," "estimates," "expects," "intends," "potential," "seek," "predict," "may," "might," "will" and similar references to future periods. All statements other than statements of historical facts included in this report regarding our strategies, prospects, financial condition, operations, costs, plans and objectives and regarding the anticipated impact of COVID-19 are Forward-Looking Statements. These Forward-Looking Statements are subject to certain risks and uncertainties, including those detailed in this Quarterly Report on Form 10-Q, which could cause actual results to differ materially from these Forward-Looking Statements. The Company undertakes no obligation to publicly release the results of any revisions to these Forward-Looking Statements which may be necessary to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Any Forward-Looking Statement made by the Company is based only on information currently available to us and speaks only as of the date on which it is made.

The terms the "Company," "Fathom," "we," "us," and "our" as used in this report refer to Fathom Holdings Inc. and its consolidated subsidiaries unless otherwise specified.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information in this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Company's consolidated financial statements and the related notes set forth in Item 1 of Part I of this Quarterly Report on Form 10-Q, our MD&A set forth in our Annual Report on Form 10-K, and our audited consolidated financial statements and related notes set forth in our Annual Report on Form 10-K. See Part II, Item 1A, "Risk Factors," below, and "Special Note Regarding Forward-Looking Information," above, and the information referenced therein, for a description of risks that we face and important factors that we believe could cause actual results to differ materially from those in our Forward-Looking Statements. All statements herein regarding the likely impact of COVID-19 and other potential risks constitute Forward-Looking Statements. When we cross-reference to a "Note," we are referring to our "Notes to Unaudited Condensed Consolidated Financial Statements," unless the context indicates otherwise. All amounts noted within the tables are in thousands except per share amounts or where otherwise noted and percentages are approximate due to rounding.

Overview

Fathom is a national, technology-driven, end to end real estate services company integrating residential brokerage, mortgage, title, insurance and SaaS offerings for brokers and agents. Our primary operation, Fathom Realty (as defined below), operates as a real estate brokerage company, working with real estate agents to help individuals purchase and sell residential and commercial properties, primarily in the South, Atlantic, Southwest, and Western parts of the United States, with the intention of expanding into all states.

Fathom Realty Holdings, LLC, a Texas limited liability company ("Fathom Realty"), is a wholly owned subsidiary of Fathom Holdings Inc. that was formed on April 11, 2011 and is headquartered in Cary, North Carolina. Fathom Realty owns 100% of 34 subsidiaries, each an LLC representing the state in which the entity operates (e.g., Fathom Realty NJ, LLC).

In March 2021, the Company completed its acquisitions of Red Barn Real Estate, LLC ("Red Barn") and Naberly Inc. ("Naberly"). The acquisition of Red Barn, a real estate brokerage business, will help us to expand our reach in the Atlanta region real estate market. We believe the acquisition of Naberly will help to expand and further develop our proprietary intelliAgent platform and improve operational efficiency.

In April 2021, the Company completed its acquisitions of E4:9 Holdings, Inc. ("E4:9) and LiveBy, Inc. ("LiveBy"). The acquisition of E4:9 is part of our vision to build a vertically integrated, end-to-end real estate operation by offering mortgage and insurance services to our agents in serving our customers. We believe the acquisition of LiveBy and its hyperlocal data and technology platform builds credibility for our real estate agents in their respective geographic areas by showcasing their local expertise and helping customers discover the best locations in which to live.

In June 2021, the Company completed its acquisition of Epic Realty ("Epic"). The acquisition of Epic, a real estate brokerage business, will help us to expand our reach in the Idaho real estate market.

COVID-19

Our business is dependent on the economic conditions within the markets in which we operate. Changes in these conditions can have a positive or negative impact on our business. The economic conditions influencing the housing markets primarily include economic growth, interest rates, unemployment, consumer confidence, mortgage availability, and supply and demand.

In periods of economic growth, demand typically increases resulting in increasing home sales transactions and home sales prices. Similarly, a decline in economic growth, increasing interest rates and declining consumer confidence generally decreases demand. Additionally, regulations imposed by local, state, and federal government agencies, and geopolitical instability, can also negatively impact the housing markets in which we operate.

In December 2019, a novel strain of coronavirus, COVID-19, was identified in Wuhan, China. This new coronavirus has caused a global health emergency and was declared a pandemic by the World Health Organization in March 2020 ("COVID-19" or the "Pandemic"). In an effort to contain and slow the spread of COVID-19, governments implemented various measures, such as, ordering non-essential businesses to close, issuing travel advisories, cancelling large scale public events, ordering residents to shelter in place, and requiring the public to practice social distancing. In most states, real estate has been considered an essential business.

We are continually monitoring the affects COVID-19 could have on our business. We believe that in the states and regions in which we operate the social and economic impacts, which include, but are not limited to, the following, could have a significant bearing on our future financial condition, liquidity, and results of operations: (i) restrictions on in-person activities associated with residential real estate transactions arising from shelter-in-place, or similar isolation orders; (ii) decline in consumer demand for in-person interactions and physical home tours; and (iii) deteriorating economic conditions, such as increased unemployment rates, recessionary conditions, lower yields on individual investment portfolios, and more stringent mortgage financing conditions. In response to COVID-19, the Company implemented cost-saving measures early on to include the elimination of non-essential travel and in-person training activities, and deferral of certain planned expenditures.

