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

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) April 16, 2021

FATHOM HOLDINGS INC.
(Exact name of registrant as specified in its charter)

North Carolina
(State or other jurisdiction of incorporation)

001-39412	**82-1518164**
(Commission File Number)	**(IRS Employer Identification No.)**

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, No Par Value	FTHM	Nasdaq Capital Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☑

Explanatory Note

On April 20, 2021, Fathom Holdings Inc. (“Fathom” or the “Company”) filed a Current Report on Form 8-K (the “Original 8-K”) disclosing, among other things, that on April 16, 2021, Fathom completed the transaction contemplated by an Agreement and Plan of Merger, by and among the Company; Fathom Merger Sub A, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company; Fathom Merger Sub B, LLC, a Delaware limited liability company and a wholly-owned subsidiary of the Company; E4:9 Holdings, Inc., a Delaware corporation (“E4:9”); the stockholders of E4:9 set forth on Annex B to the Merger Agreement; and Paul S. Marsh, an individual in the capacity as Stockholder Representative thereunder.

This amendment to the Original 8-K is being filed for the purpose of satisfying the Company’s undertaking to file the financial statements and pro forma financial information required by Item 9.01 of Form 8-K, and this amendment should be read in conjunction with the Original 8-K. Except as set forth herein, no modifications have been made to information contained in the Original 8-K, and the Company has not updated any information contained therein to reflect events that have occurred since the date of the Original 8-K.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The audited consolidated financial statements of E4:9 for the year ended December 31, 2020 and the related notes, the audited combined financial statements for the year

ended December 31, 2019 of Encompass Lending Group, LP, Real Systems Sales Results, LP, Encompass Lending Management, LLC, RSR CO Management, LLC and Dagley Insurance Agency, LLC and the unaudited condensed consolidated financial statements of E4:9 for the three months ended March 31, 2021 and 2020 and the related notes are attached hereto as Exhibit 99.1, Exhibit 99.2 and Exhibit 99.3 and incorporated herein by reference.

(b) Pro Forma Financial Information.

Unaudited pro forma condensed combined financial statements, which include a pro forma condensed combined balance sheet as of March 31, 2021 and pro forma condensed combined statements of operations for the year ended December 31, 2020 and the three months ended March 31, 2021 and the notes related thereto, are filed as Exhibit 99.4 to this report and incorporated herein by reference.

(d) Exhibits.

Exhibit No.	Exhibit Description
23.1	Consent of Independent Auditors.
99.1	Audited consolidated financial statements of E4:9 Holdings, Inc. for the year ended December 31, 2020 and the related notes to such financial statements.
99.2	Audited combined financial statements of Encompass Lending Group, LP, Real Systems Sales Results, LP, Encompass Lending Management, LLC, RSR CO Management, LLC and Dagley Insurance Agency, LLC for the year ended December 31, 2019 and the related notes to such financial statements.
99.3	Unaudited condensed consolidated financial statements of E4:9 Holdings, Inc. for the three months ended March 31, 2021 and 2020 and the related notes to such financial statements.
99.4	Unaudited pro forma condensed combined financial statements, which include a pro forma condensed combined balance sheet as of March 31, 2021 and pro forma condensed combined statements of operations for the year ended December 31, 2020 and the three months ended March 31, 2021 and the notes related thereto.

SIGNATURE

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 hereunto duly authorized.

FATHOM HOLDINGS INC.

Date: July 2, 2021

/s/ Marco Fregenal
Marco Fregenal
President and Chief Financial Officer

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-248234) of Fathom Holdings Inc. of: (i) our report dated June 25, 2021 with respect to the consolidated financial statements of E 4:9 Holdings, LLC; and (ii) our report dated June 30, 2021 with respect to the combined financial statements of Encompass Lending Group, LP, Real Systems Sales Results, LP, Encompass Lending Management, LLC, RSR CO Management, LLC, and Dagley Insurance Agency, LLC, included in this Current Report on Form 8-K/A of Fathom Holdings Inc. dated July 2, 2021.

/s/ KHA Accountants, PLLC

Flower Mound, Texas
July 2, 2021

E 4:9 Holdings, LLC
Consolidated Financial Statements
December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members
E 4:9 Holdings, LLC
Katy, Texas

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of E 4:9 Holdings, LLC (the Company), which comprise the consolidated balance sheet as of December 31, 2020, and the related consolidated statements of income, changes in members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of E 4:9 Holdings, LLC as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ KHA Accountants, PLLC

Flower Mound, Texas
June 25, 2021

E 4:9 Holdings, LLC
Consolidated Balance Sheet
December 31, 2020

Assets		
Current assets		
Cash and cash equivalents	$	2,788,582
Restricted cash		265,709
Account receivable, net		478,723
Derivative assets		323,013
Mortgage loans held for sale, at fair value		15,315,946
Total current assets		19,171,973
Property and equipment, net		345,230
Other assets		
Intangibles, net		4,743,155
Right-of-use assets		1,696,548
Other assets		44,635
Total other assets		6,484,338
Total assets	$	26,001,541
Liabilities and Members' Equity		
Current liabilities		
Accounts payable	$	570,049
Accrued expenses		229,001
Derivative liabilities		130,625
Warehouse lines of credit		14,501,547
Other liabilities		65,567
Operating lease liability, current portion		439,640
Current portion of long-term debt		769,644
Total current liabilities		16,706,073
Long-term liabilities		
Operating lease liability, net of current portion		1,281,926
Paycheck protection program loan payable		474,259
Long-term debt, net of current portion		4,909,951
Total long-term liabilities		6,666,136
Total liabilities		23,372,209
Members' equity		
E 4:9 Holdings, LLC members' equity		2,357,121
Noncontrolling interest		272,211
Total members' equity		2,629,332
Total liabilities and members' equity	$	26,001,541

The notes to consolidated financial statements are an integral part of this statement.

E 4:9 Holdings, LLC
Consolidated Statement of Income
For the Year Ended December 31, 2020

Revenues		
Gain on sale of mortgage loans, net of direct cost of $1,818,707	$	8,637,047
Retail origination fees, net of direct costs of $981,074		123,264
Interest income		612,482
Lead generation income, net of direct costs of $418,554		508,075
Commission income		1,916,641
Other revenues		239,934
Total revenues		12,037,443
Selling, general and administrative expenses		9,883,067
Income from operations		2,154,376

Other income (expense)	
Other income	305,728
Interest expense	(674,634)
Total other income (expense)	(368,906)
Consolidated net income	1,785,470
Less: net income attributable to noncontrolling interest	207,179
Net income attributable to controlling interest	$ 1,578,291

The notes to consolidated financial statements are an integral part of this statement.

E 4:9 Holdings, LLC
Consolidated Statement of Changes in Members' Equity
For the Year Ended December 31, 2020

	E 4:9 Holdings, LLC Members' Equity	Noncontrolling Interest	Total Members' Equity
Balance at January 1, 2020	$ -	$ -	$ -
Ownership contribution, see note 1	1,768,187	207,138	1,975,325
Net income	1,578,291	207,179	1,785,470
Member distributions	(1,861,297)	(142,106)	(2,003,403)
Member contributions	871,940	-	871,940
Balance at December 31, 2020	$ 2,357,121	$ 272,211	$ 2,629,332

The notes to consolidated financial statements are an integral part of this statement.

E 4:9 Holdings, LLC
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2020

	2020
Cash flows from operating activities	
Consolidated net income	$ 1,785,470
Adjustments to reconcile net income to net cash used in operating activities:	
Amortization	395,200
Depreciation	43,060
Gain on sale of mortgage loans, net of direct costs	(8,637,047)
Gain on business combination	(220,946)
(Increase) decrease in:	
Accounts receivable	33,113
Derivative assets	(270,849)
Proceeds from sale and principal payments on mortgage loans held for sale	261,356,042
Originations and purchases of mortgage loans held for sale	(258,976,174)
Other assets	(18,905)
Increase (decrease) in:	
Accounts payable	359,178
Accrued expenses	183,793
Derivative liabilities	115,176
Other liabilities	65,567
Net cash used in operating activities	(3,787,322)
Cash flows from investing activities	
Purchase of property and equipment	(84,788)
Acquisition of other entity, net of cash of $853,138 acquired	482,198
Net cash provided by investing activities	397,410
Cash flows from financing activities	
Member distributions	(2,003,403)
Member contributions	2,363,746
Cash proceeds from borrowing of paycheck protection program loan	474,259

Net borrowings on line of credit	5,912,121
Payments on long-term debt	(302,520)
Net cash provided by financing activities	6,444,203
Net increase in cash, cash equivalents, and restricted cash	3,054,291
Cash, cash equivalents, and restricted cash at beginning of year	-
Cash, cash equivalents, and restricted cash at end of year	$ 3,054,291
Noncash investing and financing activities	
Long-term debt incurred from acquisition	$ 1,200,000
Non-cash contributions	$ 483,519
Supplemental disclosure of cash flow information	
Cash paid for interest	$ 674,634

The notes to financial statements are an integral part of this statement.

Note 1. Nature of organization

E 4:9 Holdings, LLC (collectively with its subsidiaries, the "Company") was formed on January 1, 2020. On January 1, 2020, the owners of Dagley Insurance Agency, LLC (DIA), Real Systems Sales Results, LP (RSSR), RSR CO Management, LLC (RSR CO), and Encompass Lending Management, LLC (ELM) and Encompass Lending Group, LP (ELG) contributed their ownership to E 4:9 Holdings, LLC in exchange for E 4:9 Holdings, LLC membership interest. As a result, E 4:9 Holdings, LLC owned 100% of its subsidiaries including DIA, RSSR, RSR CO, ELM and 67% of ELG. The resulting transfer, considered to be between entities under common control, is accounted for at historical net carrying value. On October 1, 2020, E 4:9 Holdings, LLC owned 89% of ELG following an additional 22% ownership contribution by the owners of ELG in exchange for additional E 4:9 Holdings, LLC membership interest.

ELG was organized in May 2008 as a Texas limited partnership. ELG originates residential loans in Texas, Kansas, Missouri, Florida, California, Louisiana, and Colorado.

RSSR was formed in June 2015 to provide leads and telemarketing services for other businesses.

DIA was formed in September 2019 as an insurance broker offering residential and commercial insurance through various carriers. DIA has offices in Texas and Colorado.

ELM was organized in May 2008 as a Texas limited liability company. ELM serves as the general partner for ELG.

RSR CO was organized in June 2015 as a Texas limited liability company. RSR CO serves as the general partner for RSSR.

Note 2. Summary of significant accounting policies

Principles of consolidation

The accompanying consolidated financial statements include the accounts of the E 4:9 Holdings, LLC and its subsidiaries, DIA, RSSR, RSR CO, ELM, and ELG. All significant intercompany transactions and balances have been eliminated.

The operating results of entities included in the Company's consolidated statement of income as a result of business combinations only include the results of revenue and earnings from the date of acquisition.

Accounting estimates

When preparing consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP), management must make estimates and assumptions based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Summary of significant accounting policies, continued

Cash and cash equivalents

The Company considers all highly liquid investments, purchased with a maturity of three months or less, to be cash equivalents. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The balances of these accounts may from time to time exceed the federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable

Accounts receivable are carried at the original invoice amount less an allowance for uncollectible receivables.

The Company estimates its an allowance for uncollectible receivables for estimated losses resulting from the inability of its customers to make required payments by analyzing the aging of its customer receivables, its historical loss experience and other trends and factors affecting the credit risk of its customers. Write-offs occur when the Company determines an account to be uncollectible and could differ from its allowance estimate as a result of factors such as changes in the overall economic environment or risks surrounding its customers. Additional allowances may be required if the financial condition of customers were to deteriorate, resulting in their inability to make payments. The Company periodically reviews the underlying assumptions in its estimate of the allowance for uncollectible receivables to ensure that the allowance reflects the most recent trends and factors. As of December 31, 2020, management believed no allowance for uncollectible receivable was necessary.

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 gain on sale of mortgage loans in the consolidated statement of income. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Realized losses are charged to expenses as incurred. The fair value of mortgage loans held for sale is typically calculated using observable market information, including pricing from actual market transactions, investor commitment prices and broker quotations. The fair value for mortgage loans held for sale covered by investor commitments is generally based on commitment prices. The fair value of mortgage loans held for sale not committed to an investor is generally based on current delivery prices using best execution pricing.

Revenue recognition

The Company applies Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, and all subsequent amendments to the ASU (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. Payment for the Company's services that fall within the scope of ASC 606 are recognized as revenue as the Company satisfies its obligation to the customer.

Note 2. Summary of significant accounting policies, continued

Revenue recognition, continued

ASC Topic 606 provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Company's revenue streams are primarily composed of loans sold, loan origination fees, lead generation income, and commission income. Revenues from loans sold and retail origination fees are exempted from ASC 606. Origination and other fees are not specifically separable from the actual mortgage loans.

