

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

FORM 10-K

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

For the fiscal year ended December 31, 2023

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

Commission file number 001-39412

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

North Carolina

82-1518164

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

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

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

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

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

Securities registered pursuant to Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
Yes No

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

Based on the registrant's closing price of \$7.14 as quoted on the NASDAQ Capital Market on June 30, 2023, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$66,327,887, Common stock held by each officer and director and by

each person known to the registrant who owned 10% or more of the outstanding common stock have been excluded in that such person may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 19, 2024, there were approximately 20,776,292 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant intends to file a definitive proxy statement pursuant to Regulation 14A within 120 days after the end of the fiscal year ended December 31, 2023. Portions of such proxy statement are incorporated by reference into Part III of this Form 10-K.

Fathom Holdings Inc.
FORM 10-K
December 31, 2023

TABLE OF CONTENTS

	Page
PART I	5
Item 1. Business	5
Item 1A. Risk Factors	14
Item 1B. Unresolved Staff Comments	32
Item 1C. Cybersecurity	32
Item 2. Properties	33
Item 3. Legal Proceedings	33
Item 4. Mine Safety Disclosures	34
PART II	35
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	35
Item 6. Reserved	35
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	36
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	46
Item 8. Financial Statements and Supplementary Data	47
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	46
Item 9A. Controls and Procedures	46
Item 9B. Other Information	47
Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspection	47
PART III	47
Item 10. Directors, Executive Officers and Corporate Governance	47
Item 11. Executive Compensation	48
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	48
Item 13. Certain Relationships and Related Transactions, and Director Independence	48
Item 14. Principal Accountant Fees and Services	48
PART IV	49
Item 15. Exhibits and Financial Statement Schedules	49
Item 16. Form 10-K Summary	50

NOTES

In this Annual Report on Form 10-K (this “Report”), and unless the context otherwise requires, “Fathom,” “we,” “us,” “our,” “the Company,” “our Company” and “our business” refer to Fathom Holdings Inc. and its direct and indirect subsidiaries as of December 31, 2023, taken as a whole.

We have a registered trademark with the United States Patent and Trademark Office (“USPTO”) for the name and logo of “intelliAgent” and “Fathom Realty”, as they relate to real estate and associated industries. All other trade names, trademarks and service marks appearing in this Report are the property of their respective owners. We have assumed that the reader understands that all such terms are source-indicating. Accordingly, such terms, when first mentioned in this Report, appear with the trade name, trademark or service mark notice and then throughout the remainder of this Report without trade name, trademark or service mark notices for convenience only and should not be construed as being used in a descriptive or generic sense.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this Report regarding our strategy, future operations, future product research or development, future financial position, future revenues, projected costs, prospects, plans and objectives of management, are forward-looking statements. The words “anticipate,” “believe,” “goals,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “predict,” “project,” “target,” “potential,” “will,” “would,” “could,” “should,” “continue,” “forecast” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements in this Report include, but are not limited to, statements about:

- the risks associated with government spending, inflation, the Federal Reserve’s policies and rate increases, and the unprecedented rapid increase in mortgage interest rates;
- our ability to remain an innovative leader in the real estate industry;
- whether we are able to effectively manage rapid growth in our business;
- the risks associated with litigation filed by or against us, and adverse results therefrom;
- our ability to prevent security breaches, cybersecurity incidents, and interruptions, delays and failures in our systems and operations;
- our ability to grow in the various local markets that we serve or expand into adjacent markets;
- whether we are successful in identifying and pursuing new business opportunities;
- our value proposition for agents, including giving them equity in our Company and allowing them to keep more of their commissions than traditional companies allow;
- our ability to ensure agents understand our value proposition so that we are able to attract, retain and incentivize agents;
- our ability to compete effectively with other companies in the real estate industry;
- the risks associated with making meaningful comparisons of successive quarters;
- our non-GAAP operating performance, as reported using Adjusted EBITDA, which is not equivalent to net income (loss) as determined under GAAP;
- our ability to protect the privacy of employees, independent contractors and consumers or the personal information they share with us so that we do not harm our reputation and business;
- our ability to expand, maintain and improve the systems and technologies upon which we rely on to operate;

- if we fail to maintain compliance with the law and regulations of federal, state, foreign, county governmental authorities, or private associations and governing boards;
- our ability to sell originated loans;
- our ability to obtain sufficient financing to fund the origination of mortgage loans and grow our mortgage business;
- our ability to establish and maintain effective internal controls over financial reporting;
- the risks associated with the loss of our current executive officers or other key management;
- our ability to protect intellectual property rights;
- our ability to evaluate potential vendors, suppliers and other business partners for acquisition to accelerate growth;
- our ability to integrate recently acquired businesses;
- our future revenues and growth prospects and our dependence on other contractors;
- our ability to obtain sufficient additional capital on reasonable terms to grow our business;
- our ability to manage technology that is currently being developed in foreign countries, including Brazil and India, and third-party off-shore service teams, including in the Philippines, which makes us subject to certain risks associated with foreign laws and regulations; and
- other forward-looking statements discussed elsewhere in this Report.

We might not achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included in this Report, particularly in the section titled “Risk Factors” included in Item 1A of Part I of this Report, that we believe could cause actual results or events to differ materially from the forward-looking statements that we make. The environment in which we operate is highly competitive and rapidly changing and it is not possible for our management to predict all risks, as new risks emerge from time to time, such as the unprecedented increases in interest rates.

Except as required by law, we undertake no obligation to update or revise any forward-looking statements to reflect new information or future events or developments. You should therefore not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Report. You also should not assume that our silence over time means that actual events are bearing out as expressed or implied in such forward-looking statements.

SUMMARY OF RISK FACTORS

Our business is subject to significant risks and uncertainties that make an investment in us speculative and risky. Below we summarize what we believe are the principal risk factors, but these risks are not the only ones we face, and you should carefully review and consider the full discussion of our risk factors in the section titled “Risk Factors” included in Item 1A of Part I of this Report, together with the other information in this Report. If any of the following risks occurs (or if any of those listed elsewhere in this Report occur), our business, reputation, financial condition, results of operations, revenue, and future prospects could be seriously harmed.

Risks Related to Our Business

- If we do not remain an innovative leader in the real estate industry, we might not be able to grow our business and leverage our costs to achieve profitability;
- We might not be able to effectively manage rapid growth in our businesses;
- Industry, employee, or agent litigation and unfavorable publicity could negatively affect our future business;
- If we fail to grow in the various local markets that we serve or are unsuccessful in identifying and pursuing new business opportunities, our long-term prospects and profitability will be harmed;
- If agents do not understand our value proposition for them including allowing them to receive equity in our Company and keep more of their commissions than traditional real estate companies, we might not be able to attract, retain and incentivize agents or maintain our agent growth rate, which would adversely affect our revenue growth and results of operations;
- If we fail to expand effectively into adjacent markets, our growth prospects could be harmed;
- Adverse outcomes in litigation and regulatory actions against other companies and agents in our industry could adversely impact our financial results;
- We have a history of losses, and we might not be able to achieve or sustain profitability;
- Our revenue growth rates might not be indicative of our future growth, and we might not continue to grow at our recent pace, or at all;
- We currently use and intend to continue to use Adjusted EBITDA, a non-GAAP financial measure, in reporting our annual and quarterly results of operations; however, Adjusted EBITDA is not equivalent to net income (loss) from operations as determined under GAAP, and shareholders may consider GAAP measures to be more relevant to our operating performance;
- If we fail to protect the privacy of employees, independent contractors and consumers, or the personal information that they share with us, or if we fail to comply with privacy or data security legal requirements, our reputation and business could be significantly harmed;
- We participate in a highly competitive market, and pressure from other companies might adversely affect our business and operating results;
- Listing aggregator concentration and market power creates, and is expected to continue to create, disruption in the residential real estate brokerage industry, which might have a material adverse effect on our results of operations and financial condition;
- Our operating results are subject to seasonality and vary significantly across quarters during each calendar year, making meaningful comparisons of successive quarters difficult;
- Our business could be adversely affected if we are unable to expand, maintain and improve the systems and technologies upon which we rely to operate;
- Cybersecurity incidents, data breaches and other privacy/data security incidents could disrupt our business operations, and result in the loss or exposure of critical, confidential and/or sensitive information, which would adversely impact our reputation, result in costly regulatory investigations or litigation, create legal liability and harm our business;
- We face significant risk to our brands and revenue if we fail to maintain compliance with the law and regulations of federal, state, foreign, or county governmental authorities, or private associations and governing boards;
- Our mortgage business might be unable to sell its originated loans, in which case Fathom would need to service the loans and potentially foreclose on the home by itself or through a third party, either of which option could impose costs on Fathom. Our inability to sell originated loans could also expose us to adverse market conditions affecting mortgage loans;
- If we are unable to obtain sufficient financing through warehouse credit facilities to fund origination of mortgage loans, then we may be unable to grow our mortgage business;

- We might identify material weaknesses in the future that might cause us to fail to meet our reporting obligations or result in material misstatements of our financial statements. If we fail to remediate any material weaknesses or if we otherwise fail to establish and maintain effective internal controls over financial reporting, our ability to accurately and timely report our financial results could be adversely affected;
- We are an “emerging growth company,” and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors;
- Loss of our current executive officers or other key management could significantly harm our business;
- Failure to protect intellectual property rights could adversely affect our business;
- We may evaluate potential vendors, suppliers and other business partners for acquisition to accelerate growth but might not succeed in identifying suitable candidates, or we may acquire businesses that negatively impact us;
- We have acquired businesses that are outside our core competencies as a real estate brokerage, which could be difficult to integrate, disrupt our core business, dilute stockholder value, and adversely affect our operating results and the value of our common stock;
- Our future revenue and growth prospects could be adversely affected by our dependence on other contractors, including off-shore contractors;
- We may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all;
- Part of our technology is currently being developed in foreign countries, including Brazil, which makes us subject to certain risks associated with foreign laws and regulations;

Risks Related to Our Industry

- Our results are tied to the residential real estate market, and we might be negatively impacted by downturns in this market and general global economic conditions;
- A lack of financing for homebuyers in the U.S. residential real estate market at favorable rates and on favorable terms could have a material adverse effect on our financial performance and results of operations;
- Potential reform of Fannie Mae or Freddie Mac or certain federal agencies or a reduction in U.S. government support for the housing market could have a material impact on our operations;

Risks Related to Ownership of Our Common Stock

- The requirements of being a public company may strain our resources, divert management’s attention, and affect our ability to attract and retain qualified board of director members;
- Our common stock price might fluctuate significantly, and the price of our common stock might be negatively impacted by factors which are unrelated to our operations;
- Our amended and restated bylaws provide that, unless we consent in writing, North Carolina state court is, to the fullest extent permitted by law, the sole and exclusive forum for substantially all disputes between us and our shareholders. This choice of forum provisions could limit the ability of shareholders to obtain a favorable judicial forum for disputes with us or our directors, officers or employees;
- Future sales of shares of our common stock by existing shareholders could depress the market price of our common stock;
- Joshua Harley, our Founder and former Chief Executive Officer, together with Marco Fregenal, our President and Chief Executive Officer and Chief Financial Officer, and a director, and Glenn Sampson, a significant shareholder, each own a significant percentage of our stock, and as a result, they can take actions that may be adverse to the interests of the other shareholders and the trading price for our common stock may be depressed; and
- If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

PART I

Item 1. Business.

Overview

Fathom Realty LLC was founded in January 2010 and later incorporated as Fathom Holdings Inc. in the state of North Carolina on May 5, 2017. We are a national, technology-driven, real estate services platform integrating residential brokerage, mortgage, title, insurance, and Software as a Service (“SaaS”) offerings to brokerages and agents by leveraging IntelliAgent, our proprietary cloud-based software. The Company’s brands include Fathom Realty, Dagley Insurance, Encompass Lending, IntelliAgent, LiveBy, Real Results, and Verus Title.

For Fathom Realty, our core business, our overhead business model leverages our proprietary software platform for management of real estate brokerage back-office functions, without the cost of physical brick and mortar offices or of redundant personnel. As a result, we can offer our agents significantly more of their commissions compared to traditional real estate brokerage firms; we do not split our agents’ commissions, but instead charge a flat fee per real estate transaction. We believe we offer our agents some of the best technology, training, and support available in the industry. We also offer our agents valuable benefits, including equity in our Company if they achieve growth goals. We believe our commission structure, business model, advanced technology offerings, and our focus on treating our agents well attract more agents and higher producing agents to join and stay with our Company.

Fathom Realty’s commission model is designed to empower real estate agents to build a more profitable business by allowing them to keep a high percentage of their commission without sacrificing support, technology, or training. We believe that by simply joining our company, agents from traditional model brokerages can increase their income by over 25% on average. More importantly, agents are able to take that increase and reinvest it into their marketing thereby increasing their number of transactions and revenue which also benefits Fathom.

Generally speaking, there are only two ways to make more money in real estate: increase revenue or decrease expenses. In a slowing housing market, it’s difficult to increase revenue. Our low flat transaction fee provides agents money to outspend their competition on marketing while netting the same amount of money as an agent at a traditional brokerage. With our low flat transaction fee, even during a decline in the housing market where home sales decline by 20%, we believe most real estate agents can net as much income as they did the year before at a traditional brokerage. In other words, they may close 20% fewer homes but could earn the same income as before under our fee model compared to being at a traditional brokerage. We believe this is a competitive advantage we can continue to leverage in our industry.

Traditional brokerage companies retain between 20% and 50% of the commission of their agents. Below is an example of a traditional brokerage company’s commission model assuming a 30% split, versus our commission model. This is an example of potential commission savings and results similar to the example below may vary and are not guaranteed.

Commission Comparison

 FATHOM REALTY			TRADITIONAL BROKERAGE	
\$440,000	Sale Price		\$440,000	Sale Price
x 2.8%	Commission %	VS	x 2.8%	Commission %
\$12,320	Total Commission		\$12,320	Total Commission
- \$550	Flat-fee to Fathom		- \$3,696	Split to Broker (30%)
\$11,770	Total to Agent		\$8,624	Total to Agent

\$3,146* MORE INCOME ON JUST ONE SALE

**based on median sales price and average agent commission in U.S.*

We believe our commission model also allows agents to directly compete against discount brokerages and other disruptive new competitors. The flat transaction fee that we collect allows our agents to adjust the commission the charge accordingly to be highly competitive.

The commission we collect from our agents is our primary source of revenue. During 2022, from the gross commission income, we maintained a flat transaction fee of \$500 per transaction and the remainder of any commission was retained by the agent. The \$500 transaction fee was charged for each of the agent's first 12 sales per agent's anniversary year, and then \$99 per sale for the rest of their anniversary year. For leases, we recognized revenue through lease commissions negotiated between our agents and landlords, and we retained \$85 per transaction with the remainder paid to the agent.

Every agent also pays a \$600 annual fee on their first sale (recognized as a reduction to Commission and other agent-related costs over the following twelve months), which helps cover our operating costs such as technology, errors and omissions insurance, training, and oversight.

In 2023, our agents paid \$550 for each of their first 15 completed sales transactions, up from \$500 on their first 12 sales transactions. For each sales transaction after the first 15, our agents will pay \$150 for the rest of their anniversary year, up from \$99 in 2022. We have also discontinued our agent stock grant program effective December 31, 2022, which had provided for our agents to receive \$200 in stock grants for every five transactions completed. We currently plan to continue to provide stock grants to agents based on metrics achieved for recruiting new agents. In 2023, our average cost to recruit a new agent was \$1,050 and our annual cost associated with each agent was \$1,150 so we break even in an agent's first year if he or she completes just two sales.

Starting in January 2024, there will be an increase of the agent's annual fee which is charged on an agent's first transaction of each anniversary year from \$600 to \$700. A second change includes a new fee which affects sales of properties over \$600,000 and will be in addition to the agent's transaction fee of \$550. This new 'High-Value Property Fee' will consist of an additional \$200 on properties priced between \$600,000 and \$999,999. Then, there will be an additional fee of \$250 charged for each \$500,000 tier range over a \$1,000,000 property price. The Company expects these changes could add an estimated \$3.1 million in EBITDA for the year ended December 31, 2024. (See our Current Report on Form 8K filed with the SEC on November 28, 2023 for further information).

In just fourteen years since we launched our Company, we have grown rapidly with operations in 40 states plus the District of Columbia. We achieved gross commission income of approximately \$325.4 million on \$13.3 billion in real estate sales volume for the year ended December 31, 2023. As of December 31, 2023, we had approximately 11,795 licensed agents or brokers working for us.

In March 2023, we were ranked the #6 largest independent real estate brokerage firm and the #10 overall largest brokerage firm in the United States (per available data). These rankings were published by The Real Trends Five Hundred based on several criteria including transaction size, sales volume, affiliation, top movers, core services, and others. Fathom also was listed in the top three of the Top 100 Places to Work in Dallas Fort Worth, five years in a row by the Dallas Morning News.

In February 2022, the Company completed its acquisition of iPro Realty Network ("iPro"). The acquisition of iPro, a real estate brokerage business, has helped us to expand our reach in the Utah real estate market.

Also in February 2022, the Company completed its acquisition of Cornerstone Financial ("Cornerstone"). The acquisition of Cornerstone, a real estate mortgage business, has helped us to expand our reach in the DC and surrounding markets.

Industry Background

We primarily operate in the U.S. residential real estate industry, with a market size of over \$2.5 trillion with over 4.8 million new and existing properties sold in the United States in 2023. Our agents also opportunistically engage in commercial real estate transactions. We derive most of our revenues from serving buyers and sellers of existing homes. According to the National Association of Realtors, or the NAR, existing home sales represent approximately 90% of the overall market by number of transactions.

The U.S. residential real estate industry has a long history of growth, despite periodical downturns. Period downturns, like the current one, can often be defined by things over which the industry has no control, such as economic uncertainty and increased interest rates. (see "Industry Trends" for further detail below). The following information is based on data published by the NAR. This data includes the significant and lengthy downturn from the second half of 2005 through 2011, and in that time frame, the number of annual U.S. existing home sale transactions declined by approximately 39%. Beginning in 2012, the U.S. residential real estate industry began its recovery, and the number of annual U.S. existing home sale units improved. However, there was another housing downturn beginning in 2022, when severe inflation gave rise to high interest rates which caused U.S. existing home sale transactions to decline by approximately 33.5% in 2023, according to Realtor.com.

Industry Trends

In addition to the negative impacts of recent economic uncertainty and increased interest rates, we believe the following trends have impacted the U.S. real estate market and that their impact will continue to accelerate:

- according to the NAR, 97% of homebuyers use the Internet to search for homes, illustrating the importance of technology and transition away from expensive brick-and-mortar offices in the industry, while only 2% found their agent through the agent's office;
- nevertheless, according to the NAR, 89% of home buyers and 89% of home sellers still used an agent or broker in 2023, up from 86% for both buyers and sellers in 2022, for various reasons, including the relative size, importance and infrequency of a home sale for any individual;
- the complexity of the home selling or buying process continues to require the best personal service possible, while technology can make the process and business more efficient; and
- downturns like the current one are inevitable, and favor companies with lower cost business models that also pay agents higher commissions.

Our Strategy

Our goal is to be the leading 100% commission real estate brokerages in the United States while offering superior customer service, state of the art technology, and a great company culture. We have grown rapidly since inception, and plan to accelerate our growth through the following aspects of our vision:

- offer full brokerage services via our technology-enabled, low-overhead business model;
- attract and retain high-producing agents by offering high compensation per transaction and industry-leading benefits;
- use our publicly traded stock to further incentivize agents;
- continue to enhance and develop our proprietary software platform to facilitate our own business and potentially increase our revenue by licensing it to others; and
- pursue further growth through potential acquisitions, including potentially using our publicly traded stock as consideration, depending on its value at the time.

Technology

Fathom Realty operates primarily as a cloud-based real estate brokerage by utilizing our proprietary consumer-facing website, <https://www.FathomRealty.com>, and our internal proprietary technology, IntelliAgent(R), to manage our brokerage operations. Through our website, we provide buyers, sellers, landlords, and tenants with access to all available properties for sale or lease on the multiple listing service, or MLS, in each of the markets in which we operate. We provide each of our agents their own personal website that they can modify to match their personal branding. Our website also gives consumers access to our network of professional real estate agents and vendors. Through a combination of our proprietary technology platform and several third-party systems, we provide our agents with marketing, training, and other support

services, as well as client and transaction management. Our technology, services, data, lead generation, and marketing tools are designed to be used by our agents to represent their real estate clients with best-in-class service.

Internally, we use our technology to provide agents with opportunities to increase their profitability, reduce risk, and develop professionally, while fostering a culture that values collaboration, strength of community, and commitment to serving the consumer's best interests. We provide our agents with the systems, support, professional development and infrastructure designed to help them succeed in unpredictable, and often challenging, economic conditions. This includes delivering 24/7 access to collaborative tools and training for real estate agents.

Specifically, using advanced Internet-based software, we can improve compliance and oversight while providing, at no cost to our agents, technology tools and services to our agents and their customers, including:

- a robust, mobile-friendly, customer-facing corporate website providing access to view all homes for sale and lease in the markets that we serve, with the ability to search and save favorite properties and receive alerts for new properties that fit their criteria;
- a customizable, mobile-friendly agent website with home search, lead capture, and blogging capabilities;
- an advanced customer relationship management system, with visitor tracking, property alerts, and customer communication, all designed to help convert leads into customers;
- social media tools to enhance agent marketing and visibility;
- streamlined solicitation, collection, verification and posting of customer testimonials;
- single property websites for our agents' listings;
- a wide array of on-demand training modules for the professional development of agents at all levels of experience; and
- agent access to IntelliAgent(R), which is described in more detail below.

Our proprietary IntelliAgent(R) real estate technology platform provides a suite of brokerage and agent level tools, technology, business processes, business intelligence and reporting, training. IntelliAgent includes, but is not limited to consumer facing websites, transaction management, personnel management, customer relationship management, accounting management for agent transactions, reporting, social media marketing and other marketing and marketing repository, along with a future marketplace for add-on services and third-party technology. Our IntelliAgent rollout strategy began with the core technology needed by every real estate brokerage to manage its agents, its agents' transactions, commission structures, payments, and compliance, as well as the ability to gain a better understanding of the operations of the business through business intelligence and robust reporting. IntelliAgent has since grown to include brokerage and agent-level websites, content creation and management, customer relationship management, social media marketing, agent reviews, a training platform, and marketing repository. Our technology roadmap includes our own fully-integrated e-signature platform, goal setting and accountability for agents, expense tracking for agents, and APIs for integration with additional third-party tools. We intend for IntelliAgent to be more than just a technology platform for Fathom; we might someday use a simplified version of IntelliAgent as a platform to unify independent brokerages through a smarter broker network, which would help them effectively compete against larger regional and national brands. This should allow us to monetize a portion of our technology and generate revenue from small-to-medium sized brokerages and agents who would not otherwise join our company. We believe that IntelliAgent also provides us with the platform to more fully integrate our mortgage, title, and insurance companies that are part of Fathom Holdings. This deeper integration is designed to encourage a higher level of agent adoption and use of our various services companies and therefore create a better agent experience, customer experience, and generate higher revenues for our company and add value for our shareholders.

In addition to building IntelliAgent internally, in March 2021 we acquired Naberly, a home search website and customer relationship management technology company, to help us achieve technology independence, which further enhanced our proprietary IntelliAgent platform to give us a stronger competitive advantage. Naberly allowed us to further improve our operational efficiency while reducing costs from third party providers. Offering even more robust technology to help our agents grow their businesses is a key strategy to continuing our solid agent growth trajectory. In the future, we

also intend to roll out an enhanced version of the Naberly platform to launch a national real estate portal to help generate leads for our Fathom agents, as well as non-Fathom agents, in the markets in which we are not currently operating.