COVID-19 has materially and adversely affected businesses worldwide. While the Federal Reserve's quantitative easing and lowering of interest rates could offset some of the negative impacts on housing demand, it is too early to determine whether the lower interest rates can overcome the current economic concerns and rising uncertainty. According to the NAR housing statistics, existing home sales rose 7% on a seasonally adjusted annual rate from August to September, with no region showing a sales decline. The inventory of unsold homes decreased 13% to 1.27 million year-over-year, which is equivalent to 2.4 months of the monthly sales pace. The median existing-home sales price rose at a year-over-year pace of 13%. We believe these trends were driven by declining mortgage rates, a decline in inventory, and an increasing demand for remote workspace, among other factors.

Despite the ongoing Pandemic, the Company's transactions and base of agents increased during 2020 and during the first nine months of 2021. However, while the Company believes it is well positioned in times of economic uncertainty, it is not able to estimate the effects of COVID-19, including specifically the Delta variant and/or other variants, on its results of operations, financial condition, or liquidity for the year ending December 31, 2021 and beyond. If the Pandemic continues, it might have a material adverse effect on the Company's financial condition, liquidity, and future results of operations.

Agents

Due to our low-overhead business model, which leverages our proprietary technology, we can offer our agents the ability to keep significantly more of their commissions compared to traditional real estate brokerage firms. We believe we offer our agents some of the best technology, training, and support available in the industry. We believe our business model and our focus on treating our agents well will attract more agents and higher-producing agents.

We had the following number of agents as of:

	September 30,		
	2021	**2020**	**Change**
Agents	7,536	5,026	50 %

Agent Equity Ownership

Effective January 1, 2019, agents can receive stock grants, which vest in three years based on continued affiliation with the Company, in two ways: 1) when the agent closes a sale of a property for the Company; and 2) when the agent refers another agent to join the Company. These stock grants are granted quarterly.

Reportable Segments

Historically, as the Company has primarily operated as a cloud-based real estate brokerage and as management has not made operating decisions nor assessed performance based on geographic locations, the Company has aggregated its identified operating segments for reporting purposes and has had one reportable segment. Subsequent to completing its acquisition of LiveBy and E4:9 in the second quarter of 2021, the Chief Operating Decision Maker began making operating decisions and assessing performance based on the services of identified operating segments and has since identified three reportable segments: Real Estate Brokerage; Mortgage; and Technology.

Components of Our Results of Operations

Revenue

The Company's revenue consists of commissions generated from real estate brokerage services and other services, including mortgage lending, title insurance, home and other insurance, and SaaS revenues.

Gross commission income

We recognize commission-based revenue on the closing of a transaction, less the amount of any closing-cost reductions. Revenue is affected by the number of real estate transactions we close, the mix of transactions, home sale prices, and commission rates.

Other Services Revenue

We recognize revenue streams for our mortgage lending services business which are primarily comprised of loans sold, origination and other fees.

The gain on sale of mortgage loans represents the difference between the net sales proceeds and the carrying value of the mortgage loans sold and includes the servicing rights release premiums.

Servicing rights release premiums represent revenues earned with the risk and rewards of ownership of servicing rights are transferred to third parties.

Retail origination fees are principally revenues earned from loan originations and recorded in the statement of operations in other service revenue. Direct loan origination costs and expenses associated with the loans are charged to expenses when the loans are sold. Interest income is interest earned on originated loans prior to the sale of the asset.

The Company generates revenue from subscription and services related to the use of the LiveBy platform. The SaaS contracts are generally annual contracts paid monthly in advance of service and cancellable upon 30 days' notice after the first year. The Company's subscription arrangements do not provide customers with the right to take possession of the software supporting the platform. Subscription revenue, which includes support, is recognized on a straight-line basis over the non-cancellable contractual term of the arrangement, generally beginning on the date that the Company's service is made available to the customer, and recorded as other service revenue in the statement of operations.

Title services revenue includes fees charged for title search and examination, property settlement and title insurance services provided in association with property acquisitions and refinance transactions.

The revenue streams for the Company's home and other insurance agency services business are primarily comprised of new and renewal commissions paid by insurance carriers. The transaction price is set as the estimated commissions to be received over the term of the policy based upon an estimate of premiums placed, policy changes and cancellations, net of restraint. The commissions are earned at the point in time upon effective date of the associated policies when control of the policy transfers to the client.

The Company is also eligible for certain contingent commissions from insurers based on the attainment of specific metrics (i.e., volume growth, loss ratios) related to underlying polices placed. Revenue for contingent commissions is estimated based on historical and current evidence of achievement towards each insurer's annual respective metrics and is recorded as the underlying policies that contribute to the achievement are placed. Due to the uncertainty of the amount of contingent consideration that will be received, the estimated revenue is constrained to an amount that is probable to not have a significant negative adjustment. Contingent consideration is generally received in the first quarter of the subsequent year.

Operating Expenses

Commission and other agent-related costs

Commission and other agent-related costs consists primarily of agent commissions, less fees paid to us by our agents, order fulfillment, share-based compensation for agents, title searches, and direct cost to fulfill the services provided. We expect commission and other agent-related costs to continue to rise in proportion to the expected increase in revenue.

Operations and support

Operations and support consist primarily of direct cost to fulfill the services from our mortgage lending, title services, insurance services and other services provided. We expect operations and support to continue to rise in proportion to the expected increase in revenue.

General and administrative

General and administrative expenses consist primarily of personnel costs, share-based compensation for employees, and fees for professional services. Professional services principally consist of external legal, audit, and tax services. In the short term, we expect general and administrative expenses to increase in absolute dollars due to the anticipated growth of our business and to meet the increased compliance requirements associated with our operation as a public company. However, in the long term, we anticipate general and administrative expenses as a percentage of revenue to decrease over time, if and as we are able to increase revenue.