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

Retail origination fees are principally revenues earned from loan originations. Direct loan origination costs and fees 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.

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, such as through an agreement to repurchase them before their maturity.

Commission income and lead generation income are generated from providing professional services to clients. A single contract could include one or multiple performance obligations. For contracts that have multiple performance obligations, the Company allocates a portion of the transaction price to each performance obligation based on its relative standalone selling price, which is determined based on overall pricing objectives, taking into consideration market conditions and other factors.

Commission income is substantially recognized at a point in time on the effective date of the associated policies when control of the policy transfers to the client.

The performance obligations related to lead generation are satisfied, and therefore the related revenue recognized, evenly over the course of the service period.

Total revenue accounted for under ASC 606 and recognized at a point in time and over time was as follows for the year ended December 31, 2020:

Revenue recognized at a point in time	$	1,916,641
Revenue recognized over time		508,075
	$	2,424,716

Note 2. Summary of significant accounting policies, continued

Revenue recognition, continued

Contract balances

The Company records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded. Balances as of December 31, 2020 were as follows:

Accounts receivable, net of allowance for uncollectible accounts	$	478,723
Unbilled receivables		-
Deferred revenue		-
	$	478,723

Payment terms on invoiced amounts are typically 30 days. In instances where the timing of revenue recognition differs from the timing of the right to invoice, the Company has determined that a significant financing component generally does not exist. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing the products and not to receive financing from or provide financing to the customer.

Property and equipment

Property and equipment are carried at cost. Depreciation of property and equipment is calculated using the straight-line method for financial reporting purposes over the estimated useful lives of the assets, which range from 5 to 7 years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Intangible assets

Intangible assets are comprised of customer lists with estimated useful lives of ten years. Intangible assets are amortized over their estimated lives using an accelerated method. Costs incurred to renew or extend the term of recognized intangible assets are capitalized and amortized over the useful life of the asset.

Advertising costs

Advertising costs are expensed as incurred and included in selling, general and administrative expenses on the accompanying consolidated statement of income. Advertising expense for the year ended December 31, 2020 was $51,468.

Note 2. Summary of significant accounting policies, continued

Risks and uncertainties

In the normal course of business, companies in the mortgage banking industry encounter certain economic and regulatory risks. Economic risks include interest rate risk and credit risk. The Company is subject to interest rate risk to the extent that in a rising interest rate environment, the Company may experience a decrease in loan production, as well as decreases in the value of mortgage loans held for sale not committed to investors and commitments to originate loans, which may negatively impact the Company's operations. Credit risk is the risk of default that may result from the borrowers' inability or unwillingness to make contractually required payments during the period in which loans are being held for sale or serviced by the Company.

The Company sells loans to investors without recourse. As such, the investors have assumed the risk of loss or default by the borrower. However, the Company is usually required by these investors to make certain standard representations and warranties relating to credit information, loan documentation and collateral. To the extent that the Company does not comply with such representations, or there are early payment defaults, the Company may be required to repurchase the loans or indemnify these investors for any losses from borrower defaults. In addition, if loans pay-off within a specified time frame, the Company may be required to refund a portion of the sales proceeds to the investors.

The Company's business requires substantial cash to support its operating activities. As a result, the Company is dependent on its warehouse lines of credit and other financing facilities in order to finance its continued operations. If the Company's principal lenders decided to terminate or not to renew any of these financing facilities with the Company, the loss of borrowing capacity could have a material adverse impact on the Company's liquidity and results of operations unless and until the Company found a suitable alternative source.

Federal income tax

The Company is a limited liability company taxed as a partnership for Federal income tax purposes. Therefore, the Company records no provision or liability for Federal income tax. Members of a limited liability company are individually taxed on their proportionate share of the Company's earnings.

The Company is required to recognize, measure, classify, and disclose in the consolidated financial statements uncertain tax positions taken or expected to be taken in the Company's tax returns. Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the consolidated financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company or its members will not be subject to additional tax, penalties and interest as a result of such challenge. The Company would recognize any penalties or interest in operating expenses. Generally, the Company's tax returns remain open for Federal income tax examination for 3 years from the date of filing and for state franchise tax examination for 4 years from the date of filing.

Note 2. Summary of significant accounting policies, continued

Derivative financial instruments

The Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 815-25, *Accounting for Derivative Instruments and Hedging Activities*. This standard requires that all derivatives be recognized as assets or liabilities in the consolidated balance sheet and measured at fair value.

The Company enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (interest rate lock commitments). Rate lock commitments on mortgage 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 or liabilities, with changes in fair value recorded in the consolidated statement of income in gain on sale of mortgage loans. Fair value is based upon changes in the fair value of the underlying mortgages, estimated to be realizable upon sale into the secondary market. Fair value estimates also take into account loan commitments not expected to be exercised by customers for whatever reason, 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 sales commitments, mandatory delivery commitments, options and futures contracts, whereby the Company maintains the right to deliver residential loans to investors in the future at a specified yield. Fair value is based on the 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 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.

Impairment of long-lived assets

Long-lived assets are evaluated for impairment whenever events or changes in circumstances have indicated that an asset might not be recoverable and are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities (asset group). If the sum of the projected undiscounted cash flows (excluding interest charges) of an asset group is less than its carrying value and the fair value of an asset group is also less than its carrying value, the assets will be written down by the amount by which the carrying value of the asset group exceeded its fair value. However, the carrying amount of a finite-lived intangible asset can never be written down below its fair value. Any loss would be recognized in income from continuing operations in the period in which the determination is made. Management determined that no impairment of long-lived assets existed as of December 31, 2020.

Note 3. Property and equipment

Property and equipment consisted of the following at December 31, 2020:

		2020
Leasehold improvements	$	149,049
Office furniture, fixtures and equipment		223,933
Computer software and equipment		262,247
		635,229
Less - accumulated depreciation		(289,999)
Net property and equipment	$	345,230

Depreciation expense for the year ended December 31, 2020 totaled $43,060 and is included in selling, general and administrative expenses in the accompanying consolidated statement of income.

Note 4. Mortgage loans held for sale

Mortgage loans held for sale were as follows at December 31, 2020:

Mortgage loans held for sale	$	14,825,896
Fair value adjustments		490,050
	$	15,315,946

Note 5. Intangible Assets

As of December 31, 2020, the Company has the following amounts related to intangible assets:

Amortizable intangible assets	Gross carrying amount		Accumulated amortization	
Customer lists	$	5,138,355	$	(395,200)
	$	5,138,355	$	(395,200)

The aggregate amortization expense of the Company's intangible assets for the year ended December 31, 2020 was $395,200. Estimated amortization expense for 2021, 2022, 2023, 2024, 2025 is approximately $890,424, $759,620, $648,032, $552,837, $471,625, respectively, and $1,420,619 thereafter.

Note 6. Commitments and contingencies

Regulatory contingencies

The Company 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

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 governmental bodies, regulators or the courts.

Note 6. Commitments and contingencies, continued

Operating Leases

Operating leases in which the Company is the lessee are recorded as operating lease right-of-use (ROU) assets and operating lease liabilities, respectively, on the consolidated balance sheet as of December 31, 2020. The Company does not currently have any significant finance leases in which it is the lessee. Operating lease ROU assets represent the Company's right to use an underlying asset during the lease term and operating lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and operating lease liabilities are recognized at lease commencement based on the present value of the remaining lease payments using a discount rate that represents the Company's incremental borrowing rate at the lease commencement date. ROU assets are further adjusted for lease incentives. Operating lease expense, which is comprised of amortization of the ROU asset and the implicit interest accreted on the operating lease liability, is recognized on a straight-line basis over the lease term and is recorded in general and administrative expenses in the consolidated statement of income.

The Company is obligated on leases for office facilities with various terms, including related party leases as described in Note 15. The Company also leases office facilities under month-to-month lease agreements. Certain lease arrangements contain extension options, which is typically one year, at the agreed rental rates. The leases also include termination options by either party with 30-day notice. As these extension options are generally considered reasonably certain of exercise, they are included in the lease term in determining the present value of the lease payments. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments. As of December 31, 2020, operating lease ROU assets were $1,696,548 and operating lease liabilities were $1,721,566. The Company's operating lease cost included in the consolidated statement of income for the year ended December 31, 2020 was $359,685.

The table below summarizes other information related to the Company's operating leases:

Cash paid for amounts included in the measurement of operating lease liabilities:	$	359,685
Leased assets obtained in exchange for new operating lease liabilities	$	-
Weighted average remaining lease term - operating leases, in years		3.2
Weighted average discount rate - operating leases		3.8%

The future minimum lease obligations related to these leases are as follows:

Year ending December 31,	Unrelated	Related	Total
2021	$ 210,221	$ 298,900	$ 509,121
2022	116,417	298,900	415,317
2023	63,804	298,900	362,704
2024	63,804	298,900	362,704
2025	31,902	194,683	226,585
Total future minimum lease payments	486,148	1,390,283	1,876,431
Less: imputed interest	40,123	114,742	154,865
Total operating lease liabilities	$ 446,025	$ 1,275,541	$ 1,721,566

Note 6. Commitments and contingencies, continued

Commitments to extend credit

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

Note 7. Warehouse lines of credit

As a means of financing its mortgage loans held for sale, the Company entered into line of credit agreements for the purpose of temporarily warehousing mortgage loans pending the sale of the loans to an investor.

The Company maintains a warehousing credit and security agreement with a bank whereby the Company borrows funds to finance the origination or purchase of eligible mortgage loans. The Company pays interest equal to the greater of the Prime Rate less 0.75% or 3.85% per annum. The Prime Rate as of December 31, 2020 was 3.25%. The maximum funding limit of these loans was $15,000,000 at December 31, 2020. The majority owners of the Company have personally guaranteed these loans. At December 31, 2020, the outstanding balance on this warehouse line was $7,466,094. The credit agreement requires $1,000,000 of net worth, $750,000 working capital, and a debt to net worth ratio not exceeding 20 to 1. The agreement expires November 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 mortgage loans. The Company pays interest equal to the greater of the mortgage interest rate of the underlying loan or 3.5%. The maximum funding limit of these loans was $10,000,000 at December 31, 2020. The majority owners of the Company have personally guaranteed these loans. At December 31, 2020, the outstanding balance on this warehouse line was $3,817,902. The credit agreement requires $500,000 in liquid assets per the agreement. The agreement expired in January 2021 and was renewed through January 2022.

The Company maintains a master loan warehouse agreement with a bank whereby the Company borrows funds to finance the origination or purchase of eligible mortgage loans. The Company pays interest equal to the greater of the mortgage interest rate of the underlying loan or 4%. The maximum funding limit of these loans was $10,000,000 at December 31, 2020. The majority owners of the Company have personally guaranteed these loans. At December 31, 2020, the outstanding balance on this warehouse line was $3,217,551. The agreement allows for the Company to exceed the limit on the line at the bank's discretion. The credit agreement requires $1,250,000 of net worth, $750,000 in liquid assets and a debt to net worth ratio not to exceed 12 to 1 per the agreement. The agreement expires in July 2021.

Note 8. Fair value measurements

Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact, and (iv) willing to transact.

Authoritative guidance requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement costs). Valuation techniques should be consistently applied.

Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, authoritative guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

Note 8. Fair value measurements, continued

In general, fair value is based upon quoted market prices, where available. 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 investor 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. These 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 considered 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
- Trade prices for derivative hedges
- Closing prices at December 31, 2020 for derivative hedges

Assets and liabilities measured at fair value on a recurring basis

The following are the major categories of assets and liabilities measured at fair value on a recurring basis as of December 31, 2020:

Description	Level 1	Level 2	Level 3	Total
Mortgage loans held for sale	$ -	$ 15,315,946	$ -	$ 15,315,946
Derivative assets	-	-	323,013	323,013
Derivative liabilities	-	-	(130,625)	(130,625)
	$ -	$ 15,315,946	$ 192,388	$ 15,508,334

Note 9. Derivative instruments

The Company enters into interest rate lock commitments (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 sheet at fair value with changes in fair value recognized in gain on sale of mortgage loans on the consolidated statement of income. 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 MSRs 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 investors are based on quoted agency MBS prices.

Note 10. Concentrations

For the year ended December 31, 2020, the Company sold approximately 88% of its originated loans to four investors. Management believes no risk is present under these arrangements due to an active market of investors available to purchase mortgage loans.

Note 11. Paycheck Protection Program loan payable

On April 29, 2020, the Company was granted a loan from a bank in the aggregate amount of $474,259, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”), which was enacted March 27, 2020. Under the terms of the PPP, loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the forgiveness period.

As of December 31, 2020, the Company has used the entire loan proceeds to fund its payroll expenses.

On February 11, 2021, the entire loan was forgiven.

Note 12. Long-term debt

Long-term debt consisted of the following at December 31, 2020:

Term Note 1:
$801,862 promissory note with a remaining 5 year term including monthly payments of $8,527 of principal and interest at 4.25%, maturing on July 1, 2025.