To develop and accelerate the growth of agents joining Fathom, we developed the Fathom Talent Acquisition Platform. The Fathom Talent Acquisition Platform combines talented agents, technology and process. Fathom has built an extensive database of potential agents who we believe would fit the Fathom culture and benefit from joining the Company. A content marketing strategy updates candidates on the latest developments and offers that may be of interest to them in growing their business. Additionally, a team of experienced recruiters focuses on personally introducing and sharing the Fathom brands value proposition with real estate professionals across the country. The team works within a customer relationship management system to nurture longer term opportunities, and help recruit agents who want to join our team of independent contractors. These elements are designed to build brand awareness and position Fathom as the brokerage of choice for agents making career decisions.

Our Focus on Agents

We believe that agents deliver unique value to the specific customers they serve in different ways depending upon the knowledge, skills or expertise of the agent and the needs and desires of the customers. We also believe that customers who choose agents because of the agent's skills and service prioritize the agent's skill service levels and style over the brokerage brand with which the agent is affiliated. Therefore, we heavily emphasize serving our agents, so that we attract and retain the best in the industry.

In a recent study by the NAR, only 3% of home sellers chose their agent because of the agent's brokerage. We believe home buyers and sellers choose an agent because of the agent's marketing prowess, professionalism, and personality. To capitalize on this, we focus on helping our agents improve professionally and increase their financial ability to invest in their personal marketing.

Cost Structure

The lower overall cost of operating our business primarily virtually enables us to offer our agents a 100% commission model. We charge each agent a flat fee per real estate transaction. Consequently, this higher commission retained by our agents combined with our unique delivery of support services and the flexibility it provides for agents has facilitated our growth over the past several years. We also differentiate ourselves by not charging our agents royalties or franchise fees. A commission calculator on our website allows agents to determine how much money they could make if they join our company.

We believe we offer agents further opportunity to increase their overall revenue and income, because they can invest the additional income earned under our fee structure in incremental marketing.

Our Markets

Currently, our market is the United States. We currently operate in 40 states plus the District of Columbia:

Alabama	Kentucky	Ohio
Arizona	Louisiana	Oklahoma
Arkansas	Maryland	Oregon
California	Massachusetts	Rhode Island
Colorado	Michigan	Pennsylvania
Delaware	Minnesota	South Carolina
Florida	Missouri	Tennessee
Georgia	Montana	Utah
Hawaii	Nebraska	Virginia
Idaho	Nevada	Washington
Illinois	New Hampshire	West Virginia
Iowa	New Jersey	Wisconsin
Indiana	New Mexico	Washington D.C.
Kansas	North Carolina	

We primarily target urban or suburban areas or regions with populations of at least 50,000, of which there are approximately 775 in the United States. We believe this provides us opportunity for continued growth. We have expanded rapidly since our inception fourteen years ago. As we continue to expand, we might also target smaller rural markets as well as move into Canada.

Competition

The residential real estate brokerage industry is highly competitive with low barriers to entry for new participants. We believe that recruitment and retention of independent sales agents and independent sales agent teams are critical to the business and financial results of a brokerage. Competition for independent sales agents in our industry is high and has intensified particularly for the more productive independent sales agents. Competition for independent sales agents is generally subject to numerous factors, including remuneration and benefits, other expenses borne by independent sales agents, leads or business opportunities generated for the independent sales agent from the brokerage, independent sales agents' perception of the value of the broker's brand affiliation, marketing and advertising efforts by the brokerage or franchisor, technology, continuing professional education, and other services provided by the brokerage or franchisor.

We compete with three major categories of competitors:

- national independent real estate brokerages, franchisees of national and regional real estate franchisors, regional independent real estate brokerages, and discount and limited-service brokerages;
- companies that employ technologies intended to disrupt the traditional brokerage model or eliminate agents from, or minimize the role they play in, the home sale transaction, such as through the reduction of brokerage commissions; and

- other non-traditional models that operate outside of the brokerage industry, such as companies that purchase homes directly from sellers.

Many of our competitors are much larger than us, with more capital to fund growth and survive downturns like the current one, and many of them have greater brand awareness. Some of our competitors are also increasingly well-funded, which strengthens their competitive position and ability to offer aggressive compensation arrangements to top-performing sales agents. Moreover, a growing number of companies are competing in non-traditional ways for a portion of the gross commission income generated by home sale transactions. For example, listing aggregators and other web-based real estate service providers not only compete with our business by establishing relationships with independent sales agents and/or buyers and sellers of homes, they also increasingly charge brokerages and independent sales agents for advertising on their sites.

Our ability to successfully compete is important to our prospects for growth. Our ability to compete may be affected by the recruitment, retention and performance of independent sales agents, the location of offices and target markets, the services provided to independent sales agents, the fees charged to independent sales agents, the number and nature of competing offices in the vicinity, affiliation with a recognized brand name, community reputation, technology and other factors. Our success may also be affected by national, regional and local economic conditions.

Intellectual Property

We have a registered trademark with the USPTO for the name and logo of “intelliAgent” and “Fathom Realty”, as they relate to real estate and associated industries. We also own the rights to the domain names FathomHoldings.com, FathomRealty.com, FathomCareers.com, intelliAgent.com, Naberly.com, and LiveBy.com.

We have developed and own the intelliAgent software. We also license lesser third-party software, but none of which we believe is critical to our ability to compete or operate effectively. While we currently utilize these vendors to provide our services in the short-term, we believe other alternatives are available in the longer term, should they be needed, to license or develop replacement technology. Our March 2021 acquisition of Naberly was intended to reduce our need for third party software.

If necessary, we will aggressively assert our rights under trade secret, unfair competition, trademark and copyright laws to protect our intellectual property. We protect these rights through trademark law, the maintenance of trade secrets, the development of trade dress, and, where appropriate, litigation against those who are, in our opinion, infringing these rights.

While an assertion of our rights could result in a substantial cost and diversion of management effort, we believe the protection and defense against infringement of our intellectual property rights are essential to our business. There is also risk that someone else will claim that we are violating their intellectual property rights, which could cost money and time to defend, even if we are successful.

Seasonality of Business

Seasons and weather traditionally impact the real estate industry. Continuous poor weather or natural disasters negatively impact listings and sales. Spring and summer seasons historically reflect greater sales periods in comparison to fall and winter seasons. The latter periods also tend to see greater agent attrition. We have historically experienced lower revenues during the fall and winter seasons, as well as during periods of unseasonable weather, which reduces our operating income, net income, operating margins and cash flow.

Real estate listings precede sales and a period of poor listing activity will negatively impact revenue. Past performance in similar seasons or during similar weather events can provide no assurance of future or current performance, and macroeconomic shifts in the markets we serve can conceal the impact of poor weather and/or seasonality.

Home sales in successive quarters can fluctuate widely due to a wide variety of factors, including holidays, national or international emergencies, the school year calendar’s impact on timing of family relocations, interest rate changes, speculation of pending interest rate changes and the overall macroeconomic market. Our revenue and operating margins each quarter will remain subject to seasonal fluctuations, poor weather, natural disasters and macroeconomic market changes that may make it difficult to compare or analyze our financial performance effectively across successive quarters.

Furthermore, the residential real estate market and the real estate industry in general are often cyclical, characterized by protracted periods of depressed home values, lower buyer demand, inflated rates of foreclosure and often changing regulatory or underwriting standards applicable to mortgages. The best example of this was the significant downturn in the U.S. residential real estate market between 2005 and 2011. Such depressed real estate cycles are often followed by extended periods of higher buyer demand, lower available real estate supply and increasing home values. While we believe we are well-positioned to compete during a downturn, our business is affected by these cycles in the residential real estate market, which can make it difficult to compare or analyze our financial performance effectively across successive periods.

Government Regulation

We serve the residential real estate industry which is regulated by federal, state and local authorities as well as private associations or state sponsored associations or organizations. We are required to comply with federal, state, and local laws, as well as private governing bodies' regulations, which, when combined, result in a highly-regulated industry.

We are also subject to federal and state regulations relating to employment, contractor, and compensation practices. Except for our employed state agents, all agents in our brokerage operations have been retained as independent contractors, either directly or indirectly through third-party entities formed by these independent contractors for their business purposes. With respect to these independent contractors, like most brokerage firms, we are subject to the Internal Revenue Service regulations and applicable state law guidelines regarding independent contractor classification. These regulations and guidelines are subject to judicial and agency interpretation.

Real Estate Regulation - Federal

The Real Estate Settlement Procedures Act of 1974, as amended, or RESPA, became effective on June 20, 1975. RESPA requires lenders, mortgage agents, or servicers of home loans to provide borrowers with pertinent and timely disclosures regarding the nature and costs of the real estate settlement process. RESPA also protects borrowers against certain abusive practices, such as kickbacks, and places limitations upon the use of escrow accounts. RESPA also requires detailed disclosures concerning the transfer, sale, or assignment of mortgage servicing, as well as disclosures for mortgage escrow accounts.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, moved authority to administer RESPA from the Department of Housing and Urban Development to the new Consumer Financial Protection Bureau, or the CFPB. The CFPB released a five-year strategic plan in February 2018 indicating that it intends to continue to focus on protecting consumer rights while engaging in rulemaking to address unwarranted regulatory burdens. As a result, the regulatory framework of RESPA applicable to our business may be subject to change. The Dodd-Frank Act also increased regulation of the mortgage industry, including: (i) generally prohibiting lenders from making residential mortgage loans unless a good faith determination is made of a borrower's creditworthiness based on verified and documented information; (ii) requiring the CFPB to enact regulations to help assure that consumers are provided with timely and understandable information about residential mortgage loans that protect them against unfair, deceptive and abusive practices; and (iii) requiring federal regulators to establish minimum national underwriting guidelines for residential mortgages that lenders will be allowed to securitize without retaining any of the loans' default risk. In addition, federal fair housing laws generally make it illegal to discriminate against protected classes of individuals in housing or brokerage services. Other federal laws and regulations applicable to our business include (i) the Federal Truth in Lending Act of 1969; (ii) the Federal Equal Credit Opportunity; (iii) the Federal Fair Credit Reporting Act; (iv) the Fair Housing Act; (v) the Home Mortgage Disclosure Act; (vi) the Gramm-Leach-Bliley Act; (vii) the Consumer Financial Protection Act; (viii) the Fair and Accurate Credit Transactions Act; and (ix) the Do Not Call/Do Not Fax Act and other federal and state laws pertaining to the privacy rights of consumers, which affects our opportunities to solicit new clients.

Real Estate Regulation - State and Local Level

Real estate and brokerage licensing laws and requirements vary by state. In general, all individuals and entities lawfully conducting businesses as real estate agents or sales associates must be licensed in the state in which they carry on business and must at all times be in compliance.

States require a real estate broker to be employed by the brokerage firm or permit an independent contractor classification, and the broker may work for another broker conducting business on behalf of the sponsoring broker.

States may require a person licensed as a real estate agent, sales associate or salesperson to be affiliated with a broker in order to engage in licensed real estate brokerage activities or allow the agent, sales associate or salesperson to work for another agent, sales associate or salesperson conducting business on behalf of the sponsoring agent, sales associate or salesperson. Agents, sales associates or salespersons are generally classified as independent contractors; however, real estate firms can also offer employment.

Engaging in the real estate brokerage business requires obtaining a real estate broker license (although in some states the licenses are personal to individual agents). In order to obtain this license, most jurisdictions require that a member or manager be licensed individually as a real estate broker in that jurisdiction. If applicable, this member or manager is responsible for supervising the entity's licensees and real estate brokerage activities within the state.

Real estate licensees, whether they are salespersons, individuals, agents or entities, must follow the state's real estate licensing laws and regulations. These laws and regulations generally specify minimum duties and obligations of these licensees to their clients and the public, as well as standards for the conduct of business, including contract and disclosure requirements, record keeping requirements, requirements for local offices, escrow trust fund management, agency representation, advertising regulations and fair housing requirements.

In each of the states where we have operations, we assign appropriate personnel to manage and comply with applicable laws and regulations.

Most states have local regulations (city or county government) that govern the conduct of the real estate brokerage business. Local regulations generally require additional disclosures by the parties to a real estate transaction or their agents, or the receipt of reports or certifications, often from the local governmental authority, prior to the closing or settlement of a real estate transaction as well as prescribed review and approval periods for documentation and broker conditions for review and approval.

Third-Party Rules

Beyond federal, state and local governmental regulations, the real estate industry is subject to rules established by private real estate groups and/or trade organizations, including, among others, state Associations of REALTORS® (AOR), and local Associations of REALTORS® (AOR), the National Association of Realtors® (NAR), and local Multiple Listing Services (MLSs). "REALTOR" and "REALTORS" are registered trademarks of the National Association of REALTORS(R).

Each third-party organization generally has prescribed policies, bylaws, codes of ethics or conduct, and fees and rules governing the actions of members in dealings with other members, clients and the public, as well as how the third-party organization's brand and services may or might not be deployed or displayed.

Human Capital

As of December 31, 2023, we had 241 full-time employees.

Our operations are overseen directly by management. Our management oversees all responsibilities in the areas of corporate administration, training, agent relations, business development, technology, and research. We intend to expand and retain our current management and skilled employees with experience relevant to our businesses.

As of December 31, 2023, we had approximately 11,795 licensed agents and brokers whom we classify as independent contractors.

None of our employees or agents are represented by unions, and we believe our employee and agent relations are good.

Information about our Executive Officers

The following table sets forth current information concerning our executive officers:

Name	Age	Position
Marco Fregenal	60	Chief Executive Officer, President and Chief Financial Officer
Samantha Giuggio	54	Chief Operations Officer of Fathom Realty

Marco Fregenal – President and Chief Executive Officer, Director

Marco Fregenal has been our Chief Executive Officer since November, 2023, and our Chief Financial Officer since 2012. He has also served as our President since January 1, 2018. Prior to this, Mr. Fregenal served as our Chief Operating Officer and Chief Financial Officer from May 1, 2012 to December 31, 2017. Prior to joining our company, Mr. Fregenal served as Chief Operating Officer and Chief Financial Officer of EvoApp Inc., a provider of social media business intelligence, from 2009 to 2012. He was also the Chief Executive Officer and Chief Financial officer of Carpio Solutions, an information technology solutions company, from 2007 to 2009. Mr. Fregenal received a B.S. in economics from Rutgers University and a Masters in Econometrics and Operations Research from Monmouth University.

Samantha Giuggio — Chief Broker Operations Officer

Samantha Giuggio has served as our Chief Operations Officer for Fathom Realty since June 2019. Prior to this, she served as Senior Vice President from October 2015 to June 2019. From April 2014 to October 2015, Ms. Giuggio served as our Regional Vice President and Vice President of Operations. She also served as our District Director RDU from February 2013 to April 2014. She served as an Agent and Group Leader Training Coordinator with us prior to this. Ms. Giuggio received an associate's degree in hospitality management from Holyoke Community College.

Fourth Quarter 2023 Executive Officer Changes

On November 10, 2023, Joshua Harley, the Chief Executive Officer, Director and Chairman of the Board of Directors of Fathom Holdings, Inc. (the "Board") resigned from his role as CEO and Director of the Company, effective November 13, 2023. On November 10, 2023, the Board appointed Marco Fregenal, President and Chief Financial Officer of the Company, to serve as Chief Executive Officer, in addition to his current responsibilities, and appointed Scott Flanders, current Director, as Chair of the Board, both effective as of November 13, 2023. For further information, please see the Company's current report on Form 8-K filed on November 10, 2023.

A search for a new Chief Financial Officer began in early 2024.

Other Information

We make available, free of charge through our website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as is reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission ("SEC") pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The SEC maintains an Internet site that contains these reports at www.sec.gov.

Our corporate website address is www.fathominc.com. The information contained in, or that can be accessed through, our website is not part of this Report.

Item 1A. Risk Factors.

An investment in our securities involves a high degree of risk. You should consider carefully the risks and uncertainties described below together with the other information included in this Report, including our consolidated financial statements and the related notes thereto included elsewhere in this Report. The occurrence of any of the following risks may materially and adversely affect our business, financial condition, results of operations, cash flows, reputation and future prospects. In this event, the market price of our common stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business

If we do not remain an innovative leader in the real estate industry, we might not be able to grow our business and leverage our costs to achieve profitability.

Innovation has been critical to our ability to compete for clients and real estate agents. If competitors follow our practices or develop more innovative practices, our ability to achieve profitability may diminish or erode. For example, other brokerages could develop or license cloud-based office platforms that are equal to or superior to ours. If we do not remain on the forefront of innovation, we might not be able to achieve or sustain profitability, particularly in the current environment of economic uncertainty and increased interest rates, which are having a negative effect on the real estate industry.

The market for Internet products and services is characterized by rapid technological developments, evolving industry standards and customer demands, and frequent new product introductions and enhancements. Our future success will depend in significant part on our ability to continually improve the performance, features and reliability of our technological developments in response to both evolving demands of the marketplace and competitive product offerings, and there can be no assurance that we will be successful in doing so.

We might not be able to effectively manage rapid growth in our business.

We might not be able to scale our business services and support quickly enough to meet the growing needs of our real estate agents. If we are not able to grow efficiently, our operating results could be harmed. As we continue to add new agents and make acquisitions, we will need to devote additional financial and human resources to improving our internal systems, integrating with third-party systems, and maintaining infrastructure performance. In addition, we will need to appropriately scale our internal business systems and our services organization, including support of our affiliated agents as our demographics expand over time. Any failure of, or delay in, these efforts could impair system performance and negatively impact our agents' satisfaction. These issues could result in difficulty in both attracting and retaining agents. Even if we can upgrade our systems and expand our staff, such expansion may be expensive, complex, and place increasing demands on our management. We could also face inefficiencies or operational failures as a result of our efforts to scale our infrastructure and we might not be successful in maintaining adequate financial and operating systems and controls as we expand. Moreover, there are inherent risks associated with upgrading, improving and expanding our information technology systems. We cannot be sure that the expansion and improvements to our infrastructure and systems will be fully or effectively implemented on a timely basis, if at all. These efforts may reduce revenue and our margins and adversely impact our financial results.

Continued technological and geographic growth could also strain our ability to maintain reliable service levels for our users and advertisers, develop and improve our operational, financial, and management controls, enhance our reporting systems and procedures, and recruit, train, and retain highly skilled personnel. Our products are accessed by many users, often simultaneously. If the use of our marketplace continues to expand, we might not be able to scale our technology to accommodate increased capacity requirements, which might result in interruptions or delays in service. The failure of our systems and operations to meet our capacity requirements could result in interruptions or delays in service or impede our ability to scale our operations.

These issues could result in difficulty in both attracting and retaining agents. Even if we are able to upgrade our systems and expand our staff, such expansion may be expensive, complex, and place increasing demands on our management. We could also face inefficiencies or operational failures as a result of our efforts to scale our infrastructure and we might not be successful in maintaining adequate financial and operating systems and controls as we expand. Moreover, there are inherent risks associated with upgrading, improving and expanding our information technology systems. We cannot be sure that the expansion and improvements to our infrastructure and systems will be fully or effectively implemented on a timely basis, if at all. These efforts may reduce revenue and our margins and adversely impact our financial results.

If we fail to grow in the various local markets that we serve or are unsuccessful in identifying and pursuing new business opportunities our long-term prospects and profitability will be harmed.

To capture and retain market share in the various local markets that we serve, we must compete successfully against other brokerages for agents and for the consumer relationships that they bring. Our competitors could lower the fees that they charge to agents or could raise the compensation structure for those agents. Our competitors may have access to

greater financial resources than us, allowing them to undertake expensive local advertising or marketing efforts. In addition, our competitors may be able to leverage local relationships, referral sources, and strong local brand and name recognition that we have not established. Our competitors could, as a result, have greater leverage in attracting both new and established agents in the market and in generating business among local consumers. Our ability to grow in the local markets that we serve will depend on our ability to compete with these local brokerages.

If we don't grow organically in local markets, or if we fail to successfully identify and pursue new business opportunities we may decide to change our business model and operations to improve revenue. Such changes may disproportionately increase our expenses or reduce profit margins. For example, we may allocate resources to acquire lower margin brokerage models or to develop a commercial real estate division. These decisions could involve significant up-front costs that may only be recovered after long periods of time. In addition, any of these additional activities could expose us to additional compliance obligations and regulatory risks.

If we fail to continue to grow in the local markets we serve or if we fail to successfully identify and pursue new business opportunities, our long-term prospects, financial condition and results of operations may be harmed, and our stock price may decline.

Our value proposition for agents includes allowing them to keep more of their commissions than traditional companies do, and receive equity in our Company, which is not typical in the real estate industry. If agents do not understand our value proposition, we might not be able to attract, retain and incentivize agents or maintain our agent growth rate, which would adversely affect our revenue growth and results of operations.

Participation in our commission plan represents a key component of our agent and broker value proposition. Agents might not understand or appreciate our value. In addition, agents might not appreciate other components of our value proposition including the systems and tools that we provide to agents, and the professional development opportunities we create and deliver. We compete with many other real estate brokerages for qualified agents and if agents do not understand the elements of our agent value proposition, or do not perceive it to be more valuable than the models used by most competitors, we might not be able to attract, retain and incentivize new and existing agents to grow our revenue. This could also negatively impact our agent growth rate. Our net licensed agent and broker base grew by approximately 14% from 10,370 licensed agents and brokers at December 31, 2022, to 11,795 licensed agents and brokers at December 31, 2023. Because we derive revenue from real estate transactions in which our agents receive commissions, increases in our licensed agent base correlate to increases in revenue. A slowdown in our licensed agent growth rate would have a material adverse effect on revenue growth and could adversely affect our results of operations.

If we fail to expand effectively into adjacent markets, our growth prospects could be harmed.

We intend to expand our operations into adjacent real estate markets, such as rental properties, mortgages, and home improvement. We also intend to expand our geographic market as well, including additional U.S. geographic markets, as well as potentially international markets. We may incur losses or otherwise fail to enter these markets successfully. Our expansion into these markets will place us in competitive environments with which we are unfamiliar and involves various risks, including the need to invest significant resources and the possibility that returns on such investments will not be achieved for several years, or at all. In attempting to establish a presence in new markets, we expect to incur significant expenses and face various other challenges, such as expanding our sales force and management personnel to cover these markets.

We have a history of losses, and we might not be able to achieve or sustain profitability.

We experienced net losses of approximately \$24.0 million and \$27.6 million for the years ended December 31, 2023 and 2022, respectively. We cannot guarantee when or if we will achieve sustained profitability, particularly considering current economic uncertainty and increased interest rates. We expect to make significant future expenditures to develop and expand our business. We might not achieve sufficient revenue to achieve or maintain profitability. We could incur significant losses in the future for many reasons, including the other risks described in this Report, and we may encounter unforeseen expenses, difficulties, complications and delays and other unknown events. Accordingly, we might not be able to achieve or maintain profitability and we may incur significant losses for the foreseeable future.

Our historical revenue growth rates might not be indicative of our future growth, and we might not continue to grow at our recent pace, or at all.

For the year ended December 31, 2023, our revenue declined to \$345 million from \$413 million, which represents an annual rate of decline of approximately 16%, however our historic growth has been better than market average increasing from 2020 to 2021 by 87% and from 2021 to 2022 by 25% in revenue. We believe that our future revenue growth will depend, among other factors, on our ability to:

- recruit additional agents and collect additional commissions from existing agents;
- increase our brand awareness;
- successfully develop and deploy new products for the residential real estate industry;
- integrate acquired companies, including those offering new ancillary services, such as title, insurance, and mortgage into our product offerings to increase our revenue per agent transaction;
- respond effectively to competitive threats; and
- successfully expand our business into adjacent markets.

We might not be successful in our efforts to do any of the foregoing, and any failure to be successful in these matters could materially and adversely affect our revenue growth. Our past revenue growth is not indicative of our future growth.

We currently are using and intend to continue to use Adjusted EBITDA, a non-GAAP financial measure, in reporting our annual and quarterly results of operations; however, Adjusted EBITDA is not equivalent to net income (loss) from operations as determined under GAAP, and shareholders may consider GAAP measures to be more relevant to our operating performance.

As part of our reporting of our annual and quarterly results of operations, we publish and intend to continue to publish measures compiled in accordance with GAAP as well as non-GAAP financial measures, along with a reconciliation between the GAAP and non-GAAP financial measures. The reconciling items adjust amounts reported in accordance with GAAP for certain items which are described in detail in our published results of operations. Our financial statements themselves do not and will not contain any non-GAAP financial measures.