Marketing

Marketing expenses consist primarily of expenses for online and traditional advertising, as well as costs for marketing and promotional materials. Advertising costs are expensed as they are incurred. We expect marketing expenses to increase in absolute dollars as we use some of the proceeds of our IPO to expand advertising programs and we anticipate marketing expenses as a percentage of revenue to decrease over time, if and as we are able to increase revenue.

Depreciation and amortization

Depreciation and amortization represent the depreciation charged on our fixed assets and intangible assets. Depreciation expense is recorded on a straight-line method, based on estimated useful lives of five years for computer hardware and software, seven years for furniture and equipment and seven years for vehicles. Leasehold improvements are depreciated over the lesser of the life of the lease term or the useful life of the improvements. Amortization expense consists of amortization recorded on acquisition-related intangible assets. Customer relationships are amortized on an accelerated basis, which coincides with the period of economic benefit we expect to receive. All other finite-lived intangibles are amortized on a straight-line basis. In accordance with GAAP, we do not amortize goodwill.

Income Taxes

U.S. federal and state income tax benefits for all the historical net losses and a portion of the current net losses generated has been recognized in the period ended September 30, 2021. Previously the tax benefits had not been recognized due to our uncertainty of realizing a benefit from those items. As a result of certain acquisitions this period, we expect to realize the pre-existing and a portion of currently generated deferred tax assets due to future taxable income expected and the reversal of taxable temporary differences. As of December 31, 2020, we had federal net operating loss carryforwards of approximately $9.2 million and state net operating loss carryforwards of approximately $4.5 million. Losses will begin to expire, if not utilized, in 2032. Utilization of the net operating loss carryforwards may be subject to an annual limitation according to Section 382 of the Internal Revenue Code of 1986 as amended, and similar state law provisions.

Results of Operations

Comparison of the Three Months Ended September 30, 2021 and 2020 (amount in thousands)

Revenue

	Three Months Ended September 30,		Change	
	2021	**2020**	**Dollars**	**Percentage**
Gross commission income	$ 95,300	$ 55,848	$ 39,452	71 %
Other service revenue	5,640	—	5,640	100 %
Total revenue	$ 100,940	$ 55,848	$ 45,092	81 %

For the three months ended September 30, 2021, gross commission income increased by approximately $39.5 million or 71%, as compared with the three months ended September 30, 2020. This increase was primarily attributable to an increase in transaction volume and to an increase in average revenue per transaction due to rising home prices. During the three months ended September 30, 2021, transaction volume increased by 42% to approximately 11,500 transactions compared to approximately 8,100 transactions for the three months ended September 30, 2020. Our transaction volume increased primarily due to the organic growth in the number of agents contracted with us and agents acquired through the acquisitions of Red Barn and Epic. During the three months ended September 30, 2021, average revenue per transaction increase by 20% to $8,288 from $6,895 during the three months ended September 30, 2020.

For the three months ended September 30, 2021, other service revenue was approximately $5.6 million and was attributable to the Company's acquisitions of Verus, E4:9 and LiveBy. See Note 3 to our consolidated condensed financial statements for information about these acquisitions.

Operating Expenses

	Three Months Ended September 30,		Change	
	2021	2020	Dollars	Percentage
Commission and other agent-related costs	$ 91,263	$ 52,871	$ 38,392	73 %
Operations and support	2,029	—	2,029	100 %
General and administrative	9,811	2,851	6,960	244 %
Marketing	591	218	373	171 %
Depreciation and amortization	931	44	887	2,016 %
Total operating expenses	$ 104,625	$ 55,984	$ 48,641	87 %

For the three months ended September 30, 2021, commission and other agent-related costs increased by approximately $38.4 million, or 73%, as compared with the three months ended September 30, 2020. Commission and other agent-related costs primarily includes costs related to agent commissions, net of fees paid to us by our agents. These costs are generally correlated with recognized revenues. As such, the increase in commission and other agent-related costs compared to the same period in 2020 was primarily attributable to an increase in agent commissions paid due to higher transaction volume and rising home prices.

For the three months ended September 30, 2021, operations and support expenses were approximately $2.0 million and were attributable to the Company's acquisitions of Verus, E4:9 and LiveBy. See Note 3 to our condensed consolidated financial statements for information about these acquisitions.

For the three months ended September 30, 2021, general and administrative expenses increased by approximately $7.0 million, or 244%, as compared with the three months ended September 30, 2020. The Company's acquisitions since the fourth quarter of 2020 contributed approximately $4.0 million in general and administrative expenses during the three months ended September 30, 2021. The increase was also attributable to our growth and to our becoming a public company, including a $1.4 million increase in payroll salaries and benefits due to increased staffing, a $0.4 million increase in professional fees, a $0.3 million increase in non-cash share-based compensation expense, and to $0.1 million in transaction and acquisition costs.

For the three months ended September 30, 2021, marketing expenses increased by approximately $0.4 million, or 171%, as compared with the three months ended September 30, 2020. The increase was attributable to an increase in direct advertising costs primarily related to the Company's expansion in new regions and markets.

For the three months ended September 30, 2021, depreciation and amortization expenses increased by approximately $0.9 million, or 2,016%, as compared with the three months ended September 30, 2020. The increase in depreciation and amortization expense is due to the amortization of the intangible assets acquired in connection with the acquisition of Red Barn, E4:9, LiveBy, and Epic as well as an increase in depreciation expense due to an increase in our depreciable asset base.