Term Note 2:
$3,352,409 promissory note, maturing on May 1, 2022, including monthly payments of $51,148 of principal and interest at 4.25%.

Term Note 3:
$410,000 promissory note to be paid in full at maturity date of July 1, 2022.

Note 12. Long-term debt, continued

Term Note 4:
$19,466 promissory note with a customer, maturing on February 1, 2022, with the first payment starting June 1, 2021, including monthly payments of principal and interest of $1,667. The note has a provision to be forgiven upon a certain performance criteria and was forgiven in full on January 28, 2021.

Term Note 5:
$1,095,858 promissory note, annual interest rate of 0.99%, to be paid at the end of each quarter, with quarterly payments of $50,000 until the note is paid in full in 2025.

Future annual maturities of long-term debt are as follows:

Years ending December 31,		
2021	$	769,644
2022		3,554,435
2023		275,756
2024		279,040
2025		704,863
Thereafter		95,857
	$	5,679,595

Note 13. 401(k) retirement plan

The Company sponsors a 401(k) retirement plan, covering all eligible employees. Employer contributions of $42,116 are included in selling, general, and administrative expenses in the accompanying consolidated statement of income for the year ended December 31, 2020.

Note 14. Related party

During the year ended December 31, 2020, the Company incurred $154,351 of rent expenses for office space to an entity related through common ownership. This expense is included in selling, general, and administrative expenses in the consolidated statement of income.

Note 15. Business combination

In accordance with a purchase agreement effective on August 1, 2020, DIA, a wholly subsidiary of the Company, acquired assets and liabilities of Dagley Insurance and Financial Services (DIFS). As a result of the acquisition, the Company has increased its market share and expects to reduce costs through economies of scale.

The acquisition was recorded as a business combination under ASC Topic 805, *Business Combinations*, with identifiable assets acquired and liabilities assumed provisionally recorded at their estimated fair values on the acquisition date. Fair value adjustments related to the transaction have been pushed down to DIA, resulting in assets and liabilities being recorded at fair value on August 1, 2020.

Note 15. Business combination, continued

The following table summarizes the consideration paid for DIFS and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date of August 1, 2020:

Consideration:		
Cash	$	370,940
Notes payable		1,200,000
	$	1,570,940
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Cash	$	853,138
Financial assets		458,918
Property, plant, and equipment		123,590
Customer's list, at fair value		5,138,355
Financial liabilities		(4,782,115)
Total identifiable net assets		1,791,886
Gain on acquisition		(220,946)
	$	1,570,940

The fair value of the financial assets acquired includes receivables of $442,053 and other prepaid assets and deposits of $16,865. The fair value of the financial liabilities acquired includes various notes payable for a total of $4,782,115.

Under the terms of the Purchase Agreement, the Company paid the seller $370,940 and issued a note payable to the seller in the amount of $1,200,000.

Note 16. Subsequent event

On February 11, 2021, the Company's PPP loan of $474,259, described in Note 11, was forgiven in full.

On March 10, 2021, the Company was granted a loan from a bank in the amount of $75,600 pursuant to the Paycheck Protection Program. The Company has used the entire loan proceeds to fund its payroll expenses. The Company does not anticipate taking any action that would cause any portion of the loan to be ineligible for forgiveness.

On April 1, 2021, the Company's members purchased the remaining shares from the remaining ELG's limited partners by issuing notes payable totaling $1,276,120. As a result, effective April 1, 2021, the Company owns 100% of ELG.

On April 16, 2021, the Company was acquired by Fathom Holdings, Inc., a public entity. As a result, all long-term debt, as described in Note 12 and notes payable issued on April 1, 2021, were paid in full at the date of the acquisition. Simultaneously, the Company discontinued its relationship with one of the warehouse lines of credit and closed the warehouse line.

The Company has evaluated subsequent events through June 25, 2021, the date on which the consolidated financial statements were available to be issued.

Exhibit 99.2

Combined Financial Statements of
Encompass Lending Group, LP
Real Systems Sales Results, LP
Encompass Lending Management, LLC
RSR Co Management, LLC
Dagley Insurance Agency, LLC
December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Owners of
Encompass Lending Group, LP
Real Systems Sales Results, LP
Encompass Lending Management, LLC
RSR CO Management, LLC
Dagley Insurance Agency, LLC
Katy, Texas

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Encompass Lending Group, LP, Real Systems Sales Results, LP, Encompass Lending Management, LLC, RSR CO Management, LLC, and Dagley Insurance Agency, LLC (collectively, the "Company"), which comprise the combined balance sheet as of December 31, 2019, and the related combined statements of income, changes in net investment, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ KHA Accountants, PLLC

Flower Mound, Texas
June 30, 2021

Encompass Lending Group, LP
Real Systems Sales Results, LP
Encompass Lending Management, LLC
RSR CO Management, LLC
Dagley Insurance Agency, LLC
Combined Balance Sheet
December 31, 2019

Assets		
Current assets		
Cash and cash equivalents	$	1,434,143
Restricted cash		57,664
Account receivable, net		69,783
Derivative assets		52,164
Mortgage loans held for sale, at fair value		9,058,767
Total current assets		10,672,521
Property and equipment, net		179,912
Other assets		
Right-of-use assets		548,016
Other assets		15,062
Total other assets		563,078
Total assets	$	11,415,511
Liabilities and Net Investment		
Current liabilities		
Accounts payable	$	210,871
Accrued expenses		45,208
Derivative liabilities		15,449
Warehouse lines of credit		8,589,426
Operating lease liability, current portion		133,871
Total current liabilities		8,994,825
Long-term liabilities		
Operating lease liability, net of current portion		445,361
Total long-term liabilities		445,361
Total liabilities		9,440,186
Net investment		1,975,325
Total liabilities and net investment	$	11,415,511

The notes to combined financial statements are an integral part of this statement.

Encompass Lending Group, LP
Real Systems Sales Results, LP
Encompass Lending Management, LLC
RSR CO Management, LLC
Dagley Insurance Agency, LLC
Combined Statement of Income
For the Year Ended December 31, 2019

		2019
Revenues		
Gain on sale of mortgage loans, net of direct cost of $240,348	$	4,081,449
Retail origination fees, net of direct costs of $459,101		563,767
Interest income		303,937
Lead generation income, net of direct costs of $205,502		729,819
Total revenues		5,678,972
Selling, general and administrative expenses		4,906,147

Income from operations	772,825
Other expense	
Interest expense	(299,209)
Total other expense	(299,209)
Income before provision for state income tax	473,616
Provision for state income tax	701
Net income	$ 472,915

The notes to combined financial statements are an integral part of this statement.

Encompass Lending Group, LP
Real Systems Sales Results, LP
Encompass Lending Management, LLC
RSR CO Management, LLC
Dagley Insurance Agency, LLC
Combined Statement of Changes in Net Investment
For the Year Ended December 31, 2019

	Net Investment
Balance at January 1, 2019	$ 1,699,910
Net income	472,915
Distributions	(197,500)
Balance at December 31, 2019	$ 1,975,325

The notes to combined financial statements are an integral part of this statement.

Encompass Lending Group, LP
Real Systems Sales Results, LP
Encompass Lending Management, LLC
RSR CO Management, LLC
Dagley Insurance Agency, LLC
Combined Statement of Cash Flows
For the Year Ended December 31, 2019

	2020
Cash flows from operating activities	
Net income	$ 472,915
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation	37,628
Gain on sale of mortgage loans, net of direct costs	(4,081,449)
(Increase) decrease in:	
Accounts receivable	71,303
Derivative assets	(32,859)
Proceeds from sale and principal payments on mortgage loans held for sale	147,585,266
Originations and purchases of mortgage loans held for sale	(146,734,213)
Other assets	55,008
Accounts payable	9,962
Accrued expenses	(54,285)
Derivative liabilities	(5,332)
Net cash used in operating activities	(2,676,056)
Cash flows from investing activities	
Purchase of property and equipment	(1,927)
Net cash used in investing activities	(1,927)
Cash flows from financing activities	
Distributions	(197,500)
Net borrowings on line of credit	3,100,767
Net cash provided by financing activities	2,903,267

Net increase in cash, cash equivalents, and restricted cash	225,284
Cash, cash equivalents, and restricted cash at beginning of year	1,266,523
Cash, cash equivalents, and restricted cash at end of year	$ 1,491,807
Supplemental disclosure of cash flow information	
Cash paid for interest	$ 299,209

The notes to combined financial statements are an integral part of this statement.

Note 1. Nature of organization

Encompass Lending Group, LP (ELG) was organized in May 2008 as a Texas limited partnership. ELG originates residential loans in Texas, Kansas, Missouri, Florida, California, Louisiana, and Colorado.

Real System Sales Results, LP (RSSR) was formed in June 2015 to provide leads and telemarketing services for other businesses.

Dagley Insurance Agency, LLC (DIA) was formed in September 2019 as an insurance broker offering residential and commercial insurance through various carriers. DIA has offices in Texas and Colorado.

Encompass Lending Management, LLC (ELM) was organized in May 2008 as a Texas limited liability company. ELM serves as the general partner for ELG.

RSR CO Management, LLC (RSR CO) was organized in June 2015 as a Texas limited liability company. RSR CO serves as the general partner for RSSR.

During the year ended December 31, 2019, ELG, RSSR, DIA, ELM and RSR CO operated as stand-alone legal entities with no direct ownership relationship existing among the legal entities. Consequently, no consolidated financial statements were historically prepared. On January 1, 2020, the owners of these entities contributed their ownership interests to E4:9 Holdings, LLC (“E4:9”) in exchange for membership interests in E4:9. The accompanying combined financial statements are presented as if the operations had been operated as a combined company. Accordingly, net investment in these operations is shown in lieu of members’ equity in the combined financial statements.

Note 2. Summary of significant accounting policies

Principles of combination

The accompanying combined financial statements include the common controlled accounts of DIA, RSSR, RSR CO, ELM, and ELG (collectively, the “Company”). All significant intercompany transactions and balances have been eliminated.

Accounting estimates

When preparing combined financial statements in conformity with U.S. generally accepted accounting principles (GAAP), management must make estimates and assumptions based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the combined financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Company considers all highly liquid investments, purchased with a maturity of three months or less, to be cash equivalents. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The balances of these accounts may from time to time exceed the federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 2. Summary of significant accounting policies, continued

Accounts receivable

Accounts receivable are carried at the original invoice amount less an allowance for uncollectible receivables.

The Company estimates its allowance for uncollectible receivables for estimated losses resulting from the inability of its customers to make required payments by analyzing the aging of its customer receivables, its historical loss experience and other trends and factors affecting the credit risk of its customers. Write-offs occur when the Company determines an account to be uncollectible and could differ from its allowance estimate as a result of factors such as changes in the overall economic environment or risks surrounding its customers. Additional allowances may be required if the financial condition of customers were to deteriorate, resulting in their inability to make payments. The Company periodically reviews the underlying assumptions in its estimate of the allowance for uncollectible receivables to ensure that the allowance reflects the most recent trends and factors. As of December 31, 2019, management believed no allowance for uncollectible receivables was necessary.

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 gain on sale of mortgage loans in the combined statement of income. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Realized losses are charged to expenses as incurred. The fair value of mortgage loans held for sale is typically calculated using observable market information, including pricing from actual market transactions, investor commitment prices and broker quotations. The fair value for mortgage loans held for sale covered by investor commitments is generally based on commitment prices. The fair value of mortgage loans held for sale not committed to an investor is generally based on current delivery prices using best execution pricing.

Revenue recognition

The Company applies Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, and all subsequent amendments to the ASU (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. Payment for the Company's services that fall within the scope of ASC 606 are recognized as revenue as the Company satisfies its obligation to the customer.

Note 2. Summary of significant accounting policies, continued

Revenue recognition, continued

ASC Topic 606 provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Company's revenue streams are primarily composed of loans sold, loan origination fees, and lead generation income. Revenues from loans sold and retail origination fees are exempted from ASC 606. Origination and other fees are not specifically separable from the actual mortgage loans.

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

Retail origination fees are principally revenues earned from loan originations. Direct loan origination costs and fees 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.

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, such as through an agreement to repurchase them before their maturity.

Lead generation income is generated from providing professional services to clients. A single contract could include one or multiple performance obligations. For contracts that have multiple performance obligations, the Company allocates a portion of the transaction price to each performance obligation based on its relative standalone selling price, which is determined based on overall pricing objectives, taking into consideration market conditions and other factors.

The performance obligations related to lead generation are satisfied, and therefore the related revenue recognized, evenly over the course of the service period.

Total revenue accounted for under ASC 606 and recognized at a point in time and over time was as follows for the year ended December 31, 2019:

Revenue recognized at a point in time	$	-
Revenue recognized over time		729,819
	$	729,819

Note 2. Summary of significant accounting policies, continued

Revenue recognition, continued

Contract balances

The Company records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded. Balances as of December 31, 2019 were as follows:

Accounts receivable, net of allowance for uncollectible accounts	$	69,783
Unbilled receivables		-
Deferred revenue		-
	$	69,783

Payment terms on invoiced amounts are typically 30 days. In instances where the timing of revenue recognition differs from the timing of the right to invoice, the Company has determined that a significant financing component generally does not exist. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing the products and not to receive financing from or provide financing to the customer.

Property and equipment

Property and equipment are carried at cost. Depreciation of property and equipment is calculated using the straight-line method for financial reporting purposes over the estimated useful lives of the assets, which range from 5 to 7 years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Advertising costs

Advertising costs are expensed as incurred and included in selling, general and administrative expenses on the accompanying combined statement of income. Advertising expense for the year ended December 31, 2019 was $31,572.

Note 2. Summary of significant accounting policies, continued

Risks and uncertainties

In the normal course of business, companies in the mortgage banking industry encounter certain economic and regulatory risks. Economic risks include interest rate risk and credit risk. The Company is subject to interest rate risk to the extent that in a rising interest rate environment, the Company may experience a decrease in loan production, as well as decreases in the value of mortgage loans held for sale not committed to investors and commitments to originate loans, which may negatively impact the Company's operations. Credit risk is the risk of default that may result from the borrowers' inability or unwillingness to make contractually required payments during the period in which loans are being held for sale or serviced by the Company.

The Company sells loans to investors without recourse. As such, the investors have assumed the risk of loss or default by the borrower. However, the Company is usually required by these investors to make certain standard representations and warranties relating to credit information, loan documentation and collateral. To the extent that the Company does not comply with such representations, or there are early payment defaults, the Company may be required to repurchase the loans or indemnify these investors for any losses from borrower defaults. In addition, if loans pay-off within a specified time frame, the Company may be required to refund a portion of the sales proceeds to the investors.

The Company's business requires substantial cash to support its operating activities. As a result, the Company is dependent on its warehouse lines of credit and other financing facilities in order to finance its continued operations. If the Company's principal lenders decided to terminate or not to renew any of these financing facilities with the Company, the loss of borrowing capacity could have a material adverse impact on the Company's liquidity and results of operations unless and until the Company found a suitable alternative source.

Federal income tax

The Company is taxed as a partnership for Federal income tax purposes. Therefore, the Company records no provision or liability for Federal income tax. The owners are individually taxed on their proportionate share of the Company's earnings.

The Company is required to recognize, measure, classify, and disclose in the combined financial statements uncertain tax positions taken or expected to be taken in the Company's tax returns. Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the combined financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company or its owners will not be subject to additional tax, penalties and interest as a result of such challenge. The Company would recognize any penalties or interest in operating expenses. Generally, the Company's tax returns remain open for Federal income tax examination for 3 years from the date of filing and for state franchise tax examination for 4 years from the date of filing.

Note 2. Summary of significant accounting policies, continued

Derivative financial instruments

The Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 815-25, *Accounting for Derivative Instruments and Hedging Activities*. This standard requires that all derivatives be recognized as assets or liabilities in the combined balance sheet and measured at fair value.

The Company enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (interest rate lock commitments). Rate lock commitments on mortgage 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 or liabilities, with changes in fair value recorded in the combined statement of income in gain on sale of mortgage loans. Fair value is based upon changes in the fair value of the underlying mortgages, estimated to be realizable upon sale into the secondary market. Fair value estimates also take into account loan commitments not expected to be exercised by customers for whatever reason, 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 sales commitments, mandatory delivery commitments, options and futures contracts, whereby the Company maintains the right to deliver residential loans to investors in the future at a specified yield. Fair value is based on the 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 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.

Impairment of long-lived assets

Long-lived assets are evaluated for impairment whenever events or changes in circumstances have indicated that an asset might not be recoverable and are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities (asset group). If the sum of the projected undiscounted cash flows (excluding interest charges) of an asset group is less than its carrying value and the fair value of an asset group is also less than its carrying value, the assets will be written down by the amount by which the carrying value of the asset group exceeded its fair value. However, the carrying amount of a finite-lived intangible asset can never be written down below its fair value. Any loss would be recognized in income from continuing operations in the period in which the determination is made. Management determined that no impairment of long-lived assets existed as of December 31, 2019.

Note 3. Property and equipment

Property and equipment consisted of the following at December 31, 2019:

Leasehold improvements	$	149,049
Office furniture, fixtures and equipment		106,355
Computer software and equipment		171,449
		426,853
Less - accumulated depreciation		(246,941)
Net property and equipment	$	179,912

Depreciation expense for the year ended December 31, 2019 totaled $37,628 and is included in selling, general and administrative expenses in the accompanying combined statement of income.

Note 4. Mortgage loans held for sale

Mortgage loans held for sale were as follows at December 31, 2019:

Mortgage loans held for sale	$	8,791,226
Fair value adjustments		267,541
	$	9,058,767

Note 5. Commitments and contingencies

Operating leases

Operating leases in which the Company is the lessee are recorded as operating lease right-of-use (ROU) assets and operating lease liabilities, respectively, on the combined balance sheet as of December 31, 2019. The Company does not currently have any significant finance leases in which it is the lessee. Operating lease ROU assets represent the Company's right to use an underlying asset during the lease term and operating lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and operating lease liabilities are recognized at lease commencement based on the present value of the remaining lease payments using a discount rate that represents the Company's incremental borrowing rate at the lease commencement date. ROU assets are further adjusted for lease incentives. Operating lease expense, which is comprised of amortization of the ROU asset and the implicit interest accreted on the operating lease liability, is recognized on a straight-line basis over the lease term and is recorded in selling, general and administrative expenses in the combined statement of income.

Note 5. Commitments and contingencies, continued

Operating Leases, continued

The Company is obligated on leases for office facilities with various terms, including related party leases as described in Note 11. The Company also leases office facilities under month-to-month lease agreements. Certain lease arrangements contain extension options, which is typically one year, at the agreed rental rates. The leases also include termination options by either party with 30-day notice. As these extension options are generally considered reasonably certain of exercise, they are included in the lease term in determining the present value of the lease payments. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments. As of December 31, 2019, operating lease ROU assets were $548,016 and operating lease liabilities were $579,232. The Company's operating lease cost included in the combined statement of income for the year ended December 31, 2019 was $109,148.

The table below summarizes other information related to the Company's operating leases:

Cash paid for amounts included in the measurement of operating lease liabilities:	$	109,148
Leased assets obtained in exchange for new operating lease liabilities	$	-
Weighted average remaining lease term - operating leases, in years		4.2
Weighted average discount rate - operating leases		3.8%

The future minimum lease obligations related to these leases are as follows:

Year ending December 31,		Unrelated		Related		Total
2020	$	172,852	$	55,000	$	227,852
2021		92,417		55,000		147,417
2022		52,613		55,000		107,613
2023		-		55,000		55,000
2024		-		55,000		55,000
Thereafter		-		32,083		32,083
Total future minimum lease payments		317,882		307,083		624,965
Less: imputed interest		(23,262)		(22,471)		(45,733)
Total operating lease liabilities	$	294,620	$	284,612	$	579,232

Regulatory contingencies

The Company 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 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 governmental bodies, regulators or the courts.

Note 5. Commitments and contingencies, continued

Commitments to extend credit

The Company enters into interest rate lock commitments with borrowers who have applied for residential mortgage loans and have met certain credit and underwriting criteria. These commitments expose the Company to market risk if interest rates change and the underlying loan is not economically hedged or committed to an investor. The Company

is also exposed to credit loss if the loan is originated and not sold to an investor and the mortgagor does not perform. The collateral upon extension of credit typically consists of a first deed of trust in the mortgagor's residential property. Commitments to originate loans do not necessarily reflect future cash requirements as some commitments are expected to expire without being drawn upon.

Note 6. Warehouse lines of credit

As a means of financing its mortgage loans held for sale, the Company entered into line of credit agreements for the purpose of temporarily warehousing mortgage loans pending the sale of the loans to an investor.

The Company maintains a warehousing credit and security agreement with a bank whereby the Company borrows funds to finance the origination or purchase of eligible mortgage loans. The Company pays interest equal to the greater of the Prime Rate less 0.75% or 3.85% per annum. The Prime Rate as of December 31, 2019 was 4.75%. At December 31, 2019, the maximum funding limit of these loans was $6,000,000. The majority owners of the Company have personally guaranteed these loans. At December 31, 2019, the outstanding balance on this warehouse line was $242,196. The credit agreement requires $1,000,000 of net worth, $750,000 working capital, and a debt to net worth ratio not exceeding 20 to 1. The agreement expires November 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 mortgage loans. The Company pays interest equal to the mortgage interest rate of the underlying loan. At December 31, 2019, the maximum funding limit of these loans was $6,000,000. The majority owners of the Company have personally guaranteed these loans. At December 31, 2019, the outstanding balance on this warehouse line was $2,232,522. The credit agreement requires $500,000 in liquid assets per the agreement. The agreement expired in January 2021 and was renewed through January 2022.

The Company maintains a master loan warehouse agreement with a bank whereby the Company borrows funds to finance the origination or purchase of eligible mortgage loans. The Company pays interest equal to the greater of the mortgage interest rate of the underlying loan or 4%. At December 31, 2019, the maximum funding limit of these loans was $6,000,000. The majority owners of the Company have personally guaranteed these loans. At December 31, 2019, the outstanding balance on this warehouse line was $6,114,708. The agreement allows for the Company to exceed the limit on the line at the bank's discretion. The credit agreement requires $1,250,000 of net worth, $750,000 in liquid assets and a debt to net worth ratio not to exceed 12 to 1 per the agreement. The agreement expires in July 2021.

Note 7. Fair value measurements

Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact, and (iv) willing to transact.

Authoritative guidance requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement costs). Valuation techniques should be consistently applied.

Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, authoritative guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

Note 7. Fair value measurements, continued

In general, fair value is based upon quoted market prices, where available. 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 investor 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. These 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 considered 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
- Trade prices for derivative hedges
- Closing prices at December 31, 2019 for derivative hedges

Assets and liabilities measured at fair value on a recurring basis

The following are the major categories of assets and liabilities measured at fair value on a recurring basis as of December 31, 2019:

Description	Level 1	Level 2	Level 3	Total
Mortgage loans held for sale	$ -	$ 9,058,767	$ -	$ 9,058,767
Derivative assets	-	-	52,164	52,164
Derivative liabilities	-	-	(15,449)	(15,449)
	$ -	$ 9,058,767	$ 36,715	$ 9,095,482

Note 8. Derivative instruments

The Company enters into interest rate lock commitments (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 combined balance sheet at fair value with changes in fair value recognized in gain on sale of mortgage loans on the combined statement of income. 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 MSRs 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 investors are based on quoted agency MBS prices.

Note 9. Concentrations

For the year ended December 31, 2019, the Company sold approximately 68% of its originated loans to two investors. Management believes no risk is present under these arrangements due to an active market of investors available to purchase mortgage loans.

Note 10. 401(k) retirement plan

The Company sponsors a 401(k) retirement plan, covering all eligible employees. The accompanying combined statement of income includes employer contributions of $12,123 for the year ended December 31, 2019.

Note 11. Related party

During the year ended December 31, 2019, the Company incurred $85,826 of rent expenses for office space and $81,108 of various expenses to entities related through common ownership. These expenses were included in selling, general, and administrative expenses in the combined statement of income.

Note 12. Subsequent events

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates.

While it is unknown how long these conditions will last and what the complete financial effect will be to the Company, to date, the Company is not expecting to experience any

significant disruption.

Note 12. Subsequent events, continued

On January 1, 2020, the owners of DIA, RSSR, RSR CO, ELM, and ELG contributed their ownership interests to E 4:9 in exchange for E 4:9 membership interest. As a result, E 4:9 owned 100% of its subsidiaries including DIA, RSSR, RSR CO, ELM and 67% of ELG. The resulting transfer, considered to be between entities under common control, is accounted for at historical net carrying value. On October 1, 2020, E 4:9 owned 89% of ELG following an additional 22% ownership contribution by the owners of ELG in exchange for additional E 4:9 membership interest.

On April 29, 2020, ELG and RSSR were granted a loan in the aggregate amount of $474,259 and $75,600, respectively, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), which was enacted March 27, 2020. Under the terms of the PPP, loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the forgiveness period. On December 22, 2020 and February 11, 2021, RSSR's PPP loan and ELG's PPP loan, respectively, were forgiven in full.

In accordance with a purchase agreement effective on August 1, 2020, DIA acquired assets and liabilities of Dagley Insurance and Financial Services (DIFS). Under the terms of the Purchase Agreement, DIA paid the seller $370,940 and issued a note payable to the seller in the amount of $1,200,000.

On March 10, 2021, RSSR was granted another PPP loan from a bank in the amount of $75,600 pursuant to the Paycheck Protection Program. The Company has used the entire loan proceeds to fund its payroll expenses. The Company does not anticipate taking any action that would cause any portion of the loan to be ineligible for forgiveness.

On April 1, 2021, E 4:9's members purchased the remaining shares from ELG's remaining limited partners by issuing notes payable totaling $1,276,120. As a result, effective April 1, 2021, E4:9 owns 100% of ELG.

On April 16, 2021, E 4:9 was acquired by Fathom Holdings, Inc., a public entity. As a result, all long-term debt acquired at the acquisition of DIFS and notes payable issued on April 1, 2021, were paid in full at the date of the acquisition. Simultaneously, E 4:9 discontinued its relationship with one of the warehouse lines of credit and closed the warehouse line.

The Company has evaluated subsequent events through June 30, 2021, the date on which the combined financial statements were available to be issued.

Exhibit 99.3

E 4:9 Holdings, LLC
Unaudited Condensed Consolidated Financial Statements
For The Quarterly Period Ended March 31, 2021

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E 4:9 Holdings, LLC
Unaudited Condensed Consolidated Balance Sheets

	March 31, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 2,518,325	$ 2,788,582
Restricted cash	253,848	265,709
Account receivable, net	596,980	478,723
Derivative assets	241,035	323,013
Mortgage loans held for sale, at fair value	10,030,015	15,315,946
Total current assets	13,640,203	19,171,973
Property and equipment, net	358,791	345,230
Other assets		
Intangibles, net	4,506,036	4,743,155
Right-of-use assets	1,567,003	1,696,548
Other assets	62,560	44,635
Total other assets	6,135,599	6,484,338
Total assets	$ 20,134,593	$ 26,001,541
Liabilities and Members' Equity		
Current liabilities		
Accounts payable	$ 296,816	$ 570,049
Accrued expenses	291,366	229,001
Derivative liabilities	241,726	130,625
Warehouse lines of credit	9,504,850	14,501,547
Other liabilities	45,649	65,567
Operating lease liability, current portion	308,177	439,640
Current portion of long-term debt	795,942	769,644
Total current liabilities	11,484,526	16,706,073
Long-term liabilities		
Operating lease liability, net of current portion	1,281,924	1,281,926
Paycheck Protection Program loan payable	75,600	474,259
Long-term debt, net of current portion	4,735,033	4,909,951
Total long-term liabilities	6,092,557	6,666,136
Total liabilities	17,577,083	23,372,209
Members' equity		
E 4:9 Holdings, LLC members' equity	2,321,012	2,357,121
Noncontrolling interest	236,498	272,211
Total members' equity	2,557,510	2,629,332
Total liabilities and members' equity	$ 20,134,593	$ 26,001,541

The notes to unaudited condensed consolidated financial statements are an integral part of these statements.

E 4:9 Holdings, LLC
Unaudited Condensed Consolidated Statements of Operations
For the Three Months Ended March 31

	2021	2020
Revenues		
Gain on sale of mortgage loans, net of direct cost of $564,739 and $717,765	$ 1,749,481	$ 621,747
Retail origination fees, net of direct costs of $273,350 and $118,228	(45,116)	45,003
Interest income	117,153	48,679
Lead generation income, net of direct costs of $0 and $53,195	-	2,681
Consulting income	98,007	161,555
Commission income	1,846,178	-
Total revenues	3,765,703	879,665
Selling, general and administrative expenses	4,168,186	1,156,895
Loss from operations	(402,483)	(277,230)
Other income (expense)		
Gain from extinguishment of Paycheck Protection Program loan	474,259	-
Other income	42,038	-
Interest expense	(154,386)	(65,271)
Total other income (expense)	361,911	(65,271)
Consolidated net loss	(40,572)	(342,501)
Less: net loss attributable to noncontrolling interest	(4,463)	(113,299)
Net loss attributable to controlling interest	$ (36,109)	$ (229,202)

The notes to unaudited condensed consolidated financial statements are an integral part of these statements.

E 4:9 Holdings, LLC
Unaudited Condensed Consolidated Statements of Changes in Members' Equity
For the Three Months Ended March 31

	E 4:9 Holdings, LLC Members' Equity	Noncontrolling Interest	Total Members' Equity
Balance at January 1, 2020	$ -	$ -	$ -
Ownership contribution, see note 1	1,352,404	622,921	1,975,325
Net loss	(229,202)	(113,299)	(342,501)
Member distributions	(130,480)	(84,673)	(215,153)
Balance at March 31, 2020	$ 992,722	$ 424,949	$ 1,417,671

	E 4:9 Holdings, LLC Members' Equity	Noncontrolling Interest	Total Members' Equity
Balance at January 1, 2021	$ 2,357,121	$ 272,211	$ 2,629,332
Net loss	(36,109)	(4,463)	(40,572)
Member distributions	-	(31,250)	(31,250)
Balance at March 31, 2021	$ 2,321,012	$ 236,498	$ 2,557,510

The notes to unaudited condensed consolidated financial statements are an integral part of these statements.

E 4:9 Holdings, LLC
Unaudited Condensed Consolidated Statements of Cash Flows
For the Three Months Ended March 31

	2021	2020
Cash flows from operating activities		
Consolidated net loss	$ (40,572)	$ (342,501)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Amortization	237,119	-
Depreciation	20,577	8,080
Gain on sale of mortgage loans, net of direct costs	(1,749,481)	(621,747)
Gain on extinguishment of Paycheck Protection Program loan	(474,259)	-
(Increase) decrease in:		
Accounts receivable	(118,257)	(31,171)
Derivative assets	81,978	(73,086)
Proceeds from sale and principal payments on mortgage loans held for sale	45,366,332	32,636,594
Originations and purchases of mortgage loans held for sale	(38,330,920)	(38,709,480)
Other assets	(19,845)	(63,024)
Increase (decrease) in:		
Accounts payable	(273,233)	(36,739)
Accrued expenses	62,365	61,199
Derivative liabilities	111,101	528,223
Other liabilities	(19,918)	70,575
Net cash provided by (used in) operating activities	4,852,987	(6,573,077)
Cash flows from investing activities		
Purchase of property and equipment	(34,138)	-
Net cash used in investing activities	(34,138)	-
Cash flows from financing activities		
Member distributions	(31,250)	(215,153)
Member contributions	-	1,491,806
Proceeds from borrowing of Paycheck Protection Program loan	75,600	-
Net borrowings (payments) on line of credit	(4,996,697)	6,538,605
Payments on long-term debt	(148,620)	-
Net cash provided by (used in) financing activities	(5,100,967)	7,815,258
Net increase (decrease) in cash, cash equivalents, and restricted cash	(282,118)	1,242,181
Cash, cash equivalents, and restricted cash at beginning of year	3,054,291	-
Cash, cash equivalents, and restricted cash at end of year	$ 2,772,173	$ 1,242,181
Noncash investing and financing activities		
Non-cash contributions	$ -	$ 483,519
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 154,386	$ 65,271

The notes to unaudited condensed consolidated financial statements are an integral part of these statements.

E 4:9 Holdings, LLC
Notes to the Unaudited Condensed Consolidated Financial Statements

Note 1. Nature of organization

E 4:9 Holdings, LLC (collectively with its subsidiaries, the "Company") was formed on January 1, 2020. On January 1, 2020, the owners of Dagley Insurance Agency, LLC (DIA), Real Systems Sales Results, LP (RSSR), RSR CO Management, LLC (RSR CO), and Encompass Lending Management, LLC (ELM) and Encompass Lending Group, LP (ELG) contributed their ownership to E 4:9 Holdings, LLC in exchange for E 4:9 Holdings, LLC membership interest. As a result, E 4:9 Holdings, LLC owned 100% of its subsidiaries including DIA, RSSR, RSR CO, ELM and 67% of ELG. The resulting transfer, considered to be between entities under common control, is accounted for at historical net carrying value. On October 1, 2020, E 4:9 Holdings, LLC owned 89% of ELG following an additional 22% ownership contribution by the owners of ELG in exchange for additional E 4:9 Holdings, LLC membership interest.

ELG was organized in May 2008 as a Texas limited partnership. ELG originates residential loans in Texas, Kansas, Missouri, Florida, California, Louisiana, and Colorado.

RSSR was formed in June 2015 to provide leads and telemarketing services for other businesses.

DIA was formed in September 2019, as an insurance broker offering residential and commercial insurance through various carriers. DIA has offices in Texas and Colorado.

ELM was organized in May 2008 as a Texas limited liability company. ELM serves as the general partner for ELG.

RSR CO was organized in June 2015 as a Texas limited liability company. RSR CO serves as the general partner for RSSR.

Note 2. Summary of significant accounting policies

Principles of consolidation

The accompany unaudited condensed interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") 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 condensed interim consolidated financial statements reflect all adjustments, which include only normal recurring adjustments necessary for the fair statement of the balances and statement 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. 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 condensed interim consolidated financial statements include the accounts of the E 4:9 Holdings, LLC and its subsidiaries, DIA, RSSR, RSR CO, ELM, and ELG. All significant intercompany transactions and balances have been eliminated.

The operating results of entities included in the Company's consolidated statements of operations as a result of business combinations only include the results of operations from the date of acquisition.

Note 2. Summary of significant accounting policies, continued

Accounting estimates

When preparing consolidated financial statements in conformity with GAAP, management must make estimates and assumptions based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Company considers all highly liquid investments, purchased with a maturity of three months or less, to be cash equivalents. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The balances of these accounts may from time to time exceed the federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable

Accounts receivable are carried at the original invoice amount less an allowance for uncollectible receivables.

The Company estimates its allowance for uncollectible receivables for estimated losses resulting from the inability of its customers to make required payments by analyzing the aging of its customer receivables, its historical loss experience and other trends and factors affecting the credit risk of its customers. Write-offs occur when the Company determines an account to be uncollectible and could differ from its allowance estimate as a result of factors such as changes in the overall economic environment or risks surrounding its customers. Additional allowances may be required if the financial condition of customers were to deteriorate, resulting in their inability to make payments. The Company periodically reviews the underlying assumptions in its estimate of the allowance for uncollectible receivables to ensure that the allowance reflects the most recent trends and factors. As of March 31, 2021 and December 31, 2020, management believed no allowance for uncollectible receivables was necessary.

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 gain on sale of mortgage loans in the consolidated statements of operations. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Realized losses are charged to expenses as incurred. The fair value of mortgage loans held for sale is typically calculated using observable market information, including pricing from actual market transactions, investor commitment prices and broker quotations. The fair value for mortgage loans held for sale covered by investor commitments is generally based on commitment prices. The fair value of mortgage loans held for sale not committed to an investor is generally based on current delivery prices using best execution pricing.

Note 2. Summary of significant accounting policies, continued

Revenue recognition

The Company applies Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, and all subsequent amendments to the ASU (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. Payment for the Company's services that fall within the scope of ASC 606 are recognized as revenue as the Company satisfies its obligation to the customer.

ASC Topic 606 provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price

- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Company's revenue streams are primarily composed of loans sold, loan origination fees, lead generation income, and commission income. Revenues from loans sold and retail origination fees are exempted from ASC 606. Origination and other fees are not specifically separable from the actual mortgage loans.

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

Retail origination fees are principally revenues earned from loan originations. Direct loan origination costs and fees 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.

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, such as through an agreement to repurchase them before their maturity.

Commission income and lead generation income are generated from providing professional services to clients. A single contract could include one or multiple performance obligations. For contracts that have multiple performance obligations, the Company allocates a portion of the transaction price to each performance obligation based on its relative standalone selling price, which is determined based on overall pricing objectives, taking into consideration market conditions and other factors.

Commission income is substantially recognized at a point in time on the effective date of the associated policies when control of the policy transfers to the client.

Note 2. Summary of significant accounting policies, continued

Revenue recognition, continued

The Company is also eligible for certain contingent commissions from insurers based on the attainment of specified metrics (i.e. volume growth, loss ratios) related to the underlying policies 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 of the metric 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.

The performance obligations related to lead generation are satisfied, and therefore the related revenue recognized, evenly over the course of the service period.

Total revenue accounted for under ASC 606 and recognized at a point in time and over time was as follows for the three months ended March 31:

	2021	2020
Revenue recognized at a point in time (commission income)	$ 1,846,178	$ -
Revenue recognized over time (consulting income)	98,007	164,236
	$ 1,944,185	$ 164,236

Contract balances

The Company records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded. Balances were as follows as of March 31, 2021 and December 31, 2020:

	2021	2020
Accounts receivable, net of allowance for uncollectible accounts	$ 596,980	$ 478,723
Unbilled receivables	-	-
Deferred revenue	-	-
	$ 596,980	$ 478,723

Payment terms on invoiced amounts are typically 30 days. In instances where the timing of revenue recognition differs from the timing of the right to invoice, the Company has determined that a significant financing component generally does not exist. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing the products and not to receive financing from or provide financing to the customer.