Specifically, we use Adjusted EBITDA, which we use to represent net income (loss), excluding other income (expense), income taxes expense (benefit), depreciation and amortization, share-based compensation expense and transaction-related costs. We believe the exclusion of share-based compensation expense related to restricted stock awards and stock options provides a useful supplemental measure in evaluating the performance of our operations and provides better transparency of our results of operations. We believe that our non-GAAP financial measures are meaningful to investors when analyzing our results of operations as this is a key metric used by our management for financial and operational decision-making.

The market price of our stock may fluctuate based on future non-GAAP results if investors base their investment decisions on such non-GAAP financial measures. If we decide to alter or discontinue the use of non-GAAP financial measures in reporting our annual and quarterly results of operations, the market price of our stock could be adversely affected if investors analyze our performance in a different manner.

Adverse outcomes in litigation and regulatory actions against other companies and agents in our industry could adversely impact our financial results.

Adverse outcomes in legal and regulatory actions against other companies, brokers, and agents in the residential and commercial real estate industry may adversely impact the financial condition of the Company and our real estate brokers and agents when those matters relate to business practices shared by the Company, our real estate brokers and agents, or our industry at large. Such matters may include, without limitation, RESPA, Telephone Consumer Protection Act of 1991 and state consumer protection law, antitrust and anticompetition, and worker classification claims. Additionally, if plaintiffs or regulatory bodies are successful in such actions, this may increase the likelihood that similar claims are made

against the Company and/or our real estate brokers and agents which claims could result in significant liability and be adverse to our financial results if we or our brokers and agents are unable to distinguish or defend our business practices.

As an example, in the matter of *Burnett v. National Association of Realtors* (U.S. District Court for the Western District of Missouri), a federal jury found that the NAR and certain other remaining brokerage defendants liable for \$1.8 billion in damages on claims that these companies conspired to artificially inflate brokerage commissions, which is in violation of federal antitrust law (the “Burnett Ruling”). The verdict was appealed on October 31, 2023. Additionally, certain other brokerage defendants settled with the plaintiffs, including both monetary and non-monetary settlement terms. That same day, the NAR, EXP World Holdings, Inc., Compass, Inc., Redfin Corporation, Weichert Realtors, United Real Estate, Howard Hann Real Estate Services, and Douglas Elliman, Inc. were named as defendants in *Gibson v. National Association of Realtors* (U.S. District Court for the Western District of Missouri), alleging a similar fact pattern and antitrust violations. On or about March 15, 2024, NAR agreed to settle the Burnett Ruling, along with a sister litigation, by agreeing to pay \$418 million over approximately four years, and changing certain of its rules surrounding agent commissions (the “Burnett Settlement”). The Burnett Settlement is subject to court approval.

Due to the Burnett Settlement, there may be rule changes for the NAR. In the Burnett Settlement, effective mid-July 2024, NAR has agreed to put in place a new rule prohibiting offers of compensation on the MLS, as well as adopt new rules requiring written agreements between buyers and buyers’ agents. The direct and indirect effects, if any, of the Burnett Settlement and similar settlements upon the real estate industry are not yet entirely clear. There could also be further changes in real estate industry practices. All of this has prompted discussion of regulatory changes to rules established by local or state real estate boards or multiple listing services and may require changes to brokers’ business models, including changes in agent and broker compensation.

Because we charge our agents a flat fee per transaction, our agents have always been empowered to negotiate their own fees. Further, the flat fee per transaction model eliminates any incentive for us to interfere with our agent’s ability to negotiate their fees, as our net income would not be affected by increases or decreases in agent commission. Agents who can set their own fees can tailor fees to better compete in their target market, affording them greater flexibility. Agents who are better positioned to compete in their markets will likely increase their transaction volume, which would positively impact our revenues since we are paid on a per-transaction basis. We believe the freedom of our agents to negotiate their own fees helps us recruit and retain agents without having any material adverse effect on our operations, revenues, earnings, or financial results.

We face significant risk to our brand and revenue if we fail to maintain compliance with the law and regulations of federal, state, foreign, or county governmental authorities, or private associations and governing boards.

We operate in a heavily regulated industry with regulated labor classifications which present significant risk in general for each potential instance where we fail to maintain compliance.

Our agents can be classified as either employees or independent contractors, and we could potentially misclassify or fail to consistently achieve compliance. Classifications and compliance are subject to the Internal Revenue Service regulations and applicable state law guidelines and penalties.

Classifications, regulations and guidelines for agents are subject to judicial and agency interpretation as well as periodic changes. Changes, or any indication of changes, may adversely impact our workforce classifications, expenses, compensation, commission structure, roles and responsibilities and broker organization.

Beyond workforce regulations and classifications, there exist complex, heavily regulated federal, state and local authority laws, regulations and policies governing our real estate business, as well as our title, title insurance, insurance, mortgage, lead generation, and other ancillary services

In general, the laws, rules and regulations applicable to our business practices include, without limitation, the federal Real Estate Settlement Procedures Act, or RESPA, the federal Fair Housing Act, the Dodd-Frank Act, and federal advertising and other laws, as well as comparable state statutes; rules of trade organization such as the NAR, local MLSs, and state and local AORs; licensing requirements and related obligations that could arise from our business practices relating to the provision of services other than real estate brokerage services, including our title, insurance and mortgage businesses; privacy regulations relating to our use of personal information collected from the registered users of our websites; laws relating to the use and publication of information through the Internet; and state real estate brokerage licensing requirements, as well as statutory due diligence, disclosure, record keeping and standard-of-care obligations

relating to these licenses. The U.S. Department of Justice has opened an anti-trust investigation of some of our biggest competitors, and they are defendants in related lawsuits that could negatively impact our industry.

In addition, Fathom Realty, LLC (“Fathom Realty”), a wholly-owned subsidiary of the Company, has been named as a defendant in two purported class actions in the United States District Court for the Eastern District of Texas Sherman Division. The complaints, filed by named plaintiffs QJ Team, LLC, Five Points Holdings, LLC, Julie Martin, Mark Adamas, and Adelaida Matta, allege that coordination among several realtor associations, MLSs, and Texas real estate brokerages resulted in inflated commissions paid by home sellers to buyer brokers beginning in 2019. The Company believes the lawsuits are without merit, particularly with respect to Fathom Realty, which intends to vigorously defend itself.

Additionally, the Dodd-Frank Wall Street Reform and Consumer Protection Act contains the Mortgage Reform and Anti-Predatory Lending Act, or the Mortgage Act, which imposes several additional requirements on lenders and servicers of residential mortgage loans, by amending certain existing provisions and adding new sections to RESPA and other federal laws. It also broadly prohibits unfair, deceptive or abusive acts and practices, and knowingly or recklessly providing substantial assistance to a covered person in violation of that prohibition. The penalties for noncompliance with these laws are also significantly increased by the Mortgage Act, which could lead to an increase in lawsuits against mortgage lenders and servicers.

Maintaining legal compliance is challenging and increases our costs due to resources required to continually monitor business practices for compliance with applicable laws, rules and regulations, and to monitor changes in the applicable laws themselves.

We might not be aware of all the laws, rules and regulations that govern our business, or be able to comply with all of them, given the rate of regulatory changes, ambiguities in regulations, contradictions in laws and regulations between jurisdictions, and the difficulties in achieving both company-wide and region-specific knowledge and compliance.

If we fail, or we have been alleged to have failed, to comply with any existing or future applicable laws, rules and regulations, we could be subject to lawsuits and administrative complaints and proceedings, as well as criminal proceedings. Our noncompliance could result in significant defense costs, settlement costs, damages and penalties.

Additionally, our business licenses could be suspended or revoked, our business practices enjoined, or we could be required to modify our business practices, which could materially impair, or even prevent, our ability to conduct all or any portion of our business. Any such events could also damage our reputation and impair our ability to attract and service home buyers, home sellers and agents, as well our ability to attract brokerages, teams of agents and individual agents to our Company, without increasing our costs.

Further, if we lose our ability to obtain and maintain every regulatory approval and license necessary to conduct business as we currently operate, our ability to conduct business may be harmed. Lastly, any lobbying or related activities we undertake in response to mitigate liability of current or new regulations could substantially increase our operating expenses.

If we fail to protect the privacy of employees, independent contractors, or consumers or personal information that they share with us, or fail to comply with privacy or data security legal requirements, our reputation and business could be significantly harmed.

Tens of thousands of consumers, independent contractors, and employees have shared personal information with us during the normal course of our business processing residential real estate transactions. Such information includes, but is not limited to, social security numbers, annual income amounts and sources, consumer names, addresses, phone numbers, and email addresses.

The application, disclosure and safeguarding of this information is regulated by federal and state privacy laws. To comply with privacy laws, we invested resources and adopted a privacy policy outlining procedures for the use and safeguarding of personal information. This policy includes informing consumers, independent contractors and employees that we will not share their personal information with third parties without their consent unless required by law.

Privacy policies and compliance with federal and state privacy laws present risks including legal liability for failure to comply. We might not become aware of all privacy laws, changes to privacy laws, or third-party privacy regulations governing the real estate business or be unable to comply with all of these regulations, given the rate of regulatory changes,

ambiguities in regulations, contradictions in regulations between jurisdictions, and the difficulties in achieving both company-wide and region-specific knowledge and compliance.

Our policy and safeguards could be deemed insufficient if third parties with whom we have shared personal information fail to protect the privacy of that information. Legal liability under such laws would impose significant costs and would damage our reputation. Any of these consequences could result in a material unfavorable impact on our brand, business model, revenue, expenses, income and margins.

We participate in a highly competitive market, and pressure from existing and new companies might adversely affect our business and operating results.

The market to provide home listings and marketing services for the residential real estate industry is highly competitive and fragmented. Homes are not typically marketed exclusively through any single channel. Accordingly, current and potential competitors could aggregate a set of listings similar to ours. We compete with online real estate marketplaces, such as Zillow and Realtor.com, and traditional offline media. We compete to attract consumers by the number and quality of listings; user experience; the breadth, depth, and relevance of insights and other content on homes, neighborhoods, and professionals; brand and reputation; and the quality of mobile products. We compete to attract real estate professionals through the quality of the website and mobile products; the size and attractiveness of the consumer audience; the quality and measurability of the leads we generate; the perceived return on investment we deliver, and the effectiveness of marketing and workflow tools. We also compete for advertisers against other media, including print media, television and radio, social networks, search engines, other websites, and email marketing. We compete primarily on the size and attractiveness of the audience; pricing; and the ability to target desired audiences.

Many of our existing and potential competitors have substantial competitive advantages, such as:

- greater scale;
- stronger brands and greater name recognition;
- longer operating histories;
- more financial, research and development, sales and marketing, and other resources;
- more extensive relationships with participants in the residential real estate industry, such as brokers, agents, and advertisers;
- strong relationships with third-party data providers, such as multiple listing services and listing aggregators;
- access to larger user bases; and
- larger intellectual property portfolios.

These advantages could be increasingly important considering current economic uncertainties and increased interest rates.

The success of our competitors could result in fewer users visiting our website and mobile applications, and the loss of market share.

There is also intense competition in the related businesses we recently expanded into via acquisitions, including insurance, title insurance, mortgage, lead generation, and other ancillary services. We added these services to our platform so our agents could offer critical ancillary services to their clients, but also to gain new and significant incremental revenue streams and enhance our revenues per transaction. Our efforts to create a more complete transaction experience for consumers through these services will require significant integration and coordination on our part and might not result in increased revenues or earnings, particularly if competitors offer more attractive rates or are perceived as offering a better transactional experience by agents or consumers. This increased competition could stall our growth in these areas.

We expect increased competition if our market continues to expand. In addition, current or potential competitors might be acquired by third parties with greater resources than ours, which would further strengthen these current or potential

competitors and enable them to compete more vigorously or broadly with us. If we are not able to compete effectively, our business and operating results will be materially and adversely affected.

Listing aggregator concentration and market power creates, and is expected to continue to create, disruption in the residential real estate brokerage industry, which might have a material adverse effect on our results of operations and financial condition.

The concentration and market power of the top real estate listing aggregators allow them to monetize their platforms by expanding into the brokerage business, charging significant referral, listing, and display fees, charging listing and display fees, diluting the relationship between agents and brokers and between agents and the consumer, tying referrals to use of their products, consolidating and leveraging data, and engaging in preferential or exclusionary practices to favor or disfavor other industry participants. These actions divert and reduce the earnings of other industry participants, including Fathom and our agents.

One dominant listing aggregator has introduced an iBuying offering to consumers and recently launched a brokerage with employee sales agents in several locations to support this offering, and has joined many local MLSs as a participating broker to gain electronic access directly to real estate listings rather than relying on disparate electronic feeds from other brokers participating in MLS or MLS syndication feeds. If this listing aggregator or another aggregator is successful in gaining market share with such offering, it could control significant industry inventory and an increasing portion of agent referrals, including the ability to direct referrals to agents and brokers that share revenue with them. In addition, this listing aggregator may attempt to use its growing access to key data spanning the home buying experience to displace or pre-empt its competitors before they can reach customers.

Aggregators could intensify their current business tactics or introduce new programs that could be materially disadvantageous to our business and other brokerage participants in the industry including, but not limited to:

- broadening and/or increasing fees for their programs that charge brokerages and their affiliated sales agents fees including, referral, listing, display, advertising and related fees or introducing new fees for new or existing services;
- setting up competing brokerages and/or expanding their offerings to include products (including agent tools) and services ancillary to the real estate transaction, such as title, escrow and mortgage origination services, that compete with services offered by us;
- not including Fathom's or our franchisees' listings on their websites;
- controlling significant inventory and agent referrals, tying referrals to use of their products, and/or engaging in preferential or exclusionary practices to favor or disfavor other industry participants;
- utilizing their aggregated data for competitive advantage and/or establishing oppressive contract terms, including with respect to data sharing requirements; and/or
- disintermediating our relationship with affiliated franchisees and independent sales agents and/or the relationship between the independent sales agent and the buyers and sellers of homes.

Such tactics could further increase pressures on our revenue and profitability, and the profitability of our agents, which could harm our business and results of operations.

Our operating results are subject to seasonality and vary significantly among quarters during each calendar year, making meaningful comparisons of successive quarters difficult.

Seasons and weather traditionally impact the real estate industry. Historically, spring and summer reflect greater sales activity in comparison to fall and winter. We have historically experienced lower revenues during the fall and winter seasons, as well as during periods of unseasonable weather, which reduces our operating income, net income, operating margins and cash flow. Real estate listings precede sales, and a period of poor listings activity will negatively impact revenue. Past performance in similar seasons or during similar weather events can provide no assurance of future or current performance, and macroeconomic shifts in the markets we serve can conceal the impact of seasonality.

Home sales in successive quarters can fluctuate widely due to a wide variety of seasonal factors, including holidays, and the school year calendar's impact on timing of family relocations. Our revenue and operating margins each quarter (including downstream revenue at our title, insurance and mortgage groups) will remain subject to seasonal fluctuations, which may make it difficult to compare or analyze our financial performance effectively across successive quarters.

Our business could be adversely affected if we are unable to expand, maintain and improve the systems and technologies upon which we rely to operate.

As the number of our agents, acquired companies and business lines grow, our success will depend on our ability to expand, maintain and improve the technology that supports our business operations, including, but not limited to, our cloud office platform. Loss of key personnel or the lack of adequate staffing with the requisite expertise and training could impede our efforts in this regard. If our systems and technologies lack capacity or quality sufficient to service agents and their clients, then the number of agents who wish to use our products could decrease, the level of client service and transaction volume afforded by our systems could suffer, and our costs could increase. In addition, if our systems, procedures or controls are not adequate to provide reliable, accurate and timely financial and other reporting, we might not be able to satisfy regulatory scrutiny or contractual obligations with third parties and may suffer a loss of reputation. Any of these events could negatively affect our financial position.

Cybersecurity incidents, data breaches and other privacy/data security incidents could disrupt our business operations, result in the loss or exposure of critical, confidential and/or sensitive information, adversely impact our reputation, result in costly regulatory investigations or litigation, create legal liability and harm our business.

Cybersecurity incidents, data breaches and other types of privacy/data security incidents are not uncommon in our industry due to the nature of our industry's services, the volume of sensitive information involved, and the desirability of that information to bad actors. Incidents involving phishing, hacking and unintentional exposure of sensitive information, among others, can and do occur. Cybersecurity and other threats directed at us could range from uncoordinated individual attempts to gain unauthorized access to information technology systems to sophisticated and targeted measures aimed at disrupting business or gathering personal data of customers, employees, contractors and other individuals. Recent high-profile ransomware attacks are examples of the kinds of cybersecurity risks we face.

In the ordinary course of our business, we collect and store sensitive data, including proprietary business information and personal information about our customers, employees and contractors. Our business, and particularly our cloud-based platform, is reliant on the uninterrupted functioning of our information technology systems. The secure processing, maintenance, and transmission of information are critical to our operations, especially the processing and closing of real estate transactions. Although we employ measures designed to prevent, detect, address, and mitigate these threats (including access controls, data encryption, vulnerability assessments, and maintenance of backup and protective systems), cybersecurity incidents and other privacy/data security incidents, depending on their nature and scope, could potentially result in the misappropriation, destruction, corruption, or unavailability of critical data and confidential or proprietary information (our own or that of third parties, including potentially sensitive personal information of our customers) and the disruption of business operations. Any such compromises to our security could harm our reputation, which could cause customers to lose trust and confidence in us or could cause agents to stop working for us. In addition, we may incur significant costs for remediation that may include liability for stolen assets or information, repair of system damage, and compensation to customers and business partners. We may also be subject to legal claims, government investigation, and additional state and federal statutory requirements.

Like others in our industry, we experience immaterial privacy/data security incidents, such as cybersecurity incidents and other attempts to disrupt or gain unauthorized access to our systems on a regular basis and instances of unauthorized or inadvertent access to or disclosure of sensitive personal information. When we become aware of privacy/data security incidents, we work diligently to address them, including by working to terminate unauthorized or inappropriate access and implementing additional measures and operational changes to avoid reoccurrence and future incidents. The consequences of a material privacy/data security incident can include violations of applicable privacy or data security laws, reputational damage, loss of market value, costly litigation with third parties (which could result in our exposure to material civil or criminal liability) and regulatory investigations, diminution in the value of the services we provide to our customers, and increased cybersecurity protection and remediation costs (that may include liability for stolen assets or information), which in turn could have a material adverse effect on our competitiveness and results of operations. For more information see Item 1C. Cybersecurity.

Our business, financial condition and reputation may be substantially harmed by security breaches, interruptions, delays and failures in our systems and operations.

The performance and reliability of our systems and operations are critical to our reputation and ability to attract agents and teams of agents to join our Company as well as our ability to service home buyers and sellers. Our systems and operations are vulnerable to security breaches, interruption or malfunction due to certain events beyond our control, including natural disasters, such as earthquakes, fire and flood, power loss, telecommunication failures, break-ins, sabotage, computer viruses, intentional acts of vandalism and similar events. In addition, we rely on third-party vendors to provide the cloud office platform and to provide additional systems and related support. If we cannot continue to retain these services on acceptable terms, our access to these systems and services could be interrupted. Any security breach, interruption, delay or failure in our systems and operations could substantially reduce the transaction volume that can be processed with our systems, impair quality of service, increase costs, prompt litigation and other consumer claims, and damage our reputation, any of which could substantially harm our financial condition.

Our mortgage business might be unable to sell its originated loans and, in that situation, Fathom will need to service the loans and potentially foreclose on the home by itself or through a third party, and either option could impose significant costs, time on Fathom. Our inability to sell originated loans could also expose us to adverse market conditions affecting mortgage loans.

Our mortgage business, Encompass Lending Group, intends to sell the mortgage loans that it originates to investors in the secondary mortgage market. Our ability to sell originated loans in the secondary market and receive net proceeds from the sale that exceed the loan amount depends largely on liquidity of the secondary market. While the residential real estate market has been impacted by the recent increase in real estate mortgage interest rates, the secondary market for mortgage loans remains stable. However, the secondary market can experience negative impact if interest rates move faster than the market can adjust as occurred in 2008 and 2009, which could negatively impact our business.

To the extent that we are unable to sell originated loans, we would be exposed to adverse market conditions affecting mortgage loans. For example, we may be required to write down the value of the loan, which reduces the amount of our current assets. Additionally, if we borrowed under a warehouse credit facility for the loan, then we will be required to repay the borrowed amount, which reduces our cash on hand available for other corporate uses. Finally, if a homeowner was unable to make his or her mortgage payments, then we may be required to foreclose on the home securing the loan. We do not currently have processes to foreclose a home, and we may be unable to establish such processes or retain a third party on economically feasible terms to foreclose the home. Furthermore, any proceeds from selling a foreclosed home may be significantly less than the remaining amount of the loan due to us.

If we are unable to obtain sufficient financing through warehouse credit facilities to fund origination of mortgage loans, then we may be unable to grow our mortgage business.

We rely on borrowings from warehouse credit facilities to fund substantially all of the mortgage loans that our mortgage business originates. To grow, our mortgage business depends, in part, on having sufficient borrowing capacity under current facilities or obtaining additional borrowing capacity under new facilities. The borrowing capacity under one or more of our current facilities may be reduced if we fail to comply with a facility's ongoing obligations, including failing to satisfy financial covenants and cross-default clauses. If we were unable to receive the necessary capacity on acceptable terms and did not have sufficient liquidity or established operations to fund originations ourselves, then we may be unable to maintain or increase the amount of mortgage loans that we originate, which will adversely affect the growth of our mortgage business.

We might identify material weaknesses in the future that might cause us to fail to meet our reporting obligations or result in material misstatements of our financial statements. If we fail to remediate any material weaknesses or if we otherwise fail to establish and maintain effective internal controls over financial reporting, our ability to accurately and timely report our financial results could be adversely affected.

In the future, we might identify material weaknesses in our internal controls over financial reporting or fail to meet the demands that will be placed upon us as a public company, including the requirements of the Sarbanes-Oxley Act, and we may be unable to accurately report our financial results, or report them within the timeframes required by law or stock exchange regulations. We cannot provide assurance that material weaknesses will not exist or otherwise be discovered, any of which could adversely affect our reputation, financial condition and results of operations.

We are an “emerging growth company,” and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act enacted in April 2012, and, for as long as we continue to be an “emerging growth company,” we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to “emerging growth companies,” including, but not limited to, not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We could be an “emerging growth company” for up to five years following the completion of our initial public offering (“IPO”) in 2020, although, if we have more than \$1.235 billion in annual revenue, if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of June 30 of any year, or if we issue more than \$1.0 billion of non-convertible debt over a three-year period before the end of that five-year period, we would cease to be an “emerging growth company” as of the following December 31. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and our stock price may be more volatile.

Under the Jumpstart Our Business Startups Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards, and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Loss of our current executive officers or other key management could significantly harm our business

We depend on the industry experience and talent of our current executives, including our President and Chief Executive Officer Marco Fregenal. We also rely on individuals in key management positions within our operations, finance, and technology teams. We believe that our future results will depend, in part, upon our ability to retain and attract highly skilled and qualified management. The loss of our executive officers or any key personnel could have a material adverse effect on our operations because other officers might not have the experience and expertise to readily replace these individuals. To the extent that one or more of our top executives or other key management personnel depart from our company, our operations and business prospects may be adversely affected. In addition, changes in executives and key personnel could be disruptive to our business. We do not have any key person insurance.

Employee or agent litigation and unfavorable publicity could negatively affect our future business.

Our employees or agents may, from time to time, bring lawsuits against us alleging injury, creating a hostile workplace, discrimination, wage and hour disputes, sexual harassment, or other employment issues. In recent years there has been an increase in the number of discrimination and harassment claims against companies generally. Coupled with the expansion of social media platforms and similar devices that allow individuals access to a broad audience, these claims can have a significant negative impact on some businesses. Certain companies that have faced such lawsuits have terminated management or other key personnel as a result and have suffered reputational harm that has negatively impacted their business. If we were to face any claims, our business could be negatively affected.