Income Taxes

The Company recorded an income tax benefit of $0.2 million and income tax expense of less than $0.1 million for the three months ended September 30, 2021 and 2020, respectively. The tax benefit for the three months ended September 30, 2021 is primarily the result of the release of the valuation allowance against historical deferred tax assets and recognition of benefit from the current year projected loss. Net deferred tax liabilities of approximately $3.2 million recorded in connection with the E4:9 Holdings, Inc. and LiveBy, Inc acquisitions provide a source of taxable income to support the realizability of approximately $1.6 million of pre-existing deferred tax assets, as well as currently generated deferred tax assets from the projected loss for the year. The taxable temporary differences relating to the amortizable intangible assets support the realization of the net operating loss carryforwards. As a result of the transactions, the Company discretely released the historical valuation allowance and recognized a deferred tax benefit on a portion of current year losses. The remainder of the benefit not recorded in the period ended September 30, 2021 is expected to be recognized in the period ending December 31, 2021. The Company expects to maintain a valuation allowance on current year remaining net deferred tax assets by year-end due to historical operating losses.

Comparison of the Nine Months Ended September 30, 2021 and 2020 (amount in thousands)

Revenue

	Nine Months Ended September 30,		Change	
	2021	2020	Dollars	Percentage
Gross commission income	$ 224,703	$ 123,375	$ 101,327	82 %
Other service revenue	10,066	—	10,066	100 %
Total revenue	$ 234,769	$ 123,375	111,394	90 %

For the nine months ended September 30, 2021, gross commission income increased by approximately $101.3 million, or 82%, as compared with the nine months ended September 30, 2020. This increase was primarily attributable to an increase in transaction volume and to an increase in average revenue per transaction due to rising home prices. During the nine months ended September 30, 2021, transaction volume increased by 56% to approximately 28,400 transactions compared to approximately 18,200 transactions for the nine months ended September 30, 2020. Our transaction volume increased primarily due to the growth in the number of agents contracted with us and agents acquired through the acquisitions of Red Barn and Epic. During the nine months ended September 30, 2021, average revenue per transaction increase by 17% to $7,900 from $6,779 during the nine months ended September 30, 2020.

For the nine months ended September 30, 2021, other service revenue was approximately $10.0 million and was attributable to the Company's acquisitions of Verus, E4:9 and LiveBy. See Note 3 to our condensed consolidated financial statements for information about these acquisitions.

Operating Expenses

	Nine Months Ended September 30,		Change	
	2021	2020	Dollars	Percentage
Commission and other agent-related costs	$ 214,392	$ 115,915	$ 98,477	85 %
Operations and support	3,781	—	3,781	100 %
General and administrative	25,321	6,727	18,594	276 %
Marketing	1,371	587	785	134 %
Depreciation and amortization	1,778	108	1,670	1,546 %
Total operating expenses	$ 246,643	$ 123,337	123,306	100 %

For the nine months ended September 30, 2021, commission and other agent-related costs increased by approximately $98.5 million, or 85%, as compared with the nine months ended September 30, 2020. Commission and other agent-related costs primarily includes costs related to agent commissions, net of fees paid to us by our agents. These costs are generally correlated with recognized revenues. As such, the increase in commission and other agent-related costs compared to the same period in 2020 was primarily attributable to an increase in agent commissions paid due to higher transaction volume and rising home prices.

For the nine months ended September 30, 2021, operations and support expenses were approximately $3.8 million and were attributable to the Company's acquisition of Verus, E4:9 and LiveBy. See Note 3 to our consolidated condensed financial statements for information about these acquisitions.

For the nine months ended September 30, 2021, general and administrative expenses increased by approximately $18.5 million, or 274%, as compared with the nine months ended September 30, 2020. The Company's acquisitions since the fourth quarter of 2020 contributed approximately $7.6 million in general and administrative expenses during the nine months ended September 30, 2021. The increase was also attributable to our growth and to becoming a public company, including a $4.4 million increase in payroll salaries and benefits due to increased staffing, a $1.0 million increase in professional fees, a $1.6 million increase in non-cash share-based compensation expense, a $0.6 million in recruiting cost, a $0.5 million increase in software expenses, and to $1.0 million in transaction and acquisition costs.

For the nine months ended September 30, 2021, marketing expenses increased by approximately $0.8 million, or 134%, as compared with the nine months ended September 30, 2020. The increase was primarily attributable to an increase in direct advertising costs primarily related to the Company's expansion in new regions and markets.

For the nine months ended September 30, 2021, depreciation and amortization expenses increased by approximately $1.7 million, or 1,546%, as compared with the nine months ended September 30, 2020. The increase in depreciation and amortization expense is due to the amortization of the intangible assets acquired in connection with the acquisition of Red Barn, E4:9, LiveBy, and Epic as well as an increase in depreciation expense due to an increase in our depreciable asset base.

Income Taxes

The Company recorded an income tax benefit of approximately $2.8 million and income tax expense of less than $0.1 million for the nine months ended September 30, 2021 and 2020, respectively. The tax benefit for the nine months ended September 30, 2021 is primarily the result of the release of the valuation allowance against historical deferred tax assets and recognition of benefit from the current year projected loss. Net deferred tax liabilities of $3.2 million recorded in connection with the E4:9 Holdings, Inc. and LiveBy, Inc acquisitions provide a source of taxable income to support the realizability of $1.6 million of pre-existing deferred tax assets, as well as currently generated deferred tax assets from the projected loss for the year. The taxable temporary differences relating to the amortizable intangible assets support the realization of the net operating loss carryforwards. As a result of the transactions, the Company discretely released the historical valuation allowance and recognized a deferred tax benefit on a portion of current year losses. The remainder of the benefit not recorded in the period ended September 30, 2021 is expected to be recognized in the period ending December 31, 2021. The Company expects to maintain a valuation allowance on current year remaining net deferred tax assets by year-end due to historical operating losses.