Property and equipment

Property and equipment are carried at cost. Depreciation of property and equipment is calculated using the straight-line method for financial reporting purposes over the estimated useful lives of the assets, which range from 5 to 7 years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Note 2. Summary of significant accounting policies, continued

Intangible assets

Intangible assets are comprised of customer lists with estimated useful lives of ten years. Intangible assets are amortized over their estimated lives using an accelerated method. Costs incurred to renew or extend the term of recognized intangible assets are capitalized and amortized over the useful life of the asset.

Risks and uncertainties

In the normal course of business, companies in the mortgage banking industry encounter certain economic and regulatory risks. Economic risks include interest rate risk and credit risk. The Company is subject to interest rate risk to the extent that in a rising interest rate environment, the Company may experience a decrease in loan production, as well as decreases in the value of mortgage loans held for sale not committed to investors and commitments to originate loans, which may negatively impact the Company's operations. Credit risk is the risk of default that may result from the borrowers' inability or unwillingness to make contractually required payments during the period in which loans are being held for sale or serviced by the Company.

The Company sells loans to investors without recourse. As such, the investors have assumed the risk of loss or default by the borrower. However, the Company is usually required by these investors to make certain standard representations and warranties relating to credit information, loan documentation and collateral. To the extent that the Company does not comply with such representations, or there are early payment defaults, the Company may be required to repurchase the loans or indemnify these investors for any losses from borrower defaults. In addition, if loans pay-off within a specified time frame, the Company may be required to refund a portion of the sales proceeds to the investors.

The Company's business requires substantial cash to support its operating activities. As a result, the Company is dependent on its warehouse lines of credit and other financing facilities in order to finance its continued operations. If the Company's principal lenders decided to terminate or not to renew any of these financing facilities with the Company, the loss of borrowing capacity could have a material adverse impact on the Company's consolidated financial statements unless the Company found a suitable alternative source.

Federal income tax

The Company is a limited liability company taxed as a partnership for Federal income tax purposes. Therefore, the Company records no provision or liability for Federal income tax. Members of a limited liability company are individually taxed on their proportionate share of the Company's earnings.

The Company is required to recognize, measure, classify, and disclose in the consolidated financial statements uncertain tax positions taken or expected to be taken in the Company's tax returns. Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the consolidated financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company or its members will not be subject to additional tax, penalties and interest as a result of such challenge. The Company would recognize any penalties or interest in operating expenses. Generally, the Company's tax returns remain open for Federal income tax examination for 3 years from the date of filing and for state franchise tax examination for 4 years from the date of filing.

Note 2. Summary of significant accounting policies, continued

Derivative financial instruments

The Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 815-25, *Accounting for Derivative Instruments and Hedging Activities*. This standard requires that all derivatives be recognized as assets or liabilities in the consolidated balance sheets and measured at fair value.

The Company enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (interest rate lock commitments). Rate lock commitments on mortgage 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 or liabilities, with changes in fair value recorded in the consolidated statements of operations in gain on sale of mortgage loans. Fair value is based upon changes in the fair value of the underlying mortgages, estimated to be realizable upon sale into the secondary market. Fair value estimates also take into account loan commitments not expected to be exercised by customers for whatever reason, 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 sales commitments, mandatory delivery commitments, options and futures contracts, whereby the Company maintains the right to deliver residential loans to investors in the future at a specified yield. Fair value is based on the 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 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.

Impairment of long-lived assets

Long-lived assets are evaluated for impairment whenever events or changes in circumstances have indicated that an asset may not be recoverable and are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities (asset group). If the sum of the projected undiscounted cash flows (excluding interest charges) of an asset group is less than its carrying value and the fair value of an asset group is also less than its carrying value, the assets will be written down by the amount by which the carrying value of the asset group exceeded its fair value. However, the carrying amount of a finite-lived intangible asset can never be written down below its fair value. Any loss would be recognized in income from continuing operations in the period in which the determination is made. Management determined that no impairment of long-lived assets existed as of March 31, 2021 and December 31, 2020.

Note 3. Property and equipment

Property and equipment consisted of the following:

	March 31, 2021	December 30, 2020
Leasehold improvements	$ 149,049	$ 149,049
Office furniture, fixtures and equipment	224,598	223,933
Computer software and equipment	295,721	262,247
	669,368	635,229
Less - accumulated depreciation	(310,577)	(289,999)
Net property and equipment	$ 358,791	$ 345,230

Depreciation expense for the three months ended March 31, 2021, and 2020 totaled $20,577, and $8,080, respectively, and is included in selling, general and administrative expenses.

Note 4. Mortgage loans held for sale

Mortgage loans held for sale were as follows:

	March 31, 2021	December 31, 2020
Mortgage loans held for sale	$ 9,702,105	$ 14,825,896
Fair value adjustments	327,910	490,050
	$ 10,030,015	$ 15,315,946

Note 5. Intangible Assets

The Company has the following amounts related to intangible assets:

Amortizable intangible assets - customer lists	March 31, 2021	December 30, 2020
Gross carrying amount	$ 5,138,355	$ 5,138,355
Less - accumulated amortization	(632,319)	(395,200)
	$ 4,506,036	$ 4,743,155

The aggregate amortization expense of the Company's intangible assets for the three months ended March 31, 2021, and 2020 was $237,119 and $0, respectively. Estimated amortization expense for 2021 (remaining), 2022, 2023, 2024, 2025 is approximately $653,303, $759,620, $648,032, $552,837, $471,625, respectively, and $1,420,619 thereafter.

Note 6. Commitments and contingencies

Regulatory contingencies

The Company 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 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 governmental bodies, regulators or the courts.

Operating Leases

Operating leases in which the Company is the lessee are recorded as operating lease right-of-use (ROU) assets and operating lease liabilities, respectively, on the consolidated balance sheets. The Company does not currently have any significant finance leases in which it is the lessee. Operating lease ROU assets represent the Company's right to use an underlying asset during the lease term and operating lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and operating lease liabilities are recognized at lease commencement based on the present value of the remaining lease payments using a discount rate that represents the Company's incremental borrowing rate at the lease commencement date. ROU assets are further adjusted for lease incentives. Operating lease expense, which is comprised of amortization of the ROU asset and the implicit interest accreted on the operating lease liability, is recognized on a straight-line basis over the lease term and is recorded in selling, general and administrative expenses.

The Company is obligated on leases for office facilities with various terms, including related party leases as described in Note 13. The Company also leases office facilities under month-to-month lease agreements. Certain lease arrangements contain extension options, which is typically one year, at the agreed rental rates. The leases also include termination options by either party with 30-day notice. As these extension options are generally considered reasonably certain of exercise, they are included in the lease term in determining the present value of the lease payments. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments. As of March 31, 2021 and December 31, 2020, operating lease ROU assets were $1,567,003 and $1,696,548, respectively, and operating lease liabilities were $1,590,101 and $1,721,566, respectively. The Company's operating lease cost for the three months ended March 31, 2021 and 2020 was $ 147,323 and $59,775, respectively.

The table below summarizes other information related to the Company's operating leases:

Cash paid for amounts included in the measurement of operating lease liabilities:	$	147,323
Leased assets obtained in exchange for new operating lease liabilities	$	-
Weighted average remaining lease term - operating leases, in years		2.77
Weighted average discount rate - operating leases		3.8%

Note 6. Commitments and contingencies, continued

The future minimum lease obligations related to these leases are as follows:

Year ending December 31,	Unrelated	Related	Total
2021 (remaining)	$ 137,623	$ 224,175	$ 361,798
2022	116,417	298,900	415,317
2023	63,804	298,900	362,704
2024	63,804	298,900	362,704
2025	31,902	194,683	226,585
Total future minimum lease payments	413,550	1,315,558	1,729,108
Less: imputed interest	(33,246)	(105,761)	(139,007)
Total operating lease liabilities	$ 380,304	$ 1,209,797	$ 1,590,101

Commitments to extend credit

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

Note 7. Warehouse lines of credit

As a means of financing its mortgage loans held for sale, the Company entered into line of credit agreements for the purpose of temporarily warehousing mortgage loans pending the sale of the loans to an investor.

The Company maintains a warehousing credit and security agreement with a bank whereby the Company borrows funds to finance the origination or purchase of eligible mortgage loans. The Company pays interest equal to the greater of the Prime Rate less 0.75% or 3.85% per annum. The Prime Rate as of March 31, 2021 was 3.25%. The maximum funding limit of these loans was $15,000,000 at March 31, 2021 and December 31, 2020. The majority owners of the Company have personally guaranteed these loans. At March 31, 2021 and December 31, 2020, the outstanding balance on this warehouse line was $5,990,090 and $7,466,094, respectively. The credit agreement requires $1,000,000 of net worth, $750,000 working capital, and a debt to net worth ratio not exceeding 20 to 1. The agreement expires November 2021.

Note 7. Warehouse lines of credit, continued

The Company maintains a master loan warehouse agreement with a bank whereby the Company borrows funds to finance the origination or purchase of eligible mortgage loans. The Company pays interest equal to the greater of the mortgage interest rate of the underlying loan or 3.5%. The maximum funding limit of these loans was $10,000,000 at March 31, 2021 and December 31, 2020. The majority owners of the Company have personally guaranteed these loans. At March 31, 2021 and December 31, 2020, the outstanding balance on this warehouse line was $499,114 and $3,817,902. The credit agreement requires $500,000 in liquid assets per the agreement. The agreement expires in January 2022.

The Company maintains a master loan warehouse agreement with a bank whereby the Company borrows funds to finance the origination or purchase of eligible mortgage loans. The Company pays interest equal to the greater of the mortgage interest rate of the underlying loan or 4%. The maximum funding limit of these loans was $10,000,000 at March 31, 2021 and December 31, 2020. The majority owners of the Company have personally guaranteed these loans. At March 31, 2021 and December 31, 2020, the outstanding balance on this warehouse line was $3,015,646 and $3,217,551, respectively. The agreement allows for the Company to exceed the limit on the line at the bank's discretion. The credit agreement requires $1,250,000 of net worth, $750,000 in liquid assets and a debt to net worth ratio not to exceed 12 to 1 per the agreement. The agreement expires in July 2021.

Note 8. Fair value measurements

Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact, and (iv) willing to transact.

Authoritative guidance requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement costs). Valuation techniques should be consistently applied.

Note 8. Fair value measurements, continued

Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, authoritative guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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 available. 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 investor 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. These 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 considered Level 3 on the fair value hierarchy.

Note 9. Derivative instruments

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
- Trade prices for derivative hedges
- Closing prices at March 31, 2021 and December 31, 2020 for derivative hedges

Assets and liabilities measured at fair value on a recurring basis

The following are the major categories of assets and liabilities measured at fair value on a recurring basis as of March 31, 2021:

Description	Level 1	Level 2	Level 3	Total
Mortgage loans held for sale	$ -	$ 10,030,015	$ -	$ 10,030,015
Derivative assets	-	-	241,035	241,035
Derivative liabilities	-	-	(241,726)	(241,726)

	$ -	$ 10,030,015	$ (691)	$ 10,029,324

The following are the major categories of assets and liabilities measured at fair value on a recurring basis as of December 31, 2020:

Description	Level 1	Level 2	Level 3	Total
Mortgage loans held for sale	$ -	$ 15,315,946	$ -	$ 15,315,946
Derivative assets	-	-	323,013	323,013
Derivative liabilities	-	-	(130,625)	(130,625)
	$ -	$ 15,315,946	$ 192,388	$ 15,508,334

The Company enters into interest rate lock commitments (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 gain on sale of mortgage loans 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 MSRs 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 investors are based on quoted agency MBS prices.

Note 10. Concentrations

For the three months ended March 31, 2021 and March 31, 2020, the Company sold approximately 80% of its originated loans to five investors and approximately 90% of its originated loans to four investors, respectively. Management believes no risk is present under these arrangements due to an active market of investors available to purchase mortgage loans.

Note 11. Paycheck Protection Program loan payable

On March 10, 2021, the Company was granted a loan from a bank in the aggregate amount of $75,600, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), which was enacted March 27, 2020. Under the terms of the PPP, loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the forgiveness period. As of March 31, 2021, the Company has used the entire loan proceeds to fund its payroll expenses. The Company does not anticipate taking any action that would cause any portion of the loan to be ineligible for forgiveness. However, to the extent that any amount is deemed unforgivable, such amount is payable over two years at an interest rate of 1%, with a deferral of payments for the ten months following its covered period as defined in the Paycheck Protection Program Flexibility Act of 2020.

During the three months ended March 31, 2021, the Company's PPP loan granted on April 29, 2020 of $474,259 was forgiven in full.

Note 12. Long-term debt

Long-term debt consisted of the following at March 31, 2021:

Term Note 1:
$784,744 promissory note with a remaining 5 year term including monthly payments of $8,527 of principal and interest at 4.25%, maturing on July 1, 2025.

Term Note 2:
$3,240,373 promissory note, maturing on May 1, 2022, including monthly payments of $51,148 of principal and interest at 4.25%.

Term Note 3:
$410,000 promissory note to be paid in full at maturity date of July 1, 2022.

Note 12. Long-term debt, continued

Term Note 4:
$1,095,858 promissory note, annual interest rate of 0.99%, to be paid at the end of each quarter, with quarterly payments of $50,000 until the note is paid in full in 2026.

Future annual maturities of long-term debt are as follows:

Years ending December 31,	
2021 (remaining)	$ 621,024
2022	3,554,435
2023	275,756
2024	279,040
2025	704,863

Thereafter	95,857
	$ 5,530,975

Note 13. Related party

During the three months ended March 31, 2021 and March 30, 2020, the Company incurred $74,725 and $32,602, respectively, of rent expenses for office space to an entity related through common ownership. This expense is included in selling, general, and administrative expenses in the consolidated statements of operations.

Note 14. Subsequent events

On April 1, 2021, the Company's members purchased the remaining shares from the remaining ELG limited partners by issuing notes payable totaling $1,276,120. As a result, effective April 1, 2021, the Company owns 100% of ELG.

On April 16, 2021, the Company was acquired by Fathom Holdings, Inc., a public entity. As a result, all long-term debt, as described in Note 12 and notes payable issued on April 1, 2021, were paid in full at the date of the acquisition. Simultaneously, the Company discontinued its relationship with one of the warehouse lines of credit and closed the warehouse line.

The Company has evaluated subsequent events through June 30, 2021, the date on which the consolidated financial statements were available to be issued.

Exhibit 99.4

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Introduction

On April 16, 2021, Fathom Holdings Inc. ("Fathom" or the "Company") completed its acquisition of E4:9 Holdings, Inc. ("E4:9"), pursuant to the Agreement and Plan of Merger by and among the Company, Fathom Merger Sub A, Inc., Fathom Merger Sub B, LLC, E4:9 Holdings, Inc., The Stockholders Named Herein (the "Sellers") and Paul Marsh in his capacity as Stockholder Representative, dated as of April 13, 2021 (the "Merger Agreement"). The transactions contemplated by the Merger Agreement are referred to herein as the "Acquisition."

In connection with the closing of the Acquisition, the Company transferred to Sellers consideration of $9,824,509 in cash, subject to customary working capital adjustments, as well as shares of the Company's common stock having an aggregate value of approximately $16,633,713, for an aggregate estimated purchase price of $26,458,222.

The following unaudited pro forma condensed combined balance sheet as of March 31, 2021 assumes that the Acquisition was completed on March 31, 2021. The following unaudited pro forma condensed combined statements of operations for the three months ended March 31, 2021 and for the year ended December 31, 2020 assume that the Acquisition was completed on January 1, 2020.

E4:9 was formed on January 1, 2020 through the contribution of the ownership interests of Dagley Insurance Agency, LLC ("DIA"), Real Systems Sales Results, LP ("RSSR"), RSR CO Management, LLC ("RSR"), Encompass Lending Management, LLC ("ELM") and Encompass Lending Group, LP ("ELG"). As of December 31, 2020, E4:9 owned 100% of its subsidiaries DIA, RSSR, RSR and ELM and 89% of ELG. On August 1, 2020, DIA acquired the assets and liabilities of Dagley Insurance and Financial Services ("DIFS") (the "DIFS Acquisition") and the DIFS Acquisition was accounted for as a business combination under ASC Topic 805, *Business Combinations*. On April 1, 2021, E4:9 purchased the remaining partnership interests of ELG for a purchase price of $1,276,210 through the issuance of notes payable. The unaudited condensed pro forma balance sheet as of March 31, 2021 assumes the purchase of the remaining partnership interests of ELG was completed on March 31, 2021 and the unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2021 and for the fiscal year ended December 31, 2020 assume the DIFS Acquisition and the purchase of the remaining partnership interests of ELG were completed on January 1, 2020.

The unaudited pro forma condensed combined financial statements have been presented for illustrative purposes only and do not necessarily reflect what the Company's financial condition or results of operations would have been had the Acquisition occurred on the dates indicated. Further, the unaudited pro forma condensed combined financial information also might not be useful in predicting the future financial condition and results of operations of the Company. The actual financial position and results of operations might differ significantly from the pro forma amounts reflected herein due to a variety of factors. The unaudited pro forma adjustments represent management's estimates based on information available as of the date of these unaudited pro forma condensed combined financial statements and are subject to change as additional information becomes available and analyses are performed.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of March 31, 2021

	Historical Fathom	Pro Forma E4:9	Transaction Accounting Adjustments		Pro Forma Combined
ASSETS					
Current assets:					
Cash and cash equivalents	$ 24,918,369	$ 2,518,325	$ (9,824,509)	A	$ 17,812,185
Restricted cash	992,205	253,848	—		1,246,053
Accounts receivable	1,629,028	596,980	—		2,226,008
Agent annual fees receivable, net	455,437	—	—		455,437
Mortgage loans held for sale	—	10,030,015	—		10,030,015
Derivative assets	—	241,035	—		214,035
Prepaid and other current assets	615,454	—	—		615,454
Total current assets	28,610,493	13,640,203	(9,824,509)		32,426,187
Property and equipment, net	538,768	358,791	—		897,559
Lease right of use assets	2,223,059	1,567,003	—		3,790,062
Intangible assets, net	4,925,696	4,506,036	7,203,964	B	16,635,696
Goodwill	1,008,268	—	11,165,773	C	12,174,041
Other assets	57,186	62,560	—		119,746
Total assets	$ 37,363,470	$ 20,134,593	$ 8,545,228		$ 66,043,291
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)					
Current liabilities:					
Accounts payable and accrued liabilities	$ 3,262,188	$ 296,816	$ —		$ 3,559,004
Accrued liabilities	2,083,119	337,015	83,443	D	2,503,577
Escrow liabilities	990,774	—	—		990,774
Derivative liabilities	—	241,726	—		241,726
Warehouse lines of credit	—	9,504,850	—		9,504,850
Long-term debt - current portion	244,922	795,942	(795,942)	E	244,922
Lease liability - current portion	252,404	308,177	—		560,581
Total current liabilities	6,833,407	11,484,526	(712,499)		17,605,434
Long-term debt, net of current portion	260,538	6,086,843	(6,011,243)	E	336,138
Lease liability, net of current portion	1,976,087	1,281,924	—		3,258,011
Total liabilities	9,070,032	18,853,293	(6,723,742)		21,119,583
Stockholders' Equity (Deficit)					
Common stock / members' equity	—	1,281,300	(1,281,300)	F	—
Treasury Stock	(30,000)	—	—		(30,000)
Additional paid-in capital	39,211,307	—	16,633,713	A	55,845,020

Accumulated deficit	(10,887,869)	—	(83,443)	D	(10,971,312)
Total stockholders' equity	28,293,438	1,281,300	15,268,970		44,843,708
Total liabilities and stockholders' equity	$ 37,363,470	$ 20,134,593	$ 8,545,228		$ 66,043,291

Unaudited Pro Forma Condensed Combined Statements of Operations
For the Three Months Ended March 31, 2021

	Historical Fathom	Pro Forma E4:9	Transaction Accounting Adjustments		Pro Forma Combined
Revenue	$ 49,645,489	$ 3,765,703	$ —		$ 53,411,192
Operating expenses	53,094,563	4,168,186	155,898	AA	57,418,647
Loss from operations	(3,449,074)	(402,483)	(155,898)		(4,007,455)
Other expense (income), net					
Gain on extinguishment of debt	(50,936)	(474,259)	—		(525,195)
Interest expense, net	1,312	154,386	—		155,698
Other income, net	(4,732)	(42,038)	—		(46,770)
Other income, net	(54,356)	(361,911)	—		(416,267)
Loss from operations before income taxes	(3,394,718)	(40,572)	(155,898)		(3,591,188)
Income tax (expense) benefit	(5,000)	—	45,139	CC	(40,139)
Net loss	$ (3,399,718)	$ (40,572)	$ (110,759)		$ (3,551,049)
Basic and diluted net loss per common share	$ (0.25)				$ (0.25)
Basic and diluted weighted average common shares outstanding	13,450,111		513,862	DD	13,963,973

Unaudited Pro Forma Condensed Combined Financial Statements of Operations
For the Year Ended December 31, 2020

	Historical Fathom	Pro Forma E4:9	Transaction Accounting Adjustments		Pro Forma Combined
Revenue	$ 176,784,060	$ 15,056,994	$ —		$ 191,841,054
Operating expenses	178,059,084	13,199,545	733,949	AA	192,076,021
			83,443	BB	
(Loss) income from operations	(1,275,024)	1,857,449	(817,392)		(234,967)
Other expense (income), net					
Interest expense, net	84,031	681,564	—		765,595
Other income, net	(10,000)	(315,154)	—		(325,154)
Other expense (income), net	(74,031)	366,410	—		440,441
(Loss) income from operations before income taxes	(1,349,055)	1,491,039	(817,392)		(675,408)
Income tax (benefit) expense	(8,471)	—	155,740	CC	147,269
Net (loss) income	$ (1,340,584)	$ 1,491,039	$ (973,132)		$ (822,677)
Basic and diluted net loss per common share	$ (0.12)				$ (0.07)
Basic and diluted weighted average common shares outstanding	11,404,262		513,862	DD	11,918,124

Note 1 — Basis of Presentation

On April 16, 2021 (the "Closing Date"), Fathom Holdings Inc. (the "Company") completed its acquisition of E4:9 Holdings, Inc. ("E4:9"), pursuant to the Agreement and Plan of Merger by and among the Company, Fathom Merger Sub A, Inc., Fathom Merger Sub B, LLC, E4:9 Holdings, Inc., The Stockholders Named Herein (the "Sellers") and Paul Marsh in his capacity as Stockholder Representative, dated as of April 13, 2021 (the "Merger Agreement"). The transactions contemplated by the Merger Agreement are referred to herein as the "Acquisition."

The unaudited pro forma condensed combined balance sheet as of March 31, 2021 assumes that the Acquisition occurred on March 31, 2021. The unaudited pro forma condensed combined statements of operations for the three months ended March 31, 2021 and the year ended December 31, 2020 assume the Acquisition occurred on January 1, 2020.

E4:9 was formed on January 1, 2020 through the contribution of the ownership interests of Dagley Insurance Agency, LLC ("DIA"), Real Systems Sales Results, LP ("RSSR"), RSR CO Management, LLC ("RSR"), Encompass Lending Management, LLC ("ELM") and Encompass Lending Group, LP ("ELG"). As of December 31, 2020, E4:9 owned 100% of its subsidiaries DIA, RSSR, RSR and ELM and 89% of ELG. On August 1, 2020, DIA acquired the assets and liabilities of Dagley Insurance and Financial Services ("DIFS") (the "DIFS Acquisition") and the DIFS Acquisition was accounted for as a business combination under ASC Topic 805, *Business Combinations.*

On April 1, 2021, E4:9 purchased the remaining partnership interests of ELG for a purchase price of $1,276,210 through the issuance of notes payable. The unaudited pro forma balance sheet as of March 31, 2021 assumes the purchase of the remaining partnership interests of ELG was completed on March 31, 2021 and the unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2021 and for the fiscal year ended December 31, 2020 assume the DIFS Acquisition and the purchase of the remaining partnership interests of ELG were completed on January 1, 2020.

The unaudited pro forma condensed combined balance sheet as of March 31, 2021 has been prepared using, and should be read in conjunction with, the following:

- Fathom's unaudited condensed consolidated balance sheet as of March 31, 2021 and the related notes incorporated by reference; and
- E4:9's unaudited condensed consolidated balance sheet as of March 31, 2021 and the related notes included in this Form 8-K/A.

The unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2021 has been prepared using, and should be read in conjunction with, the following:

- Fathom's unaudited condensed consolidated statement of operations for the three months ended March 31, 2021 and the related notes incorporated by reference; and
- E4:9's unaudited condensed consolidated statement of operations for the three months ended March 31, 2021 and the related notes included in this Form 8-K/A.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2020 has been prepared using, and should be read in conjunction with, the following:

- Fathom's audited consolidated statement of operations for the year ended December 31, 2020 and the related notes incorporated by reference; and
- E4:9's audited consolidated statement of operations for the year ended December 31, 2020 and the related notes included in this Form 8-K/A.

Management has made significant estimates and assumptions in its determination of the pro forma adjustments. As the unaudited pro forma condensed combined financial information has been prepared based on these preliminary estimates, the final amounts recorded might differ materially from the information presented.

The unaudited pro forma condensed combined financial information does not give effect to any anticipated synergies, operating efficiencies, tax savings, or cost savings that may be associated with the Acquisition.

The pro forma adjustments reflecting the consummation of the Acquisition are based on certain currently available information and certain assumptions and methodologies that the Company believes are reasonable under the circumstances. The unaudited condensed combined pro forma adjustments, which are described in the accompanying notes, may be revised as additional information becomes available and is evaluated. Therefore, it is likely that the actual adjustments will differ from the pro forma adjustments and it is possible the difference may be material. The Company believes that its assumptions and methodologies provide a reasonable basis for presenting all of the significant effects of the Acquisition based on information available to management at this time and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined financial information is not necessarily indicative of what the actual results of operations and financial position would have been had the Acquisition taken place on the dates indicated, nor are they indicative of the future consolidated results of operations or financial position of the combined company. The unaudited pro forma condensed combined financial information should be read in conjunction with the historical financial statements and notes thereto of Fathom and E4:9.

Note 2 — Accounting Policies

The Company continues to perform a comprehensive review of the two entities' accounting policies. As a result of the review, management may identify differences between the accounting policies of the two entities which, when conformed, could have a material impact on the financial statements of the combined company.

Note 3 — Pro forma Adjustments to Historical Information of E4:9

The following table presents the pro forma balance sheet for E4:9 as of March 31, 2021

	Historical E4:9	Pro Forma Adjustments	Pro Forma Combined
ASSETS			
Current assets:			
Cash and cash equivalents	$ 2,518,325	$ —	$ 2,518,325
Restricted cash	253,848	—	253,848
Accounts receivable	596,980	—	596,980
Mortgage loans held for sale	10,030,015	—	10,030,015
Derivative assets	241,035	—	241,035
Total current assets	13,640,203		13,640,203
Property and equipment, net	358,791	—	358,791
Lease right of use assets	1,567,003	—	1,567,003
Intangible assets, net	4,506,036	—	4,506,036
Other assets	62,560	—	62,560
Total assets	$ 20,134,593	$ —	$ 20,134,593
LIABILITIES AND MEMBERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	$ 296,816	$ —	$ 296,816
Accrued liabilities	337,015	—	337,015
Derivative liabilities	241,726	—	241,726
Warehouse lines of credit	9,504,850	—	9,504,850
Long-term debt - current portion	795,942	—	795,942
Lease liability - current portion	308,177	—	308,177
Total current liabilities	11,484,526	—	11,484,526
Long-term debt, net of current portion	4,810,633	1,276,210**(1)**	6,086,843

Lease liability, net of current portion	1,281,924	—	1,281,924
Total liabilities	17,577,083	1,276,210	18,853,293
Members' Equity:			
E4:9 Holdings, LLC members' equity	2,321,012	(1,039,712)**(1)**	1,281,300
Noncontrolling interest	236,498	(236,498)**(1)**	—
Total member' equity	2,507,510	(1,276,210)	1,281,300
Total liabilities and members' equity	$ 20,134,593	$ —	$ 20,134,593

(1) Represents the purchase of the remaining 11% partnership interest in Encompass Lending Group, LP.

The following table presents the pro forma statement of operations for E4:9 for the three months ended March 31, 2021

	Historical E4:9	Pro Forma Adjustments	Pro Forma Combined
Revenue	$ 3,765,703	$ —	$ 3,765,703
Operating expenses	4,168,186	—	4,168,186
Loss from operations	(402,483)	—	(402,483)
Other expense (income), net			
Gain on extinguishment of debt	(474,259)		(474,259)
Interest expense, net	154,386	—	154,386
Other income, net	(42,038)	—	(42,038)
Other income, net	(361,911)	—	(361,911)
Net loss	(40,572)	—	(40,572)
Less: Net loss attributable to noncontrolling interests	(4,463)	4,463**(1)**	—
Net loss attributable to controlling interest	$ (36,109)	$ (4,463)	$ (40,572)

(1) Reflects the elimination of the historical net loss attributable to noncontrolling interests to reflect E4:9's purchase of the remaining partnership interests of ELG as if the purchase occurred on January 1, 2020.

The following table presents the pro forma statement of operations for E4:9 for the year ended December 31, 2020

	Historical E4:9	Pro Forma Adjustments	Pro Forma Combined
Revenue	$ 12,037,443	$ 3,019,551**(1)**	$ 15,056,994
Operating expenses	9,883,067	2,763,200**(1)**	13,199,545
		553,278**(2)**	
Income (loss) from operations	2,154,376	(296,927)	1,857,449
Other expense (income), net			
Interest expense, net	674,634	6,930**(3)**	681,564
Other income, net	(305,728)	(9,426)**(1)**	(315,154)
Other expense (income), net	368,906	(2,496)	366,410
Net income	1,785,470	(294,431)	1,491,039
Less: Net income attributable to noncontrolling interests	207,179	(207,179)**(4)**	—
Net income attributable to controlling interest	$ 1,578,291	$ (87,252)	$ 1,491,039

(1) Reflects the revenue and expenses of DIFS for the period January 1, 2020 through July 31, 2020.
(2) Reflects the pro forma amortization expense for the period January 1. 2020 through July 31, 2020 for the identifiable intangible assets recorded as if the DIFS Acquisition occurred on January 1, 2020.
(3) Reflects pro forma interest expense on the seller financing portion of the purchase consideration for the DIFS Acquisition.
(4) Reflects the elimination of the historical net income attributable to noncontrolling interests to reflect E4:9's purchase of the remaining partnership interests of ELG as if the purchase occurred on January 1, 2020.

Note 4 — Estimated Preliminary Purchase Price Consideration

The table below represents the total estimated preliminary purchase price consideration:

Cash consideration (1)	$ 9,824,509
Stock consideration (2)	16,633,713
Total acquisition consideration	**$ 26,458,222**

(1) Cash consideration includes historical debt of E4:9 in the amount of $6,807,185 (as of March 31, 2021) paid off concurrent with the Acquisition that is recognized as a component of the purchase consideration transferred to acquire E4:9.

(2) The Company issued 513,862 shares of the Company's common stock in connection with the Acquisition. The fair value of such shares is based on the fair value of the Company's common stock on the Closing Date.

Note 5 — Estimated Preliminary Purchase Price Allocation

The Company has performed a preliminary valuation analysis of the fair value of E4:9's assets acquired and liabilities assumed. Using the total estimated purchase price consideration for the Acquisition, the Company has estimated the allocations to such assets and liabilities. The preliminary purchase price allocation is based on financial information of E4:9 as of March 31, 2021, which represents the best information available to management at the time of this filing. The following table summarizes the allocation of the preliminary purchase price:

	Fair Value
Assets acquired	
Cash	$ 2,518,325
Restricted cash	253,848
Accounts receivable	596,980
Mortgage loans held for sale	10,030,015
Derivative assets	241,035
Property and equipment	358,791
Intangible assets	11,710,000
Goodwill	11,165,773
Lease right of use assets	1,567,003
Other assets	62,560
Total assets acquired	38,504,330
Liabilities assumed	
Accounts payable	(296,816)
Accrued liabilities	(337,015)
Derivative liabilities	(241,726)
Warehouse lines of credit	(9,504,850)
Lease liability - current portion	(308,177)
Lease liability, net of current portion	(1,281,924)
Long-term debt	(75,600)
Total liabilities assumed	(12,046,108)
Purchase price allocated	$ 26,458,222

This preliminary purchase price allocation has been used to prepare the transaction accounting adjustments in the pro forma balance sheet and statement of operations. The final purchase price allocation will be determined when the Company has completed the detailed valuations and necessary calculations as described in more detail in the explanatory notes below. The final allocation is expected to be completed when the Company files its report on Form 10-K for the year ended December 31, 2021 and could differ materially from the preliminary allocation used in the transaction accounting adjustments. The final allocation may include (1) changes in allocations to intangible assets, such as trade names, technology and customer relationships, as well as goodwill; and (2) other changes to assets and liabilities, including changes in fair values of the assets and liabilities between March 31, 2021 and the Closing Date.

Note 6 — Pro Forma Adjustments

The following is a description of the unaudited pro forma adjustments reflected in the unaudited pro forma condensed combined financial statements:

Adjustments to the Unaudited Pro Forma Condensed Combined Balance Sheet as of March 31, 2021

(A) Reflects transfer of total merger consideration of $9,824,509 in cash, as well as shares of the Company's common stock, zero par value, having an aggregate value of $16,633,713, for an aggregate purchase price of $26,458,222.

(B) Reflects the recording of identified intangible assets acquired by the Company to their estimated fair values and the reversal of historical intangible assets. As part of the preliminary valuation analysis, the Company identified certain intangible assets, including tradenames and trademarks, customer relationships and technology. The fair value of identifiable intangible assets is determined primarily using the "income approach," which requires a forecast of all of the expected future cash flows. As all information required to perform a detailed valuation analysis of E4:9's intangible assets could not be obtained as of the date of this filing, for purposes of these unaudited pro forma condensed combined financial statements, the Company used certain assumptions based on publicly available transaction data for the industry.

The following table summarizes the estimated fair values of E4:9's identifiable intangible assets and their estimated useful lives:

	Estimated Fair Value	Estimated Life
Tradenames and trademarks	$ 5,190,000	10
Technology	360,000	5
Customer relationships	6,160,000	8

These preliminary estimates of fair value and estimated useful lives might differ from final amounts the Company will calculate after completing a detailed valuation analysis, and the difference could have a material effect on the accompanying unaudited pro forma condensed combined financial statements.

(C) Reflects adjustment to record goodwill resulting from the Acquisition. Goodwill reflected in this adjustment is based on the fair value of assets acquired and liabilities assumed as of March 31, 2021.

(D) Represents preliminary estimated transaction costs inclusive of advisory, banking, printing, legal and accounting fees, that are expensed as part of the Acquisition. The unaudited pro forma condensed combined balance sheet reflects these costs as an increase to "Accrued liabilities". These costs are expensed through "(Accumulated deficit) retained earnings" and are included in the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2020 as discussed below. These transaction costs are in addition to $160,914 of transaction costs that had already been recognized in the Company's historical financial statements as of March 31, 2021.

(E) Represents historical debt of E4:9 paid off concurrent with the Acquisition that is recognized as a component of the purchase consideration transferred to acquire E4:9.

(F) Reflects elimination of E4:9's historical equity.

Adjustments to the Unaudited Pro Forma Condensed Combined Statements of Operations for the three months ended March 31, 2021 and the year ended December 31, 2020

The pro forma adjustments included in the unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2021 and the year ended December 31, 2020 are as follows:

(AA) Reflects the estimated pro forma amortization expense based on the preliminary estimates of fair value and useful lives of identifiable intangible assets described in note (B) above and the reversal of historical intangible amortization expense.

(BB) Reflects the accrual of additional estimated transaction costs to be incurred by the Company subsequent to March 31, 2021. These costs are in addition to the $160,914 of transaction costs that had already been recognized in the Company's historical income statement for the three months ended March 31, 2021. Additional transaction costs are reflected as if incurred on January 1, 2020, the date the Acquisition occurred for the purposes of the unaudited pro forma condensed combined statement of operations.

(CC) Reflects the income tax effect of pro forma adjustments using the estimated statutory tax rate of 23.0%. Prior to its conversion to a Delaware corporation on March 22, 2021, E4:9 was a Texas limited liability company. E4:9 has not historically presented an income tax provision and related balance sheet income tax accounts in its financial statements. The pro forma adjustments include an adjustment to reflect income tax expense for E4:9 using an estimated statutory tax rate of 23.0%. The pro forma adjustments do not include the pro forma effect on the combined entity's deferred tax assets that may result from changes in the valuation allowances recorded on deferred tax assets in the historical financial statements of the Company.

(DD) Represents the issuance of additional shares in connection with the Acquisition, assuming the shares were outstanding since January 1, 2020. As the Acquisition and related equity transactions are being reflected as if they had occurred at the beginning of the periods presented, the calculation of weighted average shares outstanding for basic and diluted net income (loss) per share assumes that the shares issuable relating to the Acquisition have been outstanding for the entirety of all periods presented. The following table summarizes pro forma adjustments to basic and diluted common shares outstanding:

	Three Months Ended March 31, 2021 (1)	**Year Ended December 31, 2020 (1)**
Basic weighted average common shares outstanding - Fathom historical	13,450,111	11,404,262
Stock issued to Sellers as part of merger consideration	513,862	513,862
Pro forma basic weighted average common shares outstanding	**13,963,973**	**11,918,124**
Basic weighted average common shares outstanding - Fathom historical	13,450,111	
Stock issued to Sellers as part of merger consideration	513,862	
Fathom stock options	60,970	
Fathom unvested restricted stock awards	508,784	
Fathom common stock warrants	240,100	
Pro forma diluted common shares outstanding	**14,773,827**	

(1) As Fathom had a net loss on a pro forma combined basis, outstanding Fathom stock options, unvested restricted stock and common stock warrants had no impact to diluted net loss per share as they are considered anti-dilutive. Accordingly, only pro forma basic weighted average common shares outstanding has been presented for the three months ended March 31, 2021 and the year ended December 31, 2020.