Failure to protect intellectual property rights could adversely affect our business.

Our intellectual property rights, including existing and future trademarks, trade secrets and copyrights, are important assets of the business. We have taken measures to protect our intellectual property, but these measures might not be sufficient or effective. We may bring lawsuits to protect against the potential infringement of our intellectual property rights and other companies, including our competitors, could make claims against us alleging our infringement of their intellectual property rights. There can be no assurance that we would prevail in such lawsuits. Any significant impairment of our intellectual property rights could harm our business.

We may evaluate potential vendors, suppliers and other business partners for acquisition in order to accelerate growth but might not succeed in identifying suitable candidates or may acquire businesses that negatively impact us.

As part of our growth strategy, we may evaluate the potential acquisition of businesses offering products or services that complement our services offerings. If we identify a business that we deem to be suitable for acquisition and complete an acquisition, our evaluation may prove inaccurate, and the acquisition may prove unsuccessful. In addition, an acquisition may prove unsuccessful if we fail to effectively execute a post-acquisition integration strategy. We may be unable to successfully integrate the systems and personnel of the acquired businesses. An acquisition could negatively impact our culture or undermine its core values. Acquisitions could disrupt our existing operations or cause management to divert its focus from our core business. An acquisition could cause potentially dilutive issuances of equity securities, incurrence of debt, contingent liabilities or could cause us to assume or incur unknown or unforeseen liabilities. From time to time, we intend to evaluate other brokerages for acquisition in order to accelerate growth and might not succeed in identifying suitable candidates or we may acquire brokerages that negatively impact us.

We have recently acquired businesses that are outside our core competencies as a real estate brokerage, which could be difficult to integrate, disrupt our core business, dilute stockholder value, and adversely affect our operating results and the value of our common stock.

In the past few years, we have made acquisitions outside our core real estate brokerage competency, including Verus Title Inc., Naberly Solutions, LiveBy, Inc., E4:9 Holdings, Inc. and Cornerstone. These acquisitions present challenges that, should we fail to understand or address them adequately, could result in not achieving the expected financial results of these acquisitions, including for many of them failing to result in improved agent acquisition and retention, as well as increased revenue per agent transitions. Those acquisitions that are less established businesses as Fathom carry the additional risk of not having a long track record of success.

In addition, integrating the operations, technologies, services and personnel of acquisitions takes time and resources, and could disrupt our core business by the diversion of financial and managerial resources from existing operations. If we fail to properly integrate these acquisitions, we might not achieve the anticipated benefits of these acquisitions or future acquisitions.

Our future revenue and growth prospects could be adversely affected by our dependence on other contractors.

Our business is highly dependent on a few significant technology vendors. In the event we were to lose one of our significant vendor partners, our business could be adversely affected because we could be forced to source this technology from another vendor, which would take significant time away from management running our core business. Our business, results of operations and financial condition could be materially adversely affected by the loss of one key relationship, as it would take a significant amount of time to replace this relationship with uncertain results.

We may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new features and products or enhance our existing products, improve our operating infrastructure, or acquire complementary businesses and technologies. Accordingly, we might need to engage in equity or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our existing shareholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our common stock. Any debt financing we secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which might make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We might not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be impaired, and our business might be harmed.

We are subject to certain risks related to litigation filed by or against us, and adverse results might harm our business and financial condition.

The real estate industry often involves litigation, ranging from individual lawsuits by unhappy buyers or sellers to large class actions and government investigations, like those some of our biggest competitors are currently facing for alleged anti-trust law violations. We are often involved in various lawsuits and legal proceedings that arise in the ordinary course of business.

We cannot predict with certainty the cost of our defense, the cost of prosecution, insurance coverage, or the ultimate outcome of litigation and other proceedings filed by or against us, including remedies or damage awards. Adverse results in such litigation and other proceedings might harm our business and financial condition. Such litigation and other proceedings may include, but are not limited to, actions relating to intellectual property, commercial arrangements, negligence and fiduciary duty claims arising from our brokerage operations, actions against our title company for defalcations on closing payments or claims against the title agent contending that the agent knew or should have known that a transaction was fraudulent or that the agent was negligent in addressing title defects or conducting settlement, standard brokerage disputes like the failure to disclose hidden defects in a property such as mold, vicarious liability based upon conduct of individuals or entities outside of our control, including our agents, third-party service or product providers, antitrust claims, general fraud claims, employment law claims, including claims challenging the classification of our agents as independent contractors and compliance with wage and hour regulations, and claims alleging violations of RESPA or state consumer fraud statutes. In addition, class action lawsuits can often be particularly burdensome given the breadth of claims, large potential damages and significant costs of defense. In the case of intellectual property litigation and proceedings, adverse outcomes could include the cancellation, invalidation or other loss of material intellectual property rights used in our business and injunctions prohibiting our use of business processes or technology that is subject to third-party patents or other third-party intellectual property rights. In addition, we may be required to enter into licensing agreements (if available on acceptable terms) and be required to pay royalties.

The real estate industry generates frequent litigation, which could harm our business, reputation, operating results, and liquidity. We have general liability and an errors and omissions insurance policy to help protect us against claims of inadequate work or negligent action. However, this insurance might not continue to be available to us on commercially reasonable terms or at all, or a claim otherwise covered by our insurance may exceed our coverage limits, or a claim might not be covered at all. We may be subject to errors or omissions claims that could have an adverse effect on us. Moreover, defending a suit, regardless of its merits, could entail substantial expense and require the time and attention of key management personnel.

We might experience significant claims relating to our operations, and losses resulting from fraud, defalcation or misconduct.

We issue title insurance policies covering real property to mortgage lenders and buyers of real property. When acting as a title agent issuing a policy on behalf of an underwriter, our insurance risk is typically limited to the first five thousand dollars for claims on any one policy, though our insurance risk is not limited if we are negligent. To date, we have experienced claims losses that are significantly below the industry average; however, our claims experience could increase in the future, which could negatively impact our profitability. We may also be subject to legal claims or additional claims losses arising from the handling of escrow transactions and closings by our owned title agency. We carry errors and omissions insurance for errors made by our title and escrow companies, by our company owned brokerage business during the real estate settlement process, and by us related to real estate services. The occurrence of a significant number of claims in any given period could have a material adverse effect on our financial condition and results of operations during the period. In addition, insurance carriers may dispute coverage for various reasons and there can be no assurance that all claims will be covered by insurance. Fraud, defalcation and misconduct by employees are also risks inherent in our business, particularly given the high transactional volumes in our company owned brokerage, title, escrow and settlement services and relocation operations. To the extent that any loss or theft of funds substantially exceeds our insurance coverage, our business could be materially adversely affected.

We might use interest rate derivatives from time to time to manage our exposure to interest rate risks associated with our mortgage business.

To manage the risks associated with fluctuating interest rates, we may from time to time invest in derivative instruments in an attempt to offset this risk of volatility, but no hedging strategy can protect us completely. We cannot assure our shareholders that our hedging strategy and the derivatives that we use will adequately offset the risk of interest

rate volatility or that our hedging of these transactions will not result in losses. If we are not effective in hedging this volatility, we may experience an increase in our costs of borrowing and our business could be materially adversely affected.

Part of our technology is currently being developed in foreign countries, including Brazil, India, and the Philippines, which makes us subject to certain risks associated with foreign laws and regulations.

We currently develop portions of our technology in Brazil, India, and Philippines and could conduct operations in foreign jurisdictions in the future. Conducting business in foreign countries involves inherent risks, including, but not limited to: difficulties in staffing, funding and managing foreign operations; unexpected changes in regulatory requirements; export restrictions; tariffs and other trade barriers; difficulties in protecting, acquiring, enforcing and litigating intellectual property rights; fluctuations in currency exchange rates; and potentially adverse tax consequences.

If we were to experience any of the difficulties listed above, or any other difficulties, any international development activities and our overall financial condition may suffer.

Risks Related to Our Industry

Our results are tied to the residential real estate market and we might be negatively impacted by downturns in this market and general global economic conditions.

The residential real estate market tends to be cyclical and typically is affected by changes in general macroeconomic conditions which are beyond our control. These conditions include short-term and long-term interest rates, inflation, fluctuations in debt and equity capital markets, levels of unemployment, consumer confidence and the general condition of the U.S. and the global economy. Further, geopolitical factors, including the ongoing war in Ukraine and the Israeli-Palestinian conflict, could have residual effects on the global economy that negatively impact the U.S. residential real estate market and our business. The results of the 2024 U.S. presidential election, along with the speculation and market response to primaries, campaigning, and candidate statements, could also alter lending and consumer behavior that could adversely affect our business. The residential real estate market also depends upon the strength of financial institutions, which are sensitive to changes in the general macroeconomic and regulatory environment. Lack of available credit or lack of confidence in the financial sector could impact the residential real estate market, which in turn could materially and adversely affect our business, financial condition and results of operations.

For example, although the U.S. residential real estate market has improved in the years after the significant and prolonged downturn that began in the second half of 2008 and continued through 2011, the COVID-19 pandemic significantly impacted the U.S. residential real estate market during the spring of 2020 with home sales in April and May declining to levels unprecedented since the recession of the late 2000's. More recently, while U.S. residential home sales rebounded sharply beginning in June 2020, they declined sharply in the latter half of 2022 as interest rates rose and economic uncertainties increased. We cannot predict whether the market will improve. If the residential real estate market or the economy does not improve, we may experience adverse effects on our business, financial condition and liquidity, including our ability to access capital and grow our business.

Any of the following could cause further decline in the housing or mortgage markets and have a material adverse effect on our business by causing periods of lower growth or a decline in the number of home sales or home prices which, in turn, could adversely affect our revenue and profitability:

- an increase in unemployment;
- a decrease in the affordability of homes due to changes in interest rates, home prices, the cost and availability of building materials, and rates of wage and job growth;
- slow economic growth or recessionary conditions;
- weak credit markets;
- low consumer confidence in the economy or the residential real estate market;
- instability of financial institutions;

- legislative, tax or regulatory changes that would adversely impact the residential real estate or mortgage markets, including but not limited to potential reform relating to Fannie Mae, Freddie Mac and other government sponsored entities, or GSEs, that provide liquidity to the U.S. housing and mortgage markets;
- increasing mortgage rates, like we have experienced recently, and increasing down payment requirements or constraints on the availability of mortgage financing, including but not limited to the potential impact of various provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, or other legislation and regulations that may be promulgated thereunder relating to mortgage financing, including restrictions imposed on mortgage originators, as well as retention levels required to be maintained by sponsors to securitize certain mortgages;
- excessive or insufficient home inventory levels on a regional level;
- high levels of foreclosure activity, including but not limited to the release of homes already held for sale by financial institutions;
- adverse changes in local or regional economic conditions, including potential impacts from the COVID-19 pandemic;
- the inability or unwillingness of homeowners to enter into home sale transactions due to negative equity in their existing homes;
- demographic changes, such as a decrease in household formations, lower turnover in the housing market due to homeowners staying in the same home longer than in the past, or slowing rate of immigration or population growth;
- decrease in home ownership rates, declining demand for real estate and changing social attitudes toward home ownership;
- changes in local, state and federal laws or regulations that affect residential real estate transactions or encourage ownership, including but not limited to changes in tax law in late 2017 that limit the deductibility of certain mortgage interest expense, the application of the alternative minimum tax, and real property taxes and employee relocation expense; or
- acts of nature, such as hurricanes, earthquakes and other natural disasters that disrupt local or regional real estate markets and which may, in some circumstances lead us to waive certain fees in impacted areas.

The continued decline in global economic conditions could also materially impact the revenue of our recently acquired businesses, including insurance, title insurance, mortgage, lead generation, and other ancillary services. For example, revenue of our newly acquired insurance business relies on premiums and commission rates set by insurers. These premiums and commissions are cyclical in nature and may vary widely based on market condition. Volatility or declines in market condition, or any other adverse trends in the insurance industry, could have a negative impact on the profitability of our insurance business.

A lack of financing for homebuyers in the U.S. residential real estate market at favorable rates and on favorable terms could have a material adverse effect on our financial performance and results of operations.

Our business is significantly impacted by the availability of financing at favorable rates or on favorable terms for homebuyers, which may be affected by government regulations and policies. For example, residential mortgage interest rates rose significantly through most of 2023, negatively impacting our business. Certain potential reforms such as the U.S. federal government's conservatorship of Fannie Mae and Freddie Mac, proposals to reform the U.S. housing market, attempts to increase loan modifications for homeowners with negative equity, monetary policy of the U.S. government, increases in interest rates and the Dodd-Frank Act may adversely impact the housing industry, including homebuyers' ability to finance and purchase homes.

The monetary policy of the U.S. government, and particularly the Federal Reserve Board, which regulates the supply of money and credit in the United States, significantly affects the availability of financing at favorable rates and on favorable terms, which in turn affects the domestic real estate market. Policies of the Federal Reserve Board can affect

interest rates available to potential homebuyers. Further, we are affected by any rising interest rate environment. Changes in the Federal Reserve Board's policies, the interest rate environment and mortgage market are beyond our control, are difficult to predict, and could restrict the availability of financing on reasonable terms for homebuyers, which could have a material adverse effect on our business, results of operations and financial condition. Since December 2015, the Federal Open Market Committee of the Federal Reserve Board has raised the target range for federal funds 18 times, including three times in 2017, four times in 2018, seven times in 2022 and four times in 2023, after leaving the federal funds interest rate near 0% since late 2008. Future changes in the federal funds rate are uncertain, however the Federal Open Market Committee has indicated it does not expect additional increases to occur in 2024. Historically, changes in the federal funds rate have led to changes in interest rates for other loans, but the extent of the impact on the future availability and price of mortgage financing cannot be predicted with certainty.

Furthermore, many lenders significantly tightened their underwriting standards since the real estate downturn, and many subprime and other alternative mortgage products are no longer common in the marketplace. If these mortgage loans continue to be difficult to obtain, including in the jumbo mortgage markets, the ability and willingness of prospective buyers to finance home purchases or to sell their existing homes could be adversely affected, which would adversely affect our operating results.

The Dodd-Frank Act, which was passed to more closely regulate the financial services industry, created the Consumer Financial Protection Bureau ("CFPB"), an independent federal bureau, which enforces consumer protection laws, including various laws regulating mortgage finance. The Dodd-Frank Act also established new standards and practices for mortgage lending, including a requirement to determine a prospective borrower's ability to repay a loan, removing incentives to originate higher cost mortgages, prohibiting prepayment penalties for non-qualified mortgages, prohibiting mandatory arbitration clauses, requiring additional disclosures to potential borrowers and restricting the fees that mortgage originators may collect. Rules implementing many of these changes protect creditors from certain liabilities for loans that meet the requirements for "qualified mortgages." The rules place several restrictions on qualified mortgages, including caps on certain closing costs. These and other rules promulgated by the CFPB could have a significant impact on the availability of home mortgages and how mortgage agents and lenders transact business. In addition, the Dodd-Frank Act contained provisions that require GSEs, including Fannie Mae and Freddie Mac, to retain an interest in the credit risk arising from the assets they securitize. This may serve to reduce GSEs' demand for mortgage loans, which could have a material adverse effect on the mortgage industry, and may reduce the availability of mortgages to certain borrowers.

While we are continuing to evaluate all aspects of legislation, regulations and policies affecting the domestic real estate market, we cannot predict whether such legislation, regulation and policies may increase down payment requirements, increase mortgage costs, or result in increased costs and potential litigation for housing market participants, any of which could have a material adverse effect on our financial condition and results of operations.

Potential reform of Fannie Mae or Freddie Mac or certain federal agencies or a reduction in U.S. government support for the housing market could have a material impact on our operations.

Numerous pieces of legislation seeking various changes for government sponsored entities, or GSEs have been introduced in Congress to reform the U.S. housing finance market. Such proposed changes include among other things, changes designed to reduce government support for housing finance and the winding down of the federal conservatorship of Fannie Mae or Freddie Mac over a period of years. Legislation, if enacted, or additional regulation which curtails Fannie Mae's and/or Freddie Mac's activities and/or results in the wind down of the federal conservatorship of these entities, could increase mortgage costs and could result in more stringent underwriting guidelines imposed by lenders or cause other disruptions in the mortgage industry. Any of the foregoing could have a material adverse effect on the housing market in general and our operations in particular.

The occurrence of natural or man-made disasters or pandemics could adversely affect our operations, results of operations and financial condition.

The occurrence of natural disasters, including hurricanes, floods, earthquakes, tsunamis, tornadoes, fires, explosions, pandemic disease, such as the coronavirus pandemic, and man-made disasters, including acts of terrorism and military actions, could adversely affect our operations, results of operations or financial condition, even if home values and buyers' access to financing has not been affected.

Risks Related to Ownership of Our Common Stock

The requirements of being a public company may strain our resources, divert management's attention, and affect our ability to attract and retain qualified board of director members.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, and other applicable securities rules and regulations. Compliance with these rules and regulations, even as a "smaller reporting company," will increase our legal and financial compliance costs, make some activities more difficult, time-consuming, or costly, and increase demand on our systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and operating results. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. To maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm our business and operating results. Although we have already hired additional employees to comply with these requirements, we may need to hire more resources in the future, which will increase our costs and expenses.

In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure create uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations, and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us, and our business may be harmed.

Being a relatively new public company combined with these new rules and regulations makes it more expensive for us to obtain director and officer liability insurance, and, in the future, we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors also could make it more difficult for us to attract and retain qualified management and members of our board of directors (the "Board"), particularly to serve on our audit committee and compensation committee.

As a result of filings required of a public company, our business and financial condition is now more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and operating results could be harmed. Even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and materially harm our business, operating results, and financial condition.

Our common stock price might fluctuate significantly, and the price of our common stock might be negatively impacted by factors which are unrelated to our operations.

Prior to our 2020 initial public offering, there was no market for shares of our common stock. An active trading market for our common stock might not be sustained, which could depress the market price of our common stock and affect your ability to sell our shares. The trading price of our common stock has ranged from \$2.10 to \$56.81 and is likely to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. These factors include:

- our operating performance and the operating performance of similar companies;
- our non-GAAP operating performance, as reported using Adjusted EBITDA, is not equivalent to net income (loss) from operations as determined under GAAP and shareholders may consider GAAP measures to be more relevant to our operating performance;
- the overall performance of the equity markets;

- announcements by us or our competitors of acquisitions, business plans, or commercial relationships;
- threatened or actual litigation;
- any major change in our board of directors or management;
- publication of research reports or news stories about us, our competitors, or our industry, or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- large volumes of sales of our shares of common stock by existing shareholders; and
- general political and economic conditions, including lingering impacts from the COVID-19 pandemic.

Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company's securities. This litigation, if instituted against us, could result in substantial costs, divert our management's attention and resources, and harm our business, operating results, and financial condition.

Our amended and restated bylaws provide that, unless we consent in writing, North Carolina state court is, to the fullest extent permitted by law, the sole and exclusive forum for substantially all disputes between us and our shareholders. These choice of forum provisions could limit the ability of shareholders to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Unless we consent to the selection of an alternative forum, our amended and restated bylaws provide that North Carolina state courts will be, to the fullest extent permitted by law, the sole and exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees to the Company or our shareholders; any action asserting a claim against us arising pursuant to the North Carolina Business Corporation Act, or our articles of incorporation or bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. Since the choice of forum provisions are only applicable to "the fullest extent permitted by law," as provided in our bylaws, the provisions do not designate North Carolina courts as the exclusive forum for any derivative action or other claim for which the applicable statute creates exclusive jurisdiction in another forum. As such, the choice of forum provision does not apply to any actions arising under the Securities Act or the Exchange Act.

These choice of forum provisions may limit a shareholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provisions contained in our bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially adversely affect our business, financial condition and operating results.

Because we do not intend to pay any cash dividends on our shares of common stock in the near future, our shareholders will not be able to receive a return on their shares unless they sell them.

We intend to retain any future earnings to finance the development and expansion of our business. We do not anticipate paying any cash dividends on our common stock in the near future. The declaration, payment and amount of any future dividends will be made at the discretion of our Board, and will depend upon, among other things, the results of operations, cash flows and financial condition, operating and capital requirements, and other factors as our Board considers relevant. There is no assurance that future dividends will be paid, and if dividends are paid, there is no assurance with respect to the amount of any such dividend. Unless we pay dividends, our shareholders will not be able to receive a return on their shares unless they sell them.

Future sales of shares of our common stock by existing shareholders could depress the market price of our common stock.

Sales of substantial amounts of our common stock in the public market by our shareholders might cause the market price of our common stock to decrease significantly. Joshua Harley, our Founder and former Chief Executive Officer, Marco Fregenal, our President and Chief Executive Officer, and a director, and Glenn Sampson, a significant shareholder

and director, have previously engaged in sales of our stock under Rule 10b5-1 trading plans, which have put pressure on our stock price. In November 2021, Mr. Harley and Mr. Fregenal sold an aggregate of 350,000 shares of common stock in our underwritten public offering of common stock, and in December 2023 Mr. Harley sold 1,000,000 shares of common stock in our underwriting public offering. The perception that such additional sales could occur could also depress the market price of our common stock. Any such sales could also create public perception of difficulties or problems with our business and might also make it more difficult for us to raise capital through the sale of equity securities in the future at a time and price that we deem appropriate.

Joshua Harley, our Founder and former Chief Executive Officer, together with Marco Fregenal, our President and Chief Executive Officer, and a director, and Glenn Sampson, a significant shareholder and director, own a significant percentage of our stock, and as a result, they can take actions that may be adverse to the interests of the other shareholders and the trading price for our common stock may be depressed.

As of December 31, 2023, Joshua Harley, Marco Fregenal, and Glenn Sampson beneficially owned approximately 20.2%, 7.2%, and 7.4% of our outstanding common stock, respectively. This significant concentration of share ownership may adversely affect the trading price for our common stock because investors may perceive disadvantages in owning stock in companies with controlling shareholders. The three shareholders voting together can significantly influence all matters requiring approval by our shareholders, including the election and removal of directors and any proposed merger, acquisition, consolidation or sale of all or substantially all of our assets. In addition, due to his significant ownership stake and his service as our Chief Executive Officer, Mr. Fregenal controls the management of our business and affairs. This concentration of ownership could have the effect of delaying, deferring or preventing a change in control, or impeding a merger or consolidation, takeover or other business combination that could be favorable to our other shareholders.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market, or our competitors. If any of the analysts who may cover us change their recommendation regarding our stock adversely, or provide more favorable recommendations about our competitors, our stock price would likely decline. If any analyst who may cover us were to cease coverage of the Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 1C. Cybersecurity

We recognize the importance of developing, implementing, and maintaining effective cybersecurity measures designed to protect our information systems and the confidentiality, integrity, and availability of our data. We face a number of information technology and cybersecurity threats which could have an adverse effect on our business and results of operations.

Notwithstanding the Company's cybersecurity framework and preventative strategies, we may not be successful in preventing or mitigating a cybersecurity incident that could have a material adverse effect on us. See "Item 1A. Risk Factors" for a discussion of cybersecurity risks.

Risk Management and Strategy

We maintain robust cybersecurity protocols designed to identify, assess, manage, mitigate, and respond to cybersecurity threats. The Audit Committee of the Board of Directors oversees management's adherence to, and implementation of, the cybersecurity protocols and receives periodic updates on the Company's cybersecurity risks. Our cybersecurity protocols and related processes are integrated into our overall enterprise risk management (ERM) process. We use the COSO Framework as a framework for our Cybersecurity Policy.

Third parties also play a role in our cybersecurity. We engage third-party services to evaluate our security controls. Such evaluations include testing both the design and operational effectiveness of security controls. We also have processes to oversee and identify cybersecurity threats associated with our use of third-party service providers. Prior to engaging a

third-party service provider, we carefully evaluate their cybersecurity reputation and track record, industry reports, and any potential information that they would have access to in the course of their work with us.

Governance

As of December 31, 2023, no risks from cybersecurity threats, including as a result of cybersecurity incidents we have experienced in the past, have materially affected or are reasonably likely to materially affect the Company, including its business strategy, results of operations, or financial condition.