Liquidity and Capital Resources

Capital Resources

	September 30, 2021	December 31, 2020	Change Dollars	Change Percentage
Current assets	$ 28,826	$ 32,856	$ (4,030)	12 %
Current liabilities	25,775	4,990	20,785	417 %
Net working capital	$ 3,051	$ 27,866	$ (24,815)	(89)%

To date, our principal sources of liquidity have been the net proceeds we received through the IPO and, historically, private sales of our common stock, as well as proceeds from loans and operations. As of September 30, 2021, our available cash totaled approximately $8.8 million, which represented a decrease of $19.8 million compared to the year ended December 31, 2020. As of September 30, 2021, we had net working capital of approximately $3.1 million, which represented a decrease of $24.9 million compared to the year ended December 31, 2020. We anticipate that our existing balances of cash and cash equivalents and future expected cash flows generated from our operations will be sufficient to satisfy our operating requirements for at least the next twelve months from the date of the issuance of the unaudited interim consolidated financial statements.

Our future capital requirements depend on many factors, including potential acquisitions, our level of investment in technology, and our rate of growth into new markets as well as the rate of growth for our mortgage lending and insurance businesses. Our capital requirements might also be affected by factors which we cannot control such as the residential real estate market, interest rates, and other monetary and fiscal policy changes to those that currently exist. Additionally, as the impact of COVID-19 on the economy and operations evolves, we will continuously assess our liquidity needs. We may need or seek advantageously to obtain additional funding through equity or debt financing, which might not be available on favorable terms or at all and could hinder our business and dilute our existing shareholders.

Cash Flows

Comparison of the Nine Months Ended September 30, 2021 and 2020 *(amount in thousands)*

	Nine Months Ended September 30,		Change	
	2021	2020	Dollars	Percentage
Net cash used in operating activities	$ (6,570)	$ (330)	$ (6,239)	1,885 %
Net cash used in investing activities	$ (13,562)	$ (367)	$ (13,195)	(3,595)%
Net cash provided by financing activities	$ 2,893	$ 31,111	$ (28,218)	(91)%

Cash Flows from Operating Activities

Net cash used in operating activities for the nine months ended September 30, 2021 consisted of a net loss of $8.9 million, non-cash charges of $1.4 million, including $2.8 million of share-based compensation expense, $0.2 million of bad debt, $0.1 million of gain on extinguishment of debt, and $1.8 million of depreciation and amortization, offset by $3.3 million in gains on the sales of mortgages and $2.9 million in deferred income taxes. Changes in assets and liabilities were primarily driven by a $0.4 million increase in accounts payable due primarily to the increase in agent transaction volume, a $1.8 million increase in accrued liabilities, a $2.4 million increase in escrow liabilities, and $0.7 million change in mortgage loans held for sale; partially offset by a $0.9 million increase in accounts receivable and a $0.8 million increase in prepaid and other current assets.

Net cash used in operating activities for the nine months ended September 30, 2020 consisted of a net loss of $0.1 million, non-cash charges of $0.5 million, including $0.3 million of share-based compensation expense, $0.1 million of bad debt, and $0.1 million of depreciation and amortization. Changes in assets and liabilities were primarily driven by a $1.4 million increase in accounts payable and accrued liabilities due primarily to the timing of payments, partially offset by a by a $1.1 million increase in accounts receivable, and a $0.5 million increase in agent annual fees receivable due primarily to an increase in the number of agents.

Cash Flows from Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2021 consisted of $11.0 million for the purchases of a businesses and assets, net of cash acquired, $0.6 million for purchases of property and equipment, and $2.0 million for purchase of intangible assets.

Net cash used in investing activities for the nine months ended September 30, 2020 consisted of primarily $0.3 million in purchases of capitalized software as well as computers and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities for the nine months ended September 30, 2021 consisted primarily of $2.4 million in net proceeds on our warehouse line of credit and $0.9 million in proceeds from our note payable, offset by $0.4 million in principal payments on note payables.

Net cash provided by financing activities for the nine months ended September 30, 2020 consisted of $34.3 million of proceeds from the issuance of common stock in connection with the IPO, $0.5 million in proceeds from notes payable, and $0.1 million of proceeds from issuance of common stock, which was offset by $3.2 million in payments of offering costs in connection with issuance of common stock in connection with IPO, $0.5 million payments on the note payable, purchase of treasury stock, and our principal payments on an outstanding loan.

NON-GAAP FINANCIAL MEASURE

To supplement our unaudited interim consolidated financial statements, which are prepared and presented in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), we use Adjusted EBITDA, a non-GAAP financial measure, to understand and evaluate our core operating performance. This non-GAAP financial measure, which may be different than similarly titled measures used by other companies, is presented to enhance investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

We define the non-GAAP financial measure of Adjusted EBITDA as net income (loss), excluding other (income) expense, income tax expense (benefit), depreciation and amortization, transaction costs and share-based compensation expense.

We believe that Adjusted EBITDA provides useful information about our financial performance, enhances the overall understanding of our past performance and future prospects, and allows for greater transparency with respect to a key metric used by our management for financial and operational decision-making. We believe that Adjusted EBITDA helps identify underlying trends in our business that otherwise could be masked by the effect of the expenses that we exclude in Adjusted EBITDA. In particular, we believe the exclusion of non-cash share-based compensation expense related to restricted stock awards and stock options and transaction-related costs provides a useful supplemental measure in evaluating the performance of our operations and provides better transparency into our results of operations.

We are presenting the non-GAAP measure of Adjusted EBITDA to assist investors in seeing our financial performance through the eyes of management, and because we believe this measure provides an additional tool for investors to use in comparing our core financial performance over multiple periods with other companies in our industry.

Adjusted EBITDA should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. There are a number of limitations related to the use of Adjusted EBITDA compared to net income (loss), the closest comparable GAAP measure. Some of these limitations are that:

- Adjusted EBITDA excludes share-based compensation expense related to restricted stock awards and stock options, which have been, and will continue to be for the foreseeable future, significant recurring expenses in our business and an important part of our compensation strategy;
- Adjusted EBITDA excludes transaction-related costs primarily consisting of professional fees and any other costs incurred directly related to acquisition activity, which is an ongoing part of our growth strategy and therefore likely to occur; and
- Adjusted EBITDA excludes certain recurring, non-cash charges such as depreciation and amortization of property and equipment and acquired and internally developed intangible assets, however, the assets being depreciated and amortized may have to be replaced in the future.

The following tables present a reconciliation of net loss to Adjusted EBITDA, the most comparable GAAP financial measure, for each of the periods presented (amount in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Net loss	$ (3,373)	$ (184)	$ (8,865)	$ (66)
Other (income) expense, net	(102)	16	(190)	71
Income tax (benefit) expense	(210)	32	(2,820)	34
Depreciation and amortization	931	44	1,778	108
Transaction-related cost	177	—	1,140	—
Stock based compensation	770	97	2,833	322
Adjusted EBITDA	$ (1,807)	$ 6	$ (6,124)	$ 469

Critical Accounting Policies and Estimates

Discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and related disclosure of contingent assets and liabilities, revenue, and expenses at the date of the financial statements. Generally, we base our estimates on historical experience and on various other assumptions in accordance with GAAP that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies and estimates are those that we consider the most important to the portrayal of our financial condition and results of operations because they require our most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Revenue Recognition

We apply the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers" ("ASC 606"), and all related appropriate guidance. We recognize revenue under the core principle to depict the transfer of control to our customers in an amount reflecting the consideration to which we expect to be entitled. In order to achieve that core principle, we apply the following five step approach: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when a performance obligation is satisfied.

Our gross commission income consists of commissions charged to individual customers (i.e., the seller or buyer of a residential property) on each real estate transaction completed, net of any closing-cost reductions. We are contractually obligated to provide for the fulfillment of transfers of real estate between buyers and sellers. We provide these services ourselves and control the services of our agents necessary to legally transfer the real estate. As such, we are defined as the principal. As principal, we satisfy our obligation upon the closing of a real estate transaction. As principal, and upon satisfaction of our obligation, we recognize revenue in the gross amount of consideration we expect we are entitled to receive. We calculate the transaction price by applying the Company's portion of the agreed upon commission rate to the property's selling price. We may provide services to the buyer, seller, or both parties to a transaction. When we provide services to the seller in a transaction, we recognize revenue for our portion of the commission, which is calculated as the sales price multiplied by the commission rate less the commission separately distributed to the buyer's agent, or the "sell" side portion of the commission. When we provide services to the buyer in a transaction, we recognize revenue in an amount equal to the sales price for the property multiplied by the commission rate for the "buy" side of the transaction. In instances in which we represent both the buyer and the seller in a transaction, we recognize the full commission on the transaction. Commissions revenue contains a single performance obligation that is satisfied upon the closing of a real estate transaction, at which point the entire transaction price is earned. We are not entitled to any commission until the performance obligation is satisfied and are not owed any commission for unsuccessful transactions, even if services have been provided.

The revenue streams for the Company's mortgage lending services business are primarily comprised of loans sold, origination and other fees. The majority of these revenue streams are exempted from ASC 606. Origination and other fees are not specifically separable from actual mortgage loans.

Gain on sale of mortgage loans represents the difference between the net sales proceeds and the carrying value of the mortgage loans sold and includes the servicing rights release premiums. Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity.

Servicing rights release premiums represent revenues earned when the risk and rewards of ownership of servicing rights are transferred to third party parties. Mortgage servicing rights represent the obligations to administer, collect the payments for the reduction of principal and application of interest, pay taxes and insurance, remit collected payments, provide foreclosure services, provide full escrow administration and any other obligations required by an owner of the mortgage loans, together with the right to receive the servicing fee income and any ancillary income arising from or connected to the mortgage loans.

Retail origination fees are principally revenues earned from loan originations. Direct loan origination costs and expenses associated with the loans are charged to expenses when the loans are sold. Interest income is interest earned on originated loans prior to the sale of the asset.

Business Combinations

The Company accounts for its business combinations under the provisions of Accounting Standards Codification Topic 805-10, Business Combinations ("ASC 805-10"), which requires that the acquisition method of accounting be used for all business combinations. Assets acquired and liabilities assumed are recorded at the date of acquisition at their respective fair values. For transactions that are business combinations, the Company evaluates the existence of goodwill. Goodwill represents the excess purchase price over the fair value of the tangible net assets and intangible assets acquired in a business combination. ASC 805-10 also specifies criteria that intangible assets acquired in a business combination must meet to be recognized and reported apart from goodwill. Acquisition-related expenses are recognized separately from the business combinations and are expensed as incurred.