Our Board of Directors is involved in the design, implementation, and evaluation of our cybersecurity protocols. Particularly, our Audit Committee receives regular and frequent reports on the existence of cybersecurity threats, and works with management to devise appropriate measures to mitigate risks.

Staying Updated with Cybersecurity

The Company goes through a quarterly systems penetration test, using an independent third-party vendor, that finds new possible vulnerabilities in the system with recommendations to mitigate each vulnerability. With those recommendations, we schedule those fixes via our development team to resolve the vulnerabilities as soon as possible.

Mitigation, System Recovery, Redundancy and Continuity

As a process of mitigation, redundancy, and recovery, we keep multiple temporal copies of our databases and code base in multiple places, both on cloud and offline. We have a completed automated system deploy, which allows us to ‘revive’ our entire systems, via code (using a concept of infrastructure as code) in any cloud (or even physical servers) of our choice.

Item 2. Properties.

Our principal executive office is located at 2000 Regency Parkway Drive, Suite 300, Cary, North Carolina, 27518. Our total office space at the principal executive office is approximately 28,700 square feet and has lease terms expiring in December 2028.

We also lease office space located at 24800 Chrisanta Drive, Suite 140, Mission Viejo, California, 92691. This office space is approximately 1,980 square feet and is primarily for our accounting team. This office lease expired during December 2020 and the Company is currently renting this space on a month-to-month lease. We also lease small office spaces in the various regions in which we operate, in order to comply with regulatory and licensing requirements within such jurisdictions and in some cases, to provide office space for our agents.

We do not own any real property and we believe that our leased facilities are suitable and adequate to meet current needs.

Item 3. Legal Proceedings.

As previously reported by us in a Current Report on Form 8-K filed on November 28, 2023, we have been named as a defendant in a purported class action complaint in the United States District Court for the Eastern District of Texas Sherman Division, filed on November 13, 2023, by plaintiffs QJ Team, LLC and Five Points Holdings, LLC, individually and on behalf of all other persons similarly situated. A second purported class action complaint was filed on December 14, 2023, by plaintiffs Julie Martin, Mark Adams and Adelaida Matta in the same court, naming us as a defendant along with others, many of whom are also named in the first lawsuit. These lawsuits are purportedly brought on behalf of a class consisting of all persons who listed properties on a Multiple Listing Service in Texas (the “MLS”) using a listing agent or broker affiliated with one of the defendants named in the lawsuits and paid a buyer broker commission beginning on November 13, 2019. The lawsuits allege unlawful conspiracy in violation of federal antitrust law and, against certain defendants (but not us) deceptive trade practices under the Texas Deceptive Trade Practices Act. We expect additional lawsuits to be filed, given the breadth of the residential real estate industry and the volume of participants in the residential real estate industry in Texas and the rest of the United States.

Though we intend to vigorously defend ourselves as we believe the lawsuits are particularly without merit with respect to us because of our flat fee business model, we cannot predict with certainty the cost of our defense, the cost of prosecution, insurance coverage, or the ultimate outcome of the lawsuits and any others that might be filed in the future, including remedies or damage awards. Adverse results in such litigation might harm our business and financial condition.

Moreover, defending these lawsuits, regardless of their merits, could entail substantial expense and require the time and attention of our key management personnel.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The information regarding our equity compensation plans required by this Item 5 is incorporated by reference to the information under the section captioned “Security Ownership of Certain Beneficial Owners and Management, and Related Stockholder Matters” contained in our proxy statement related to the 2024 Annual Meeting of Shareholders (the “Proxy Statement”).

Market Information

Our common stock trades on The Nasdaq Capital Market under the symbol “FTHM”.

Holders of Common Stock

As of December 31, 2023, we had approximately 1,363 shareholders of record of our common stock.

Dividends

We have not paid any cash dividends on our common stock to date, and our Board intends to continue a policy of retaining earnings, if any, for use in our operations. We are organized under the North Carolina Business Corporation Act, which prohibits the payment of a dividend if, after giving it effect, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus the amount that would be needed, if we were to be dissolved, to satisfy the preferential rights upon dissolution of any preferred shareholders. Any determination by our Board to pay dividends in the future to shareholders will be dependent upon our operational results, financial condition, capital requirements, business projections, general business conditions, statutory and regulatory restrictions and any other factors deemed appropriate by our Board.

Sales of Unregistered Securities

None.

Issuer Repurchases of Equity Securities

On March 10, 2022, the Company’s Board authorized an expenditure of up to \$10.0 million for the repurchase of shares of the Company’s common stock in open market transactions effected through a broker-dealer at prevailing market prices, in block trades, or in privately negotiated transactions. The Company may also repurchase shares of its common stock pursuant to a trading plan meeting the requirements of Rule 10b5-1 under the Exchange Act which would permit shares of the Company’s common stock to be repurchased when the Company might otherwise be precluded from doing so by law. The share repurchase authorization does not have a fixed expiration. The stock repurchase program does not obligate the Company to repurchase any particular amount of common stock, and it could be modified, suspended or discontinued at any time. The timing and amount of repurchases will be determined by the Company’s management based on a variety of factors such as the market price of the Company’s common stock, the Company’s liquidity requirements, and overall market conditions. The stock repurchase program will be subject to applicable legal requirements, including federal and state securities laws.

There were no equity repurchases for the year ended December 31, 2023. The approximate dollar value of shares that may yet be purchased pursuant to the repurchase program is \$4.0 million. Management has no plans to repurchase additional shares at this time.

Item 6. [Reserved]

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements, the accompanying notes, and other financial information included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties, such as our plans, estimates, and beliefs. Our actual results could differ materially from those forward-looking statements below. Factors that could cause or contribute to those differences include, but are not limited to, those identified below and those discussed under “Risk Factors” in Part I, Item 1A of this Annual Report on Form 10-K.

Overview

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

Fathom Realty Holdings, LLC, a Texas limited liability company (“Fathom Realty”), is a wholly owned subsidiary of Fathom Holdings Inc. Fathom Realty owns 100% of 39 subsidiaries, each an LLC representing the state in which the entity operates (e.g. Fathom Realty NJ, LLC).

Company Acquisitions

In January 2022, the Company completed its acquisition of Cornerstone Financial (“Cornerstone”). The acquisition of Cornerstone, a real estate mortgage business, has helped us to expand our reach in the DC and surrounding markets.

In February 2022, the Company completed its acquisition of iPro Realty Network (“iPro”). The acquisition of iPro, a real estate brokerage business, has helped us to expand our reach in the Utah real estate market.

Stock Offering

In December 2023, the Company completed an offering of common stock, which resulted in the issuance and sale by the Company of 2,450,000 shares of common stock, at a public offering price of \$2.00 per share, generating gross proceeds of approximately \$4.9 million, of which the Company received approximately \$4.2 million, after deducting underwriting discounts and other offering costs.

Market Conditions and Industry Trends

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

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

Due to the increasing interest rates and increasing inflation, the market began a contraction trend beginning in the second quarter of 2022. In 2023, the existing home sales market declined 6.2%, according to the NAR, which is the lowest the market has been since 1995. However, according to the NAR, pending home sales increased by 8.3% in December 2023 compared to November 2023. The pending home sales index measures housing contract activity and is based on signed real estate contracts for existing single-family homes and condos.

The Company believes that it continues to be well positioned for growth in all of its businesses in the current economic climate. We have a strong base of agent support, which should drive organic market share growth, retention and productivity. Additionally, we have an efficient operating model with lower fixed costs driven by our cloud-based model, with minimum brick-and-mortar locations.

Regardless of whether the housing market continues to slow or grow, we continue to believe that we are positioned to leverage our low-cost, high-engagement model, affording agents and brokers increased income and ownership opportunities while offering a scalable solution to brokerage owners looking to prosper in a series of fluctuations in economic activity.

National Housing Inventory

Throughout 2023, increased mortgage interest rates and higher home prices have caused inventory levels, as measured in months of supply, to rise. Construction of new homes continues to slow also due to rising mortgage rates and the strained availability of labor and materials. According to the NAR, inventory of existing homes for sale in the U.S. was 990,000 at the end of December 2023 compared to 970,000 at the end of December 2022.

Mortgage Rates

The sharp increase in mortgage rates is negatively impacting the demand for homebuying. Based on Freddie Mac data, the average rate for a 30-year, conventional fixed rate mortgage was 6.61% in December 2023 compared to 6.42% in 2022. If inflation continues to moderate into 2024 as anticipated, mortgage rates should decline, which we expect to boost homebuyer demand and homebuilder sentiment. According to the NAR, as home prices and interest rates have increased, seasonally adjusted existing home sale transactions for the year ended December 2023 (preliminary) decreased to 3.78 million compared from 4.02 million for the year ended December 2022. The NAR anticipates transactions to increase slightly in 2024 due to mortgage rates decreasing in the latter part of the year. According to the NAR, nationwide existing home sales average price for December 2023 (preliminary) was \$382,600, up 4.3% from \$366,900 December 2022.

Rising Interest Rates, and Other Risks

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

In periods of economic growth, demand typically increases resulting in increasing home sales transactions and home sales prices. Similarly, a decline in economic growth, increasing interest rates and declining consumer confidence generally decreases demand. These are the trends we are currently facing. Additionally, regulations imposed by local, state, and federal government agencies can also negatively impact the housing markets in which we operate. Finally, national and global events, including geopolitical instability, that impact economic conditions and financial markets, including interest rates, can adversely impact the housing market.

Beginning in the second quarter of 2022, several economic factors began to adversely impact the residential real estate market, including higher mortgage interest rates, lower consumer sentiment, increased inflation, and declining financial market conditions. This shift in the macroeconomic backdrop had an adverse impact on consumer demand for our services, as consumers weighed the financial implications of selling or purchasing a home and taking out a mortgage. As previously reported, our growth slowed beginning in the third quarter of 2022. Our mortgage business also experienced significant declines in loan volumes beginning in the second quarter of 2022, particularly from declines in refinancing prior mortgages.

In response to these macroeconomic and consumer demand developments, we took action to adjust our operations and manage our business towards longer-term profitability despite these adverse macroeconomic factors. Looking ahead, we remain focused on getting back to positive total company Adjusted EBITDA for the full year 2024.

For the years ended December 31, 2023 and 2022, due in part to the widespread availability of multiple COVID-19 vaccines, the effects of the COVID-19 on business worldwide lessened. However, the continuing impact from COVID-19, as well as the recent increases in interest rates and inflationary pressure in the U.S. and world economies, is not fully known and cannot be estimated as the U.S. and global economies continue to react.

On October 31, 2023, a federal jury in Missouri found that the NAR and certain companies conspired to artificially inflate brokerage commissions, which violates federal antitrust law. The judgment was appealed on October 31, 2023, while the plaintiffs have now sued a number of other companies, although not us yet. On or about March 15, 2024, NAR

agreed to settle these lawsuits, by agreeing to pay \$418 million over approximately four years, and changing certain of its rules surrounding agent commissions. This settlement is subject to court approval. Due to this litigation, there may be rule changes for the NAR. In the settlement, effective mid-July 2024, NAR has agreed to put in place a new rule prohibiting offers of compensation on the MLS, as well as adopt new rules requiring written agreements between buyers and buyers' agents. However, the direct and indirect effects, if any, of the judgment upon the real estate industry are not yet entirely clear.

There could also be further changes in real estate industry practices. All of this has prompted discussion of changes to rules established by local or state real estate boards or multiple listing services. All of this may require changes to many brokers' business models, including changes in agent and broker compensation. For example, many of our competitors may need to develop mechanisms and a plan that enable buyers and sellers to negotiate commissions. In contrast, our flat fee per real estate transaction model has always enabled our agents to negotiate their own fees. Our flat fee makes it so we have never interfered with our agents' ability to negotiate commissions and have no direct incentive to do so. Our flat fee per real estate transaction model enables our agents to freely settle their transaction commissions at their own discretion. The Company will continue to monitor ongoing and similar antitrust litigation against our competitors, however, as our agent compensation model fully supports commission negotiation, we do not expect to have to change our compensation model in a manner that would adversely affect our financial condition and results of operations. However, the litigation and its ramifications could cause unforeseen turmoil in our industry, the impacts of which could have a negative effect on us as an industry participant.

Real Estate Agents

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

Fathom's real estate agent network grew 14% to approximately 11,795 agent licenses at December 31, 2023, up from approximately 10,370 at December 31, 2022.

Agent Equity Ownership

Effective January 1, 2019, agents could receive stock grants, which vest in three years based on continued affiliation with the Company, in two ways: 1) when the agent closed a sale of a property for the Company; and 2) when the agent referred another agent to join the Company as independent contractor. We granted such stock grants quarterly. Effective January 1, 2023, agents will primarily be able to earn stock grants in the form of stock units based on agent referral metrics achieved. These stock grants will be granted quarterly and will vest in two years.

Reportable Segments

Our Chief Operating Decision Maker makes operating decisions and assesses performance based on the services of identified operating segments and has identified three reportable segments: Real Estate Brokerage; Mortgage; and Technology. Through its Real Estate Brokerage segment, the Company provides real estate brokerage services. Through its Mortgage segment, the Company provides residential loan origination and underwriting services. Through its Technology segment, the Company provides SaaS solutions and data mining for third party customers and continues to develop its IntelliAgent platform for current use by the Company's real estate agents.

Components of Our Results of Operations

Revenue

Our revenue primarily consists of commissions generated from real estate brokerage services. We also have other service revenue, including mortgage lending, title insurance, home and other insurance, and SaaS revenues.

Gross commission income

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

Other Services Revenue

Mortgage Lending

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

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

Servicing rights release premiums represent one-time fee revenues earned for transferring the risk and rewards of ownership of servicing rights to third parties.

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

Insurance Agency Service Revenue

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

The Company is also eligible for certain contingent commissions from insurers based on the attainment of specific metrics (i.e., volume growth, loss ratios) related to underlying 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 are placed. Due to the uncertainty of the amount of contingent consideration we constrain estimated revenue to an amount for which a significant negative adjustment is not probable. Contingent consideration is generally received in the first quarter of the subsequent year.

Title Service Revenue

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

SaaS Revenue

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

Operating Expenses

Commission and other agent-related costs

Commission and other agent-related costs consists primarily of agent commissions, less fees paid to us by our agents, order fulfillment, share-based compensation for agents, title searches, and the direct costs to perform the services provided.

We expect commission and other agent-related costs to continue to rise in proportion to the expected growth in our operations.

Operations and support

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

Technology and development

Technology and development expenses primarily include personnel costs, related to ongoing development and maintenance of proprietary software for use by our own agents, customers, and support staff. Such personnel costs including base pay, bonuses, benefits, and share based compensation. Technology and development expenses also include amortization of capitalized software and development costs, data licenses, other software, and equipment costs, as well as infrastructure and operational expenses, such as, for data centers, communication, and hosted services.

General and administrative

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

Marketing

Marketing expenses consist primarily of online and traditional advertising, as well as costs for marketing and promotional materials. Advertising costs are expensed as they are incurred. We expect marketing expenses to increase in absolute dollars as we continue to expand our advertising programs, and promote of our newly acquired business lines, but we anticipate marketing expenses as a percentage of revenue to decrease over time, if and as our revenue increases.

Depreciation and amortization

Depreciation and amortization represent how we expense our fixed and intangible assets other than capitalized software. Depreciation expense is recorded on a straight-line method, based on estimated useful lives of five years for computer hardware, seven years for furniture and equipment and seven years for vehicles. Leasehold improvements are depreciated over the lesser of the life of the lease term or the useful life of the improvements. Amortization expense consists of amortization recorded on acquisition-related intangible assets, excluding purchased software. Customer relationships are amortized on an accelerated basis, which coincides with the period of economic benefit we expect to receive. All other finite-lived intangibles are amortized on a straight-line basis over the term of the expected benefit. Purchased software and capitalized software development costs are amortized on a straight-line basis over the term of the expected benefit and the respective amortization expense is included in technology and development expense. In accordance with U.S. Generally Accepted Accounting Principles (“GAAP”), we do not amortize goodwill.

Income Taxes

U.S. federal and state income tax benefits for a portion of historical net losses was recognized in the period ended December 31, 2022. Previously, we have not recognized the tax benefits because of the uncertainty of realizing a future benefit from those items. As a result of certain acquisitions during the period ended December 31, 2022, we realized a portion of the pre-existing deferred tax assets due to the reversal of taxable temporary differences. As of December 31, 2023, we had federal net operating loss carryforwards of approximately \$49.4 million and state net operating loss carryforwards of approximately \$26.0 million. Of the federal net operating losses \$1.0 million are subject to expiration beginning in 2035 and \$48.4 million carry forward indefinitely. State net operating losses will begin to expire, if not utilized, in 2032. Utilization of the net operating loss carryforwards may be subject to an annual limitation according to Section 382 of the Internal Revenue Code of 1986 as amended, and similar state law provisions.

Results of Operations

Comparison of the Years Ended December 31, 2023, and 2022 (amount in thousands)

Revenue

	Year Ended December 31,		Change	
	2023	2022	Dollars	Percentage
Gross commission income	\$ 325,405	\$ 390,615	\$ (65,210)	(17) %
Other service revenue	19,821	22,349	(2,528)	(11) %
Total revenue	\$ 345,226	\$ 412,964	\$ (67,738)	(16) %

For the year ended December 31, 2023, gross commission income decreased by approximately \$65 million or 17%, as compared with the year ended December 31, 2022. This decrease was primarily attributable to a decrease in transaction volume caused by higher mortgage interest rates. During the year ended December 31, 2023, transaction volume decreased by 15% to approximately 38,139 transactions compared to approximately 44,700 transactions for the year ended December 31, 2022. During the year ended December 31, 2023, average revenue per transaction decreased by 2% to \$8,532 from \$8,739 during the year ended December 31, 2022.

For the year ended December 31, 2023, other service revenue was approximately \$19.8 million. This revenue decrease is primarily attributable to a decrease in mortgage loans and title service transaction volume, which were primarily attributable to rising interest rates and economic uncertainties impacting the number of home sales and mortgage refinancings.

Operating Expenses

	Year Ended December 31,		Change	
	2023	2022	Dollars	Percentage
Commission and other agent-related costs	\$ 308,094	\$ 372,246	\$ (64,152)	(17) %
Operations and support	7,513	8,249	(736)	(9) %
Technology and development	7,609	7,715	(106)	(1) %
General and administrative	38,751	43,217	(4,466)	(10) %
Marketing	3,348	5,218	(1,870)	(36) %
Depreciation and amortization	3,164	3,096	68	2 %
Total operating expenses	\$ 368,479	\$ 439,741	\$ (71,262)	(16) %

For the year ended December 31, 2023, commission and other agent-related costs decreased by approximately \$64.2 million, or 17%, as compared with the year ended December 31, 2022. Commission and other agent-related costs primarily includes costs related to agent commissions, net of fees paid to us by our agents. These costs generally correlate with recognized revenues. As such, the decrease in commission and other agent-related costs compared to the same period in 2022 was primarily due to a decrease in agent commissions paid due to lower transaction volume mainly due to rising interest rates. The lift from increasing the fees we charged to agents thereby lowering our payout in commission costs starting in January 2023, was partially offset by an approximately \$1.0 million increase in non-cash stock compensation costs paid to agents.

For the year ended December 31, 2023, operations and support expenses were approximately \$7.5 million as compared with \$8.2 million for the year ended December 31, 2022. This decrease was primarily attributable to strategic decreases in headcount in our mortgage, insurance, and title businesses.

For the year ended December 31, 2023, technology and development expenses primarily attributable to our ongoing investment in the IntelliAgent platform and our LiveBy business remained relatively constant as compared with the year ended December 31, 2022.

For the year ended December 31, 2023, general and administrative expenses decreased by approximately \$4.5 million, or 10%, as compared with the year ended December 31, 2022. This decrease was primarily attributable to strategic

decreases in headcount throughout our businesses and to salary reductions at the business unit and corporate executive management levels, partially offset by a \$2.5 million increase in non-cash stock compensation costs.

For the year ended December 31, 2023, marketing expenses decreased by approximately \$1.9 million, or 36%, as compared with the year ended December 31, 2022. The decrease in marketing expenses is primarily related to leveraging internal resources and optimizing advertising expenditures.

For the year ended December 31, 2023, depreciation and amortization expenses increased by approximately \$0.1 million or 2% from the year ended December 31, 2022. The increase in depreciation and amortization expense is due to the amortization of the intangible assets (other than capitalized and purchased software, for which amortization is included in technology and development expense) acquired in connection with the acquisition of Cornerstone and iPro in the first quarter of 2022.

Income Taxes

The Company recorded an income tax expense of \$0.1 million and an income tax benefit of \$0.1 million for the years ended December 31, 2023 and 2022, respectively. The tax expense for the period ended December 31, 2023 primarily consists of deferred tax liabilities in excess of the Company's deferred tax assets and also includes current state income tax expense not offset by state net operating loss carryforwards.

Liquidity and Capital Resources (amount in thousands)

Capital Resources

	December 31, 2023	December 31, 2022	Change	
			Dollars	Percentage
Current assets	\$ 23,194	\$ 18,816	\$ 4,378	23 %
Current liabilities	16,352	12,499	3,853	31 %
Net working capital	<u>\$ 6,842</u>	<u>\$ 6,317</u>	<u>\$ 525</u>	<u>8 %</u>

To date, our principal sources of liquidity have been revenues and the net proceeds we received through public offerings and private sales of our common stock, as well as proceeds from loans. As of December 31, 2023, our cash totaled approximately \$7.4 million, which represented a decrease of \$0.9 million compared to December 31, 2022. As of December 31, 2023, we had net working capital of approximately \$6.8 million, which represented an increase of \$0.5 million compared to December 31, 2022.

In April 2023, we entered into a securities purchase agreement (the "Purchase Agreement") with an accredited investor (the "Holder") and issued a Senior Secured Convertible Promissory Note in the principal amount of \$3,500,000 (the "Note") in a private placement (the "Offering"). The cash proceeds disbursed to the Company from the issuance of the Note were \$3,300,000, after deducting the placement agent fee and purchaser expenses.

In December 2023, the Company, completed an offering of common stock, which resulted in the issuance and sale by the Company of 2,000,000 shares of common stock, at a public offering price of \$2.00 per share and an option to the underwriters to purchase up to additional 450,000 shares. In December 2023, the underwriters exercised their option to purchase the additional shares. The December Offering generated gross proceeds of approximately \$4.9 million, of which the Company received approximately \$4.2 million, after deducting underwriting discounts and other offering costs.

We anticipate that our existing balances of cash and cash equivalents and future expected cash flows generated from our operations will be sufficient to satisfy our operating requirements for at least the next twelve months from the date of the issuance of the consolidated financial statements for the year ended December 31, 2023.

Our future capital requirements depend on many factors, including any future acquisitions, our level of investment in technology, and our rate of growth into new markets. Our capital requirements might also be affected by factors which we cannot control such as the residential real estate market, interest rates, and other monetary and fiscal policy changes, any of which could adversely affect the manner in which we currently operate. Additionally, as other world events, such as the ongoing conflict in Ukraine and in the Middle East, may impact the economy and our operations in new ways, we will continuously assess our liquidity needs. In the event of a sustained market deterioration, we may need or seek

advantageously to obtain additional funding through equity or debt financing, which might not be available on favorable terms or at all and could hinder our business and dilute our existing shareholders.

Cash Flows

Comparison of the Years Ended December 31, 2023 and 2022 (amount in thousands)

	Year Ended December 31,		Change	
	2023	2022	Dollars	Percentage
Net cash used in operating activities	\$ (10,572)	\$ (6,583)	\$ (3,989)	(61) %
Net cash used in investing activities	\$ (1,868)	\$ (7,096)	\$ 5,228	74 %
Net cash provided by (used in) financing activities	\$ 11,600	\$ (15,862)	\$ 27,462	173 %

Cash Flows from Operating Activities

Net cash used in operating activities for the year ended December 31, 2023 consisted of a net loss of \$24.0 million, including non-cash charges of \$13.0 million of share-based compensation, \$5.9 million of depreciation and amortization, and a \$3.7 million gain on sale of mortgages. Non-cash lease expense was \$1.7 million and was offset by a \$1.8 million decrease in operating lease right of use liabilities. Other principal changes in operating assets and liabilities were the \$1.2 million negative net effect of sale and payment of mortgage loans held for sale, \$0.3 million increase in accounts receivable, and a \$0.4 million decrease in accrued liabilities.

Cash Flows from Investing Activities

Net cash used in investing activities for the year ended December 31, 2023 consisted primarily of \$1.9 million for costs incurred related to developing intangible assets.

Cash Flows from Financing Activities

Net cash used in financing activities for the year ended December 31, 2023 consisted of \$4.8 million of net borrowings on warehouse lines of credit, \$4.0 million in debt proceeds from the issuance of a \$3.5 million convertible note payable and approximately \$0.5 million in notes payable attributable to financing certain insurance premiums, plus \$4.2 million in net proceeds from our December 2023 equity offering, partially offset by \$0.7 million in debt payments, \$0.2 million in debt issuance cost payments, and \$0.5 million in deferred acquisition consideration payments.

NON-GAAP FINANCIAL MEASURE

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

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

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

such as, gain on debt extinguishment, severance costs, and non-cash items representing reserves on certain agent fee collection, if applicable.

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

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

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

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

	Year Ended December 31,	
	2023	2022
Net loss	\$ (23,981)	\$ (27,626)
Depreciation and amortization	5,947	5,346
Other expense (income), net	580	903
Income tax expense (benefit)	148	(54)
Stock based compensation	12,994	9,131
Other non-cash and transaction-related cost	201	73
Adjusted EBITDA	\$ (4,111)	\$ (12,227)

Critical Accounting Estimates

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

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

Goodwill

Goodwill is not amortized but is subject to impairment testing. We review goodwill for impairment on an annual basis in the fiscal fourth quarter or on an interim basis if an event occurs or circumstances change that indicate goodwill may be impaired. We assess goodwill for possible impairment by performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. No additional impairment steps

are necessary if we qualitatively determine that it is more likely than not that the fair value of the reporting unit is less than its carrying amount. An impairment loss for goodwill would be recognized based on the difference between the carrying value and its estimated fair value, which would be determined based on either discounted future cash flows or another appropriate fair value method.

The evaluation of goodwill for impairment requires management to use significant judgments and estimates in accordance with U.S. GAAP, including, but not limited to, economic, industry and company-specific qualitative factors, projected future net sales, operating results and cash flows. Although we currently believe the estimates used in the evaluation of goodwill are reasonable, differences between actual and expected net sales, operating results and cash flows and/or changes in the discount rates used could cause these assets to be deemed impaired. If this were to occur, we would be required to record a non-cash charge to earnings for the write-down in the value of the goodwill, which could have a material adverse effect on our results of operations and financial position but not on our cash flows from operations.

To perform these assessments, we identified and analyzed macroeconomic conditions, industry and market conditions and Company-specific factors. As a result of the analysis performed, management believes the estimated fair value of the reporting units continue to exceed their carrying values and does not represent a more likely than not possibility of potential impairment. For further information on goodwill, see Note 4 - Goodwill.

Business Combinations

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

The estimated fair value of net assets acquired, including the allocation of the fair value to identifiable assets and liabilities, was determined using established valuation techniques. A fair value measurement is determined as the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. In the context of purchase accounting, the determination of fair value often involves significant judgments and estimates by management, including the selection of valuation methodologies, estimates of future revenues, costs and cash flows, discount rates, and the selection of comparable companies. The estimated fair values reflected in the purchase accounting rely on management’s judgment and the expertise of a third-party valuation firm engaged to assist in concluding on the fair value measurements. For each business combination completed during the year ended December 31, 2022, the estimated fair value of identifiable intangible assets, primarily consisting of agent relationships, tradenames, customer relationships and technology, was determined using the relief-from-royalty and multi-period excess earnings methods. The most significant assumptions under these methods include the estimated remaining useful life, expected future revenue, annual agent revenue attrition, costs to develop new agents, charges for contributory assets, tax rate, discount rate and tax amortization benefit. Management has developed these assumptions on the basis of historical knowledge of the business and projected financial information of the respective acquired company. These assumptions may vary based on future events, perceptions of different market participants and other factors outside the control of management, and such variations may be significant to estimated values.

The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed are based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates and the number of years on which to base the cash flow projections, as well as other assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates based on the risk inherent in the acquired assets, specific risks, industry beta and capital structure of guideline companies. The valuation of an acquired business is based on available information at the acquisition date and assumptions that are believed to be reasonable. However, a change in facts and circumstances as of the acquisition date can result in subsequent adjustments during the measurement period, but no later than one year from the acquisition date. Please see Note 3 - Acquisitions, for more detail.

Recent Accounting Standards

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

JOBS Act Transition Period

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

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

As part of being an emerging growth company, the Company is also considered a small reporting company (“SRC”) as of December 31, 2023. Under the terms of the JOBS Act, a SRC has public float of less than \$250 million or has less than \$100 million in annual revenue and no public float or public float less than \$700 million. Being a SRC allows the Company to include less extensive narrative disclosure than required of other reporting companies, particularly concerning executive compensation. It also provides audited financial statements for two fiscal years, in contrast to non-SRCs, which must provide audited financial statements for three fiscal years.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

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

Item 8. Financial Statements and Supplementary Data.

**FATHOM HOLDINGS INC.
FINANCIAL STATEMENTS**

Contents

	<u>Page</u>
Report of Independent Registered Public Accounting Firm as of and for the year ended December 31, 2023 (PCAOB ID No. 34)	F-1
Consolidated Balance Sheets as of December 31, 2023 and 2022	F-2
Consolidated Statements of Operations for the years ended December 31, 2023 and 2022	F-3
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2023 and 2022	F-4
Consolidated Statements of Cash Flows for the years ended December 31, 2023 and 2022	F-5
Notes to the Consolidated Financial Statements	F-6

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and Board of Directors of Fathom Holdings Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Fathom Holdings Inc. and subsidiaries (the "Company") as of December 31, 2023 and 2022 and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows, for each of the two years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Raleigh, North Carolina
March 19, 2024

We have served as the Company's auditor since 2021.

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

	December 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,399	\$ 8,320
Restricted cash	141	60
Accounts receivable	3,352	3,074
Mortgage loans held for sale, at fair value	8,602	3,694
Prepaid and other current assets	3,700	3,668
Total current assets	23,194	18,816
Property and equipment, net	2,340	2,945
Lease right of use assets	4,150	5,508
Intangible assets, net	23,909	27,259
Goodwill	25,607	25,607
Other assets	58	52
Total assets	\$ 79,258	\$ 80,187
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,396	\$ 3,343
Accrued and other current liabilities	2,681	3,403
Warehouse lines of credit	8,355	3,580
Lease liability - current portion	1,504	1,609
Long-term debt - current portion	416	564
Total current liabilities	16,352	12,499
Lease liability, net of current portion	3,824	5,241
Long-term debt, net of current portion	3,467	129
Other long-term liabilities	381	297
Total liabilities	24,024	18,166
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Common stock (no par value, shares authorized, 100,000,000; shares issued and outstanding, 20,671,515 and 17,468,562 as of December 31, 2023 and 2022, respectively)	—	—
Additional paid-in capital	126,820	109,626
Accumulated deficit	(71,586)	(47,605)
Total stockholders' equity	55,234	62,021
Total liabilities and stockholders' equity	\$ 79,258	\$ 80,187

The accompanying notes are an integral part of these consolidated financial statements.

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

	Year Ended December 31,	
	2023	2022
Revenue		
Gross commission income	\$ 325,405	\$ 390,615
Other service revenue	19,821	22,349
Total revenue	345,226	412,964
Operating expenses		
Commission and other agent-related costs	308,094	372,246
Operations and support	7,513	8,249
Technology and development	7,609	7,715
General and administrative	38,751	43,217
Marketing	3,348	5,218
Depreciation and amortization	3,164	3,096
Total operating expenses	368,479	439,741
Loss from operations	(23,253)	(26,777)
Other expense (income), net		
Interest expense (income), net	245	(11)
Other nonoperating expense, net	335	914
Other expense, net	580	903
Loss before income taxes	(23,833)	(27,680)
Income tax expense (benefit)	148	(54)
Net loss	\$ (23,981)	\$ (27,626)
Net loss per share:		
Basic	\$ (1.47)	\$ (1.73)
Diluted	\$ (1.47)	\$ (1.73)
Weighted average common shares outstanding:		
Basic	16,265,993	16,001,367
Diluted	16,265,993	16,001,367

The accompanying notes are an integral part of these consolidated financial statements.

FATHOM HOLDINGS INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022
(amounts in thousands except share data)

	Common Stock				
	Number of Outstanding Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Total
Balance at December 31, 2022	17,468,562	\$ —	\$ 109,626	\$ (47,605)	\$ 62,021
Issuance of common stock for public offering	2,450,000	—	4,900	—	4,900
Offering costs in connection with public offering	—	—	(745)	—	(745)
Stock-based compensation, net of forfeitures	734,511	—	12,994	—	12,994
Issuance of common stock for purchase of business	18,442	—	45	—	45
Net loss	—	—	—	(23,981)	(23,981)
Balance at December 31, 2023	<u>20,671,515</u>	<u>\$ —</u>	<u>\$ 126,820</u>	<u>\$ (71,586)</u>	<u>\$ 55,234</u>

	Common Stock				
	Number of Outstanding Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Total
Balance at December 31, 2021	16,751,606	\$ —	\$ 100,129	\$ (19,979)	\$ 80,150
Issuance of common stock for purchase of businesses	470,982	—	6,191	—	6,191
Repurchase of common stock	(686,097)	—	(6,045)	—	(6,045)
Stock-based compensation, net of forfeitures	932,071	—	9,351	—	9,351
Net loss	—	—	—	(27,626)	(27,626)
Balance at December 31, 2022	<u>17,468,562</u>	<u>\$ —</u>	<u>\$ 109,626</u>	<u>\$ (47,605)</u>	<u>\$ 62,021</u>

The accompanying notes are an integral part of these consolidated financial statements.

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

Year Ended December 31,

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (23,981)	\$ (27,626)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	5,947	5,346
Non-cash lease expense	1,663	1,856
Deferred financing costs amortization	71	—
Gain on sale of mortgages	(3,696)	(3,819)
Stock-based compensation	12,994	9,131
Deferred income taxes	84	297
Change in operating assets and liabilities:		
Accounts receivable	(278)	485
Prepaid and other current assets	(232)	(958)
Other assets	195	78
Accounts payable	53	(1,959)
Accrued and other current liabilities	(353)	(1,081)
Operating lease liabilities	(1,827)	(1,867)
Mortgage loans held for sale originations	(154,480)	(246,327)
Proceeds from sale and principal payments on mortgage loans held for sale	153,268	259,861
Net cash (used in) operating activities	(10,572)	(6,583)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(22)	(945)
Amounts paid for business and asset acquisitions, net of cash acquired	(35)	(1,639)
Purchase of intangible assets	(1,811)	(3,112)
Other investing activities	—	(1,400)
Net cash used in investing activities	(1,868)	(7,096)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on debt	(718)	(1,307)
Proceeds from debt	4,036	924
Cash paid for debt issuance costs	(200)	—
Other financing activities	(449)	—
Borrowings from warehouse lines of credit	150,265	210,433
Repayment on warehouse lines of credit	(145,489)	(219,867)
Repurchase of common stock	—	(6,045)
Proceeds from the issuance of common stock in connection with a public offering	4,900	—
Payment of offering cost in connection with issuance of common stock in connection with public offering	(745)	—
Net cash provided by (used in) financing activities	11,600	(15,862)
Net decrease in cash, cash equivalents, and restricted cash	(840)	(29,541)
Cash, cash equivalents, and restricted cash at beginning of period	8,380	37,921
Cash, cash equivalents, and restricted cash at end of period	\$ 7,540	\$ 8,380
<i>Supplemental disclosure of cash and non-cash transactions:</i>		
Cash paid for interest	\$ 188	\$ 4
Income taxes paid	50	111
Amounts due to sellers	80	1,100
Right of use assets obtained in exchange for new lease liabilities	305	2,385
Issuance of common stock for purchase of business	45	6,168
Capitalized share-based compensation	—	220
<i>Reconciliation of cash and restricted cash:</i>		
Cash and cash equivalents	\$ 7,399	\$ 8,320
Restricted cash	141	60
Total cash, cash equivalents, and restricted cash shown in statement of cash flows	\$ 7,540	\$ 8,380

The accompanying notes are an integral part of these consolidated financial statements.

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Description of Business and Nature of Operations

Fathom Holdings Inc. (“Fathom”, “Fathom Holdings,” and collectively with its consolidated subsidiaries and affiliates, the “Company”) is a national, technology-driven, real estate services platform integrating residential brokerage, mortgage, title, insurance services and supporting software called intelliAgent.

The Company’s brands include Fathom Realty, Encompass Lending, intelliAgent, LiveBy, Real Results, Verus Title and Cornerstone.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation— The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) as determined by the Financial Accounting Standards Board (the “FASB”) Accounting Standards Codification (“ASC”) for financial information. All adjustments and disclosures necessary for a fair presentation of these consolidated financial statements have been included.

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

Certain Significant Risks and Business Uncertainties— The Company is subject to the risks and challenges associated with companies at a similar stage of development. These include dependence on key individuals, successful development and marketing of its offerings, and competition with larger companies with greater financial, technical, and marketing resources. Furthermore, during the period required to achieve substantially higher revenue in order to become consistently profitable, the Company may require additional funds that might not be readily available or might not be on terms that are acceptable to the Company.

Liquidity— The Company has a history of negative cash flows from operations and operating losses. The Company generated net losses of approximately \$4.0 million and \$27.6 million, for the years ended December 31, 2023 and 2022, respectively. Additionally, the Company anticipates further expenditures associated with the process of expanding its business organically and via acquisitions. The Company had cash and cash equivalents of \$7.4 million and \$8.3 million as of December 31, 2023 and 2022, respectively. Management believes that existing cash along with its planned budget, which includes an increase in agent fees implemented in January 2024, growth from increasing attach rates across the Company’s businesses from internal referrals, reduction of certain expenses given initiatives implemented throughout 2023, and the expected ability to achieve sales volumes necessary to cover forecasted expenses, provide sufficient funding to continue as a going concern for a period of at least one year from the date of the issuance of these consolidated financial statements.

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

Cash and Cash Equivalents— The Company considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents. Cash equivalents consist primarily of money market

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

instruments. From time to time, the Company’s cash deposits exceed federally insured limits. The Company has not experienced any losses resulting from these excess deposits.

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

- Level 1 inputs are quoted market prices in active markets for identical assets or liabilities (these are observable market inputs).
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability (includes quoted market prices for similar assets or identical or similar assets in markets in which there are few transactions, prices that are not current or prices that vary substantially).
- Level 3 inputs are unobservable inputs that reflect the entity’s own assumptions in pricing the asset or liability (used when little or no market data is available).

The fair value of cash and cash equivalents, restricted cash, accounts receivable, agent annual fees receivable, net, prepaid and other current assets, accounts payable and accrued liabilities, and due to affiliates approximate their carrying value due to their short-term maturities. The loan and notes payable, and lease liability are presented at their carrying value, which based on borrowing rates currently available to the Company for loans and leases with similar terms, approximate their fair values.

Nonfinancial assets, such as goodwill, are accounted for at fair value on a nonrecurring basis.

Accounts Receivable — Accounts receivable consist of balances due from customers. The Company records no allowances due to the Company’s ability to collect substantially all receivables. In determining collectability, historical trends are evaluated, and specific customer issues are reviewed on a periodic basis to arrive at appropriate allowances.

Agent Annual Fees Receivable - Agent annual fees receivable, net of estimated allowances for uncollectible accounts were approximately \$2.4 million and \$2.3 million as of December 31, 2023 and 2022, respectively, and are recorded in prepaid and other current assets on the consolidated balance sheet. The agent annual fees receivable represents the \$600 fee, increased from \$500 in 2022, that agents pay on their first sale or their one-year anniversary date, which is recognized as a reduction to cost of revenue ratably over the year in which the fee pertains. The Company estimates the allowance for uncollectible accounts based on historical write-off experience each period.

Property and Equipment — Property and equipment is stated at cost, less accumulated depreciation. Maintenance and repairs are charged to expense when incurred. Additions and improvements that extend the economic useful life of the asset are capitalized and depreciated over the remaining useful lives of the assets. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts, and any resulting gain or loss is reflected in current earnings. Depreciation is provided using the straight-line method in amounts considered to be sufficient to amortize the cost of the assets to operations over their estimated useful lives, as follows:

Asset category	Depreciable life
Vehicles	7 years
Computers and equipment	3 — 5 years
Furniture and fixtures	7 years

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets might not be recoverable. Recoverability of assets to be held and used is measured first by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets were considered to be impaired, an impairment loss would be recognized as the difference between the fair value and carrying value when the carrying amount of the asset exceeds the fair value of the asset. To date, no such impairment has occurred.

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The estimated fair value of net assets acquired, including the allocation of the fair value to identifiable assets and liabilities, is determined using established valuation techniques. A fair value measurement is determined as the price received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. In the context of acquisition accounting, the determination of fair value often involves significant judgments and estimates by management, including the selection of valuation methodologies, estimates of future revenues, costs and cash flows, discount rates, and selection of comparable companies. The estimated fair values reflected in the acquisition accounting rely on management’s judgment and the expertise of a third-party valuation firm engaged to assist in concluding on the fair value measurements. The estimated fair value of identifiable intangible assets, primarily consisting of agent relationships, tradenames customer relationships, know-how and technology, was determined using relief-from-royalty method.

The most significant assumptions under the relief-from-royalty method used to value trade names include estimated remaining useful life, expected future revenue, annual agent revenue attrition, costs to develop new agents, charges for contributory assets, tax rate, discount rate and tax amortization benefit. The most significant variables in these valuations are discount rates and the number of years on which to base the cash flow projections, as well as other assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates based on the risk inherent in the acquired assets, specific risks, industry beta and capital structure of guideline companies. Management has developed these assumptions on the basis of historical knowledge of the business and projected financial information of the Company. These assumptions may vary based on future events, perceptions of different market participants and other factors outside the control of Management, and such variations may be significant to estimated values.

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

Asset Acquisitions — The Company follows the guidance in ASC 805-10 for determining the appropriate accounting treatment for asset acquisitions. ASC 805-10 provides an initial fair value screen to determine if substantially all of the fair value of the assets acquired is concentrated in a single asset or group of similar assets. If the initial screening test is not met, the asset is considered a business based on whether there are inputs and substantive processes in place. Based on the results of this analysis and conclusion on an acquisition’s classification of a business combination or an asset acquisition, the accounting treatment is derived.

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

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

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

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Capitalized software costs are amortized over the expected useful lives of the applicable software and such amortization is recorded in technology and development on the statement of operations. Currently, capitalized software costs for internal use have a useful life estimated at five years.

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

Goodwill - Goodwill, which represents the excess of purchase price over the fair value of net assets acquired, is carried at cost. Goodwill is not amortized; rather, it is subject to a periodic assessment for impairment by applying a fair value-based test. Goodwill is assessed for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the asset might be impaired. Under the authoritative guidance issued by the FASB, the Company has the option to first assess the qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative goodwill impairment test. If the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the goodwill impairment test is performed. The goodwill impairment test requires the Company to estimate the fair value of the reporting unit and to compare the fair value of the reporting unit with its carrying amount. If the fair value exceeds the carrying amount, then no impairment is recognized. If the carrying amount recorded exceeds the fair value calculated, then an impairment charge is recognized for the difference. The judgments made in determining the projected cash flows used to estimate the fair value can materially impact the Company’s financial condition and results of operations. There was no impairment of goodwill for the year ended December 31, 2023.

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

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

The Company generates revenue from real estate brokerage services which consists of commissions generated from real estate transactions, which the Company classifies as gross commission income. The Company also generates revenues

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

through mortgage lending, SaaS solutions, as well as title and insurance services, which the Company classifies as other service revenue.

Revenues from real estate brokerage services

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

Revenues from mortgage services

The revenue streams for the Company's mortgage lending services business are primarily comprised of gains and losses from loans sold, and origination and other fees. The majority of these revenue streams are exempted from ASC 606, as the scope of the standard does not apply to revenue on contracts accounted for under ASC 860 Transfers and Servicing. Origination and other fees are not specifically separable from actual mortgage loans.

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

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

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

Revenues from technology

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

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Revenues from title services

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

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

Revenues from insurance agency services

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

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

Commission and other agent-related costs — Commission and other agent-related costs consists primarily of agent commissions, less fees paid by the Company to agents, order fulfillment, share-based compensation for agents, title searches, and direct cost to fulfill the services provided.

Operations and support — Operations and support consist primarily of direct cost to fulfill the services from our mortgage lending, title services, insurance services and other services provided.

Technology and development — Technology and development expenses primarily include personnel costs, including base pay, bonuses, benefits, and share-based compensation, related to ongoing development and maintenance of our

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

proprietary software for use by our agents, customers, and support staff. Technology and development expenses also include amortization of capitalized software and development costs, data licenses, other software, and equipment costs, as well as infrastructure and operational expenses, such as, for data centers, communication, and hosted services.

General and Administrative — General and administrative expenses consist primarily of personnel costs, share-based compensation, and fees for professional services. Professional services principally consist of external legal, audit, and tax services.

Marketing — Marketing expenses consist primarily of marketing and promotional materials. Marketing costs are expensed as they are incurred.

Leases — The Company categorizes leases at their inception as either operating or finance leases. On certain lease agreements, the Company may receive rent holidays and other incentives. The Company recognizes lease costs on a straight-line basis without regard to deferred payment terms, such as rent holidays, that defer the commencement date of required payments.

Share-based Compensation — Share-based compensation for employees and non-employees (principally independent contractor agents) is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which is generally the vesting period of the respective award. Forfeitures are recognized when they occur. Fully vested restricted stock awards are measured on grant date at fair value.

Common Stock Warrant — The Company accounts for common stock warrants as either equity instruments or liabilities in accordance with ASC 480 *Distinguishing Liabilities from Equity* (“ASC 480”), depending on the specific terms of the warrant agreement. If warrants are issued in exchange for services the Company evaluates whether they should be accounted for in accordance with ASC 718, *Compensation - Stock Compensation* (“ASC 718”). Under ASC 718, the warrants shall be classified as a liability if 1) the underlying shares are classified as liabilities or 2) the issuing entity can be required under any circumstances to settle the warrant by transferring cash or other assets. For additional discussion on warrants, see Note 11 – Equity-classified Warrants.

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

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

Income Taxes — Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the combined financial statement and tax bases of assets and liabilities at the applicable enacted tax rates. The Company will establish a valuation allowance for deferred tax assets if it is more likely than not that these items will expire before either the Company is able to realize their benefit or that future deductibility is uncertain.

The Company believes that it is currently more likely than not that its deferred tax assets will not be realized and as such, it has recorded a full valuation allowance for these assets. The Company evaluates the likelihood of the ability to realize deferred tax assets in future periods on a quarterly basis, and when appropriate evidence indicates it would release its valuation allowance accordingly. The determination to provide a valuation allowance is dependent upon the assessment

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of whether it is more likely than not that sufficient taxable income will be generated to utilize the deferred tax assets. Based on the weight of the available evidence, which includes the Company's historical operating losses, lack of taxable income, and accumulated deficit, the Company provided a full valuation allowance against the U.S. tax assets resulting from the tax losses as of December 31, 2023 and 2022.

Recently Implemented Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, "*Simplifying the Accounting for Income Taxes*". The provisions of ASU 2019-12 include eliminating certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The guidance is effective for the reporting period beginning after December 15, 2021, and the interim periods therein. The Company adopted this standard effective January 1, 2022 and the application of ASU 2019-12 did not have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, that changes the impairment model for most financial assets and certain other instruments. For receivables, loans and other instruments, entities will be required to use a new forward-looking "expected loss" model that generally will result in the earlier recognition of allowance for losses. In addition, an entity will have to disclose significantly more information about allowances and credit quality indicators. Based on the Company's status as a smaller reporting company, the new standard is effective for the Company for fiscal years beginning after December 15, 2022. The Company adopted this standard effective January 1, 2023 and the application of ASU 2016-13 did not have a material impact on the Company's consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06 Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40). The objective of the amendments in this ASU is to address issues identified as a result of the complexity associated with applying GAAP for certain financial instruments with characteristics of liabilities and equity. The amendments in this ASU reduce the number of accounting models for convertible debt instruments and redeemable convertible preference shares. For convertible instruments with conversion features that are not required to be accounted for as derivatives under Topic 815, Derivatives and Hedging, or that do not result in substantial premiums accounted for as paid-in capital, the embedded conversion features no longer are separated from the host contract. The amendments in the ASU are effective for fiscal years beginning after December 15, 2023, including interim periods therein. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company adopted the standard during the quarter ended June 30, 2023, and the impact of the new standard on its consolidated financial statements was immaterial.

Recent Upcoming Accounting Pronouncement

In November 2023, the FASB issued Accounting Standards Update ("ASU") 2023-07 – Segment Reporting (Topic 280) ("ASU 2023-07"). ASU 2023-07 improves reportable segment disclosure requirements, primarily through enhanced disclosure about significant segment expenses. The amendments in this update require, among other things, that a public company disclose on an annual and interim basis significant segment expense, as well as other segment expenses, that are regularly provided to the CODM. The amendments in ASU 2023-07 are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, early adoption is permitted. The Company is currently evaluating the effect the amendments in ASU 2023-07 will have on its segment disclosures.

In December 2023, the FASB issued ASU 2023-09 – Income Taxes (Topic 740) ("ASU 2023-09"). ASU 2023-09 improves reporting for income taxes, primarily by requiring disclosure of specific categories in the tax rate reconciliation and providing additional annual information for reconciling items that meet a quantitative threshold. The amendments in ASU 2023-09 also require additional annual information regarding income taxes paid, as well as other additional disclosures. The amendments in ASU 2023-09 are effective for fiscal years beginning after December 15, 2024, early adoption is permitted. The Company is currently evaluating the effect the amendments in ASU 2023-09 will have on its tax disclosures.

The FASB issued an ASU that provides temporary optional expedients and exceptions to the guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from LIBOR and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(“SOFRR”). Entities can elect not to apply certain modification accounting requirements to contracts affected by reference rate reform, if certain criteria are met. An entity that makes this election would not have to remeasure the contracts at the modification date or reassess a previous accounting determination. Entities can also elect various optional expedients that would allow them to continue applying hedge accounting for hedging relationships affected by reference rate reform, if certain criteria are met. The guidance in this ASU is optional and may be elected now through December 31, 2024 as reference rate reform activities occur. We will continue to evaluate the impact of this ASU; however, we currently expect to avail ourselves of such optional expedients and exceptions should our modified contracts meet the required criteria.

Note 3. Acquisitions

Acquisitions of Cornerstone Financial and iPro Realty Network

The Company completed two acquisitions in 2022, both accounted for as business combinations. On January 24, 2022, the Company acquired Cornerstone Financial, a real estate mortgage business in the Washington DC and surrounding markets, for approximately \$4.7 million. The purchase price was comprised of \$1.1 million in cash consideration and 267,470 shares of common stock with an acquisition date fair value of \$3.6 million. Approximately \$0.6 million of the cash consideration was due within one year of the acquisition date. On February 8, 2022, the Company acquired iPro Realty Network, a real estate brokerage business in the Utah real estate market, for total consideration of approximately \$4.2 million. The purchase price included cash consideration of approximately \$1.8 million and 167,824 shares of common stock with an acquisition date fair value of \$2.3 million. Approximately \$0.1 million of the cash consideration was due within one year of the acquisition date. Assets acquired and liabilities assumed in the individual acquisitions were recorded on the Company’s condensed consolidated balance sheet at their estimated fair values as of the respective dates of acquisition, including mortgage loans held for sale of approximately \$3.5 million, lease right of use assets and lease liabilities of approximately \$0.6 million, accrued liabilities of approximately \$0.4 million and warehouse lines of credit of approximately \$3.4 million. The Company recorded finite-lived intangible assets of approximately \$3.6 million and goodwill of approximately \$4.9 million, prior to the updates to fair values noted below. None of the goodwill relating to the Cornerstone Financial acquisition is expected to be deductible for income tax purposes. Goodwill in the amount of approximately \$1.4 million relating to the iPro Realty Network acquisition is expected to be deductible for income tax purposes.

The Company updated the fair value estimates used in the purchase price allocation related to the Cornerstone and iPro acquisitions during the period from acquisition through December 31, 2022, resulting in an increase of \$0.5 million in the fair value of assumed finite lived intangible assets, an increase of \$0.3 million in other assets, and a \$0.5 million decrease in goodwill, and a \$0.1 increase in deferred tax liabilities.

Pro forma information has not been included as it is impracticable to obtain the information due to the lack of availability of historical GAAP financial data. The results of operations of these businesses do not have a material effect on the Company’s consolidated results of operations.

Note 4. Goodwill

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

The were no changes in the carrying value of goodwill by segment during 2023 as noted in the table below (amount in thousands):

	Real Estate Brokerage	Mortgage	Technology	Other ¹	Total
Balance at December 31, 2023 and 2022	\$ 2,690	\$ 10,428	\$ 4,168	\$ 8,321	\$ 25,607

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

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Property and Equipment, Net

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

	December 31,	
	2023	2022
Computers and equipment	\$ 802	\$ 774
Furniture and fixtures	1,263	1,269
Leasehold improvements	1,711	1,711
Total property and equipment	3,776	3,754
Accumulated depreciation	(1,436)	(809)
Total property and equipment, net	<u>\$ 2,340</u>	<u>\$ 2,945</u>

Depreciation expense for property and equipment was approximately \$0.6 million for both the years ended December 31, 2023 and 2022

Note 6. Intangible Assets, Net

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

	December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Trade names	\$ 7,956	\$ (2,058)	\$ 5,898
Software development	14,159	(5,517)	8,642
Customer relationships	8,180	(3,199)	4,981
Agent relationships	6,016	(1,825)	4,191
Know-how	430	(233)	197
	<u>\$ 36,741</u>	<u>\$ (12,832)</u>	<u>\$ 23,909</u>

	December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Trade names	\$ 7,956	\$ (1,263)	\$ 6,693
Software development	12,349	(3,029)	9,320
Customer relationships	8,180	(2,085)	6,095
Agent relationships	5,856	(988)	4,868
Know-how	430	(147)	283
	<u>\$ 34,771</u>	<u>\$ (7,512)</u>	<u>\$ 27,259</u>

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2023, the estimated future amortization expense for definite-lived intangible assets will be (amount in thousands):

Years Ended December 31,		
2024	\$	5,447
2025		5,194
2026		4,558
2027		3,559
2028		2,419
Thereafter		2,732
Total	\$	23,909

Amortization expense for purchased and capitalized software included in technology and development expense was approximately \$2.8 million and \$2.2 million for the years ended December 31, 2023 and 2022, respectively.

Note 7. Accrued Liabilities

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

	December 31, 2023	December 31, 2022
Deferred annual fee	\$ 948	\$ 1,100
Due to sellers	488	857
Accrued compensation	526	884
Other accrued liabilities	719	562
Total accrued liabilities	\$ 2,681	\$ 3,403

Note 8. Warehouse Lines of Credit

Encompass Lending Group (“Encompass”), a wholly owned subsidiary of the Company, utilizes line of credit facilities as a means of temporarily financing mortgage loans pending their sale. The underlying warehouse lines of credit agreements, as described below, contain financial and other debt covenants.

Encompass maintains a master loan warehouse agreement with a bank whereby Encompass borrows funds to finance the origination or purchase of eligible loans. Interest on funds borrowed is equal to the greater of 5.00% or the 30-Day Secured Overnight Financing Rate (SOFR) plus 2.625%. The agreement expires in July 2024. The maximum funding available under these loans at December 31, 2023 and December 31, 2022 was \$7.5 million and \$15.0 million, respectively. At December 31, 2023 and 2022, the outstanding balance on this warehouse line was approximately \$3.5 million and \$1.7 million, respectively. As of December 31, 2023, Encompass was in compliance with the debt covenants under this facility.

Encompass discontinued use of a mortgage participation purchase agreement with a bank whereby Encompass borrows funds to finance the origination or purchase of eligible loans. The agreement was discontinued on December 31, 2023 for the facility in the amount of \$7.5 million and there was no outstanding balance as of December 31, 2023. Encompass was in compliance at the time of discontinuation of the agreement. At December 31, 2022, the outstanding balance on this warehouse line was approximately \$0.8 million.

Encompass had a warehousing credit and security agreement with a bank whereby Encompass borrowed funds to finance the origination of eligible mortgage loans. The agreement expired in September 2023 for the facility in the amount of \$7.5 million and there was no outstanding balance as of September 30, 2023. Encompass was in compliance at the time of expiration of the agreement.

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Encompass maintains a warehousing credit and security agreement with a bank whereby Encompass borrows funds to finance the origination of eligible mortgage loans. Interest on funds borrowed is equal to the greater of 5.75% or the 1-month CME Term SOFR plus 2.00%. The agreement expires in August 2024. The maximum funding available under these loans at December 31, 2023 was \$10 million. At December 31, 2023, there was \$4.8 million outstanding balance on this warehouse line. As of December 31, 2023, Encompass was in compliance with debt covenants under this facility.

Note 9. Debt

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

	December 31, 2023	December 31, 2022
3.75% Small Business Administration installment loan due May 2050	\$ 117	\$ 151
Convertible note payable, less unamortized costs \$129	3,372	—
Director and Officer (D&O) insurance policy promissory note ¹	179	246
Executive and Officer (E&O) insurance policy promissory note ²	215	296
Total debt	3,883	693
Long-term debt, current portion	(416)	(564)
Long-term debt, net of current portion	\$ 3,467	\$ 129

(1) The 2023 D&O note carries a 6.85% interest rate and is payable quarterly with the last quarterly payment due in July 2024. The 2022 D&O note carried a 6.0% interest rate and final payment was made in April 2023.

(2) The October 2023 E&O note carries 13.50% interest rate and is payable monthly with the last monthly payment being due in August 2024. The October 2022 E&O note carried a 9.0% interest rate and final payment was made in August 2023.

Debt maturities and principal amortization of our consolidated existing debt as of December 31, 2023 for the next five years and thereafter are as follows (in thousands):

Calendar Year	Amount
2024	\$ 394
2025	3,372
2026	—
2027	—
2028	—
Thereafter	117
Total	\$ 3,883

Notes Payable

On April 13, 2023, the Company entered into a securities purchase agreement (the “Purchase Agreement”) with an accredited investor (the “Holder”) and issued a Senior Secured Convertible Promissory Note in the principal amount of \$3,500,000 (the “Note”), in a private placement (the “Offering”). The Company paid a placement agent fee in the amount of \$175,000 in connection with the Offering. The cash proceeds disbursed to the Company from the issuance of the Note were \$3,300,000, after deducting the placement agent fee and approximately \$25,000 in purchaser expenses.

The Company shall pay interest to the Holder quarterly in cash on the principal amount of this Note at a rate which fluctuates every calendar month, and is equal to (i) the monthly average Secured Overnight Financing Rate (SOFR) plus (ii) 5%, per annum (which interest rate may be increased as provided by the Purchase Agreement); provided, however, that in no event will the rate of interest for any month be less than 8% per annum. Interest shall be due and payable on the last

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

calendar day of each quarter and on the maturity date, April 12, 2025 (the “Fixed Interest Payment Date”); provided, however, notwithstanding anything to the contrary provided in the Purchase Agreement or the Note, interest accrued but not yet paid will be due and payable upon any conversion, prepayment, and/or acceleration whether as a result of an Event of Default, as defined, or otherwise with respect to the principal amount being so converted, prepaid and/or accelerated.

In connection with the Offering, the Company also entered into a Security Agreement pursuant to which the Note is secured by all the Company’s existing and future assets.

All or any portion of the principal amount of the Note, plus accrued and unpaid interest and any late charges thereon, is convertible at any time, in whole or in part, at the Investor’s option, into shares of the Company’s common stock at an initial fixed conversion price of \$6.00 per share, subject to certain customary adjustments. The Note imposes penalties on the Company for any failure to timely deliver any shares of the Company’s common stock issuable upon conversion. The Note may not be converted by the Investor into shares of common stock if such conversion would result in the Investor and its affiliates owning an aggregate of in excess of 4.99% of the then-outstanding shares of the Company’s common stock, provided that upon 61 days’ notice, such ownership limitation may be adjusted by the Investor, but in any case, to no greater than 9.99%.

Note 10. Fair Value Measurements

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

- Level 1 inputs are quoted market prices in active markets for identical assets or liabilities (these are observable market inputs).
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability (includes quoted market prices for similar assets or identical or similar assets in markets in which there are few transactions, prices that are not current or prices that vary substantially).
- Level 3 inputs are unobservable inputs that reflect the entity’s own assumptions in pricing the asset or liability (used when little or no market data is available).

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

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

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

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

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

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

- Agreed prices from Interest Rate Lock Commitments (“IRLC”);
- Trading prices for derivative hedges; and
- Closing prices at December 31, 2023 for derivative hedges.

The following are the major categories of assets and liabilities measured at fair value on a recurring basis as of December 31, 2023 and 2022, respectively (amount in thousands):

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Mortgage loans held for sale	\$ —	\$ 8,602	\$ —	\$ 8,602
Derivative assets	—	—	32	32
Derivative liabilities	—	—	(52)	(52)
	<u>\$ —</u>	<u>\$ 8,602</u>	<u>\$ (20)</u>	<u>\$ 8,582</u>

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Mortgage loans held for sale	\$ —	\$ 3,694	\$ —	\$ 3,694
Derivative assets	—	—	7	7
	<u>\$ —</u>	<u>\$ 3,694</u>	<u>\$ 7</u>	<u>\$ 3,701</u>

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

Note 11. Stockholders’ Equity

On March 10, 2022, the Company’s Board of Directors authorized an expenditure of up to \$0 million for the repurchase of shares of the Company’s common stock. The share repurchase program does not have a fixed expiration. Under the program, repurchases can be made from time-to-time using a variety of methods, including open market transactions, privately negotiated transactions or by other means, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The actual timing and amount of future repurchases are subject to business and market conditions, corporate and regulatory requirements, stock price, acquisition opportunities and other factors. The repurchase program does not obligate the Company to acquire any particular number of shares and may be suspended or discontinued at any time at the Company’s discretion. During the year ended December 31, 2022, the Company reacquired 686,097 shares for approximately \$6.0 million. There were no equity repurchases during the year ended December 31, 2023. The approximate dollar value of shares that may yet be purchased pursuant to the repurchase program is \$4.0 million.

During the year ended December 31, 2022, the Company issued shares of common stock as part of the purchase consideration in connection with the acquisitions of iPro and Cornerstone. Refer to Note 3 for additional information about these acquisitions and the shares of common stock issued.

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company has an outstanding equity-classified warrant issued to an underwriter in August 2020 (the “Underwriter Warrant”) to purchase 240,100 shares of common stock. The Underwriter Warrant is exercisable at a per share exercise price of \$11.00 and is exercisable at any time through August 4, 2025. As of December 31, 2023, no portion of the Underwriter Warrant has been exercised or expired.

During the year ended December 31, 2023, the Company completed an offering of common stock, which resulted in the issuance and sale by the Company of 2,450,000 shares of common stock, at a public offering price of \$2.00 per share, generating gross proceeds of \$4.9 million, of which the Company received approximately \$4.2 million, after deducting underwriting discounts and other offering costs.

Note 12. Share-based Compensation

The Company’s 2017 Stock Plan (the “2017 Plan”) provides for granting stock options and restricted stock awards to employees, directors, contractors and consultants of the Company. A total of 3,182,335 shares of common stock are authorized to be issued pursuant to the 2017 Plan. As of December 31, 2023, there were 2,739,261 shares available for future grants under the 2017 Plan. The Company has not since August 2019 granted, and in the future does not intend to grant, awards under the 2017 Stock Plan.

The Company’s 2019 Omnibus Stock Incentive Plan (the “2019 Plan”) provides for granting stock options and restricted stock awards to employees, directors, contractors and consultants of the Company. During 2023 and 2022, the Company amended the 2019 Plan by adding an additional 1.7 million and 2 million of shares authorized to be issued, respectively. A total of 5,760,778 shares of common stock are authorized to be issued pursuant to the 2019 Plan. As of December 31, 2023, there were 835,951 shares available for future grants under the 2019 Plan.

Restricted Stock Awards

	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2021	717,097	\$ 11.02
Granted	1,097,045	8.72
Vested	(302,869)	(13.12)
Forfeited	(136,128)	(15.88)
Nonvested at December 31, 2022	1,375,145	\$ 14.23
Granted	829,335	4.42
Vested	(323,654)	(12.15)
Forfeited	(114,409)	(14.23)
Nonvested at December 31, 2023	1,766,417	\$ 10.01

At December 31, 2023, the total unrecognized compensation related to unvested restricted stock awards granted was \$4.4 million which the Company expects to recognize over a period of approximately 7 months.

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Restricted Stock Units

	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2021	—	\$ —
Granted	392,564	6.58
Vested	—	—
Forfeited	—	—
Nonvested at December 31, 2022	<u>392,564</u>	<u>\$ 6.58</u>
Granted	2,004,147	4.67
Vested	(31,321)	(7.04)
Forfeited	(174,093)	(5.10)
Nonvested at December 31, 2023	<u>2,191,297</u>	<u>\$ 4.94</u>

During 2022, the Company commenced granting restricted stock units to employees and agents.

At December 31, 2023, the total unrecognized compensation related to unvested restricted stock units was granted was \$3.3 million which the Company expects to recognize over a period of approximately one year.

Stock Option Awards

A summary of stock option activity under the 2017 and 2019 Plans are as follows:

Stock Options	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Aggregate intrinsic value (in thousands)
Balance at December 31, 2021	43,996	\$ 20.46	8.5	\$ 510
Granted	103,711	8.22	9.67	—
Exercised	—	—	—	—
Balance at December 31, 2022	<u>147,707</u>	<u>\$ 11.87</u>	<u>9.32</u>	<u>\$ —</u>
Granted	—	—	—	—
Exercised	—	—	—	—
Balance at December 31, 2023	<u>147,707</u>	<u>\$ 11.87</u>	<u>9.32</u>	<u>\$ —</u>
Options exercisable at December 31, 2023	<u>147,707</u>	<u>\$ 11.87</u>	<u>9.32</u>	<u>\$ —</u>

The weighted-average grant-date fair value of options granted during the year ended December 31, 2022 was \$8.22. There were no options granted in the year ended December 31, 2023. At December 31, 2023, all stock option awards were vested and all related compensation expense had been recognized.

Stock based compensation related to the Company's 2019 Plan is reported within the consolidated statement of operations as follows (amount in thousands):

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Year Ended December 31,	
	2023	2022
Commission and other agent-related cost	\$ 3,934	\$ 2,920
Operations and support	614	609
Technology and development	185	79
General and administrative	7,857	5,334
Marketing	404	189
Total stock-based compensation	<u>\$ 12,994</u>	<u>\$ 9,131</u>

The Company capitalized \$0 and \$0.2 million of stock-based compensation expense associated with the cost of developing software for internal use during the years ended December 31, 2023 and 2022, respectively.

Note 13. Leases

Operating Leases

The Company has operating leases primarily consisting of office space with remaining lease terms of 1 to 7 years, subject to certain renewal options as applicable.

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

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

Lease Costs

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

	Year Ended December 31,	
	2023	2022
Operating lease expense	\$ 1,663	\$ 1,856
Short-term lease expense	701	550
Total lease cost	<u>\$ 2,364</u>	<u>\$ 2,406</u>

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Lease Position as of December 31, 2023 and 2022

Right of use lease assets and lease liabilities for our operating leases were recorded in the consolidated balance sheet as follows (amount in thousands):

	December 31,	
	2023	2022
Assets		
Lease right of use assets	\$ 4,150	\$ 7,363
Total lease assets	<u>\$ 4,150</u>	<u>\$ 7,363</u>
Liabilities		
Current liabilities:		
Lease liability - current portion	\$ 1,504	\$ 1,609
Noncurrent liabilities:		
Lease liability, net of current portion	3,824	5,241
Total lease liability	<u>\$ 5,328</u>	<u>\$ 6,850</u>

Lease Terms and Discount Rate

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

	December 31,	
	2023	2022
Weighted average remaining lease term (in years) - operating leases	3.9	4.7
Weighted average discount rate - operating leases	6.33 %	6.19 %

Future Minimum Lease Payments

Future lease payments included in the measurement of lease liabilities on the consolidated balance sheet as of December 31, 2023, for the following five fiscal years and thereafter were as follows (amount in thousands):

Years Ended December 31,	Operating Leases
2024	\$ 1,785
2025	1,479
2026	1,066
2027	969
2028	709
2028 and thereafter	—
Total Minimum Lease Payments	<u>6,008</u>
Less effects of discounting	(680)
Present value of future minimum lease payments	<u>\$ 5,328</u>

Note 14. Related Party Transactions

We lease office space from entities affiliated with certain of our employees. We paid \$0.4 million and \$0.5 million in total rent expense under these leases for the year ended December 31, 2023 and 2022, respectively.

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Included in marketing expense for each of the years ended December 31, 2023 and 2022 was approximately \$0.4 million and \$0.5 million from related parties in exchange for the Company receiving marketing services, respectively.

Note 15. Net Loss per Share Attributable to Common Stock

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

The calculation of basic and diluted net loss per share attributable to common stock was as follows (amount in thousands except share data):

	Year Ended December 31,	
	2023	2022
Numerator:		
Net loss attributable to common stock—basic and diluted	\$ (23,981)	\$ (27,626)
Denominator:		
Weighted- average basic and diluted shares outstanding	16,265,993	16,001,367
Net loss per share attributable to common stock—basic and diluted	\$ (1.47)	\$ (1.73)

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

	Year Ended December 31,	
	2023	2022
Stock options	147,707	147,707
Non-vested restricted stock awards	1,766,417	1,375,145
Non-vested restricted stock units	2,191,297	392,564
Common stock warrants	240,100	240,100

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 16. Income Taxes

The provision for income taxes consists of the following (amount in thousands):

	December 31,	
	2023	2022
Current provision:		
Federal	\$ —	\$ —
State	63	22
Total current	63	22
Deferred expense (benefit):		
Federal	135	40
State	(50)	(116)
Total deferred	85	(76)
Income tax expense (benefit)	\$ 148	\$ (54)

A reconciliation of the statutory U.S. federal rate to the Company's effective tax rate consists of the following (amount in thousands):

	For the Years Ended December 31,			
	2023		2022	
Provision for federal income taxes at statutory rates	\$(5,006)	21 %	\$(5,822)	21 %
Provision for state income taxes, net of federal benefit	(388)	2 %	(505)	2 %
Change in valuation allowance	4,785	(20)%	6,274	(23)%
Nondeductible expenses	10	— %	6	— %
Return to provision adjustments	737	(3)%	—	— %
Other	10	— %	(7)	— %
Income tax expense (benefit)	\$148	— %	\$(54)	— %
Effective Tax Rate	0.6%		0.2%	

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The tax effects of the temporary differences and carryforwards that give rise to the deferred tax assets consist of the following (amount in thousands):

	December 31,	
	2023	2022
Deferred tax assets		
Net operating loss carryforward	\$ 11,376	\$ 9,383
Property and equipment	112	—
Reserves	134	94
Share based compensation	3,963	2,270
Interest expense carryforward	60	18
Research and development credits	35	35
Lease liability	1,228	1,566
Basis in partnership	2	2
Charitable contributions carryover	36	28
Total deferred tax assets	16,946	13,396
Deferred tax liabilities		
Property and equipment	—	(54)
Intangibles	(2,693)	(3,247)
Internally developed software	(499)	(692)
Unrealized gain/loss	—	(29)
Right-of-Use assets	(956)	(1,259)
Prepaid expenses	(269)	(287)
Total deferred tax liabilities	(4,417)	(5,568)
Valuation allowance	(12,911)	(8,125)
Deferred tax liability, net	\$ (382)	\$ (297)

As of December 31, 2023, and December 31, 2022, the Company had federal net operating loss carryforwards of approximately \$49.4 million and \$40.8 million and state net operating loss carryforwards of approximately \$26.0 million and \$20.8 million, respectively. Federal net operating losses in the amount of \$48.4 million carryforward indefinitely; the remainder are subject to expiration beginning in 2035. State net operating losses will begin to expire if not utilized, in 2032. Utilization of the net operating loss carryforwards may be subject to an annual limitation according to Section 382 of the Internal Revenue Code of 1986 as amended, and similar provisions.

The Company applies the standards on uncertainty in income taxes contained in ASC Topic 740, Accounting for Income Taxes. The adoption of this interpretation did not have any impact on the Company's consolidated financial statements, as the Company did not have any significant unrecognized tax benefits during the years ended December 31, 2023 and 2022. Due to the Company's carryforward of net operating losses the statute of limitations remains open subsequent to and including the year ended December 31, 2015.

Note 17. Segment Reporting

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

Our Chief Operating Decision Maker makes operating decisions and assesses performance based on the services of identified operating segments and has identified three reportable segments: Real Estate Brokerage; Mortgage; and Technology. Through its Real Estate Brokerage segment, the Company provides real estate brokerage services. Through its

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Mortgage segment, the Company provides residential loan origination and underwriting services. Through its Technology segment, the Company provides SaaS solutions and data mining for third party customers and continues to develop its intelliAgent platform for current use by the Company's real estate agents.

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

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

Key operating data for the reportable segments for the years ended December 31, 2023 and 2022 and are set forth in the tables below (amount in thousands). The Company has included the results of the acquisitions from the acquisition date.

Revenue	Year Ended December 31,	
	2023	2022
Real Estate Brokerage	\$ 325,405	\$ 390,616
Mortgage	7,251	9,637
Technology	3,172	2,709
Corporate and other services (a)	9,398	10,002
Total revenue	\$ 345,226	\$ 412,964

Adjusted EBITDA	Year Ended December 31,	
	2023	2022
Real Estate Brokerage	\$ 5,674	\$ 2,025
Mortgage	(1,866)	(2,902)
Technology	(1,644)	(1,440)
Total Segment Adjusted EBITDA	2,164	(2,317)
Corporate and other services (a)	(6,275)	(9,910)
Total Company Adjusted EBITDA	(4,111)	(12,227)
Depreciation and amortization	(5,947)	(5,346)
Other expense (income), net	(580)	(903)
Income tax expense (benefit)	(148)	54
Stock based compensation	(12,994)	(9,131)
Other non-cash items and transactions costs	(201)	(73)
Net loss	\$ (23,981)	\$ (27,626)

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

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 18. Commitments and Contingencies

Legal Proceedings

From time to time the Company is involved in litigation, claims, and other proceedings arising in the ordinary course of business. Such litigation and other proceedings may include, but are not limited to, actions relating to employment law and misclassification of employees versus independent contractors, intellectual property, commercial or contractual claims, brokerage or real estate disputes, or other consumer protection statutes, ordinary-course brokerage disputes like the failure to disclose property defects, commission disputes, and various liabilities based upon conduct of individuals or entities outside of the Company's control, including agents and third-party contractor agents. Litigation and other disputes are inherently unpredictable and subject to substantial uncertainties and unfavorable resolutions could occur.

As previously reported by us in a Current Report on Form 8-K filed on November 28, 2023, we have been named as a defendant in a purported class action complaint in the United States District Court for the Eastern District of Texas Sherman Division, filed on November 13, 2023, by plaintiffs QJ Team, LLC and Five Points Holdings, LLC, individually and on behalf of all other persons similarly situated. A second purported class action complaint was filed on December 14, 2023, by plaintiffs Julie Martin, Mark Adams and Adelaida Matta in the same court, naming us as a defendant along with others, many of whom are also named in the first lawsuit. These lawsuits are purportedly brought on behalf of a class consisting of all persons who listed properties on a Multiple Listing Service in Texas (the "MLS") using a listing agent or broker affiliated with one of the defendants named in the lawsuits and paid a buyer broker commission beginning on November 13, 2019. The lawsuits allege unlawful conspiracy in violation of federal antitrust law and, against certain defendants (but not us) deceptive trade practices under the Texas Deceptive Trade Practices Act. Given the breadth of the residential real estate industry and the volume of participants in the residential real estate industry in Texas and the rest of the United States, we expect additional lawsuits to be filed, although no additional cases filed to date have named us as a defendant.

Though we intend to vigorously defend ourselves as we believe the lawsuits are particularly without merit with respect to us because of our flat fee business model, we cannot predict with certainty the cost of our defense, the cost of prosecution, insurance coverage, or the ultimate outcome of the lawsuits and any others that might be filed in the future, including remedies or damage awards. Adverse results in such litigation might harm our business and financial condition. Moreover, defending these lawsuits, regardless of their merits, could entail substantial expense and require the time and attention of our key management personnel.

Assets in Escrow

In conducting our operations, we routinely hold customers' assets in escrow, pending completion of real estate transactions, and are responsible for the proper disposition of these balances for our customers. Certain of these amounts are maintained in segregated bank accounts and have not been included in the accompanying consolidated balance sheet at December 31, 2023, consistent with GAAP and industry practice. The balances amounted to \$1.4 million and \$1.8 million at December 31, 2023 and 2022, respectively.

Encompass Net Worth Requirements

In order to maintain approval from the U.S. Department of Housing and Urban Development to operate as a Title II non-supervised mortgagee, our indirect subsidiary Encompass Lending Group is required to maintain adjusted net worth of \$1,000,000 and must maintain liquid assets (cash, cash equivalents, or readily convertible instruments) of 20% of the required net worth. As of December 31, 2023, Encompass had adjusted net worth of approximately \$2.4 million and liquid assets of \$2.6 million.

Commitments to Extend Credit

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

FATHOM HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Regulatory Commitments

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

Note 19. Subsequent Events

The Company has evaluated the impact of events that have occurred subsequent to December 31, 2023, through the date the consolidated financial statements were filed with the SEC. Based on this evaluation, other than as recorded or disclosed within these consolidated financial statements and related notes, the Company has determined that there are no material subsequent events that would require recognition or disclosure.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Exchange Act are recorded, processed, summarized and reported within the specified time periods and accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding disclosure.

As required by paragraph (b) of Rules 13a-15 and 15d-15 promulgated under the Exchange Act, under the supervision and with the participation of our management, including our Chief Executive Officer (who is our principal executive officer, our principal financial officer, and principal accounting officer), evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) as of December 31, 2023, the end of our fiscal year. In designing and evaluating disclosure controls and procedures, we recognize that any disclosure controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objective.

Based on his evaluation, our Chief Executive Officer, who is also our Chief Financial Officer, concluded that, as of December 31, 2023, our disclosure controls and procedures were effective at the reasonable assurance level in ensuring that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

Management's Annual Report on Internal Control over Financial Reporting

Our management, including our Chief Executive Officer, who is also our President, and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting can also be circumvented by collusion or improper override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process, and it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Under the supervision and with the participation of our management, including our Chief Executive Officer, who is also our President and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2023, based on the Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (the "2013 Framework").

Based on this evaluation under the 2013 Framework, our Chief Executive Officer, President, and Chief Financial Officer has concluded that our internal control over financial reporting was effective as of December 31, 2023. Based on this evaluation under the 2013 Framework, our Chief Executive Officer, who is also our President and Chief Financial Officer has concluded that our internal control over financial reporting was effective as of December 31, 2023.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal controls over financial reporting during the quarter ended December 31, 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

Trading Arrangements

Except as described below, during the quarter ended December 31, 2023, none of our directors or officers (as defined in rule 16a-1(f) under the Exchange Act) adopted, modified or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” (as such terms are defined in Item 408 of Regulation S-K).

A substantial portion of the compensation of our executive officers is awarded in the form of equity awards, which consist of restricted stock units and restricted stock awards. All of these awards vest based on continued service to the Company and over a vesting schedule. We believe equity-based compensation provides our executive officers with a direct interest in our long-term performance and creates an ownership culture that aligns interests between our executive officers and our stockholders. Following delivery of shares of our common stock under such equity awards, once any applicable time have been met, our executive officers from time to time may engage in the open-market sale of some of those shares for reasons such as satisfying vesting related income tax requirements, investment diversification, or other personal reasons.

Transactions in our securities by our directors and officers are required to be made in accordance with our Insider Trading Policy, which, among other things, requires that the transactions be in accordance with applicable U.S. federal securities laws that prohibit trading while in possession of material nonpublic information. Rule 10b5-1 under the Exchange Act provides an affirmative defense that enables directors and officers to prearrange transactions in a company’s securities in a manner that avoids concerns about initiating transactions while in possession of material nonpublic information. Our Insider Trading Policy permits our directors and officers to enter into trading plans designed to comply with Rule 10b5-1.

During the three months ended December 31, 2023, a written trading plan (the “Trading Plan”) was adopted on December 15, 2023 by Marco Fregenal, our Chief Executive Officer, President, and Chief Financial Officer. The Trading Plan consists of the sale of 165,563 shares and is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c). The plan’s maximum duration is until October 11, 2024, and the first trade will not occur until April 9, 2024, at the earliest. The Trading Plan is intended to cover the income tax obligations related to already issued restricted stock awards scheduled to vest in the year ended December 31, 2024. As such, Mr. Fregenal will sell only enough shares to cover these income tax burdens and intends to retain all of the remaining shares under the restricted stock awards.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspection.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

We have adopted a code of ethics relating to the conduct of our business by all of our employees, officers, and directors, as well as a code of conduct specifically for our principal executive officer and senior financial officers. We intend to disclose any amendments to, or waivers from, our codes of ethics that are required to be publicly disclosed pursuant to rules of the SEC by filing such amendment or waiver with the SEC. Each of these policies is posted under the “Investors - Governance” section of our website, www.fathominc.com.

The other information required by this Item concerning our directors is incorporated by reference to the section captioned “Election of Directors” and “Corporate Governance Matters” to be contained in (the “Proxy Statement”), which information is expected to be filed with the SEC within 120 days of the end of our fiscal year pursuant to General Instruction G(3) of Form 10-K. The information required by this Item concerning compliance with Section 16(a) of the Exchange Act by our directors, executive officers and persons who own more than 10% of our outstanding common stock

is incorporated by reference from the section captioned “Delinquent Section 16(a) Reports” to be contained in the Proxy Statement, if required.

The information required by this Item concerning our executive officers is set forth at the end of Part I of this Annual Report on Form 10-K.

Item 11. Executive Compensation.

The information required by this Item is incorporated by reference to the information under the sections captioned “Executive Compensation,” and “Director Compensation” in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item is incorporated by reference to the information under the section captioned “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” contained in the Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item is incorporated by reference to the information under the section captioned “Certain Relationships and Related Party Transactions” and “Corporate Governance Matters” in the Proxy Statement.

Item 14. Principal Accountant Fees and Services.

The information required by this Item is incorporated by reference to the information under the section captioned “Audit Committee Report” in the Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this report:

(1) Financial Statements

The financial statements and report of the independent registered public accounting firm are filed as part of this Report (see “Index to Consolidated Financial Statements” at Item 8).

(2) Financial Statement Schedules

The financial statements schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

(b) Exhibits.

Exhibit Number	Exhibit Title	Incorporated by Reference (Unless Otherwise Indicated)			
		Form	File	Exhibit	Filing Date
2.1	Stock Purchase Agreement, dated November 4, 2020, by and among Fathom Holdings Inc., Verus Title Inc., and the sellers named therein.*	8-K	==	2.1	November 5, 2020
2.2	Agreement and Plan of Merger, dated April 7, 2021, by and among Fathom Holdings Inc., Fathom Merger Sub C, Inc., LiveBy, Inc., the stockholders of LiveBy part hereto and Cory Scott, as stockholder representative.*	8-K	==	2.1	April 9, 2021
2.3	Agreement and Plan of Merger, dated April 13, 2021, by and among Fathom Holdings Inc., Fathom Merger Sub A, Inc., Fathom Merger Sub B, LLC, E4:9 Holdings, Inc., the stockholders named therein and Paul S. Marsh, as stockholder representative.*	8-K	==	2.1	April 14, 2021
3.1	Restated Articles of Incorporation of Fathom Holdings Inc.	S-1	333-235972	3.1	January 17, 2020
3.1.1	Articles of Amendment to the Restated Articles of Incorporation of Fathom Holdings Inc., effective July 27, 2020.	8-K	==	3.1	August 4, 2020
3.2	Second Amended and Restated Bylaws of Fathom Holdings Inc.	S-1/A	333-235972	3.2	July 16, 2020
4.1	Underwriter Warrant issued August 4, 2020.	8-K	==	4.1	August 4, 2020
4.2	Description of Securities.	10-K	==	4.2	March 24, 2021
4.3	Form of Senior Secured Convertible Promissory Note	8-K	==	4.1	April 14, 2023
10.1	Fathom Holdings Inc. 2017 Stock Plan. #	8-K	==	10.1	August 4, 2020
10.2	Fathom Ventures, Inc. 2017 Stock Plan Form of Restricted Stock Award Agreement. #	S-1	333-235972	10.2	January 17, 2020
10.3	Fathom Holdings Inc. 2019 Omnibus Stock Incentive Plan. #	8-K	==	10.2	August 4, 2020
10.3.1	Amendment to Fathom Holdings Inc. 2019 Omnibus Stock Incentive Plan. #	8-K	==	10.1	October 20, 2021
10.3.2	Amendment to The Fathom Holdings Inc. 2019 Omnibus Stock Incentive Plan #	8-K	==	10.1	October 31, 2022

[Table of Contents](#)

10.3.3	Third Amendment to the Company's 2019 Omnibus Stock Incentive Plan #	8-K		10.1	August 28, 2023
10.4	Form of Fathom Agent Agreement. #	S-1	333-235972	10.7	January 17, 2020
10.5	Commercial Lease Agreement, dated October 12, 2015, by and between Powell Commonwealth Associates, LLC and Fathom Realty, LLC.	S-1	333-235972	10.8	January 17, 2020
10.6	Commercial Lease Agreement, entered into on November 21, 2017, by and between King Commercial Properties, LLC and Fathom Realty, LLC.	S-1	333-235972	10.9	January 17, 2020
10.7	Lease Agreement, dated October 1, 2015, by and between Henderson & Murphy LLC and Fathom Realty Holdings, LLC.	S-1	333-235972	10.10	January 17, 2020
10.8	Form of Securities Purchase Agreement	8-K		10.1	April 14, 2023
10.9	Form of Security Agreement	8-K		10.2	April 14, 2023
10.1	For of Subsidiary Guarantee	8-K		10.3	April 14, 2023
16.1	Letter dated June 8, 2021 regarding change in certifying accountant.	8-K	=	16.1	June 11, 2021
21.1	Fathom Holdings Inc. Subsidiaries.	=	=	=	Filed herewith
23.1	Consent of Deloitte & Touche LLP.	=	=	=	Filed herewith
31.1	Certification of the Principal Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	=	=	=	Filed herewith
32.1	Certification of the Principal Executive Officer and the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	=	=	=	Filed herewith
99.7	Compensation Clawback Policy, dated November 30, 2023	=	=	=	Filed herewith
101.INS	Inline XBRL Instance Document.	=	=	=	Filed herewith
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	=	=	=	Filed herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	=	=	=	Filed herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	=	=	=	Filed herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	=	=	=	Filed herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	=	=	=	Filed herewith
104	Cover Page Interactive Data File, formatted in inline XBRL (included in Exhibit 101).	=	=	=	Filed herewith

* The schedules to these exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish a copy of any schedule omitted from the exhibits to the SEC upon request.

Management contract or compensatory plan.

Item 16. Form 10-K Summary.

Registrants may voluntarily include a summary of information required by Form 10-K under this Item 16. We have elected not to include such summary information.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

FATHOM HOLDINGS INC.

Date: March 19, 2024

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Marco Fregenal</u> Marco Fregenal	President and Chief Executive Officer, Director (Principal Executive Officer, Principal Financial Officer, and Principal Accounting Officer)	March 19, 2024
<u>/s/ Scott Flanders</u> Scott Flanders	Director, Chair of the Board of Directors	March 19, 2024
<u>/s/ Ravila Gupta</u> Ravila Gupta	Director	March 19, 2024
<u>/s/ David Hood</u> David Hood	Director	March 19, 2024
<u>/s/ Stephen Murray</u> Stephen Murray	Director	March 19, 2024
<u>/s/ Glenn Sampson</u> Glenn Sampson	Director	March 19, 2024
<u>/s/ Jennifer Venable</u> Jennifer Venable	Director	March 19, 2024

Listing of Subsidiaries

Name of Subsidiary	Jurisdiction of Incorporation
E4:9 Holdings, LLC	Delaware
IntelliAgent, LLC	Texas
Fathom Realty Holdings LLC	Texas
Verus Holdings Inc.	North Carolina

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-276318 and 333-259478 on Form S-3 and Registration Statements No. 333-274517, 333-265625 and 333-248234 on Form S-8 of our report dated March 19, 2024, relating to the financial statements of Fathom Holdings Inc. appearing in this Annual Report on Form 10-K for the year ended December 31, 2023.

/s/ Deloitte & Touche LLP

Raleigh, North Carolina
March 19, 2024

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Marco Fregenal, certify that:

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

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

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

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

- a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 19, 2024

By: /s/ Marco Fregenal

Marco Fregenal
President and Chief Executive Officer
(Principal Executive Officer and Principal Financial
Officer)

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
AND THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Fathom Holdings Inc. (the "Company") on Form 10-K for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Marco Fregenal, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 19, 2024

By: /s/ Marco Fregenal

Marco Fregenal

President and Chief Executive Officer

(Principal Executive Officer and Principal Financial Officer)

Incentive Compensation Clawback Policy
Fathom Holdings Inc.

*[This policy supersedes all incentive compensation clawback policies
previously adopted by the Fathom Holdings Inc. Board of Directors]*

1. INTRODUCTION

The Company's Board of Directors (the "**Board**") believes that it is in the best interests of the Company and its stockholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company's pay-for-performance compensation philosophy. The Board has therefore adopted this policy which provides for the recoupment of certain executive compensation ("**Erroneously Awarded Compensation**") in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws (the "**Policy**"). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") and the rules of the NASDAQ Stock Market.

2. ADMINISTRATION

This Policy shall be administered by the Board or, if so designated by the Board, the Compensation Committee, in which case references herein to the Board shall be deemed references to the Compensation Committee. Any determinations made by the Board shall be final and binding on all affected individuals.

3. COVERED EXECUTIVES

This Policy applies to the Company's current and former executive officers, as determined by the Board in accordance with Section 10D of the Exchange Act and the rules of the NASDAQ Stock Market, and such other employees who may from time to time be deemed subject to the Policy by the Board ("**Covered Executives**").

4. RECOUPMENT; ACCOUNTING RESTATEMENT

In the event the Company is required to prepare an accounting restatement of its financial statements due to the Company's material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period, the Board will require reasonably prompt reimbursement or forfeiture of any excess Incentive Compensation (as defined below) received by any Covered Executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement.

Recoupment of Incentive Compensation pursuant to this Policy is made on a "no fault" basis, without regard to whether any misconduct occurred or any Covered Executive's responsibility for the noncompliance that resulted in the accounting restatement.

5. INCENTIVE COMPENSATION

For purposes of this Policy, “**Incentive Compensation**” means any of the following: provided that such compensation is granted, earned, or vested based wholly or in part on the attainment of a financial reporting measure:

- Annual bonuses and other short- and long-term cash incentives;
- Incentive stock options;
- Nonstatutory stock options;
- Stock appreciation rights;
- Dividend equivalent rights;
- Restricted stock awards;
- Restricted stock unit awards; and
- Other stock or cash-based awards.

Financial reporting measures include:

- Company stock price;
- Total shareholder return;
- Global revenues;
- Net income;
- Earnings before interest, taxes, depreciation, and amortization (“EBITDA”);
- Adjusted global EBITDA;
- Funds from operations;
- Liquidity measures such as working capital or operating cash flow;
- Return measures such as return on invested capital or return on assets; and
- Earnings measures such as earnings per share.

This Policy applies to all Incentive Compensation received by a Covered Executive (a) after beginning service as a Covered Executive; (b) who served as a Covered Executive at any time during the performance period for the Incentive Compensation; (c) while the Company has a class of securities listed on a national securities exchange or a national securities association; and (d) during the three completed fiscal years immediately preceding the date that the Company is required to prepare an accounting restatement as described above. This Policy shall also apply to any transition period that results from a change in the Company’s fiscal year within or immediately following those three completed fiscal years, provided, however, that a transition period between the last day of the Company’s previous fiscal year and the first day of its new fiscal year that comprises a period of nine to 12 months shall be deemed a completed fiscal year.

The Company's obligation to recover Erroneously Awarded Compensation is not dependent on if or when the restated financial statements are filed with the Securities and Exchange Commission.

6. EXCESS INCENTIVE COMPENSATION: AMOUNT SUBJECT TO RECOVERY

The Erroneously Awarded Compensation will be the amount of Incentive Compensation paid to the Covered Executive that exceeds the amount of Incentive Compensation that otherwise would have been received had it been determined based on the restated financial results, as determined by the Board in accordance with Rule 10D-1 of the Exchange Act and the rules of the NASDAQ Stock Market. Such amount must be computed without regard to any taxes paid.

Where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from information in an accounting restatement because the Incentive Compensation was based on stock price or shareholder return, the Board will determine the amount of Erroneously Awarded Compensation based on a reasonable estimate of the effect of the accounting restatement on the stock price or total shareholder return upon which the Incentive Compensation was paid and maintain documentation of the determination of that reasonable estimate and provide such documentation to NASDAQ.

For purposes of determining the relevant recovery period, the date that the Company is required to prepare an accounting restatement is the earlier to occur of (a) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an accounting restatement; or (b) the date a court, regulator, or other legally authorized body directs the Company to prepare an accounting restatement.

7. METHOD OF RECOUPMENT

The Board will determine, in its sole discretion, the method for recouping Incentive Compensation hereunder, which may include, without limitation:

- (a) requiring reimbursement of cash Incentive Compensation previously paid;
- (b) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;
- (c) cancelling outstanding vested or unvested equity awards; and/or
- (d) taking any other remedial and recovery action permitted by law, as determined by the Board.

8. NO INDEMNIFICATION

The Company shall not indemnify any Covered Executives against the loss of any incorrectly awarded Incentive Compensation.

9. INTERPRETATION

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of

Section 10D of the Exchange Act and any applicable rules or standards adopted by the Securities and Exchange Commission or the rules of the NASDAQ Stock Market.

10. EFFECTIVE DATE

This Policy shall be effective as of the date it is adopted by the Board (the “**Effective Date**”) and shall apply to Incentive Compensation that is approved, awarded or granted to Covered Executives on or after October 2, 2023.

11. AMENDMENT; TERMINATION

The Board may amend this Policy from time to time in its discretion and may terminate this Policy at any time.

12. OTHER RECOUPMENT RIGHTS

The Board intends that this Policy will be applied to the fullest extent of the law. The Board may require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

13. IMPRACTICABILITY

The Company shall recover Erroneously Awarded Compensation in accordance with this Policy except to the extent that the conditions of paragraphs (a), (b), or (c) below are met, and the Company’s Compensation Committee, or in the absence of such a committee, a majority of the independent directors serving on the Board, has made a determination that recovery would be impracticable.

(a) The direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Company must make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover, and provide that documentation to NASDAQ.

(b) Recovery would violate home country law where that law was adopted prior to November 28, 2022. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company must obtain an opinion of home country counsel, acceptable to NASDAQ, that recovery would result in such a violation, and must provide such opinion to NASDAQ.

(c) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

14. SUCCESSORS

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

* * * * *

Reviewed and adopted by the Board of Directors on November 30, 2023.