The estimated fair value of net assets acquired, including the allocation of the fair value to identifiable assets and liabilities, was determined using established valuation techniques. A fair value measurement is determined as the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. In the context of purchase accounting, the determination of fair value often involves significant judgments and estimates by management, including the selection of valuation methodologies, estimates of future revenues, costs and cash flows, discount rates, and selection of comparable companies. The estimated fair values reflected in the acquisition accounting rely on management's judgment and the expertise of a third-party valuation firm engaged to assist in concluding on the fair value measurements. For the business combination completed during the nine-month period ended September 30, 2021, the estimated fair value of identifiable intangible assets, primarily consisting of agent relationships, tradenames, customer relationships and technology, was determined using the relief-from-royalty and multi-period excess earnings methods. The most significant assumptions under these methods include the estimated remaining useful life, expected future revenue, annual agent revenue attrition, costs to develop new agents, charges for contributory assets, tax rate, discount rate and tax amortization benefit. Management has developed these assumptions on the basis of historical knowledge of the business and projected financial information of the Company. These assumptions may vary based on future events, perceptions of different market participants and other factors outside the control of Management, and such variations may be significant to estimated values.

The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed are based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates and the number of years on which to base the cash flow projections, as well as other assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates based on the risk inherent in the acquired assets, specific risks, industry beta and capital structure of guideline companies. The valuation of an acquired business is based on available information at the acquisition date and assumptions that are believed to be reasonable. However, a change in facts and circumstances as of the acquisition date can result in subsequent adjustments during the measurement period, but no later than one year from the acquisition date.

Goodwill

Goodwill, which represents the excess of purchase price over the fair value of net assets acquired, is carried at cost. Goodwill is not amortized; rather, it is subject to a periodic assessment for impairment by applying a fair value-based test. The Company is organized in one reporting unit and evaluates the goodwill for the Company as a whole. Goodwill is assessed for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the asset might be impaired. Under the authoritative guidance issued by the FASB, the Company has the option to first assess the qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative goodwill impairment test. If the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the goodwill impairment test is performed. The goodwill impairment test requires the Company to estimate the fair value of the reporting unit and to compare the fair value of the reporting unit with its carrying amount. If the fair value exceeds the carrying amount, then no impairment is recognized. If the carrying amount recorded exceeds the fair value calculated, then an impairment charge is recognized for the difference. The judgments made in determining the projected cash flows used to estimate the fair value can materially impact the Company's financial condition and results of operations. There was no impairment of goodwill for the three and nine months ended September 30, 2021.

Mortgage Loans Held for Sale

Mortgage loans held for sale represent loans that have forward sales commitments. Mortgage loans held for sale are carried at fair value under the fair value option with changes in fair value recorded in other service revenue on the statements of operations. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Realized losses are charged to expense as incurred. The fair value of mortgage loans held for sale is typically calculated using observable market information including pricing from actual market transactions, purchaser commitment prices, or broker quotations. The fair value of mortgage loans held for sale covered by purchaser commitments is generally based on commitment prices. The fair value of mortgage loans held for sale not committed to a purchaser is generally based on current delivery pricing using best execution pricing.

Income Taxes

Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the combined financial statement and tax bases of assets and liabilities at the applicable enacted tax rates. We establish a valuation allowance for deferred tax assets if it is probable that these items will expire before either we are able to realize their benefit or that future deductibility is uncertain.

In prior periods, we believed it was more likely than not that our deferred tax assets would not be realized and as such, we have historically recorded a full valuation allowance for these assets. The determination to provide a valuation allowance is dependent upon the assessment of whether it is more likely than not that sufficient taxable income will be generated to utilize the deferred tax assets. As a result of deferred tax liabilities generated from acquisitions which can be used as a source of income, we released the valuation allowance on historical deferred tax assets as a discrete item. We evaluate the likelihood of the ability to realize deferred tax assets in future periods on a quarterly basis, and when appropriate evidence indicates we will release our valuation allowance accordingly. Based on management's reassessment of the realizability of the deferred tax assets, tax benefits are being recognized as a result of the discrete release of the valuation allowance against historical deferred tax assets and to recognize a portion of the future benefit of current losses. Based on the weight of the available evidence, which includes our historical operating losses, lack of taxable income, and accumulated deficit, by year-end we expect to provide a full valuation allowance against our remaining deferred tax assets resulting from the tax losses and credits carried forward.

Recent Accounting Standards

For information on recent accounting standards, see Note 2 to our consolidated financial statements included elsewhere in this report.

JOBS Act Transition Period

In April 2012, the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act") was enacted. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933 (the "Securities Act") for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

Subject to certain conditions, as an emerging growth company, we may rely on certain other exemptions and reduced reporting requirements under the JOBS Act. Certain of these exemptions are, including without limitation, from the requirements of (i) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act; and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an emerging growth company until the earlier to occur of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of our IPO in 2020, (b) in which we have total annual gross revenues of at least $1.07 billion, or (c) in which we are deemed to be a "large accelerated filer" under the rules of the U.S. Securities and Exchange Commission, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the prior June 30th, and (2) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company, we are not required to provide the information required by this Item.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer, and our President and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report (the "Evaluation Date"). In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Based on the evaluation conducted, our Chief Executive Officer and President and Chief Financial Officer concluded our disclosure controls and procedures were not effective as of September 30, 2021 due to the material weaknesses discussed below.

The closing of our initial public offering occurred on August 4, 2020. Consequently, as a newly reporting company under the Exchange Act, we are not required to evaluate the effectiveness of our internal controls over financial reporting until the end of the fiscal year after we file our first annual report on Form 10-K, which will occur on December 31, 2021. However, in connection with the audit of our financial statements for the years ended December 31, 2020 and 2019, we identified material weaknesses in our internal control over financial reporting. As of December 31, 2020 and 2019, we did not effectively apply the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, or the COSO framework, due primarily to an insufficient complement of personnel possessing the appropriate accounting and financial reporting knowledge and experience. Additionally, we did not maintain effective controls relating to reconciliation of and recording of revenue.

We are continuing to implement a remediation plan to address the previously reported material weaknesses identified by hiring additional qualified accounting and financial reporting personnel, and further evolving our accounting processes and systems.

(b) Changes in Internal Control Over Financial Reporting

Under the supervision and with the participation of our management, including our Chief Executive Officer, and our President and Chief Financial Officer, we conducted an evaluation of any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our most recently completed fiscal quarter.

As previously noted, we acquired LiveBy and E4:9 during the three months ended June 30, 2021. Management considers these transactions to be material to our consolidated financial statements and believes that the internal controls and procedures of these acquired entities have a material effect on our internal control over financial reporting. We are currently in the process of incorporating the internal controls and procedures of LiveBy and E4:9 into our internal controls over financial reporting and extending our Section 404 compliance program under the Sarbanes-Oxley Act of 2002 and the applicable rules and regulations under such Act to include LiveBy and E4:9. We will report on our assessment of the consolidated operations within the time period provided by the Act and the applicable SEC rules and regulations concerning business combinations, which is the annual management report for the fiscal year ending December 31, 2022.

There were no changes, other than described above, in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The Company has not experienced any material impact to our internal controls over financial reporting due to the COVID-19 global pandemic. The Company will continue to monitor and assess the impact of the COVID-19 situation and our ability to maintain the design and operating effectiveness of internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

We are involved in various legal actions incidental to our business. As of the date of this report, we are not involved in any legal proceedings that we believe could have a material adverse effect on our financial position or results of operations.

Item 1A. Risk Factors.

There have been no material changes to the risk factors that we have previously disclosed in our most recent Annual Report on Form 10-K, as filed with the SEC on March 24, 2021, and as amended on April 29, 2021, and as updated in our prior Quarterly Report on Form 10-Q, as filed with the SEC on August 12, 2021, although there have been recent signs of potential future increases in interest rates such as the announcement by the Federal Reserve that it intends to begin tapering off its bond purchasing program, and of potential softness in the real estate market such as Zillow Group, Inc.'s announcement of losses in and discontinuation of its home-buying program. The risks described in our Annual Report and our subsequent Quarterly Reports are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, or future results of operations and the trading price of our common stock.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Unregistered Sales

None.

Use of Proceeds

On August 4, 2020, we completed our initial public offering ("IPO"). All shares sold were registered pursuant to a registration statement on Form S-1 (File No. 333-235972), as amended (the "Registration Statement"), declared effective by the SEC on July 30, 2020. There has been no material change in the expected use of the net proceeds from our IPO as described in our Registration Statement. The remaining net proceeds from our IPO have been invested in investment grade, interest-bearing instruments.

Item 6. Exhibits

Exhibit Number	Description
31.1+	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1+†	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101**	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets as of September 30, 2021 and December 31, 2020; (ii) Consolidated Statements of Operations (Unaudited) for the Three and Nine Months Ended September 30, 2021 and 2020; (iii) Consolidated Statements of Cash Flows (Unaudited) for the Nine Months Ended September 30, 2021 and 2020; (iv) Consolidated Statements of Changes in Stockholders' Equity (Unaudited) for the Three and Nine Months Ended September 30, 2021 and 2020; and (v) Notes to Unaudited Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

+ Filed herewith.

† This certification is being furnished solely to accompany this Quarterly Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

** In accordance with Rule 406T of Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act, is deemed not filed for purposes of section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FATHOM HOLDINGS INC.

Date: November 10, 2021

By: /s/ Marco Fregenal
Marco Fregenal
President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joshua Harley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Fathom Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) (Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313);

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2021

/s/ Joshua Harley
Joshua Harley
Chief Executive Officer
(Registrant’s principal executive officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Marco Fregenal, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Fathom Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) (Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313);

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2021

/s/ Marco Fregenal
Marco Fregenal
President and Chief Financial Officer
(Registrant’s principal financial officer and principal accounting officer)

Exhibit 32.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Fathom Holdings Inc. (the "Registrant") on Form 10-Q for the period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joshua Harley, Chief Executive Officer of the Registrant, and I, Marco Fregenal, President and Chief Financial Officer of the Registrant, each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition of the registrant at the end of the period covered by the Report and results of operations of the registrant for the periods covered by the Report.

Date: November 10, 2021

/s/ Joshua Harley
Joshua Harley
Chief Executive Officer
(Registrant's principal executive officer)

Date: November 10, 2021

/s/ Marco Fregenal
Marco Fregenal
President and Chief Financial Officer
(Registrant's principal financial officer and principal accounting officer)

The foregoing certifications are not deemed filed with the Securities and Exchange Commission for purposes of section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), and are not to be incorporated by reference into any filing of Fathom Holdings Inc. under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing.