

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

**FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

Redfin Corporation

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

6531
(Primary Standard Industrial
Classification Code Number)

74-3064240
(I.R.S. Employer
Identification Number)

**1099 Stewart Street, Suite 600
Seattle, WA 98101
(206) 576-8333**

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, or Securities Act, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Securities Exchange Act of 1934, as amended.

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer ☒ (Do not check if a smaller reporting company) Smaller reporting company ☐
Emerging Growth Company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided to Section 7(a)(2)(B) of the Securities Act. ☒

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee
Common stock, par value \$0.001 per share	\$	\$

- (1) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act.
(2) Includes the aggregate offering price of additional shares that the underwriters have the option to purchase.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities, nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated _____, 2017.

Shares

REDFIN

Common Stock

This is an initial public offering of shares of common stock of Redfin Corporation.

Prior to this offering, there has been no public market for our common stock. It is currently estimated that the initial public offering price per share will be between \$ _____ and \$ _____. We intend to list our common stock on the New York Stock Exchange under the symbol "RDFN."

We are an "emerging growth company" as that term is used in the Jumpstart Our Business Startups Act of 2012 and, as such, have elected to comply with certain reduced public company reporting requirements.

See "[Risk Factors](#)" beginning on page 15 to read about factors you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial public offering price	\$ _____	\$ _____
Underwriting discount ⁽¹⁾	\$ _____	\$ _____
Proceeds, before expenses, to us	\$ _____	\$ _____

(1) See "Underwriting" for a description of the compensation payable to the underwriters.

To the extent that the underwriters sell more than _____ shares of common stock, the underwriters have the option to purchase up to an additional _____ shares from us at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on _____, 2017.

Goldman Sachs & Co. LLC

Prospectus dated _____, 2017

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We have not authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

For investors outside of the United States: Neither we nor the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourself about, and to observe any restrictions relating to, this offering and the distribution of this prospectus outside of the United States.

PROSPECTUS SUMMARY

This summary highlights information presented in greater detail elsewhere in this prospectus. This summary is not complete and does not contain all the information you should consider before investing in our common stock. You should read the entire prospectus carefully, including "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and related notes included elsewhere in this prospectus, before investing in our common stock.

Our Company

Redfin is a technology-powered residential real estate brokerage. We represent people buying and selling homes in over 80 markets throughout the United States. Our mission is to redefine real estate in the consumer's favor.

Our strategy is simple. In a commission-driven industry, we put the customer first. We do this by pairing our own agents with our own technology to create a service that is faster, better, and costs less. We meet customers through our listings-search website and mobile application, reducing the marketing costs that can keep fees high. We let homebuyers schedule home tours with a few taps of a mobile-phone button, so it's easy to try our service. We create an immersive online experience for every Redfin-listed home and then promote that listing to more buyers than any traditional brokerage can reach through its own website. We use machine learning to recommend better listings than any customer could find on her own. And we pay Redfin lead agents based in part on customer satisfaction, not just commission, so we're on the customer's side.

Our efficiency results in savings that we share with our customers. Our homebuyers saved on average approximately \$3,500 per transaction in 2016. And we charge most home sellers a commission of 1% to 1.5%, compared to the 2.5% to 3% typically charged by traditional brokerages.

The results of our customer-first approach are clear. We:

- helped customers buy or sell more than 75,000 homes worth more than \$40 billion;
- gained market share in 81 of our 84 markets from 2015 to 2016;
- drew more than 15 million monthly average visitors¹ to our website and mobile application in 2016, 39% more than in 2015, making us the fastest-growing top-10 real estate website;
- earned a Net Promoter Score, a measure of customer satisfaction, that is 50% higher than competing brokerages', and a customer repeat rate that is 37% higher than competing brokerages';
- sold Redfin-listed homes for approximately \$3,000 more on average compared to the list price than competing brokerages' listings in 2016; and
- employed lead agents who, in 2016, were on average three times more productive, and earned on average twice as much money as agents at competing brokerages; our lead agents were also 44% more likely to stay with us from 2015 to 2016 than agents at competing brokerages.

¹ See "Industry and Market Data and Calculation of NPS and Key Business Metrics" for a description of and an explanation of the limitations associated with this metric.

And we're just getting started. Because we're one of the only major brokerages building virtually all of our own brokerage software, our gains in efficiency, speed, and quality are proprietary. Because our leadership and engineering teams have come from the technology industry, and have structured the business to invest in software development, we believe those software-driven gains are likely to grow over time. And finally, because we hire our own lead agents as employees, we can set data-driven best practices for selling homes, with our software tailored to those practices, creating a positive feedback loop between software and operational innovations that we believe differentiates us from traditional brokerages. Moreover, we believe listing more homes and drawing more homebuyers to our website and mobile application will let us pair homebuyers and home sellers directly online over time, further improving our service and lowering our costs.

Our growth has been significant. For the three months ended March 31, 2016 and 2017, we generated revenue of \$41.6 million and \$59.9 million, respectively, representing year-over-year growth of 44%. For the three months ended March 31, 2016 and 2017, we generated net losses of \$24.3 million and \$28.1 million, respectively.

For the years ended December 31, 2014, 2015, and 2016, we generated revenue of \$125.4 million, \$187.3 million, and \$267.2 million, respectively, representing annual growth of 37%, 49%, and 43%, respectively. We generated net losses of \$24.7 million, \$30.2 million, and \$22.5 million for the years ended December 31, 2014, 2015, and 2016, respectively.

Real Estate Industry

In 2016, housing represented more than 25% of total investment dollars in the United States. The National Association of REALTORS[®], or NAR, estimated that the aggregate value of existing U.S. home sales was approximately \$1.5 trillion in 2016 from approximately 5.5 million total transactions. We estimate consumers paid more than \$75 billion in commissions in 2016 for these transactions.

Highly Fragmented

The residential brokerage industry is highly fragmented. There are an estimated 2,000,000 active licensed agents and over 86,000 real estate brokerages in the United States, many operating through franchises or as small local brokerages. Our goal is to build the first large-scale brokerage that stands apart in consumers' minds for delivering a unique and consistent customer experience, where the value is in our brokerage and its technologies, not just a personal relationship with one agent.

Commission-Driven Compensation

Traditional real estate agents earn commissions based on a home's sale price, with no direct consideration for customer satisfaction or service quality. We pay our lead agents a bonus based in part on customer satisfaction, not just commission. We do this to make our lead agents accountable not just for any sale, but for a sale on terms that satisfy our customer.

High Customer-Acquisition Costs

Traditional real estate agents spend significant amounts of time and money prospecting for customers through traditional advertising channels and networking activities. We believe that the Internet is more efficient at connecting consumers with agents than the prospecting activities of most agents, and that this efficiency gain can benefit the consumer most when a website is operated by the brokerage representing that consumer in a purchase or sale.

How We Win

Next-Generation Technologies

From stocks to books to lodging, technology has made it easier, faster, and less expensive to buy almost everything in our lives except the most important thing: our home.

To solve this problem, Redfin uses a wide range of next-generation technologies. We invented map-based real estate search. We use machine learning and artificial intelligence to answer customers' most important questions about where to live, how much a home is worth, and when to move. We draw on cloud computing to perform computationally intensive comparisons of homes at a scale that would otherwise be cost prohibitive. We use streaming technologies to quickly notify customers about a listing. And we embrace new hardware, such as three-dimensional scanning cameras that let potential homebuyers walk through the property online.

The goal of all of these technologies is to empower our customers and increase our agents' productivity. This leads to consistently better customer service at a lower cost. We pass the resulting savings to our customers.

Comprehensive Listings Data

As a brokerage, Redfin has complete access to all the homes listed for sale in the local multiple listing services, or MLSs, in the markets we serve. MLSs are used by real estate agents to list properties and coordinate sales. Although websites that do not operate a brokerage often have access to these MLSs, the terms of their access vary widely. As a result, brokerage websites often get more listings from MLSs, or more detail about each listing, than other websites.

Access to this extensive data, paired with local knowledge, lets us give our customers what we believe to be the most comprehensive information on homes for sale.

Additionally, our streaming architecture is designed to recommend listings to our customers by mobile alert or email soon after these listings appear in the MLS. These advantages in loading listings data and quickly notifying consumers come not just at the listing debut in the MLS, but in recognizing when a price changes or a home sells. For over 80% of these listings, we can show the listing on our website and mobile application within five minutes of its debut in the MLS.

Machine Learning

Redfin Listing Recommendations

Knowing which listings customers visit online, tour in person, or ultimately make an offer on lets our algorithms make better listing recommendations, further enhanced through curation by our lead agents.

Redfin Estimate

Our access to detailed data about every MLS listing in markets we serve has helped us build what we believe is the most accurate automated home-valuation tool. According to a 2017 study we

commissioned, among industry-leading websites that display valuations for active listings, 64% of the listings for which we provided a public valuation estimate sold within 3% of that estimate, compared to only 29% and 16% of the public estimates for the two other websites in the study.

Redfin Hot Homes

This proprietary algorithm identifies the homes we believe are most likely to sell quickly. Coupling Redfin *Hot Homes* alerts with on-demand tours, as well as data we're collecting about offer deadlines, is part of our strategy to give our customers a first-mover advantage in pursuing the most desirable homes for sale.

On-Demand Service

Customers place a premium on speed. When we offer online visitors faster service, more try that service. Delivering this speed depends on seamless integration between our technology and service—to get customers into homes first, to prepare an offer first, to be able to win the deal, and to close without a hitch. Tracking every digital customer interaction and working in teams lets us provide fast, consistently high-quality service.

Teams and Tools

We believe that our ability to deliver better, faster service at lower cost depends not only on our ongoing software development, but also on organizing employees into teams using that software to respond faster than most individual agents could.

Teams of Employee Agents

Our lead agents are responsible for each customer's success and are the customer's primary point of contact. A lead agent typically meets the customer on a first tour or listing consultation and works with that customer throughout the buying or selling process. She is assisted by support agents for responding to initial online inquiries, by marketing assistants for getting a home photographed and promoted online and in printed fliers, and by transaction coordinators for closing paperwork.

Our entire team of employees follows processes and uses software developed by Redfin to ensure consistent, high-quality service, based on data-driven insights about how to schedule tours, when to check in with customers, and how to price a home.

Flexible Network of Independent Associate Agents

We also contract with independent associate agents to create a flexible network of licensed real estate agents to deliver faster service for customer tours, open houses, and inspections.

Redfin Agent Tools

Our proprietary Redfin *Agent Tools* automatically captures information on millions of customer interactions every year, and provides templates for our lead agents to recommend listings, follow up on tours, prepare comparative market analyses, and write offers. Our employee agents can access Redfin *Agent Tools* on their mobile device, so we can serve customers better and faster, even when our agents are in the field rather than at their desks.

Productive Agents

We believe our ability to meet customers through our website and mobile application has a profound effect not just on our economics but on our culture: our lead agents' primary responsibility is not generating new leads, but advising customers buying and selling homes. In 2016, our lead agents were on average three times more productive and earned on average twice as much money as agents at competing brokerages.

Data guides our hiring and management decisions, as we've analyzed which industry hires out perform those new to real estate and what level of prior experience is correlated with long tenure at our company. We measure agent performance in detail and give managers access to this data in real time, so we can quickly intervene when our customer service falls short.

Investment in Agents

The high productivity of our lead agents rationalizes an investment in equipment, management, training, and support staff that is unusual in the industry: we pay for all of our employee agents' equipment, dues, and marketing expenses, and we provide training for each new hire, with a multi-week course for agents in our largest markets. We believe that the combined effect of these investments is more productive lead agents and better customer service.

Redfin Partner Program

To serve customers when our own agents can't due to high demand or geographic limitations, we've developed partnerships with over 3,100 agents at other brokerages. Once we refer a customer to a partner agent, that agent, not us, represents the customer from the initial meeting through closing, at which point the agent pays us a portion of her commission as a referral fee. As part of our commitment to low fees, we directly issue the customer a \$500 check in connection with the purchase or sale of any home costing \$200,000 or more.

Rather than countering seasonal and cyclical changes in demand by recruiting a surplus of agents, we rely on partner agents to handle demand swings. We built our partner program so our lead agents can deliver consistently high-quality service at busy times, and so we can limit the effect of fixed expenses when demand falters.

Homebuyer Experience

We seek to provide every homebuyer with fast service, low fees, and an agent completely on that buyer's side. Our lead agents can join each homebuyer's online search, commenting on the buyer's favorite listings, answering questions, or recommending listings the buyer might have overlooked. With a few taps of a mobile-phone button, a Redfin homebuyer can schedule home tours before many buyers even realize those homes are for sale. Our lead agent hosting the tour earns bonuses based on customer reviews, not just commissions, encouraging the candor customers need to make the best decision about which home to buy.

We recently introduced an instant-offer capability in selected markets: on the front steps of a listing the customer likes, our lead agent uses our technology to draft an offer from her phone in minutes, with the goal of beating competing homebuyers to the punch. During the inspections and appraisals, we track contracts and tasks in an online deal room to keep the closing on schedule.

Home Seller Experience

We seek to give every home seller honest advice on how to price her property; the best marketing, primarily online; and the lowest fees. Our industry-leading algorithms for calculating what a home is worth lead to a better pricing recommendation in the initial consultation. We believe this is one reason Redfin listings sell for more relative to the list price than other brokers', and are more likely to sell in the first 90 days on market.

To increase demand, we film an interactive, three-dimensional virtual scan of the home and we promote each Redfin listing on our website and mobile application. We drive additional demand through targeted email as well as other channels like Facebook, using advanced algorithms to promote the listing to the right homebuyers. We also share the listing with every major real estate website. An online dashboard tracks traffic to the listing and an iPad application registers in-person visits to open houses, so our home sellers make better decisions about pricing, marketing, and offer negotiations.

We believe listing more homes and drawing more homebuyers to our website and mobile application will let us pair homebuyers and home sellers directly online over time, further improving our service and lowering our costs.

Our Value Proposition

Customers Get Better Service

Our Net Promoter Score², a measure of a customer's willingness to recommend a company's products or services to others, is 60, compared to the industry average of 40, as measured by a study we commissioned in June 2016.

Measurable Results

Redfin listings were on the market for an average of 30 days in 2016 compared to the industry average of 36 days according to a study we commissioned. And over 74% of Redfin listings sold within 90 days versus the industry average of approximately 70% according to the same study.

Customers Save Money

We give homebuyers a portion of the commissions that we earn. We typically earn 2.5% to 3% of a home's value for representing a homebuyer, and we contributed an average of approximately \$3,500 per transaction through a commission refund or a closing-cost reduction in 2016. We returned a total of approximately \$62.4 million to customers in commission refunds or closing-cost reductions in 2016.

Consumers selling a home with a traditional brokerage typically pay total commissions of 5% to 6% of the sale price, with 2.5% to 3% going to their agent and another 2.5% to 3% to the agent representing the buyer. Redfin home sellers typically pay only 1% to 1.5% of their home's sale price to us, depending on the market and subject to market-by-market minimums. So we can readily sell our listings to any homebuyer, including a buyer represented by a competing brokerage, we typically recommend that our home sellers still offer a 2.5% to 3% commission to the buyer's agent. As a result, we typically save our home sellers 1% to 2% of the total sales prices on average listing fees.

² See "Industry and Market Data and Calculation of NPS and Key Business Metrics" for further information on and an explanation of the limitations associated with this metric.

Our Culture of Service and Thrift

Service is fundamental to our “everyone-sweeps-the-floors” culture: our executives serve our employees, and our employees serve our customers. As part of this humility, we recognize that everyone can be a leader. An agent can imagine better software; an engineer can imagine better service. The only way we can use technology to make real estate better is by working together, in a way we believe that few pure technology or pure service companies can.

Another tenet of our culture is thrift. We may be a next-generation real estate brokerage, but we’re old-fashioned about stockholder value. We continued to grow through the darkness of the 2008 real estate crisis as we fought to make a margin-sensitive, headcount-intensive business work with the resources we had. Next week, next year, some day, that darkness will return, and we believe that our formative experiences will make us better prepared for it than others.

Growth Strategies

Grow Share in Existing Markets

We have a strong track record of gaining share across nearly all of our markets, including the markets open more than a decade. We have studied cohorts of our markets opened in similar timeframes. We have gained market share, increased real estate revenue, and increased real estate gross margin in all of the cohorts in each of the years studied. Our year-to-year market share gains have been largely consistent across cohorts.

As we gain local market share, our service gets even better. By doing more transactions in a smaller area, agents increase their local knowledge. We capture more customer-interaction data, powering analytics such as our listing recommendation engine. Potential customers see our yard signs more often and hear from other customers about our service. We believe these factors fuel further market share gains.

We believe listing share lets us provide better online search results, because we post Redfin listings to our website first in many markets, with exclusive photos about each listing. We further believe that as we gain share, more homebuyers will want to work with us to gain access to our listings, and we’ll get more listings from owners seeking access to our homebuyers. As this flywheel starts turning, we plan to invest more to connect homebuyers and home sellers directly.

We believe transactions from our repeat customers will continue to play a larger role in our market share gains. According to NAR, homeowners sell their homes every nine years on average, suggesting that repeat business takes a long time to build. At Redfin, we’re now seeing our customers come back to sell a home we helped them buy many years before. The rate at which our customers return to us for another transaction is 37% higher than the industry average. With tens of thousands of new customers each year, and higher rates of customer satisfaction, we believe we can drive future share gains as those customers choose to work with us again.

Offer a Complete Solution

We’re continuously evaluating and introducing new services to become an end-to-end solution for customers buying and selling a home. Our experience with Title Forward, our title and settlement business, demonstrates that many Redfin customers are open to buying more services from us. In 2016, in the six states where Title Forward operated, 56% of our homebuyers also chose our title and

settlement service. In the first quarter of 2017, we began originating and underwriting loans through Redfin Mortgage. Our goal is to build technology for Redfin Mortgage that will ultimately support a completely digital closing, leading to efficiency gains for our brokerage, title, and mortgage businesses. In the first quarter of 2017, we began testing an experimental new service called Redfin Now, where we buy homes directly from home sellers and resell them to homebuyers. Customers who sell through Redfin Now will typically get less money for their home than they would listing their home with a real estate agent, but get that money faster with less risk and fuss.

Selected Risks Associated with Our Business

Our business is subject to numerous risks and uncertainties, including those highlighted under “Risk Factors” immediately following this prospectus summary. These risks include:

- we operate in a seasonal and cyclical industry, and we’re negatively affected by industry downturns;
- we have a history of losses, we may never be consistently profitable, and as of March 31, 2017, we had an accumulated deficit of \$613.3 million;
- our business is concentrated in certain geographic markets, and any disruptions in those markets could harm our business;
- our future market share gains may take longer than planned and cause us to incur significant costs;
- our revenue and results of operations may fluctuate on a quarterly and annual basis;
- our business model and growth strategy depend on our ability to attract homebuyers and home sellers to our website and mobile application efficiently;
- we must provide our customers comprehensive and accurate real estate listings quickly;
- we must comply with the rules, terms of service, and policies of numerous MLSs;
- competition in our industry is intense and our business model subjects us to challenges our competitors do not face;
- we are subject to an increasing variety of federal and state laws and regulations that increase our compliance costs and could subject us to claims;
- we are subject to litigation risks; and
- our executive officers, directors, principal stockholders, and their affiliates will continue to exercise significant influence over our company after this offering.

Corporate Information

We were incorporated as Appliance Computing Inc. in Washington in October 2002. We reincorporated in February 2005 in Delaware and changed our name to Redfin Corporation in May 2006. Our principal executive offices are located at 1099 Stewart St., Suite 600, Seattle, Washington

98101, and our telephone number is (206) 576-8333. Our website address is www.redfin.com. Information contained on, or that can be accessed through, our website is not incorporated by reference into this prospectus, and you should not consider information on our website to be part of this prospectus. Investors should not rely on any such information in deciding whether to purchase our common stock.

Unless the context indicates otherwise, as used in this prospectus, the terms “Redfin,” the “Company,” “we,” “us,” and “our” refer to Redfin Corporation, a Delaware corporation, and its subsidiaries taken as a whole, unless otherwise noted.

Redfin, the Redfin logo, Redfin Estimate, Title Forward, Walk Score, Redfin Mortgage, Redfin Now, and other registered or common law trade names, trademarks, or service marks of Redfin appearing in this prospectus are Redfin's property. This prospectus contains additional trade names, trademarks, and service marks of other companies that are not owned by Redfin. We do not intend our use or display of other companies' trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, these other companies. Solely for convenience, our trademarks and trade names referred to in this prospectus appear without the ® and ™ symbols, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights, or the right of the applicable licensor, to these trademarks and trade names.

Implications of Being an Emerging Growth Company

We are an “emerging growth company” as defined in Section 2(a) of the Securities Act of 1933, as amended, as modified by the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable, in general, to public companies that are not emerging growth companies. These provisions include:

- being permitted to present only two years of audited financial statements and only two years of related “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this prospectus;
- not being required to comply with the auditor attestation requirement on the effectiveness of our internal control over financial reporting;
- not being required to comply 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 (auditor discussion and analysis);
- reduced disclosure about our executive compensation arrangements; and
- exemptions from the requirements to obtain a non-binding advisory vote on executive compensation and a stockholder approval of any golden parachute arrangements.

We may take advantage of these exemptions for up to five years or such earlier time that we are no longer an emerging growth company. Accordingly, the information contained in this prospectus may be different than the information you receive from other public companies in which you hold stock. We would cease to be an emerging growth company upon the earliest to occur of (1) the last

day of the fiscal year in which we have \$1.0 billion or more in total annual revenue, (2) the date we qualify as a "large accelerated filer," (3) the date on which we have issued more than \$1.0 billion in non-convertible debt securities during the prior three-year period, or (4) December 31, 2022 (the last day of the fiscal year ending after the fifth anniversary of the completion of this offering).

In addition, the JOBS Act also provides that an emerging growth company can utilize extended transition periods 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 exemption and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

The Offering	
Common stock offered	shares
Option to purchase additional shares of common stock	shares
Common stock to be outstanding after this offering	shares (shares, if the underwriters exercise their option to purchase additional shares in full)
Use of proceeds	<p>We estimate that the net proceeds from the sale of shares of common stock in this offering will be approximately \$ million (or approximately \$ million if the underwriters exercise their option to purchase additional shares in full), based on an assumed initial public offering price of \$ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discount and estimated offering expenses.</p> <p>We intend to use the net proceeds that we receive from this offering for working capital and other general corporate purposes, including technology and development and marketing activities, general and administrative matters, and capital expenditures. We may also use a portion of the net proceeds to invest in or acquire third-party businesses, products, services, technologies, or other assets. See “Use of Proceeds.”</p>
Risk factors	You should read the “Risk Factors” section of this prospectus for a discussion of factors to consider carefully before deciding to invest in shares of our common stock.
Proposed New York Stock Exchange symbol	“RDFN”
<p>The number of shares of our common stock to be outstanding after this offering is based on 210,918,254 shares of our common stock outstanding as of March 31, 2017, and excludes:</p> <ul style="list-style-type: none"> • 39,068,334 shares of our common stock issuable upon the exercise of options outstanding as of March 31, 2017, with a weighted-average exercise price of \$1.97 per share; and • shares of our common stock reserved for future issuance under our stock-based compensation plans, consisting of (1) 15,039,960 shares of our common stock reserved for future issuance under our Amended and Restated 2004 Equity Incentive Plan, which shares will be added to the shares to be reserved under our 2017 Equity Incentive Plan in connection with this offering, and (2) shares of our common stock reserved for future issuance under our 2017 Equity Incentive Plan, which will become effective in connection with this offering. 	

Except as otherwise indicated, all information in this prospectus assumes:

- the automatic conversion of all outstanding shares of our redeemable convertible preferred stock as of March 31, 2017 into an aggregate of 166,266,114 shares of our common stock, which will occur upon the completion of this offering;
- a -for- reverse stock split of our common stock, effective on ;
- the effectiveness of our restated certificate of incorporation and restated bylaws immediately prior to the completion of this offering;
- no exercise of outstanding options after March 31, 2017; and
- no exercise of the underwriters' option to purchase additional shares of our common stock.

Summary Consolidated Financial Data

The following tables summarize our consolidated financial data. We have derived the following consolidated statements of operations data for the years ended December 31, 2014, 2015, and 2016, from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the following summary consolidated statements of operations data for the three months ended March 31, 2016 and 2017 and our summary consolidated balance sheet data as of March 31, 2017 from our unaudited interim consolidated financial statements included elsewhere in this prospectus. Our unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, on the same basis as our audited annual consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal, recurring adjustments, that are necessary for the fair presentation of our consolidated financial position as of March 31, 2017 and our consolidated results of operations for the three months ended March 31, 2016 and 2017. Our historical results are not necessarily indicative of the results that may be expected for any future period, and the results for the three months ended March 31, 2017 are not necessarily indicative of the results to be expected for the full year or any other period. The following summary consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, the accompanying notes and other financial information included elsewhere in this prospectus.

	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
	(in thousands, except share and per share data)				
Consolidated Statements of Operations Data:					
Revenue	\$ 125,363	\$ 187,338	\$ 267,196	\$ 41,636	\$ 59,868
Cost of revenue(1)	93,272	138,492	184,452	38,505	53,492
Gross profit	32,091	48,846	82,744	3,131	6,376
Operating expenses:					
Technology and development(1)	17,876	27,842	34,588	7,898	9,672
Marketing(1)	15,058	19,899	28,571	9,211	10,459
General and administrative(1)	24,240	31,394	42,369	10,385	14,367
Total operating expenses	57,174	79,135	105,528	27,494	34,498
Income (loss) from operations	(25,083)	(30,289)	(22,784)	(24,363)	(28,122)
Interest income and other income, net:					
Interest income	23	46	173	47	43
Other income, net	24	7	85	37	13
Total interest income and other income, net	47	53	258	84	56
Income (loss) before tax benefit (expense)	(25,036)	(30,236)	(22,526)	(24,279)	(28,066)
Income tax benefit (expense)	306	—	—	—	—
Net Income (loss)	\$ (24,730)	\$ (30,236)	\$ (22,526)	\$ (24,279)	\$ (28,066)
Accretion of preferred stock	(101,251)	(102,224)	(55,502)	(5,212)	(24,770)
Net income (loss) attributable to common stock—basic and diluted	\$ (125,981)	\$ (132,460)	\$ (78,028)	\$ (29,491)	\$ (52,836)

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Net income (loss) per share attributable to common stock—basic and diluted(2)	\$ (3.92)	\$ (3.29)	\$ (1.81)	\$ (0.69)	\$ (1.19)
Weighted average shares used to compute net income (loss) per share attributable to common stock—basic and diluted(2)	<u>32,150,025</u>	<u>40,249,762</u>	<u>43,185,844</u>	<u>42,710,904</u>	<u>44,303,191</u>
Pro forma net income (loss) per share attributable to common stock—basic and diluted (unaudited)(2)			\$ (0.11)		\$ (0.13)
Pro forma weighted average shares used to compute net income (loss) per share attributable to common stock—basic and diluted (unaudited)			<u>209,451,958</u>		<u>210,569,305</u>

(1) Includes stock-based compensation as follows:

	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
	(in thousands)				
Cost of revenue	\$ 1,280	\$ 1,440	\$ 2,266	\$ 518	\$ 714
Technology and development	962	1,375	2,383	539	731
Marketing	237	298	469	110	119
General and administrative	2,717	2,449	3,295	654	1,117
Total	<u>\$ 5,196</u>	<u>\$ 5,562</u>	<u>\$ 8,413</u>	<u>\$ 1,821</u>	<u>\$ 2,681</u>

(2) See Note 8 to our consolidated financial statements included elsewhere in this prospectus for an explanation of the calculations of our net income (loss) per share attributable to common stock, basic and diluted, and pro forma net income (loss) per share attributable to common stock, basic and diluted.

	As of March 31, 2017		Pro Forma As Adjusted(2)(3)
	Actual	Pro Forma(1)	
	(in thousands)		
Consolidated Balance Sheet Data:			
Cash, cash equivalents, and short-term investments	\$ 37,959	\$ 37,959	\$
Working capital	32,686	32,686	
Total assets	116,907	116,907	
Redeemable convertible preferred stock	680,186	—	
Total stockholders' equity (deficit)	(613,264)	66,922	

- (1) The pro forma column reflects the automatic conversion of all outstanding shares of our redeemable convertible preferred stock as of March 31, 2017 into an aggregate of 166,266,114 shares of common stock, which conversion will occur immediately upon the completion of this offering.
- (2) The pro forma as adjusted column gives effect to (a) the pro forma adjustments set forth above and (b) the sale and issuance by us of _____ shares of our common stock in this offering, based upon an assumed initial public offering price of \$ _____ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting the estimated underwriting discount and estimated offering expenses.
- (3) Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ _____ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) our cash, cash equivalents and short-term investments, working capital, total assets, and total stockholders' equity by approximately \$ _____ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discount. Similarly, each increase (decrease) of one million shares in the number of shares offered by us would increase (decrease) our cash, cash equivalents, and short-term investments, working capital, total assets, and total stockholders' equity by approximately \$ _____ million, assuming the assumed initial public offering price, which is the midpoint of the price range set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discount.

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this prospectus, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes, before deciding to invest in our common stock. Our business, operating results, financial condition, or prospects could be materially and adversely affected by any of these risks and uncertainties. If any of these risks occurs, the trading price of our common stock could decline and you might lose all or part of your investment. Our business, operating results, financial performance, or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material.

Risks Related to Our Business and Industry

The U.S. residential real estate industry is seasonal and cyclical, and we’re negatively affected by industry downturns.

Our success depends largely on the health of the U.S. residential real estate industry, which is seasonal, cyclical, and affected by changes in general economic conditions beyond our control. Any of the following macroeconomic factors could adversely affect demand for residential real estate, result in falling home prices, and harm our business:

- increased interest rates;
- increased unemployment rates or stagnant or declining wages;
- slow economic growth or recessionary conditions;
- weak credit markets;
- low consumer confidence in the economy or the U.S. residential real estate industry;
- adverse changes in local or regional economic conditions in the markets that we serve;
- fluctuations in local and regional home inventory levels;
- constraints on the availability of mortgage financing, enhanced mortgage underwriting standards, or increased down payment requirements;
- federal and state legislative, tax or regulatory changes that would adversely affect the U.S. residential real estate industry, including potential reform relating to Fannie Mae, Freddie Mac and other government sponsored entities that provide liquidity to the mortgage market, and limitations on the deductions of certain mortgage interest expenses;
- increases in the exchange rate for the U.S. dollar compared to foreign currencies, causing U.S. real estate to be more expensive for foreign purchasers;
- foreign regulatory changes or capital controls that would make it more difficult for foreign purchasers to withdraw capital from their home countries or purchase and hold U.S. real estate;
- strength of financial institutions;

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- high levels of foreclosure activity in particular markets;
- a decrease in home ownership rates;
- political uncertainty relating to the new presidential administration; or
- acts of nature, such as hurricanes, earthquakes, and other natural disasters, as well as adverse environmental and climate changes that disrupt the local or regional real estate markets we serve.

We have a history of losses, and we may not achieve or maintain profitability in the future.

We have not been profitable on an annual basis since we were founded, and as of March 31, 2017, we had an accumulated deficit of \$613.3 million. We expect to continue to make future investments in developing and expanding our business, including technology, recruitment and training, marketing, and pursuing strategic opportunities. These investments may not result in increased revenue or growth in our business. Additionally, we may incur significant losses in the future for a number of reasons, including:

- our inability to grow market share;
- increased competition in the U.S. residential real estate industry;
- changes in our commission rates;
- our failure to realize our anticipated efficiency through our technology and business model;
- failure to execute our growth strategies;
- declines in the U.S. residential real estate industry; and
- unforeseen expenses, difficulties, complications and delays, and other unknown factors.

Accordingly, we may not be able to achieve or maintain profitability and we may continue to incur significant losses in the future.

Our business is concentrated in certain geographic markets. Failing to grow in those markets or any disruptions in those markets could harm our business.

For 2015, 2016, and the three months ended March 31, 2017, approximately 75%, 72%, and 68% of our real estate revenue, respectively, was derived from our top-10 markets, which consist of the metropolitan areas of Boston, Chicago, Los Angeles, Maryland, Orange County, Portland, San Diego, San Francisco, Seattle, and Virginia. These markets are primarily major metropolitan areas, where home prices and transaction volumes are generally higher than other markets. Local and regional economic conditions in these markets differ materially from prevailing conditions in other parts of the United States. In addition, due to the higher home prices in these markets, our real estate revenue and gross margin is generally higher in these markets than in our smaller markets. Any overall or disproportionate downturn in demand or economic conditions in any of our largest markets, particularly if we are not able to increase revenue from our other markets, could result in a decline in our revenue and harm our business.

Our future market share gains may take longer than planned and cause us to incur significant costs.

We represent people buying and selling homes in over 80 markets throughout the United States. We have a limited operating history in many of these markets. Expanding our services in existing and new markets and increasing the depth and breadth of our presence imposes significant burdens on our marketing, compliance, and other administrative and managerial resources. Our plan to expand and deepen our market share in our existing markets and possibly expand into additional markets is subject to a variety of risks and challenges. These risks and challenges include the varying economic and demographic conditions of each market, competition from local and regional residential brokerage firms, variations in transaction dynamics, and pricing pressures. Additionally, our earlier markets typically have higher mean home prices than our more recent markets. In addition, many valuable markets have established residential brokerages with superior local referral networks, name recognition, and perceived local knowledge and expertise. If we cannot manage our expansion efforts efficiently, our market share gains could take longer than planned and our related costs could exceed our expectations. In addition, we could incur significant costs to seek to expand our market share, and still not succeed in attracting sufficient customers to offset such costs.

We expect our revenue and results of operations to fluctuate on a quarterly and annual basis.

Our revenue and results of operations are likely to vary significantly from period to period and may fail to match expectations as a result of a variety of factors, many of which are outside our control. The other risk factors discussed in this “Risk Factors” section may contribute to the variability of our quarterly and annual results. In addition, our revenue and results may fluctuate as a result of:

- seasonal variances of home sales, which historically peak during the summer and are weaker during the first and fourth quarters of each year;
- cyclical periods of slowdowns or recessions in the U.S. real estate market;
- our ability to increase market share;
- fluctuations in sale prices and transaction volumes in our top markets;
- the price of homes bought or sold by Redfin homebuyers and home sellers;
- price competition;
- volume of transactions in markets with a higher than average mean home price;
- mix of transactions;
- impairment charges associated with goodwill and other intangible assets;
- the timing and success of new offerings by us and our competitors;
- changes in local market conditions;
- changes in interest rates and the mortgage and credit markets;
- the time it takes new lead agents to become fully productive;

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- changes in federal, state, or local laws or taxes that affect real estate transactions or residential brokerage, title insurance, and mortgage insurance industries;
- changes in multiple listing services, or MLSs, or other rules and regulations affecting the residential real estate industry; and
- any acquisitions of, or investments in, third-party technologies or businesses.

As a result of potential variations in our revenue and results of operations, period-to-period comparisons may not be meaningful and the results of any one period should not be relied on as an indication of future performance. In addition, our results of operations may not meet the expectations of investors or public market analysts who follow us, which may adversely affect our stock price.

Our business model and growth strategy depend on our ability to attract homebuyers and home sellers to our website and mobile application in a cost-effective manner.

Our success depends on our ability to attract homebuyers and home sellers to our website and mobile application in a cost-effective manner. Our website and mobile application are our primary channels for meeting customers. We rely heavily on organic traffic generated from search engines and other unpaid sources to meet customers. We use a variety of media in our marketing efforts, including online and television advertising and social media, to drive traffic. We intend to continue to invest resources in our marketing efforts.

We are heavily dependent on digital marketing initiatives such as search engine optimization to improve our website's search result ranking and generate new customer leads. We also rely on other marketing methods such as social media marketing, paid search advertising, and targeted email communications. Advertising platforms, such as Facebook, Google, and others, may raise their rates significantly, and we may choose to use alternative and less expensive channels, which may not be as effective at attracting homebuyers and home sellers to our website and mobile application. We also use television advertising, which may have significantly higher costs than other channels. In addition, we may be required to expand into or continue to invest in more expensive channels than those we are currently in, which could harm our business.

These marketing efforts may not succeed for a variety of reasons, including changes to search engine algorithms, ineffective campaigns across marketing channels, and limited experience in certain marketing channels like television. External factors beyond our control may also affect the success of our marketing initiatives, such as filtering of our targeted communications by email servers, homebuyers and home sellers failing to respond to our marketing initiatives, and competition from third parties. Any of these factors could reduce the number of homebuyers and home sellers to our website and mobile application. We also anticipate that our marketing efforts will become increasingly expensive as competition increases and we seek to expand our business in existing markets. Generating a meaningful return on our marketing initiatives may be difficult. If our strategies do not attract homebuyers and home sellers efficiently, our business and growth would be harmed. Even if we successfully increase revenue as a result of these efforts, that additional revenue may not offset the related expenses we incur.

We rely heavily on Internet search engines and mobile application stores to direct traffic to our website and our mobile application, respectively.

We rely heavily on Internet search engines, such as Google, Bing, and Yahoo!, to drive traffic to our website and on mobile application stores, such as Apple iTunes Store and the Android Play Store, for downloads of our mobile application. The number of visitors to our website and mobile

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application downloads depends in large part on how and where our website and mobile application rank in Internet search results and mobile application stores, respectively. For example, when a user types a property address into an Internet search engine, we rely on that search engine to rank our webpages in the search results and to direct a user to the listing on our website. While we use search engine optimization to help our webpages rank highly in search results, maintaining our search result rankings is not within our control. Internet search engines frequently update and change their ranking algorithms, referral methodologies, or design layouts, which determine the placement and display of a user's search results. In some instances, Internet search engines may change these rankings in order to promote their own competing services or the services of one or more of our competitors. Similarly, mobile application stores can change how they display searches and how mobile applications are featured. For instance, editors at the Apple iTunes Store can feature prominently editor-curated mobile applications and cause the mobile application to appear larger than other applications or more visibly on a featured list. Listings on our website and mobile application have experienced fluctuations in search result and mobile application rankings in the past, and we anticipate fluctuations in the future. If our website or listings on our website fail to rank prominently in Internet search results, our website traffic could decline. Likewise, a decline in our website and mobile application traffic could reduce the number of customers for our services.

If we cannot obtain and provide to our customers comprehensive and accurate real estate listings quickly, or at all, our business will suffer.

Our ability to attract consumers to our website and mobile application is heavily dependent on our timely access to comprehensive and accurate real estate listings data. We get listings data primarily from MLSs in the markets we serve. We also source listings data from public records, other third-party listing providers, and individual homeowners and brokers. Many of our competitors and other real estate websites also have access to MLSs and other listings data, including proprietary data, and may be able to source listings data or other real estate information faster or more efficiently than we can. Since MLS participation is voluntary, brokers and homeowners may decline to post their listings data to their local MLS or may seek to change or limit the way that data is distributed. A competitor or another industry participant could also create an alternative listings data service, which may reduce the relevancy and comprehensive nature of the MLSs. If MLSs cease to be the predominant source of listings data in the markets that we serve, we may be unable to get access to comprehensive listings data on commercially reasonable terms, or at all, and we may be unable to provide timely listings to our customers.

If we do not comply with the rules, terms of service, and policies of MLSs, our access to and use of listings data may be restricted or terminated and harm our business.

We must comply with each MLS's rules, terms of service, and policies to access and use its listings data. Each of the more than 130 MLSs we belong to has adopted its own rules, terms of service, and policies governing, among other things, how MLS data may be used, and listings data must be displayed on our website and mobile application. These rules typically do not contemplate multi-jurisdictional online brokerages like ours and vary widely among markets. They also are in some cases inconsistent with the rules of other MLSs such that we are required to customize our website, mobile application, or service to accommodate differences between MLS rules. Complying with the rules of each MLS requires significant investment, including personnel, technology and development resources, other resources, and the exercise of considerable judgment. If we are deemed to be noncompliant with an MLS's rules, we may face disciplinary sanctions in that MLS, which could include monetary fines, restricting or terminating our access to that MLS's data, or other disciplinary measures. The loss or degradation of this listings data could materially and adversely affect traffic to our website and mobile application, making us less relevant to consumers and restricting our ability to attract customers. It also could reduce agent and customer confidence in our services and harm our business.

Our business model subjects us to challenges not faced by our competitors.

Unlike most of our brokerage competitors, we hire our lead agents as employees, rather than as independent contractors, and therefore we incur related costs that our brokerage competitors do not, such as base pay, employee benefits, expense reimbursement, training, and employee transactional support staff. We also continue to invest heavily in developing our technology, as well as new offerings. As a result, we have significant costs, some of which we incur in anticipation of future growth in revenue and market share. In the event of fluctuations in demand in the markets we serve, or significant reductions in home sales' prices, whether due to seasonality, cyclicalities, changes in interest rates, fiscal policy, or other events, we will not be able to adjust our expenses as rapidly as many of our competitors, and our business would be harmed. Additionally, due to these costs, our lead agent turnover may be more costly to us than to traditional brokerages, and our business may be harmed if we are unable to achieve the necessary level of lead agent productivity and retention to offset their related costs.

Competition in the residential brokerage industry is intense and if we cannot compete effectively, our business will be harmed.

We face intense competition nationally and in each of the markets we serve. We compete primarily against other residential brokerages, which include operations affiliated with national or local brands and small independent brokerages. We also compete with a growing number of Internet-based residential brokerages and others who operate with non-traditional real estate business models. Competition with brokerages is particularly intense in some of the densely populated metropolitan markets we serve. To capture and retain market share, we must compete successfully against other brokerages, not only for customers, but also for high-performing lead agents and other critical employees.

The residential brokerage industry has low barriers to entry for new participants, including other technology-driven brokerages that offer lower commissions than the traditional pricing model. We may change our pricing strategies in response to a number of factors, including competitive pressures or in response to transaction volume fluctuations in particular markets we serve. As competitors introduce new offerings that compete with ours or reduce their commission rates, we may need to change our pricing strategies to compete effectively. Any such changes, particularly in the top-10 markets we serve, may affect our ability to compete successfully and harm our business.

Many of our brokerage competitors have substantial competitive advantages, such as longer operating histories, greater financial resources, stronger brand recognition, more management, sales, marketing and other resources, and extensive relationships with participants in the residential real estate industry, including third-party data providers such as MLSs. Consequently, these brokerages may have an advantage in recruiting and retaining agents, attracting consumers, acquiring customers, and growing their businesses. They may be able to provide consumers with offerings that are different from or superior to those we provide. They may also be acquired by third parties with greater resources than ours, which would further strengthen and enable them to compete more vigorously or broadly with us. The success of our competitors could result in our loss of market share and harm our business.

Our revenue may not continue to grow at its recent pace, or at all.

Our revenue may not continue to grow at the same pace as it has over the past several years. We believe that our future revenue growth will depend, among other factors, on our ability to:

- successfully expand and deepen our business and market share;
- respond to seasonality and cyclicalities in the real estate industry and the U.S. economy;

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- compete with the pricing and offerings of our competitors;
- attract more customers to our website and mobile application;
- successfully invest in developing technology, tools, features, and products;
- maintain high levels of customer service;
- maximize our lead agents' productivity;
- attract and retain high-quality lead agents;
- successfully contract with high-quality partner agents; and
- increase our brand awareness.

We may not be successful in our efforts to do any of the foregoing, and any failure to be successful in these matters could adversely affect our revenue growth. You should not consider our past revenue growth to be indicative of our future growth.

If we're not able to deliver a rewarding experience on mobile devices, whether through our mobile website or mobile application, we may be unable to attract and retain customers.

Developing and supporting a mobile website and mobile application across multiple operating systems and devices requires substantial time and resources. We may not be able to consistently provide a rewarding customer experience on mobile devices and, as a result, customers we meet through our mobile website or mobile application may not choose to use our brokerage services, or those of our partner agents, at the same rate as customers we meet through our website.

As new mobile devices and mobile operating systems are released, we may encounter problems in developing or supporting our mobile website or mobile application for them. Developing or supporting our mobile website or mobile application for new devices and their operating systems may require substantial time and resources. The success of our mobile website and mobile application could also be harmed by factors outside our control, such as:

- increased costs to develop, distribute, or maintain our mobile website or mobile application;
- changes to the terms of service or requirements of a mobile application store that requires us to change our mobile application development or features in an adverse manner; and
- changes in mobile operating systems, such as Apple's iOS and Google's Android, that disproportionately affect us, degrade the functionality of our mobile website or mobile application, require that we make costly upgrades to our offerings, or give preferential treatment to competitive websites or mobile applications.

Adverse developments in economic conditions could harm our business.

Our business is sensitive to general economic conditions that are outside our control. These conditions include interest rates, inflation, fluctuations in consumer confidence, fluctuations in equity and debt capital markets, availability of credit, and the strength of financial institutions, which are sensitive to changes in the general macroeconomic environment. A host of factors beyond our control

could cause fluctuations in these conditions, including the political environment, disruptions in an economically significant geographic region, or equity or debt markets, acts or threats of war, or terrorism, any of which could harm our business.

Our growth may be limited due to historically low home inventory levels.

Traditionally, a “balanced” residential real estate industry requires enough homes on the market to satisfy six months of homebuyer demand. In recent years, home inventory has remained at historically low levels in many parts of the United States. Low inventory levels can harm our ability to attract customers, inflate home prices, increase competition for homes, increase our operating expenses because of home touring and offer-writing activities that do not result in closed home purchases, and reduce transaction volumes. As a result, our customers may be unable to complete a sufficient number of real estate transactions to sustain or grow our transaction volume and revenue.

We may not be able to attract, retain, effectively train, motivate, and utilize lead agents.

As a result of our business model, our lead agents generally earn less on a per transaction basis than traditional agents, which may be unattractive to some agents. Because our model is uncommon in our industry, agents considering working for us may not understand our compensation model, or may not perceive it to be more attractive than the independent contractor, commission-driven compensation model used by most traditional brokerages. If we’re unable to attract, retain, effectively train, motivate, and utilize lead agents, we will be unable to grow our revenue and we may be required to significantly increase our lead agent compensation or other costs, which could harm our business.

We are, and expect in the future to become, subject to an increasing variety of federal and state and local laws and regulations, many of which are continuously evolving, which increases our compliance costs and could subject us to claims or otherwise harm our business.

We are currently subject to a variety of, and may in the future become subject to, additional, federal, state, and local laws that are continuously changing, including laws related to: the real estate, brokerage, title, and mortgage industries; mobile- and Internet-based businesses; and data security, advertising, privacy and consumer protection laws. For instance, we are subject to federal laws such as the Fair Housing Act of 1968, or FHA, and the Real Estate Settlement Procedures Act of 1974. These laws can be costly to comply with, require significant management attention, and could subject us to claims, government enforcement actions, civil and criminal liability, or other remedies, including revocation of licenses and suspension of business operations.

In some cases, it is unclear as to how such laws and regulations affect us based on our business model that is unlike traditional brokerages, and the fact that those laws and regulations were created for traditional real estate brokerages. If we are unable to comply with and become liable for violations of these laws or regulations, or if unfavorable regulations or interpretations of existing regulations by courts or regulatory bodies are implemented, we could be directly harmed and forced to implement new measures to reduce our liability exposure. It could cause our operations in affected markets to become overly expensive, time consuming, or even impossible. This may require us to expend significant time, capital, managerial, and other resources to modify or discontinue certain operations, limiting our ability to execute our business strategies, deepen our presence in our existing markets, or expand into new markets. In addition, any negative exposure or liability could harm our brand and reputation. Any costs incurred as a result of this potential liability could harm our business.

Further, due to the geographic scope of our operations and the nature of the services we provide, we may be required to obtain and maintain additional real estate brokerage, title insurance

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agency, and mortgage broker licenses in certain states where we operate. Additionally, if we enter new markets, we may be required to comply with new laws, regulations, and licensing requirements. As part of licensing requirements, we are typically required to designate individual licensees of record. We cannot assure you that we are, and will remain at all times, in full compliance with all real estate, title insurance, and mortgage licensing laws and regulations, and we may be subject to fines or penalties, including license revocation, for any non-compliance. If in the future a state agency were to determine that we are required to obtain additional licenses in that state in order to transact business, or if we lose an existing license or are otherwise found to be in violation of a law or regulation, our business operations in that state may be suspended until we obtain the license or otherwise remedy the compliance issue.

Our failure to comply with the requirements governing the licensing and conduct of real estate brokerage and brokerage-related businesses in the jurisdictions in which we operate could adversely affect our business.

Redfin, as a brokerage, and our agents are required to comply with the requirements governing the licensing and conduct of real estate brokerage and brokerage-related businesses in the markets where we operate. These laws and regulations contain general standards for and limitations on the conduct of real estate brokerages and agents, including those relating to licensing of brokerages and agents, fiduciary and agency duties, administration of trust funds, collection of commissions, advertising, and consumer disclosures. Under applicable laws and regulations, our agents, managing brokers, designated brokers, and other individual licensees have certain duties and are responsible for the conduct of real estate brokerage activities. If we or our agents fail to obtain or maintain the licenses and permits for conducting our brokerage business required by law or fail to conduct ourselves in accordance with the associated regulations, the relevant government authorities may order us to suspend relevant operations or impose fines or other penalties. There is no assurance that we will be able to obtain or renew these licenses in a timely manner, or at all.

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

We are from time to time involved in, and may in the future be subject to, claims, suits, government investigations, and proceedings arising from our business. We cannot predict with certainty the cost of defense, the cost of prosecution, insurance coverage, or the ultimate outcome of litigation and other proceedings filed by or against us, including remedies, damage awards, and penalties. Regardless of outcome, any such claims or actions could require significant time, money, managerial and other resources, result in negative publicity, and harm our business and financial condition. Such litigation and other proceedings may relate to:

- violations of laws and regulations governing the residential brokerage, title, or mortgage industries;
- employment law claims, including claims regarding worker misclassification;
- compliance with wage and hour regulations;
- privacy, cybersecurity incidents, and data breach claims;
- intellectual property disputes;
- consumer protection and fraud matters;

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- brokerage disputes such as the failure to disclose hidden property defects, as well as other claims associated with failure to meet our client legal obligations, or incomplete or inaccurate listings data;
- claims that our agents or brokerage engage in discriminatory behavior in violation of the FHA;
- liability based on the conduct of individuals or entities outside of our control, such as independent contractor partner agents or independent contractor associate agents;
- disputes relating to our commercial relationships with third parties; and
- actions relating to claims alleging other violations of federal, state, or local laws and regulations.

In addition, class action lawsuits, such as the existing worker misclassification claims we face, can often be particularly vexatious litigation given the breadth of claims, the large potential damages claimed, and the significant costs of defense. The risks of litigation become magnified and the costs of settlement increase in class actions in which the courts grant partial or full certification of a large class. Also, insurance coverage may be unavailable for certain types of claims and, even where available, insurance carriers may dispute coverage for various reasons, including the cost of defense. Further, such insurance may not be sufficient to cover the losses we incur.

Any failure to maintain, protect, and enhance our brand could hurt our ability to grow our business, particularly in markets where we have limited brand recognition.

Maintaining, protecting, and enhancing our brand is critical to growing our business, particularly in markets where we have limited brand recognition and compete with well-known traditional brokerages with longer histories and established community presence. This will partially depend on our ability to continue to provide high-value, customer-oriented, and differentiated services, and we may not be able to do so effectively. Enhancing and maintaining the quality of our brand may require us to make substantial investments, such as in marketing and advertising, technology, and agent training. If we do not successfully build and maintain a strong brand, our business could be harmed. In addition, despite these investments, our brand could be damaged from other events that are or may be beyond our control, such as litigation and claims, our failure to comply with local laws and regulations, and illegal activity such as phishing scams or cybersecurity attacks targeted at us, our customers, or others.

In addition to our agents, we rely on a flexible network of licensed third-party associate agents to conduct customer home tours and field events, and their status as independent contractors is being challenged and may be challenged in the future.

We are currently defending three lawsuits, each of which includes class or representative claims, and may from time to time be subject to additional lawsuits or administrative proceedings, claiming that certain of our independent contractor associate agents should be classified as our employees rather than as independent contractors. These lawsuits and proceedings typically seek substantial monetary damages (including claims for unpaid wages, overtime, unreimbursed business expenses, and other items), injunctive relief, or both. Adverse determinations in these matters could, among other things, require us to adopt certain changes in our business practices that are costly and time-consuming to implement, entitle our independent contractor associate agents to the benefit of wage and hour laws, and result in employment and withholding tax and benefit liabilities, as well as changes to the independent contractor status of our other non-employee service providers. Regardless

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of the validity of these claims or their outcome, we have incurred, and anticipate incurring in the future, significant costs and efforts to defend against or settle them. In addition, if legislative and regulatory authorities take actions that classify our independent contractor service providers as employees, we would incur liabilities under a variety of laws and regulations, including tax, workers' compensation, unemployment benefits, labor, employment, and tort, including for prior periods, as well as potential liability for employee benefits and tax withholdings.

We are subject to an array of employment-related laws and regulations and failure to comply with these obligations could harm our business.

Our relationship with our employees is subject to various tax, wage and hour, unemployment, workers' compensation, right to organize, anti-discrimination, workplace safety, and other employment-related laws. Each state has its own unique wage and hour laws, which have been the subject of growing litigation nationwide. In addition, federal and state regulatory authorities have increasingly challenged the classification of workers as independent contractors rather than as employees. Legislators have also proposed legislation to make it easier to reclassify independent contractors as employees, including legislation to increase recordkeeping requirements for employers of independent contractors, and to abolish safe harbors allowing certain individuals to be treated as independent contractors. Federal agencies and each state have their own rules and tests for determining the classification of workers, as well as whether employees meet exemptions from minimum wages and overtime laws. These tests consider many factors that also vary from state to state and have evolved based on case law, regulations, and legislative changes and frequently involve factual analysis as well. We may face significant penalties and damages if we are found to be noncompliant with any of these laws and regulations.

Referring customers to our partner agents may harm our business.

We refer customers to third-party partner agents when we do not have a lead agent available due to high demand or geographic limitations. Our dependence on partner agents can be particularly heavy in certain new markets as we build our operations to scale in those markets. Our partner agents are independent licensed agents affiliated with other brokerages and we do not have any control over their actions. We may not be able to attract and retain quality partner agents, and they may not offer the high-quality customer service that we expect. If our partner agents were to provide diminished quality of customer service, engage in malfeasance, or otherwise violate the law, MLS or other broker rules and regulations, our reputation and business may be harmed. Improper actions involving our partner agents may also lead to direct legal claims against us based on agency, vicarious, or other theories of liability, which, if determined adversely, could increase our costs, affect the use of partner agents as part of our business model and subject us to liability for their actions, including revocation of our licenses and suspension of business operations. Our partner agents may also disagree with us and our strategies regarding the business or our interpretation of our respective rights and obligations under our partner relationships. This could lead to disputes with our partner agents. To the extent we have such disputes, the attention of our management and our partner agents will be diverted, which may harm our business.

Additionally, referring customers to partner agents limits our growth and brand awareness because referring customers to partner agents potentially redirects repeat and referral opportunities to them. Referring customers to partner agents may also dilute the effectiveness of our marketing efforts and may lead to customer confusion or dissatisfaction when they are offered the opportunity to work with a partner agent rather than one of our lead agents. Nevertheless, retaining more customers than we are able to serve may affect customer satisfaction by overloading our lead agents and teams. If we are unable to allocate transactions between our lead agents and partner agents efficiently, and successfully contract with high-quality partner agents, our business may be harmed.

If our technology and development efforts are not successful, our business may be harmed.

We intend to continue investing significant resources in developing technology, tools, features, and products. If we do not spend our development budget efficiently or effectively on commercially successful and innovative technologies, we may not realize the expected benefits of our strategy. Moreover, technology development is inherently challenging and expensive, and the nature of development cycles may result in delays between the time we incur expenses and the time we make available new offerings and generate revenue, if any, from those investments. Anticipated customer demand for an offering we are developing could also decrease after the development cycle has commenced, and we would not be able to recoup substantial costs we incurred. In addition, there are many competitors in the markets we serve, including brokerages as well as non-brokerage real estate websites, and we may not be able to effectively compete both as a brokerage and a developer of technology. We cannot assure you that we will be able to identify, design, develop, implement, and utilize, in a timely and cost-effective manner, technologies necessary for us to compete effectively, that such technologies will be commercially successful, or that products and services developed by others will not render our offerings noncompetitive or obsolete. If we do not achieve the desired or anticipated customer acquisition and transaction efficiency leverage from our technology investments, our business may be harmed.

Our introduction of new services, such as originating and underwriting mortgage loans for customers and buying and selling homes directly, could fail to produce the desired or predicted results or harm our reputation.

From time to time, we develop new services. For example, in the first quarter of 2017, we began originating and underwriting mortgage loans for customers in Texas through our wholly owned subsidiary, Redfin Mortgage LLC, or Redfin Mortgage. Redfin Mortgage funds its loans using a warehouse credit facility, intending to sell all loans to third-party financial institutions after a holding period. While Redfin Mortgage only originates loans upon receiving purchase commitments from third-party financial institutions, these commitments are subject to origination quality standards and these institutions still retain contractual rights to reject the loans. If Redfin Mortgage is unable to sell its loans, it may be required to repurchase them from the warehouse lender and sell them at a discount.

In the first quarter of 2017, we also began testing an experimental new service called Redfin Now, where we buy homes directly from home sellers through a wholly owned subsidiary and resell them to homebuyers. Our estimates of what a home is worth and the algorithm we use to inform those estimates may not be accurate and we may pay more for homes than their resale value. In determining whether a particular property meets our purchase criteria, we make a number of additional assumptions, including the estimated time of possession, market conditions and proceeds on resale, renovation costs, and holding costs. These assumptions may not be accurate, particularly because properties vary widely in terms of quality, location, need for renovation, and property hazards. Unknown defects in any acquired properties may also affect their resale value. As a result, we may pay more to buy these properties than their resale value, and we may not be able to resell them as anticipated or at all. Homes that we own might suffer losses in value due to rapidly changing market conditions, natural disasters, or other forces outside our control.

We have limited experience operating businesses outside of our core brokerage and forecasting our revenue for any new service is inherently uncertain; our actual results may vary significantly from what we desire or predict. Additionally, our new services may fail to attract customers, reduce customer confidence in our services, undermine our customer-first reputation, create real or perceived conflicts of interest between us and our customers, expose us to increased market risks, subject us to claims related to undisclosed defects in homes that we sell, alleging that we have breached our duties to our customers, or result in other disputes with our customers. Any of these events could harm our reputation or mean that such new services will harm our business.

New services that we introduce and implement, including our mortgage offering, may subject us to new laws and regulations.

From time to time, we may introduce and implement new services in highly regulated areas. For instance, our title and settlement services are subject to regulation by insurance and other regulatory authorities on the federal level and in each state in which we provide such services. Compliance with new and existing regulatory and compliance regimes is time consuming and may require significant time and effort, which may divert attention and resources from our other offerings.

Redfin Mortgage is subject to a wide array of stringent federal and state laws, regulations, and agency oversight. These include laws and regulations governing the relationship between us and Redfin Mortgage, the manner in which Redfin Mortgage will conduct its loan origination and servicing businesses, the fees that it may charge, procedures relating to real estate settlement, fair lending, fair credit reporting, truth in lending, loan officer licensing, property valuation, escrow, payment processing, collection, foreclosure, and federal and state disclosure and licensing requirements. In addition, Redfin Mortgage will receive, transmit and store personally identifiable information from our customers to process mortgage applications and transactions. The sharing, use, disclosure, and protection of such information is governed by federal, state, and international laws regarding privacy and data security, all of which are constantly evolving. Changes to or a failure to comply with these laws and regulations could limit Redfin Mortgage's ability to originate and fund mortgage loans, require us to change our business practices, result in revocation or suspension of our licenses and subject us to significant civil and criminal penalties. Any such events could harm our business.

Homes that we own are also subject to federal, state, and local laws governing hazardous substances. These laws often impose liability without regard to whether the owner was responsible for, or aware of, the release of such hazardous substances. If we take title to a property, the presence of hazardous substances may adversely affect our ability to resell the property, and we may become liable to governmental entities or third parties for various fines, damages, or remediation costs.

If our current or future technology developments and service improvements do not meet customer or agent expectations, our business may be harmed.

Our technology-powered brokerage model is relatively new and unproven, and differs significantly from traditional residential brokerages. Our success depends on our ability to innovate and adapt our technology-powered brokerage to meet evolving industry standards and customer and agent expectations. We have expended, and expect to continue to expend, substantial time, capital, and other resources to understand the needs of customers and agents and to develop technology and service offerings to meet those needs. We cannot assure you that our current and future offerings will be satisfactory to or broadly accepted by customers and agents, or competitive with the offerings of other businesses. If our current or future offerings are unable to meet industry and customer and agent expectations in a timely and cost-effective manner, our business may be harmed.

We could be required to cease certain activities or incur substantial costs as a result of any claim of infringement of another party's intellectual property rights.

From time to time, we may receive claims from third parties, including our competitors, that our offerings or underlying technology infringe or violate that third party's intellectual property rights. We may be unaware of the intellectual property rights of others that may cover some or all of our technology. If we are sued by a third party that claims our technology infringes on its rights, the litigation (with or without merit) could be expensive, time-consuming, and distracting to management.

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The results of such disputes or litigation are difficult to predict. The results of any intellectual property litigation to which we might become a party may require us to do one or more of the following:

- cease offering or using technologies that incorporate the challenged intellectual property;
- make substantial payments for judgments, legal fees, settlement payments, ongoing royalties, or other costs or damages;
- obtain a license, which may not be available on reasonable terms or at all, to use the relevant technology; or
- redesign our technology to avoid infringement.

If we are required to make substantial payments or undertake any of the other actions noted above as a result of any intellectual property infringement claims against us, such payments or costs could have an adverse effect on our business and financial results. Even if we were to prevail, such claims and proceedings could harm our business.

Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.

Our success and ability to compete depends in part on our intellectual property. We primarily rely on a combination of patent, trademark, trade secret, and copyright laws, as well as confidentiality procedures and contractual restrictions with our employees, independent contractors and others to establish and protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate or we may be unable to secure intellectual property protection for all of our technology and methodologies.

If we are unable to protect our intellectual property, our competitors could use our intellectual property to market offerings similar to ours and our ability to compete effectively would be impaired. Moreover, others may independently develop technologies that are competitive to ours or infringe on our intellectual property. The enforcement of our intellectual property rights depends on our legal actions against these infringers being successful, but we cannot be sure these actions will be successful, even when our rights have been infringed. In addition, defending our intellectual property rights might entail significant expense and diversion of management resources. Any of our intellectual property rights may be challenged by others or invalidated through administrative processes or litigation. Furthermore, legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights are uncertain and constantly changing. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing or misappropriating our intellectual property. Any intellectual property that we own may not provide us with competitive advantages or may be successfully challenged by third parties.

Our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights. Litigation to protect and enforce our intellectual property rights could be expensive, time-consuming and distracting to management, and could ultimately result in the impairment or loss of portions of our intellectual property.

We employ third-party licensed technology, and the inability to maintain these licenses or errors in the software we license could result in increased costs, or reduced service levels, which would harm our business.

Our technology employs certain third-party software obtained under licenses from other companies. We anticipate that we will continue to rely on such third-party software and tools in the

future. Although we believe that there are commercially reasonable alternatives to the third-party software we currently license, this may not always be the case, or it may be difficult or costly to replace. In addition, integration of our technology with new third-party software may require significant work and require substantial investment of our time and resources. Also, to the extent that our technology depends on the successful operation of third-party software, any undetected errors or defects in the third-party software could prevent the deployment or impair the functionality of our technology, delay new offerings, result in a failure of our website or mobile application, and harm our reputation. Our use of additional or alternative third-party software would require us to enter into license agreements with third parties, which may not be available on commercially reasonable terms, or at all.

Some aspects of our technology include open source software, and any failure to comply with the terms of one or more of these open source licenses could harm our business.

Our technology incorporates software covered by open source licenses. The terms of various open source licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our technology. If portions of our proprietary software are determined to be subject to an open source license, we could be required to publicly release the affected portions of our source code, re-engineer all or a portion of our technologies or otherwise be limited in our use of such software, each of which could reduce or eliminate the value of our technologies and harm our business. In addition to risks related to license requirements, use of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Many of the risks associated with use of open source software cannot be eliminated and, if such risks materialize, could harm our business.

Moreover, we cannot assure you that our processes for controlling our use of open source software will be effective. If we are held not to have complied with the terms of an applicable open source software license, we could be required to seek licenses from third parties to continue offering our services on terms that are not economically feasible, to re-engineer our technology to remove or replace the open source software, to discontinue the use of certain technology if re-engineering could not be accomplished on a timely basis, to pay monetary damages, to make generally available the source code for our proprietary technology, or to waive certain intellectual property rights, any of which could harm our business.

Responding to any infringement or other enforcement claim, regardless of its validity, could harm our business, results of operations, and financial condition, by, among other things:

- resulting in time-consuming and costly litigation;
- diverting management's time and attention from developing our business;
- requiring us to pay monetary damages or enter into royalty and licensing agreements that we would not normally find acceptable;
- requiring us to redesign certain components of our software using alternative non-infringing source technology or practices, which could require significant effort and expense;
- disrupting our customer relationships if we are forced to cease offering certain services;
- requiring us to waive certain intellectual property rights associated with our release of open source software, or contributions to third-party open source projects;

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- requiring us to disclose our software source code; and
- requiring us to satisfy indemnification obligations.

Our business depends on third-party network and mobile infrastructure and on our ability to maintain and scale the technology underlying our offerings.

Our brand, reputation, and ability to attract homebuyers and home sellers and provide our offerings depend on the reliable performance of third-party network and mobile infrastructure. As the number of homebuyers and home sellers, agents, and listings shared on our website and mobile application and the extent and types of data grow, our need for additional network capacity and computing power will also grow. Operating our underlying technology systems is expensive and complex, and we could experience operational failures. If we experience interruptions or failures in these systems, whether due to system failures, computer viruses, physical or electronic break-ins, attacks on domain name servers or other third parties on which we rely, or any other reason, the security and availability of our services and technologies could be affected. Any such event could harm our reputation, result in a loss of consumers, customers and agents using our offerings, and cause us to incur additional costs.

Our website is hosted at a single facility, the failure of which would harm our business.

Our website is hosted at a single facility in Seattle, Washington. We do not currently have a back-up web hosting facility in a different geographic area. Should this facility experience outages or downtimes for any reason, including a natural disaster or some other event, such as human error, fire, flood, power loss, telecommunications failure, physical or electronic break-ins, terrorist attacks, acts of war, and similar events, we could suffer a significant interruption of our website and mobile application, which would harm our business. In addition, our website and mobile application could be interrupted even if this facility experiences temporary outages, which could also negatively affect our services and harm our business.

Cybersecurity incidents could disrupt our business operations, result in the loss of critical and confidential information, and harm our business.

Global cybersecurity threats and incidents directed at us or our third-party service providers can range from uncoordinated individual attempts to gain unauthorized access to information technology systems to sophisticated and targeted measures known as advanced persistent threats. In the ordinary course of our business, we and our third-party service providers collect and store sensitive data, including our proprietary business information and intellectual property, and that of our customers, including personally identifiable information. Additionally, we rely increasingly on third-party providers to store and process data, and to communicate and work collaboratively. The secure processing, maintenance, and transmission of information are critical to our operations and we rely on the security procedures of these third-party providers. Although we employ comprehensive 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, 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 personally identifiable information of our customers) and the disruption of business operations. Any such compromises to our security, or that of our third-party providers, could cause customers to lose trust and confidence in us, and stop using our website and mobile application in their entirety. 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.

Our software is highly complex and may contain undetected errors.

The software and systems underlying our technology and offerings are highly complex and may contain undetected errors or vulnerabilities, some of which may only be discovered after their implementation. Our development and testing processes may not be sufficient to ensure that we will not encounter technical problems. Any inefficiencies, errors, technical problems, or vulnerabilities discovered in our software and systems after release could reduce the quality of our services or interfere with our agents' and customers' access to and use of our technology and offerings. This could result in damage to our reputation, loss of revenue or liability for damages, any of which could harm our business.

Changes in privacy or consumer protection laws could adversely affect our ability to attract customers and harm our business.

We collect information relating to our customers as part of our business and marketing activities. The collection and use of personal data is governed by privacy laws and regulations of the United States and other jurisdictions. Privacy regulations continue to evolve and, occasionally, may be inconsistent from one jurisdiction to another. Compliance with applicable privacy regulations may increase our operating costs or adversely affect our ability to market our services and products and serve our customers. In addition, non-compliance with applicable privacy regulations by us, or a breach of security systems storing our data, may result in fines, payment of damages, or restrictions on our use or transfer of data.

In addition, we are subject to, and may become subject to additional, laws or regulations that restrict or prohibit use of emails, similar marketing or advertising activities or other types of communication that we currently rely on. Such laws and regulations currently include the CAN-SPAM Act of 2003 and similar laws adopted by a number of states to regulate unsolicited commercial emails; the U.S. Federal Trade Commission guidelines that impose responsibilities on companies with respect to communications with consumers; federal and state laws and regulations prohibiting unfair or deceptive acts or practices; and the Telephone Consumer Protection Act that limits certain uses of automatic dialing systems, artificial or prerecorded voice messages and SMS text messages. Any further restrictions under such laws that govern our marketing and advertising activities could adversely affect the effectiveness of our marketing and advertising activities or other customer communications. Furthermore, even if we can comply with existing or new laws and regulations, we may discontinue certain activities or communications if we become concerned that our customers or potential customers deem them intrusive or they otherwise adversely affect our reputation. If our marketing and advertising activities are restricted, our ability to attract customers could be adversely affected and harm our business.

If our promotional emails are not delivered and accepted, or are routed by email providers less favorably than other emails, our business may be harmed.

We rely on targeted email campaigns to generate customer interest in our products and services. If email providers implement new or more restrictive email delivery policies it may become more difficult to deliver emails to our customers. For example, certain email providers categorize commercial email as "promotional," and direct such emails to a less readily-accessible section of a customer's inbox. If email providers materially limit or halt the delivery of certain of our emails, or if we fail to deliver emails to customers in a manner compatible with email providers', email handling or authentication technologies, our ability to generate customer interest in our offerings using email may be restricted, which could harm our business.

We rely on business data to make business decisions and drive our machine-learning technology, and errors or inaccuracies in such data may adversely affect our business decisions and the customer experience.

We regularly analyze business data to evaluate growth trends, measure our performance, establish budgets, and make strategic decisions. Much of this data is internally generated and calculated and has not been independently verified. While our business decisions are based on what we believe to be reasonable calculations for the applicable period of measurement, there are inherent challenges in measuring and interpreting the data, and we cannot be sure that the data, or the calculations using such data, are accurate. Errors or inaccuracies in the data could result in poor business decisions, resource allocation, or strategic initiatives. For instance, if we overestimate traffic to our website and mobile application, we may not invest an adequate amount of resources in attracting new customers or we may hire more lead agents in a given market than necessary to meet customer demand. If we make poor decisions based on erroneous or inaccurate data, our business may be harmed.

We use our business data and proprietary algorithms to inform our machine learning, such as in the calculation of our *Redfin Estimate*. If customers disagree with us or if our *Redfin Estimate* fails to accurately reflect market pricing such that we are unable to attract homebuyers or help our customers sell their homes at satisfactory prices, or at all, customers may lose confidence in us, and our brand and business may be harmed.

If we fail to effectively manage the growth of our operations, technology systems, and infrastructure to service customers and agents, our business could be harmed.

We have experienced rapid and significant growth in recent years that has placed, and may continue to place, significant demands on our management and our operational and financial infrastructure. For example, we have grown from 752 employees as of December 31, 2013 to 2,033 employees as of March 31, 2017. As we continue to grow, our success will depend on our ability to expand, maintain, and improve technology that supports our business operations, as well as our financial and management information systems, disclosure controls and procedures, internal controls over financial reporting, and to maintain effective cost controls. This requires us to commit substantial financial, operational and technical resources. Our ability to manage these efforts could be affected by many factors, including a lack of adequate staffing with the requisite expertise and training. If our operational technology is insufficient to reliably service our customers and agents, then the number of visitors to our website and mobile application could decrease, agents may not desire to work for us, our customer service and transaction volume could suffer, and our costs could increase. In addition, our reputation may be negatively affected. Any of these events could harm our business.

We depend on our senior management team to grow and operate our business, and if we are unable to hire, retain, manage, and motivate our key personnel, or if our new personnel do not perform as we anticipate, our business may be harmed.

Our future success depends on our continued ability to identify, hire, develop, manage, motivate, and retain qualified personnel, particularly those who have specialized skills and experience in technology fields and the residential brokerage industry. Further, we may not be able to retain the services of our key employees or other members of senior management in the future. In particular, we are highly dependent on Glenn Kelman, our Chief Executive Officer, who is critical to our business, consumer-focused mission, and strategic direction.

We do not have employment agreements other than offer letters with any employee, including our senior management team, and we do not maintain key person life insurance for any employee. Any changes in our senior management team may be disruptive to our business. If we fail to retain or

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effectively replace members of our senior management team, or if our senior management team fails to work together effectively and to execute our plans and strategies, our business could be harmed.

Our growth strategy also depends on our ability to expand our organization by attracting and retaining high-quality personnel, particularly lead agents and experienced technical personnel. Identifying, recruiting, training, integrating, managing, and motivating talented individuals will require significant time, expense, and attention. Competition for talent is intense, particularly in many major markets we serve. In particular, hiring for technical personnel is highly competitive in Seattle and San Francisco, where substantially all of our technical team is located. If we are unable to effectively attract and retain qualified personnel, our business could be harmed.

Our dedication to our values and the customer experience may negatively influence our short-term financial results.

We have taken, and may continue to take, actions that we believe are in the best interests of customers and the long-term interests of our business, even if those actions do not necessarily maximize short-term financial results. For instance, we believe we could increase our profitability in the short term by engaging lead agents as independent contractors and compensating them on transaction value-based commissions, but instead we employ our lead agents and compensate them based in part on customer satisfaction. However, this approach may not result in the long-term benefits that we expect, in which case our business and results of operations could be harmed.

We may need to raise additional capital to grow our business and satisfy our anticipated future liquidity needs, and we may not be able to raise it on terms acceptable to us, or at all.

Growing and operating our business will require significant cash outlays, liquidity reserves and capital expenditures and commitments to respond to business challenges, including developing or enhancing new or existing services and technologies, and expanding our operating infrastructure. If cash on hand, cash generated from operations, and the net proceeds from this offering are not sufficient to meet our cash and liquidity needs, we may need to seek additional capital, potentially through debt or equity financings. We may not be able to raise needed cash on terms acceptable to us, or at all. Such financings may be on terms that are dilutive or potentially dilutive to our stockholders, and the prices at which new investors would be willing to purchase our securities may be lower than the initial public offering price of this offering or the then-current market price per share of our common stock. The holders of new securities may also have rights, preferences, or privileges that are senior to those of existing stockholders. If new financing sources are required, but are insufficient or unavailable, we may need to modify our growth and operating plans and business strategies based on available funding, if any, which would harm our ability to grow our business.

We intend to evaluate acquisitions or investments in third-party technologies and businesses, but we may not realize the anticipated benefits from, and may have to pay substantial costs related to, any acquisitions, mergers, joint ventures, or investments that we undertake.

As part of our business strategy, we evaluate acquisitions of, or investments in, a wide array of potential strategic opportunities, including third-party technologies and businesses. We may be unable to identify suitable acquisition candidates in the future or to make these acquisitions on a commercially reasonable basis, or at all. Any transactions that we enter into could be material to our financial condition and results of operations. Such acquisitions may not result in the intended benefits to our business, and we may not successfully evaluate or utilize the acquired technology, offerings, or personnel, or accurately forecast the financial effect of an acquisition transaction. The process of

integrating an acquired company, business, technology, or personnel into our own company is subject to various risks and challenges, including:

- diverting management time and focus from operating our business to acquisition integration;
- disrupting our respective ongoing business operations;
- customer and industry acceptance of the acquired company's offerings;
- our ability to implement or remediate the controls, procedures, and policies of the acquired company;
- retaining and integrating acquired employees;
- failing to maintain important business relationships and contracts;
- liability for activities of the acquired company before the acquisition;
- litigation or other claims arising in connection with the acquired company;
- impairment charges associated with goodwill and other acquired intangible assets; and
- other unforeseen operating difficulties and expenditures.

Our failure to address these risks or other problems we encounter with our future acquisitions and investments could cause us to not realize the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities, and harm our business.

We will incur increased costs as a result of operating as a public company and our management will be required to devote substantial time to new compliance initiatives.

As a public company, particularly after we are no longer an emerging growth company, we will incur significant legal, accounting, and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and rules subsequently implemented by the U.S. Securities and Exchange Commission, or SEC, and the New York Stock Exchange, have imposed various requirements on public companies, including establishing and maintaining effective disclosure and financial controls and corporate governance practices. Our management and other personnel have limited experience operating a public company, which may result in operational inefficiencies or errors, or a failure to improve or maintain effective internal control over financial reporting and disclosure controls and procedures necessary to ensure timely and accurate reporting of operational and financial results. We may need to hire additional personnel, and our existing management team will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

Pursuant to Section 404 of the Sarbanes-Oxley Act, we will be required to furnish a report by our management on our internal control over financial reporting, including an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. However, while we remain an emerging growth company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we will be

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engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants, and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented, and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that neither we nor our independent registered public accounting firm will be able to conclude within the prescribed timeframe that our internal control over financial reporting is effective as required by Section 404. This could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our consolidated financial statements.

In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating 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 divert 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 their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

We also expect that being a public company and complying with applicable rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to incur substantially higher costs to obtain and maintain the same or similar coverage. These factors could also make it more difficult for us to attract and retain qualified executive officers and members of our board of directors.

Our ability to use net operating losses to offset future taxable income may be limited.

As of December 31, 2016, we had federal net operating loss carryforwards, or NOLs, we may use to reduce future taxable income or offset income taxes due. The NOLs start expiring in 2025. Insufficient future taxable income will adversely affect our ability to deploy these NOLs and credit carryforwards. In addition, under Section 382 of the U.S. Internal Revenue Code of 1986, as amended, or the Code, a corporation that experiences a more-than 50% ownership change over a three-year testing period is limited in its ability to use its pre-change NOLs and other tax assets to offset future taxable income or income taxes due. Our existing NOLs and credit carryforwards may be subject to limitations arising from previous ownership changes; if we undergo an ownership change in connection with or after this offering, then our ability to use our NOLs and credit carryforwards could be further limited by Section 382 of the Code. Future changes in our stock ownership, the causes of which may be outside our control, could result in an ownership change under Section 382 of the Code. Our NOLs may also be impaired under state law. As a result of these limitations, we may not be able to utilize a material portion of, or possibly any of, the NOLs and credit carryforwards.

Catastrophic events may disrupt our business.

Natural disasters or other catastrophic events may damage or disrupt our operations, local and regional real estate markets, or the U.S. economy, and thus could harm our business. Our headquarters is located in Seattle, Washington, an earthquake-prone area. A natural disaster or

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catastrophic event in Seattle could interrupt our engineering and financial functions and impair access to internal systems, documents, and equipment critical to the operation of our business. Many of the major markets we serve, such as the San Francisco Bay Area and Southern California, are also located in earthquake zones and are susceptible to natural disasters. Additionally, other significant natural disasters or catastrophic events in any of the major markets we serve could harm our business.

As we grow, the need for business continuity planning and disaster recovery plans will become increasingly important. If we are unable to develop adequate plans to ensure that our business functions continue to operate during and after a disaster, and successfully execute on those plans in the event of a disaster or emergency, our business could be harmed.

We could be subject to significant losses if banks do not honor our escrow and trust deposits.

Through Title Forward, our title and settlement services business, we act as an escrow agent for numerous customers. As an escrow agent, we receive money from customers to hold until certain conditions are satisfied. These funds are held as restricted cash on our balance sheet; because we do not have rights to the cash, a corresponding customer deposit liability in the same amount is recognized in our consolidated balance sheets in other payables. Upon the satisfaction of the applicable conditions, we release the money to the appropriate party. Although we deposit this money with various banks, we remain contingently liable for the disposition of these deposits. The banks may hold a significant amount of these deposits in excess of the federal deposit insurance limit. If any of our depository banks were to become unable to honor any portion of our deposits, customers could seek to hold us responsible for such amounts and, if the customers prevailed in their claims, we could be subject to significant losses.

Risks Relating to This Offering and Ownership of Our Common Stock

There has been no prior public market for our common stock, the stock price of our common stock may be volatile or may decline regardless of our performance, and you may not be able to resell your shares at or above the initial public offering price.

There has been no public market for our common stock prior to this offering. The initial public offering price for our common stock will be determined through negotiations among the underwriters and us, and may vary from the market price of our common stock following this offering. The market prices of the securities of newly public companies have historically been highly volatile. The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- overall performance of the equity markets and the performance of technology or real estate companies in particular;
- variations in our results of operations, cash flows, and other financial metrics and non-financial metrics, and how those results compare to analyst expectations;
- changes in the financial projections we may provide to the public or our failure to meet those projections;
- failure of securities analysts to initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- recruitment or departure of key personnel;

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- variations in general market, financial markets, economic, and political conditions in the United States;
- changes in mortgage interest rates;
- variations in the housing market, including seasonal trends and fluctuations;
- negative publicity related to the real or perceived quality of our website and mobile application, as well as the failure to timely launch new products and services that gain market acceptance;
- rumors and market speculation involving us or other companies in our industry;
- announcements by us or our competitors of significant technical innovations, new business models, or changes in pricing;
- acquisitions, strategic partnerships, joint ventures, or capital commitments;
- new laws, regulations, or executive orders, or new interpretations of existing laws or regulations applicable to our business;
- changes in MLS or other broker rules and regulations, or new interpretations of rules and regulations applicable to our business;
- lawsuits threatened or filed against us, or unfavorable determinations or settlements in any such suits;
- developments or disputes concerning our intellectual property or our technology, or third-party proprietary rights;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- other events or factors, including those resulting from war, incidents of terrorism, or responses to these events;
- the expiration of contractual lock-up or market standoff agreements; and
- sales of shares of our common stock by us or our stockholders.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Stock prices of many companies, and technology companies in particular, have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business, and harm our business.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business, our market and our competitors. We

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do not have any control over these analysts. If one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. If one or more of these analysts cease covering us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

Because the initial public offering price of our common stock will be substantially higher than the pro forma net tangible book value per share of our outstanding common stock following this offering, new investors will experience immediate and substantial dilution.

The initial public offering price is substantially higher than the pro forma net tangible book value per share of our common stock immediately following this offering based on the total value of our tangible assets less our total liabilities. Therefore, if you purchase shares of our common stock in this offering, based on the midpoint of the price range set forth on the cover page of this prospectus, and the issuance of _____ shares of common stock in this offering, you will experience immediate dilution of \$ _____ per share, the difference between the price per share you pay for our common stock and its pro forma net tangible book value per share as of March 31, 2017. Furthermore, if the underwriters exercise their option to purchase additional shares, if outstanding stock options are exercised, if we issue awards to our employees under our equity incentive plans, or if we otherwise issue additional shares of our common stock, you could experience further dilution. See "Dilution" for additional information.

Sales of a substantial number of shares of our common stock may cause the price of our common stock to decline.

Based on shares outstanding as of _____, 2017, upon completion of this offering, we will have outstanding a total of _____ shares of common stock. Of these shares, only the _____ shares of common stock sold in this offering, or _____ shares if the underwriters exercise their option to purchase additional shares in full, will be freely tradable, without restriction, in the public market immediately after the offering. Each of our officers, directors and substantially all of our securityholders, have entered into lock-up agreements with the underwriters that restrict their ability to sell or transfer their shares. The lock-up agreements pertaining to this offering will expire 180 days from the date of this prospectus. However, our underwriters may, in their sole discretion, permit our officers, directors and other current stockholders who are subject to the contractual lock-up to sell shares prior to the expiration of the _____ lock-up agreements. After the lock-up agreements expire, based on shares outstanding as of _____, 2017, up to an additional _____ shares of common stock will be eligible for sale in the public market, approximately _____ of which are held by our officers, directors and their affiliated entities, and will be subject to volume limitations under Rule 144 under the Securities Act and various vesting agreements. In addition, _____ shares of our common stock that are subject to outstanding options as of _____, 2017 and _____ shares of our common stock that are subject to options granted after _____, 2017 will become eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, the lock-up agreements, and Rules 144 and 701 under the Securities Act.

After this offering, the holders of an aggregate of _____ shares of our outstanding common stock as of _____, 2017 will have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or our stockholders. We also intend to register shares of common stock that we may issue under our equity incentive plans. Once we register these shares, they will be able to be sold freely in the public market upon issuance, subject to the 180-day lock-up period under the lock-up agreements described above and below in "Underwriting."

We cannot predict what effect, if any, sales of our shares in the public market or the availability of shares for sale will have on the market price of our common stock. However, future sales of

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substantial amounts of our common stock in the public market, including shares issued on exercise of outstanding options, or the perception that such sales may occur, could adversely affect the market price of our common stock.

We also expect that significant additional capital may be needed in the future to continue our planned operations. To raise capital, we may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock.

We will have broad discretion in the use of the net proceeds from this offering and may not use them effectively.

Our management will have broad discretion in the application of the net proceeds from this offering, including for any of the purposes described below in "Use of Proceeds," and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use. If we do not use the net proceeds that we receive in this offering effectively, our business, financial condition, results of operations, and prospects could be harmed, and the market price of our common stock could decline. Pending their use, we may invest the net proceeds from this offering in short-term, investment-grade, interest-bearing securities such as money market accounts, certificates of deposit, commercial paper, and guaranteed obligations of the U.S. government that may not generate a high yield to our stockholders.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future. We currently anticipate that for the foreseeable future we will retain all of our future earnings for the development, operation and growth of our business and for general corporate purposes. Any future determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Our executive officers, directors, principal stockholders and their affiliates will continue to exercise significant influence over our company after this offering, which will limit your ability to influence corporate matters and could delay or prevent a change in corporate control.

As of _____, 2017, our executive officers, directors, five percent or greater stockholders and their respective affiliates owned in the aggregate approximately _____ % of our capital stock and, upon completion of this offering, that same group will hold in the aggregate approximately _____ % of our outstanding voting stock (assuming no exercise of the underwriters' option to purchase additional shares, no exercise of outstanding options, and no purchases of shares in this offering by any members of this group), in each case assuming the conversion of all outstanding shares of our redeemable convertible preferred stock into shares of our common stock immediately prior to the closing of this offering.

As a result, after this offering these stockholders will continue to have the ability to influence us through this ownership position even if they do not purchase any additional shares in this offering. These stockholders may be able to determine all matters requiring stockholder approval. For example,

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these stockholders may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may feel are in your best interest as one of our stockholders. The interests of this group of stockholders may not always coincide with your interests or the interests of other stockholders and they may act in a manner that advances their best interests and not necessarily those of other stockholders, including seeking a premium value for their common stock, and might affect the prevailing market price for our common stock.

We are an emerging growth company, and intend to take advantage of reduced disclosure requirements applicable to emerging growth companies, which could make our common stock less attractive to investors.

We are an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012, or JOBS Act. We will remain an emerging growth company until the earliest to occur of (1) the last day of the fiscal year in which we have total annual gross revenue of \$1.0 billion or more; (2) December 31, 2022 (the last day of the fiscal year ending after the fifth anniversary of the date of the completion of this offering); (3) the date on which we have issued more than \$1.0 billion in non-convertible debt securities during the prior three-year period; or (4) the date we qualify as a “large accelerated filer” under the rules of the SEC, which means the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter. For so long as we remain an emerging growth company, we are permitted and intend to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include:

- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act;
- not being required to comply 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 (auditor discussion and analysis);
- being permitted to present only two years of audited financial statements in addition to any required unaudited interim financial statements with correspondingly reduced “Management’s Discussion and Analysis of Financial Condition and Results of Operations” disclosure in this prospectus;
- reduced disclosure about executive compensation arrangements; and
- exemptions from the requirements to obtain a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute arrangements not previously approved.

We may take advantage of some, but not all, of the available exemptions described above. We have taken advantage of reduced reporting burdens in this prospectus. In particular, we have not included all of the executive compensation information that would be required if we were not an emerging growth company. We cannot predict whether investors will find our common stock less attractive if we rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

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In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to 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 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.

Provisions in our corporate charter documents and under Delaware or Washington law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our restated certificate of incorporation and our restated bylaws that will become effective immediately prior to the completion of this offering may discourage, delay, or prevent a merger, acquisition, or other change in control of our company that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Among other things, these provisions:

- establish a classified board of directors so that not all members of our board are elected at one time;
- permit only the board of directors to establish the number of directors and fill vacancies on the board;
- provide that directors may only be removed “for cause” and only with the approval of two-thirds of our stockholders;
- require super-majority voting to amend some provisions in our restated certificate of incorporation and restated bylaws;
- authorize the issuance of “blank check” preferred stock that our board could use to implement a stockholder rights plan, also known as a “poison pill”;
- eliminate the ability of our stockholders to call special meetings of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- prohibit cumulative voting; and
- establish advance notice requirements for nominations for election to our board or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

Moreover, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, or DGCL, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the

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transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner. Likewise, because our principal executive offices are located in Washington, the anti-takeover provisions of the Washington Business Corporation Act may apply to us under certain circumstances now or in the future. These provisions prohibit a “target corporation” from engaging in any of a broad range of business combinations with any stockholder constituting an “acquiring person” for a period of five years following the date on which the stockholder became an “acquiring person.”

Any of these provisions of our charter documents or Delaware or Washington law could, under certain circumstances, depress the market price of our common stock. See “Description of Capital Stock.”

Our restated certificate of incorporation will designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees, or agents.

Our restated certificate of incorporation that will become effective immediately prior to the completion of this offering will provide that, unless we consent in writing to an alternative forum, the Court of Chancery of the State of Delaware, or the Court of Chancery, will be the sole and exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees, or agents to us or our stockholders, any action asserting a claim arising pursuant to any provision of the DGCL, our restated certificate of incorporation or our restated bylaws or any action asserting a claim that is governed by the internal affairs doctrine, in each case subject to the Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein and the claim not being one that is vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery or for which the Court of Chancery does not have subject matter jurisdiction. Any person purchasing or otherwise acquiring any interest in any shares of our capital stock shall be deemed to have notice of and to have consented to this provision of our restated certificate of incorporation.

This choice of forum provision may limit our stockholders’ ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees, or agents, which may discourage such lawsuits against us and our directors, officers, employees, and agents even though an action, if successful, might benefit our stockholders. Stockholders who do bring a claim in the Court of Chancery could face additional litigation costs in pursuing any such claim, particularly if they do not reside in or near Delaware. The Court of Chancery may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments or results may be more favorable to us than to our stockholders. Alternatively, if a court were to find this provision of our restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could have an adverse effect on our business, financial condition or results of operations.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. All statements contained in this prospectus other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, market growth and trends, and our objectives for future operations, are forward-looking statements. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “could,” “would,” “project,” “plan,” “potentially,” “likely,” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described under “Risk Factors.” Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the effect of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this prospectus may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely on forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur. We undertake no obligation to update any of these forward-looking statements for any reason after the date of this prospectus or to conform these statements to actual results or revised expectations.

You should read this prospectus and the documents that we reference in this prospectus and have filed with the SEC as exhibits to the registration statement of which this prospectus is a part with the understanding that our actual future results, performance, and events and circumstances may be materially different from what we expect.

INDUSTRY AND MARKET DATA AND CALCULATION OF NPS AND KEY BUSINESS METRICS

Industry and Market Data

This prospectus includes data, forecasts, and information obtained from independent trade associations, industry publications, government agencies, surveys conducted by third parties and commissioned by or conducted by us, and other information available to us. The National Association of REALTORS®, or NAR, is the primary source for third-party industry data. In addition, we have used third-party industry data from the National Association of Home Builders, the National Bureau of Economic Research, the U.S. Census Bureau, and certain other sources, as well as general economic data from the U.S. Department of Labor. While we believe that the industry data presented in this prospectus is derived from the most widely recognized sources for reporting U.S. residential real estate market statistical data, we do not endorse or suggest reliance on this data alone.

Certain information included in this prospectus concerning our industry and the markets we serve, including our market share, are also based on our good-faith estimates derived from management's knowledge of the industry and other information currently available to us. We regularly conduct or commission studies of homebuyers and home sellers, and have also used providers that provide panels to take third-party surveys that we design. We believe these internal company surveys and estimates are reliable, but such information involves a number of assumptions and limitations, and no independent sources have verified such surveys and estimates.

Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but such information may not be accurate or complete. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied on therein.

While we are not aware of any misstatements regarding the industry, survey or research data provided herein, our estimates involve risks and uncertainties and are subject to change based upon various factors, including those discussed under "Risk Factors" and "Special Note Regarding Forward-Looking Statements."

Calculation of NPS and Key Business Metrics

Net Promoter Score

Net Promoter Score, or NPS, is a measure of customer satisfaction that was developed by Bain and Co. It measures satisfaction using a scale of zero to 10 based on a customer's response to the following question: "How likely is it that you would recommend Redfin to a friend or colleague?" Responses of 9 or 10 are considered "Promoters." Responses of 7 or 8 are considered neutral. Responses of 6 or less are considered "Detractors." The NPS, a percentage expressed as a numerical value, is calculated by subtracting the percentage of respondents who are Detractors from the percentage who are Promoters. The NPS calculation gives no weight to customers who decline to answer the survey question or who are neutral.

Our NPS score of 60 was measured by a study we commissioned in June 2016, surveying people who bought or sold a home in the past year, tried to buy or sell a home in the past year, or plan to buy or sell a home in the next year. The survey measured respondents who used a Redfin real estate agent and respondents who used a non-Redfin real estate agent, and compared the results regarding Redfin real estate agents against the results regarding real estate agents at competitive real estate brokerage firms.

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Monthly Average Visitors

When we refer to “monthly average visitors” for a particular period, we are referring to the average number of unique visitors to our website and mobile application for each of the months in that period, as measured by Google Analytics, a product that provides digital marketing intelligence. Visitors are tracked by Google Analytics using cookies, with a unique cookie being assigned to each browser or mobile application on a device. For any given month, we count all of the unique cookies that visited our website or either our iOS or Android mobile application during that month; each such unique cookie is a unique visitor. If a person accesses our website using different web browsers within a given month, each web browser has a unique cookie that is counted by Google Analytics as a separate visitor for that month. If a person accesses our mobile application using different devices within a given month, each such mobile device is counted as a separate visitor for that month. If the same person accesses our website using an anonymous browser, or clears or resets cookies on their device, each access with a new cookie is counted as a new unique visitor for that month. If more than one person accesses our website from the same browser or our mobile application from the same device, this is counted as one unique visitor for that month.

Real Estate Transactions

We include a single transaction twice when we or our partner agents serve both the homebuyer and home seller of a transaction.

Real Estate Revenue per Real Estate Transaction

We calculate real estate revenue per real estate transaction by dividing brokerage, partner, or aggregate revenue, as applicable, by the corresponding number of real estate transactions in any period.

Aggregate Home Value of Real Estate Transactions

We include the value of a single transaction twice when we or our partner agents serve both the homebuyer and home seller of a transaction.

U.S. Market Share by Value

We calculate the aggregate value of U.S. home sales by multiplying the total number of U.S. home sales by the mean sale price of these sales, each as reported by NAR. We calculate our market share by aggregating the home value of real estate transactions conducted by our lead agents or our partner agents. Then, in order to account for both the sell- and buy-side components of each transaction, we divide that value by two-times the estimated aggregate value of U.S. home sales.

Average Number of Lead Agents

We calculate the average number of lead agents by taking the average of the number of lead agents at the end of each month included in the period.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of _____ shares of common stock in this offering will be approximately \$ _____ million, based on an assumed initial public offering price of \$ _____ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discount and estimated offering expenses. If the underwriters exercise their option to purchase additional shares of our common stock in full, we estimate that our net proceeds would be approximately \$ _____ million, after deducting the estimated underwriting discount and estimated offering expenses.

A \$1.00 increase (decrease) in the assumed initial public offering price of \$ _____ per share would increase (decrease) the net proceeds that we receive from this offering by approximately \$ _____ million, assuming that the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discount. Each increase (decrease) of one million shares in the number of shares offered by us would increase (decrease) the net proceeds that we receive from this offering by approximately \$ _____ million, assuming that the assumed initial public offering price remains the same, and after deducting the estimated underwriting discount.

The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our common stock, and provide access to the public equity markets for us and our stockholders. We intend to use the net proceeds that we receive from this offering for working capital and other general corporate purposes, including technology and development and marketing activities, general and administrative matters, and capital expenditures. We may also use a portion of the net proceeds to invest in or acquire third-party businesses, products, services, technologies, or other assets. However, we do not currently have any definitive or preliminary plans with respect to the use of proceeds for such purposes.

We currently have no specific plans for the use of the net proceeds that we receive from this offering. Accordingly, we will have broad discretion in using these proceeds, and investors will be relying on the judgment of our management regarding the application of the proceeds. Pending their use as described above, we plan to invest the net proceeds in short-term, interest-bearing obligations, investment-grade instruments, money market accounts, certificates of deposit, or direct or guaranteed obligations of the U.S. government.

DIVIDEND POLICY

We have never declared or paid cash dividends on our capital stock. We do not expect to pay dividends on our capital stock for the foreseeable future. Instead, we anticipate that all of our earnings for the foreseeable future will be used for the development, operation and growth of our business. Any future determination to declare cash dividends would be subject to the discretion of our board of directors and would depend on various factors, including our results of operations, financial condition, and capital requirements, restrictions that may be imposed by applicable law, and other factors deemed relevant by our board of directors.

CAPITALIZATION

The following table sets forth our cash, cash equivalents, and short-term investments and capitalization as of March 31, 2017 on:

- an actual basis;
- a pro forma basis to give effect to (1) the automatic conversion of all shares of our redeemable convertible preferred stock outstanding as of March 31, 2017 into 166,266,114 shares of our common stock, and (2) the filing and effectiveness of our restated certificate of incorporation; and
- a pro forma as adjusted basis to give effect to the adjustments described above and the sale of _____ shares of our common stock in this offering at an assumed initial public offering price of \$ _____ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting the estimated underwriting discount and estimated offering expenses.

You should read this table together with our consolidated financial statements and related notes, "Selected Consolidated Financial Data," and "Management's Discussion and Analysis of Financial Condition and Results of Operations," each included elsewhere in this prospectus.

	March 31, 2017		
	Actual	Pro Forma	Pro Forma as Adjusted(1)
	(in thousands, except share and per share data)		
Cash, cash equivalents, and short-term investments	\$ 37,959	\$ 37,959	\$ —
Redeemable convertible preferred stock, par value \$0.001 per share; 166,266,114 shares authorized, 166,266,114 shares issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	\$ 680,186	\$ —	\$ —
Stockholders' equity (deficit):			
Preferred stock, par value \$0.001 per share; no shares authorized, _____ issued and outstanding, actual; _____ shares authorized and no shares issued and outstanding, pro forma and pro forma as adjusted	—	—	—
Common stock, par value \$0.001 per share; 290,081,638 shares authorized, 44,652,140 shares issued and outstanding, actual; _____ shares authorized, 210,918,254 shares issued and outstanding, pro forma; _____ shares authorized, _____ shares issued and outstanding, pro forma as adjusted	45	211	—
Additional paid-in capital	—	208,777	—
Accumulated deficit	(613,309)	(142,066)	—
Total stockholders' equity (deficit)	(613,264)	66,922	—
Total capitalization	\$ 66,922	\$ 66,922	\$ —

- (1) The pro forma as adjusted information below is illustrative only and will be adjusted based on the actual public offering price and other terms of this offering determined at pricing. A \$1.00 increase (decrease) in the assumed initial public offering price of \$ _____ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted cash, cash equivalents, and short-term investments, additional paid-in capital, total stockholders' equity, and total capitalization by approximately \$ _____ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discount. Similarly, each increase (decrease) of one million shares in the number of shares offered by us would increase (decrease) our pro forma as adjusted cash, cash equivalents, and short-term investments, additional paid-in capital, total

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stockholders' equity, and total capitalization by approximately \$ million, assuming that the assumed initial public offering price, which is the midpoint of the price range set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discount. If the underwriters exercise their option to purchase additional shares of our common stock in full, the pro forma as adjusted amount of each of cash, cash equivalents, and short-term investments, additional paid-in capital, total stockholders' equity and total capitalization would increase by approximately \$ million, after deducting the estimated underwriting discount, and we would have shares of our common stock issued and outstanding, pro forma as adjusted.

The number of shares of our common stock to be outstanding after this offering is based on 210,918,254 shares of our common stock outstanding as of March 31, 2017, and excludes:

- 39,068,334 shares of our common stock issuable upon the exercise of options outstanding as of March 31, 2017, with a weighted-average exercise price of \$1.97 per share; and
- shares of our common stock reserved for future issuance under our stock-based compensation plans, consisting of (1) 15,039,960 shares of our common stock reserved for future issuance under our Amended and Restated 2004 Equity Incentive Plan, which shares will be added to the shares to be reserved under our 2017 Equity Incentive Plan in connection with this offering, and (2) shares of our common stock reserved for future issuance under our 2017 Equity Incentive Plan, which will become effective in connection with this offering.

DILUTION

If you invest in our common stock in this offering, your interest will be diluted immediately to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock immediately after this offering.

Our pro forma net tangible book value as of March 31, 2017 was \$ million, or \$ per share of common stock. Pro forma net tangible book value per share represents the amount of our total tangible assets less our total liabilities, divided by the number of shares of our common stock outstanding as of March 31, 2017, after giving effect to the automatic conversion of all shares of our redeemable convertible preferred stock outstanding as of March 31, 2017 into 166,266,114 shares of our common stock.

Pro forma as adjusted net tangible book value per share reflects the pro forma adjustments described above and the sale by us of shares of our common stock in this offering at an assumed initial public offering price of \$ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discount and estimated offering expenses. Our pro forma as adjusted net tangible book value as of March 31, 2017 would have been \$ million, or \$ per share. This amount represents an immediate increase in pro forma net tangible book value of \$ per share to our existing stockholders and an immediate dilution in pro forma net tangible book value of \$ per share to investors purchasing shares of our common stock in this offering at the assumed initial public offering price.

The following table illustrates this dilution on a per share basis to new investors:

Assumed initial public offering price per share	\$
Pro forma net tangible book value per share as of March 31, 2017	\$
Increase in pro forma net tangible book value per share attributable to new investors purchasing in this offering	_____
Pro forma as adjusted net tangible book value per share after this offering	_____
Dilution in pro forma net tangible book value per share to investors in this offering	<u><u>\$</u></u>

A \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value per share after this offering by \$ and would increase (decrease) dilution per share to investors in this offering by \$, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discount. Similarly, each increase (decrease) of one million shares in the number of shares offered by us would increase (decrease) our pro forma as adjusted net tangible book value by \$ and would decrease (increase) dilution per share to investors by \$, assuming that the assumed initial public offering price of \$ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discount.

If the underwriters exercise their option to purchase additional shares of our common stock in full, the pro forma as adjusted net tangible book value per share after this offering would be \$ per share, and the dilution in pro forma net tangible book value per share to new investors in this offering would be \$ per share of our common stock.

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The following table presents, on a pro forma as adjusted basis as described above, as of March 31, 2017, the differences between our existing stockholders and new investors purchasing shares of our common stock in this offering, with respect to the number of shares purchased from us, the total consideration paid to us, and the average price per share paid by our existing stockholders or to be paid to us by new investors purchasing shares in this offering at an assumed initial public offering price of \$ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, before deducting the estimated underwriting discount and estimated offering expenses.

	Shares Purchased ⁽¹⁾		Total Consideration ⁽¹⁾		Average Price Per Share
	Number	Percent %	Amount	Percent %	
Existing stockholders					
Investors in this offering					
Totals		100.0%		100.0%	

(1) To the extent that any outstanding stock options are exercised, investors participating in this offering will experience further dilution. Assuming the exercise of all of our outstanding options as of March 31, 2017, existing stockholders will have purchased shares, or % of the shares purchased from us, for approximately \$ million. Shares purchased by investors participating in this offering would represent shares, or % of the shares purchased from us, for approximately \$ million.

A \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the total consideration paid by new investors by \$ million and increase (decrease) the percent of total consideration paid by new investors by %, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discount.

Except as otherwise indicated, the above discussion and tables assume no exercise of the underwriters' option to purchase additional shares of our common stock. If the underwriters exercise their option to purchase additional shares of our common stock in full, our existing stockholders would own % and our new investors would own % of the total number of shares of our common stock outstanding upon the completion of this offering.

The number of shares of our common stock to be outstanding after this offering is based on 210,918,254 shares of our common stock outstanding as of March 31, 2017, and excludes:

- 39,068,334 shares of our common stock issuable upon the exercise of options outstanding as of March 31, 2017, with a weighted-average exercise price of \$1.97 per share; and
- shares of our common stock reserved for future issuance under our stock-based compensation plans, consisting of (1) 15,039,960 shares of our common stock reserved for future issuance under our Amended and Restated 2004 Equity Incentive Plan, which shares will be added to the shares to be reserved under our 2017 Equity Incentive Plan in connection with this offering, and (2) shares of our common stock reserved for future issuance under our 2017 Equity Incentive Plan, which will become effective in connection with this offering.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables summarize our consolidated financial data. We derived our selected consolidated statements of operations data for the years ended December 31, 2014, 2015, and 2016, and our selected consolidated balance sheet data as of December 31, 2015 and 2016 from our audited consolidated financial statements included elsewhere in this prospectus. The selected consolidated balance sheet data as of December 31, 2014 is derived from our audited consolidated financial statements that are not included in this prospectus. We derived our selected consolidated statements of operations data for the three months ended March 31, 2016 and 2017 and our selected consolidated balance sheet data as of March 31, 2017 from our unaudited interim consolidated financial statements included elsewhere in this prospectus. Our unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, on the same basis as our audited annual consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal, recurring adjustments, that are necessary for the fair presentation of our consolidated financial position as of March 31, 2017 and our consolidated results of operations for the three months ended March 31, 2016 and 2017. Our historical results are not necessarily indicative of the results to be expected in the future, and the results for the three months ended March 31, 2017 are not necessarily indicative of the results to be expected for the full year or any other period. You should read the following selected consolidated financial data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, the accompanying notes and other financial information included elsewhere in this prospectus.

	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
	(in thousands, except share and per share data)				
Consolidated Statements of Operations Data:					
Revenue	\$125,363	\$187,338	\$267,196	\$ 41,636	\$ 59,868
Cost of revenue(1)	93,272	138,492	184,452	38,505	53,492
Gross profit	32,091	48,846	82,744	3,131	6,376
Operating expenses:					
Technology and development(1)	17,876	27,842	34,588	7,898	9,672
Marketing(1)	15,058	19,899	28,571	9,211	10,459
General and administrative(1)	24,240	31,394	42,369	10,385	14,367
Total operating expenses	57,174	79,135	105,528	27,494	34,498
Income (loss) from operations	(25,083)	(30,289)	(22,784)	(24,363)	(28,122)
Interest income and other income, net:					
Interest income	23	46	173	47	43
Other income, net	24	7	85	37	13
Total interest income and other income, net	47	53	258	84	56
Income (loss) before tax benefit (expense)	(25,036)	(30,236)	(22,526)	(24,279)	(28,066)
Income tax benefit (expense)	306	—	—	—	—
Net income (loss)	(24,730)	(30,236)	(22,526)	(24,279)	(28,066)

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	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
	(in thousands, except share and per share data)				
Accretion of preferred stock	(101,251)	(102,224)	(55,502)	(5,212)	(24,770)
Net income (loss) attributable to common stock—basic and diluted	<u>\$ (125,981)</u>	<u>\$ (132,460)</u>	<u>\$ (78,028)</u>	<u>\$ (29,491)</u>	<u>\$ (52,836)</u>
Net income (loss) per share attributable to common stock—basic and diluted(2)	<u>\$ (3.92)</u>	<u>\$ (3.29)</u>	<u>\$ (1.81)</u>	<u>\$ (0.69)</u>	<u>\$ (1.19)</u>
Weighted average shares used to compute net income (loss) per share attributable to common stock—basic and diluted(2)	<u>32,150,025</u>	<u>40,249,762</u>	<u>43,185,844</u>	<u>42,710,904</u>	<u>44,303,191</u>
Pro forma net income (loss) per share attributable to common stock—basic and diluted (unaudited)(2)			<u>\$ (0.11)</u>		<u>\$ (0.13)</u>
Pro forma weighted average shares used to compute net income (loss) per share attributable to common stock—basic and diluted (unaudited)			<u>209,451,958</u>		<u>210,569,305</u>

(1) Includes stock-based compensation as follows:

	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
	(in thousands)				
Cost of revenue	\$ 1,280	\$ 1,440	\$ 2,266	\$ 518	\$ 714
Technology and development	962	1,375	2,383	539	731
Marketing	237	298	469	110	119
General and administrative	2,717	2,449	3,295	654	1,117
Total	<u>\$ 5,196</u>	<u>\$ 5,562</u>	<u>\$ 8,413</u>	<u>\$ 1,821</u>	<u>\$ 2,681</u>

(2) See Note 8 to our consolidated financial statements included elsewhere in this prospectus for an explanation of the calculations of our net income (loss) per share attributable to common stock, basic and diluted, and pro forma net income (loss) per share attributable to common stock, basic and diluted.

	As of December 31,			As of March 31,	
	2014	2015	2016	2016	2017
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash, cash equivalents, and short-term investments	\$ 112,127	\$ 87,341	\$ 65,779	\$ 37,959	
Working capital	106,196	83,234	60,445	32,686	
Total assets	142,113	125,054	133,477	116,907	
Redeemable convertible preferred stock	497,699	599,914	655,416	680,186	
Total stockholders' equity (deficit)	(370,595)	(495,713)	(563,734)	(613,264)	

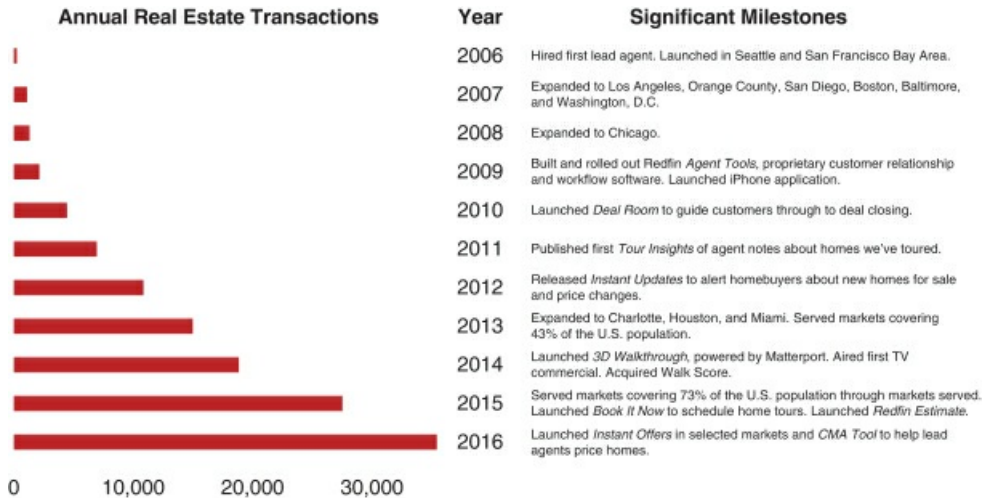
**MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our “Selected Consolidated Financial Data” and our consolidated financial statements, the accompanying notes, and other financial information included elsewhere in this prospectus. 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” included elsewhere in this prospectus.

Overview

Redfin is a technology-powered, residential real estate brokerage. We represent people buying and selling homes in over 80 markets throughout the United States. Our mission is to redefine real estate in the consumer’s favor. In a commission-driven industry, we put the customer first. We do this by pairing our own agents with our own technology to create a service that is faster, better, and costs less.

We’ve been advocating for customers for over 10 years. Our progress has been marked by technology-driven innovation and market expansion:



Our revenue model is straightforward. We employ lead agents supported by internal teams, who help customers buy and sell homes. We earn commissions when those transactions close. In some cases, we introduce customers to pre-approved, third-party agents through our Redfin Partner Program. These partner agents pay us a fee when they close a referred transaction.

We derive substantially all of our revenue when customers buy and sell homes. Our key revenue components are:

- **Brokerage Revenue.** We earn brokerage revenue from commissions we receive from representing homebuyers. Traditional brokerage buy-side commissions typically range

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from 2.5% to 3% of a home's sale price, depending on the market. We typically return a portion of this commission to our homebuyer through a commission refund or closing-cost reduction. We recognize the remaining commission amount as revenue. We also earn revenue from commissions we receive from representing home sellers. Typical traditional brokerage sell-side commissions range from 2.5% to 3% of a home's sale price. Our sell-side commissions, which we recognize as revenue, are typically 1% to 1.5% of a home's sale price, depending on the market and subject to market-by-market minimums.

- *Partner Revenue.* Through the Redfin Partner Program, we refer customers to partner agents when we do not have a lead agent available to serve the customer due to high demand or geographic limitations. Partner agents pay us a fee representing a portion of the commission they receive when they close a referred transaction. We give a portion of this referral fee to the customer in certain circumstances and recognize the remaining amount as revenue.
- *Other Revenue.* We offer services beyond helping customers buy and sell homes. For example, we currently provide title and settlement services in eight states and we also license data and analytics from Walk Score, our neighborhood walk-ability tool. We will consider new offerings going forward that further our goal of redefining the industry. To date, other revenue has not been material.

We strive to be frugal with every expense, including capital expenditures and stock-based compensation. At the same time, we intend to continue to thoughtfully invest for long-term growth, with a focus on growing share in the markets we currently serve. We've invested, and expect to continue to invest, in marketing to promote the Redfin brand and in technology development to make the homebuying and home selling experience better and faster for our customers and our agents, while continuing to lower costs for our customers.

Our growth has been significant. For the three months ended March 31, 2016 and 2017, we generated revenue of \$41.6 million and \$59.9 million, respectively, representing year-over-year growth of 44%. For the three months ended March 31, 2016 and 2017, we generated net losses of \$24.3 million and \$28.1 million, respectively.

For the years ended December 31, 2014, 2015, and 2016, we generated revenue of \$125.4 million, \$187.3 million, and \$267.2 million, respectively, representing annual growth of 37%, 49%, and 43%, respectively. We generated net losses of \$24.7 million, \$30.2 million, and \$22.5 million for the years ended December 31, 2014, 2015, and 2016, respectively.

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Key Business Metrics

In addition to the measures presented in our consolidated financial statements, we use the following key metrics to evaluate our business, develop financial forecasts and make strategic decisions. For information about the methodologies we use to calculate our key business metrics, please see "Industry and Market Data and Calculation of NPS and Key Business Metrics."

	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
Monthly average visitors (in thousands)	8,720	11,705	16,215	13,987	20,162
Real estate transactions:					
Brokerage	12,688	18,586	25,868	4,005	5,692
Partner	6,144	8,906	9,482	1,936	2,041
Total	<u>18,832</u>	<u>27,492</u>	<u>35,350</u>	<u>5,941</u>	<u>7,733</u>
Real estate revenue per real estate transaction:					
Brokerage	\$ 9,119	\$ 9,215	\$ 9,436	\$ 9,485	\$ 9,570
Partner	993	1,142	1,719	1,224	1,911
Aggregate	6,468	6,600	7,366	6,793	7,548
Aggregate home value of real estate transactions (in millions)	8,412	12,296	16,199	2,599	3,470
U.S. market share by value	0.33%	0.44%	0.54%	0.48%	0.58%
Revenue from top-10 Redfin markets as a percentage of real estate revenue	80%	76%	72%	71%	68%
Average number of lead agents	422	591	763	743	935

Monthly Average Visitors

The number of, and growth in, visitors to our website and mobile application are important leading indicators of our business activity because these channels are the primary ways we meet and serve customers. For a particular period, monthly average visitors refers to the average of the number of unique visitors to our website and mobile application for each of the months in that period. Monthly average visitors are influenced by market conditions that affect interest in buying or selling homes, the level and success of our marketing programs, and seasonality. We believe we can continue to increase monthly visitors, which allows us to grow.

Given the lengthy process to purchase or sell a home, a visitor during one month may not convert to a revenue-generating customer until many months later, if at all.

Real Estate Transactions

Increasing the number of real estate transactions in which we or our partner agents represent homebuyers and home sellers is critical to increasing our revenue and, in turn, to achieving profitability. Real estate transactions are influenced by pricing for our services as well as market conditions that affect home sales, such as local inventory levels and mortgage interest rates. Real estate transactions are also affected by seasonality and macroeconomic factors.

Real Estate Revenue per Real Estate Transaction

Real estate revenue per real estate transaction, together with the number of real estate transactions, is a factor in evaluating business growth and determining pricing. Changes in revenue per real estate transaction can be affected by our pricing, the mix of transactions for homebuyers and home sellers, changes in the value of homes in the markets we serve, the geographic mix of our

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transactions, and the transactions we refer to partner agents. We generally generate more real estate revenue per brokerage transaction from representing homebuyers than home sellers.

From 2014 through 2016, brokerage transactions for home sellers as a percentage of brokerage transactions increased from slightly over 20% to slightly over 30%. We expect brokerage transactions for home sellers to comprise a greater portion of our brokerage transactions over time as we continue to focus on listings as a strategic asset that provides benefits beyond the revenue we generate from home sellers. For example, we believe that increased listings draw more homebuyers to our website and mobile application.

Aggregate Home Value of Real Estate Transactions

The aggregate home value of real estate transactions completed by our lead agents and the transactions we refer to partner agents is an important indicator of the health of our business because our revenue is based on a percentage of each home's sale price. This metric is affected by changes in home values in the markets we serve and by changes in the number of customers who use our services as well as seasonality and macroeconomic factors.

U.S. Market Share by Value

Increasing our U.S. market share is critical to our ability to grow our business and achieve profitability over the long term. We believe there is a significant opportunity to increase our share in the markets we currently serve.

Revenue from Top-10 Markets as a Percentage of Real Estate Revenue

Our top-10 markets by real estate revenue are the metropolitan areas of Boston, Chicago, Los Angeles, Maryland, Orange County, Portland, San Diego, San Francisco, Seattle, and Virginia. We plan to continue to diversify our growth into the future and to increase our market share in our newer markets. We expect our revenue from top-10 markets to decline as a percentage of our real estate revenue over time.

Average Number of Lead Agents

The average number of lead agents, in combination with our other key metrics such as the number of brokerage transactions, is a measure of agent productivity and is an indicator of the potential future growth of our business. We systematically evaluate traffic to our website and mobile application and customer activity to anticipate changes in customer demand to determine when and where to hire lead agents.

Our lead agents are employees who receive a salary, variable transaction bonuses based on customer satisfaction and transaction value, benefits, and expense reimbursement. Base pay represented approximately 27% of total lead agent cash compensation in 2016.

Market Cohorts

Our growth strategy is based on our belief that, as we gain local market share, our brand awareness and ability to provide efficient service in each market we serve will increase, which will, in turn, promote additional market share gains and further efficiencies in those markets. To demonstrate progress in the more than 80 markets we serve, we group markets in which we began operating in similar timeframes into three cohorts that illustrate this cycle. We chose this grouping of markets so the total market transaction value is similar across the cohorts.

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We have gained market share, increased revenue, increased real estate revenue per brokerage transaction, and increased real estate gross margin in all of the cohorts in each of the years presented. From year-to-year, our market share gains have been largely consistent within cohorts.

Our first cohort primarily consists of major metropolitan areas, such as Seattle, San Francisco, Los Angeles, Boston, Washington, D.C., and Chicago. Our second and third cohorts primarily consist of smaller metropolitan areas, such as Sacramento, Portland, and Raleigh in our second cohort, and Minneapolis, Cincinnati, Nashville, and Kansas City in our third cohort. A number of factors may limit our ability to replicate our financial results of our first cohort in our other two cohorts, including that the mean home sale price in our earliest cohort of markets is significantly higher than the mean home price in the later two cohorts. As a result, we cannot ensure that we will experience similar financial outcomes from our later cohorts or in any future markets we may serve. However, we believe the continued market share growth trend in our earliest cohort demonstrates possible revenue growth rate and margin trends over time as our newer markets mature.

	Cohort of Markets Opened in Years		
	2006-2008	2009-2013	2014-2016
Number of markets	10	19	55
2016 completed market transactions (in billions)	\$ 328	\$ 319	\$ 265
2016 mean home sale price	\$ 530,617	\$ 313,180	\$ 245,684
Market share by value:			
2014	1.15%	0.29%	0.02%
2015	1.41	0.39	0.10
2016	1.66	0.47	0.20
Real estate revenue (in thousands):			
2014	\$ 97,801	\$ 23,268	\$ 735
2015	136,261	37,786	7,399
2016	186,922	55,334	18,127
Real estate revenue per brokerage transaction:			
2014	\$ 9,590	\$ 7,561	\$ 6,790
2015	9,889	7,791	6,815
2016	10,208	8,026	7,389
Real estate cost of revenue (in thousands):			
2014	\$ 69,055	\$ 19,099	\$ 1,466
2015	94,740	28,804	7,978
2016	122,439	39,367	14,602
Real estate gross profit (in thousands):			
2014	\$ 28,747	\$ 4,168	\$ (731)
2015	41,522	8,981	(579)
2016	64,483	15,967	3,525
Real estate gross margin:			
2014	29.4%	17.9%	N.M.
2015	30.5	23.8	(7.8)%
2016	34.5	28.9	19.4

Factors Affecting Performance

Seasonality

Residential real estate is a highly seasonal business. While individual markets may vary, transaction volume typically increases progressively from January through the summer months and then declines gradually over the last three to four months of the calendar year. We experience the most significant financial effect from this seasonality in the first and fourth quarters of each year, when our revenue is typically lower relative to the second and third quarters. However, because we employ

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our lead agents and a portion of their compensation is fixed, we do not experience a proportional decrease in our expenses during such lower seasonal periods, which negatively affects our results of operations.

Cyclical

The residential real estate industry is cyclical and, when economic conditions are favorable, the real estate industry tends to perform well. When the economy is weak, if interest rates dramatically increase, if mortgage lending standards tighten, or if there are economic or political disturbances, the residential real estate industry tends to perform poorly. Our revenue growth rate tends to increase as the real estate industry performs well, and to decrease as it performs poorly.

Ability to Gain Market Share

Our ability to gain market share in the markets we serve will be influenced by our ability to compete in each individual market. The residential real estate industry is subject to local dynamics, as each market has its own characteristics, and individual agents tend to focus on certain neighborhoods within these markets. Many of our competitors have agents with long-standing reputations and relationships in individual markets and may have specialized expertise related to local dynamics that our agents may not. Our market share growth will be influenced by our ability to compete in individual, local neighborhoods. Given the varying characteristics of each market, gains in any individual market are difficult to predict and not all of our markets will have the same challenges or rewards.

Pricing

Delivering a better customer experience at a lower cost than our competitors is a fundamental tenet of our strategy. We believe that in the long run our technology-powered residential brokerage model will further drive efficiencies that continue to reduce costs. From time to time, we adjust pricing after considering market conditions, the balance of profitability against customer savings, and other factors. Based on prior pricing changes, we believe that home sellers are more sensitive to pricing than homebuyers.

Agent Productivity and Partner Mix

We hire lead agents in anticipation of customer demand, so we have the necessary capacity of trained lead agents to help homebuyers and home sellers. We manage the capacity of our lead agents, as we want them to be busy working with customers but not so busy that customer satisfaction declines. As we hire lead agents, we also add staffing to support these agents. We adjust staffing levels in each market we serve, but also transactional support from a national hub located in the greater Chicago area, letting us re-allocate support staff to the markets that need it most, which creates some economies of scale.

The Redfin Partner Program is designed to moderate the effects of industry seasonality and cyclical. We adjust the portion of customers who are served by partner agents in each of the markets we serve to maintain an effective balance between capacity utilization and customer service. Rather than countering seasonal and cyclical changes in demand by hiring a surplus of lead agents in each neighborhood, we rely on partners to handle demand swings.

Investments in Technology and Marketing

We have invested, and intend to continue to invest, in developing technology, tools, features, and products that provide targeted and useful real estate information to customers, manage their real

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estate transactions, originate mortgages, and make our lead agents and internal teams more efficient. In addition, we will continue to invest in marketing to increase our market share in the markets we serve. Any investments we make in these areas will occur before we experience benefits, if any, from the investments. Further, the effectiveness of these efforts may be difficult to measure.

Components of Our Results of Operations

Revenue

We generate revenue primarily from commissions and fees charged on real estate transactions closed by us or partner agents, as well as from other services we provide.

Real Estate Revenue

Brokerage Revenue. Brokerage revenue consists of commissions earned on real estate transactions closed by our lead agents. We recognize commission-based revenue on the closing of a transaction, less the amount of any commission refund or any closing-cost reduction, commission discount, or transaction fee adjustment. Brokerage revenue is affected by the number of real estate transactions we close, the mix of brokerage transactions, home sale prices, commission rates, and the amount we give to customers.

Partner Revenue. Partner revenue consists of fees partner agents pay us when they close referred transactions, less the amount of any payments we make to customers. We recognize these fees as revenue on the closing of a transaction. Partner revenue is affected by the number of partner transactions closed, home sale prices, commission rates, and the amount we give to customers.

Other Revenue

Other revenue consists of fees charged for title and settlement services, mortgage banking operations, marketing services provided to home builders by our builder services group, licensing and analytics fees from our Walk Score service, homes sold by Redfin Now, and other services. Revenue is recognized when the service is provided.

Cost of Revenue and Gross Margin

Cost of revenue consists primarily of personnel costs (including base pay and benefits), stock-based compensation, transaction bonuses, home touring and field expenses, listing expenses, business expenses, facilities expenses, and, for Redfin Now, the cost of homes including the purchase price and capitalized improvements. We expect cost of revenue to continue to rise, but more slowly than revenue, as we hire more lead agents and support staff in response to anticipated customer demand.

Gross profit is revenue less cost of revenue. Gross margin is gross profit expressed as a percentage of revenue. Our gross margin has and will continue to be affected by a number of factors, including real estate revenue per real estate transaction and the productivity of our lead agents and support staff. We expect gross margin to continue to rise over time to the extent we gain efficiencies through technology and operations.

Operating Expenses

Technology and Development

Technology and development expenses relate primarily to developing new software used by our customers and internal teams, making enhancements to our existing software, and maintaining and

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improving our website and mobile application. These expenses consist primarily of personnel costs, stock-based compensation, data licenses, software, and equipment, and infrastructure such as for data centers and hosted services. Technology and development expenses also include amortization of capitalized internal-use software and website and mobile application development costs. We expect technology and development expenses to continue to increase in absolute dollars as we hire more software developers. We anticipate technology and development expenses as a percentage of revenue to decrease over time.

Marketing

Marketing expenses consist primarily of media costs for online and traditional advertising, as well as personnel costs and stock-based compensation. We expect marketing expenses to increase in absolute dollars as we expand advertising programs. We anticipate marketing expenses as a percentage of revenue to decrease over time.

General and Administrative

General and administrative expenses consist primarily of personnel costs, stock-based compensation, facilities, and related expenses for our executive, finance, human resources, facilities and legal organizations, and fees for professional services. Professional services are principally comprised of external legal, audit, and tax services. We expect general and administrative expenses to increase in absolute dollars due to the anticipated growth of our business and to meet the increased compliance requirements associated with our transition to, and operation as, a public company. We anticipate general and administrative expenses as a percentage of revenue to decrease over time.

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Results of Operations

The following tables set forth our results of operations for the periods presented and as a percentage of our revenue for those periods. The period-to-period comparisons of our historical results are not necessarily indicative of the results that may be expected in the future.

	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
	(in thousands)				
Revenue	\$ 125,363	\$ 187,338	\$ 267,196	\$ 41,636	\$ 59,868
Cost of revenue ⁽¹⁾	93,272	138,492	184,452	38,505	53,492
Gross profit	32,091	48,846	82,744	3,131	6,376
Operating expenses:					
Technology and development ⁽¹⁾	17,876	27,842	34,588	7,898	9,672
Marketing ⁽¹⁾	15,058	19,899	28,571	9,211	10,459
General and administrative ⁽¹⁾	24,240	31,394	42,369	10,385	14,367
Total operating expenses	57,174	79,135	105,528	27,494	34,498
Income (loss) from operations	(25,083)	(30,289)	(22,784)	(24,363)	(28,122)
Total interest income and other income, net	47	53	258	84	56
Income (loss) before tax benefit (expense)	(25,036)	(30,236)	(22,526)	(24,279)	(28,066)
Income tax benefit (expense)	306	—	—	—	—
Net income (loss)	\$ (24,730)	\$ (30,236)	\$ (22,526)	\$ (24,279)	\$ (28,066)

	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
	(in thousands)				
(1) Includes stock-based compensation as follows:					
Cost of revenue	\$ 1,280	\$ 1,440	\$ 2,266	\$ 518	\$ 714
Technology and development	962	1,375	2,383	539	731
Marketing	237	298	469	110	119
General and administrative	2,717	2,449	3,295	654	1,117
Total	\$ 5,196	\$ 5,562	\$ 8,413	\$ 1,821	\$ 2,681

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	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
	(as a percentage of revenue)				
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenue(1)	74.4	73.9	69.0	92.5	89.3
Gross profit	25.6	26.1	31.0	7.5	10.7
Operating expenses:					
Technology and development(1)	14.3	14.9	12.9	19.0	16.2
Marketing(1)	12.0	10.6	10.7	22.1	17.5
General and administrative(1)	19.3	16.8	15.9	24.9	24.0
Total operating expenses	45.6	42.2	39.5	66.0	57.7
Income (loss) from operations	(20.0)	(16.2)	(8.5)	(58.5)	(47.0)
Total interest income and other income, net	—	—	0.1	0.2	0.1
Income (loss) before tax benefit (expense)	(20.0)	(16.1)	(8.4)	(58.3)	(46.9)
Income tax benefit (expense)	0.2	—	—	—	—
Net income (loss)	(19.7)%	(16.1)%	(8.4)%	(58.3)%	(46.9)%

	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
	(as a percentage of revenue)				

(1) Includes stock-based compensation as follows:

Cost of revenue	1.0%	0.8%	0.8%	1.2%	1.2%
Technology and development	0.8	0.7	0.9	1.3	1.2
Marketing	0.2	0.2	0.2	0.3	0.2
General and administrative	2.1	1.3	1.2	1.6	1.9
Total	4.1%	3.0%	3.1%	4.4%	4.5%

Comparison of the Three Months Ended March 31, 2016 and 2017

Revenue

	Three Months Ended March 31,		Change	
	2016	2017	Dollars	Percentage
	(in thousands, except percentages)			
Real estate revenue:				
Brokerage revenue	\$ 37,988	\$ 54,471	\$ 16,483	43%
Partner revenue	2,370	3,900	1,530	65
Total real estate revenue	40,358	58,371	18,013	45
Other revenue	1,278	1,497	219	17
Revenue	\$ 41,636	\$ 59,868	\$ 18,232	44
Percentage of revenue				
Real estate revenue:				
Brokerage	91.2%	91.0%		
Partner revenue	5.7%	6.5%		
Total real estate revenue	96.9%	97.5%		
Other revenue	3.1%	2.5%		
Revenue	100.0%	100.0%		

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In the three months ended March 31, 2017, revenue increased by \$18.2 million, or 44%, as compared with the same period in 2016. Brokerage revenue represented \$16.5 million, or 90%, of the increase. Brokerage revenue grew 43% during the period, driven by a 42% increase in brokerage real estate transactions and a 1% increase in real estate revenue per brokerage transaction. The increase in brokerage transactions was attributable to higher levels of customer awareness of Redfin and increasing customer demand and market share in most of our markets.

In early 2016, we changed the pricing and structure of the Redfin Partner Program. Instead of paying 15% of the commissions partner agents earned through the program to us, partner agents began paying us 30%. At the same time, we began directly issuing a \$500 check to certain partner program customers, partially offsetting the increase in referral fees paid by partner agents. These changes to our partner program positively affected our real estate revenue per partner transaction in the latter part of the three months ended March 31, 2016, and were fully reflected in the three months ended March 31, 2017. We do not expect a large year-over-year increase in real estate revenue per partner transaction for the three months ended June 30, 2017.

In late 2016, we reduced our sell-side commission from 1.5% to 1% in Seattle, Chicago, and Denver. We offset this price change in part by reducing our buy-side commission refund or closing-cost adjustment in these three markets. Also in late 2016, we reduced the average buy-side commission refund or closing-cost adjustment by approximately \$200 in the markets we served other than Seattle, Chicago, and Denver. The effect of these changes was reflected in our 2017 results, as transactions reflecting these new pricing policies began to close.

Cost of Revenue and Gross Margin

	Three Months Ended March 31,		Change	
	2016	2017	Dollars	Percentage
	(in thousands, except percentages)			
Cost of revenue	\$ 38,505	\$ 53,492	\$ 14,987	39%
Gross profit	\$ 3,131	\$ 6,376	\$ 3,245	104
Percentage of revenue				
Gross margin	7.5%	10.7%		

In the three months ended March 31, 2017, cost of revenue increased by \$15.0 million, or 39%, as compared with the same period in 2016. This increase in cost of revenue was primarily attributable to a \$6.3 million increase in personnel costs due to increased lead agent and related support staff headcount, a \$3.2 million increase in transaction bonuses, and a \$2.5 million increase in home touring and field costs.

Gross margin increased 313 basis points for the three months ended March 31, 2017 as compared with the same period in 2016. This was primarily attributable to a 231 basis point reduction in personnel costs and a 90 basis point reduction in home touring and field costs, each as a percentage of revenue.

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Operating Expenses

	Three Months Ended March 31,		Change	
	2016	2017	Dollars	Percentage
	(in thousands, except percentages)			
Technology and development	\$ 7,898	\$ 9,672	\$ 1,774	22%
Marketing	9,211	10,459	1,248	14
General and administrative	10,385	14,367	3,982	38
Total operating expenses	<u>\$ 27,494</u>	<u>\$ 34,498</u>	<u>\$ 7,004</u>	25
<i>Percentage of revenue</i>				
Technology and development	19.0%	16.1%		
Marketing	22.1	17.5		
General and administrative	24.9	24.0		
Total operating expenses	<u>66.0%</u>	<u>57.6%</u>		

In the three months ended March 31, 2017, technology and development expenses increased by \$1.8 million, or 22%, as compared with the same period in 2016. The increase was primarily attributable to a \$1.6 million increase in personnel costs and stock-based compensation due to increased headcount. The increase was also due to a \$0.5 million increase in office and occupancy expenses. The increase was partially offset by a \$0.4 million decrease due to depreciation and the capitalization of software development costs.

In the three months ended March 31, 2017, marketing expenses increased by \$1.2 million, or 14%, as compared with the same period in 2016. The increase was primarily attributable to a \$0.9 million increase in marketing media costs as we expanded advertising.

In the three months ended March 31, 2017, general and administrative expenses increased by \$4.0 million, or 38%, as compared with the same period in 2016. The increase was attributable to a \$1.8 million increase in personnel costs and stock-based compensation, largely the result of increases in headcount to support continued growth, a \$1.0 million increase in contract services, and a \$0.6 million increase in occupancy and office expenses.

Comparison of the Years Ended December 31, 2015 and 2016

Revenue

	Year Ended December 31,		Change	
	2015	2016	Dollars	Percentage
	(in thousands, except percentages)			
Real estate revenue:				
Brokerage revenue	\$ 171,276	\$ 244,079	\$ 72,803	43%
Partner revenue	10,170	16,304	6,134	60
Total real estate revenue	181,446	260,383	78,937	44
Other revenue	5,892	6,813	921	16
Revenue	<u>\$ 187,338</u>	<u>\$ 267,196</u>	<u>\$ 79,858</u>	43
<i>Percentage of revenue</i>				
Real estate revenue:				
Brokerage	91.5%	91.4%		
Partner revenue	5.4	6.1		
Total real estate revenue	96.9	97.5		
Other revenue	3.1	2.5		
Revenue	<u>100.0%</u>	<u>100.0%</u>		

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In 2016, revenue increased by \$79.9 million, or 43%, as compared with 2015. Brokerage revenue represented \$72.8 million, or 91%, of the increase. Brokerage revenue also grew 43% during the period, driven by a 39% increase in brokerage real estate transactions and a 2% increase in real estate revenue per brokerage transaction. The increase in brokerage transactions was attributable to higher levels of customer awareness of Redfin and increasing customer demand and market share in most of our markets.

In late 2015, we reduced the amount of our average commission refund or closing-cost adjustment by approximately \$550. This change in pricing positively affected our real estate revenue per brokerage transaction in early 2016 as those transactions began to close. In early 2016, we changed pricing and the structure of the Redfin Partner Program. Instead of paying 15% of the commissions partner agents earned through the program to us, partner agents began paying us 30%. At the same time, we began directly issuing a \$500 check to certain partner program customers, partially offsetting the increase in referral fees paid by partner agents. These changes to our partner program positively affected our real estate revenue per partner transaction in 2016.

Cost of Revenue and Gross Margin

	Year Ended December 31,		Change	
	2015	2016	Dollars	Percentage
	(in thousands, except percentages)			
Cost of revenue	\$ 138,492	\$ 184,452	\$ 45,960	33%
Gross profit	\$ 48,846	\$ 82,744	\$ 33,898	69
<i>Percentage of revenue</i>				
Gross margin	26.1%	31.0%		

In 2016, cost of revenue increased by \$46.0 million, or 33%, as compared with 2015. This increase in cost of revenue was primarily attributable to a \$17.9 million increase in personnel costs due to increased lead agent and related support staff headcount, a \$13.3 million increase in transaction bonuses, and a \$8.1 million increase in home touring and field costs.

Gross margin increased 489 basis points for 2016 as compared with 2015. This was primarily attributable to a 253 basis point reduction in personnel costs and a 77 basis point reduction in home touring and field costs as a percentage of revenue.

Operating Expenses

	Year Ended December 31,		Change	
	2015	2016	Dollars	Percentage
	(in thousands, except percentages)			
Technology and development	\$ 27,842	\$ 34,588	\$ 6,746	24%
Marketing	19,899	28,571	8,672	44
General and administrative	31,394	42,369	10,975	35
Total operating expenses	\$ 79,135	\$ 105,528	\$ 26,393	33
<i>Percentage of revenue</i>				
Technology and development	14.9%	12.9%		
Marketing	10.6	10.7		
General and administrative	16.7	15.9		
Total operating expenses	42.2%	39.5%		

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In 2016, technology and development expenses increased by \$6.7 million, or 24%, as compared with 2015. The increase was primarily attributable to a \$5.4 million increase in personnel costs and stock-based compensation due to increased headcount. The increase was also due to a \$0.9 million increase in office and occupancy expenses. The increase was partially offset by a \$0.3 million decrease due to reduced use of contract software developers.

In 2016, marketing expenses increased by \$8.7 million, or 44%, as compared with 2015. The increase was primarily attributable to a \$9.4 million increase in marketing media costs as we expanded advertising, partially offset by a \$0.9 million decrease in personnel costs.

In 2016, general and administrative expenses increased by \$11.0 million, or 35%, as compared with 2015. The increase was attributable to a \$4.5 million increase in personnel costs, largely the result of increases in headcount to support continued growth and a \$1.0 million increase in occupancy and office expenses. Included in the 2016 expenses is \$1.8 million related to the proposed settlement of three lawsuits, as described in Note 10 to our consolidated financial statements included elsewhere in this prospectus.

Comparison of the Years Ended December 31, 2014 and 2015

Revenue

	Year Ended December 31,		Change	
	2014	2015	Dollars	Percentage
(in thousands, except percentages)				
Real estate revenue:				
Brokerage revenue	\$ 115,701	\$ 171,276	\$ 55,575	48%
Partner revenue	6,103	10,170	4,067	67
Total real estate revenue	121,804	181,446	59,642	49
Other revenue	3,559	5,892	2,333	66
Revenue	<u>\$ 125,363</u>	<u>\$ 187,338</u>	<u>\$ 61,975</u>	49
Percentage of revenue				
Real estate revenue:				
Brokerage revenue	92.3%	91.4%		
Partner revenue	4.9	5.4		
Total real estate revenue	97.2	96.9		
Other revenue	2.8	3.1		
Revenue	<u>100.0%</u>	<u>100.0%</u>		

In 2015, revenue increased by \$62.0 million, or 49%, as compared with 2014. Brokerage revenue was responsible for \$55.6 million, or 90%, of this increase. Brokerage revenue grew 48% during the year, primarily attributable to a 47% increase in brokerage transactions and a 1% increase in real estate revenue per brokerage transaction. The increase in brokerage transactions was primarily attributable to higher levels of customer awareness of Redfin and increasing customer demand and market share in most of our markets.

In late 2014, we reduced our sell-side commission from 1.5% to 1% in Washington, D.C., Virginia, and Maryland with the goal of increasing sell-side demand in these markets. We offset this price change in part by reducing our commission refund or closing-cost adjustment in these three markets. Also in late 2014, we reduced the average commission refund or closing-cost adjustment by approximately \$300 in the markets we served other than Washington, D.C., Virginia, and Maryland. The effect of these changes was reflected in our 2015 results, as transactions reflecting these new pricing policies began to close.

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Cost of Revenue and Gross Margin

	Year Ended December 31,		Change	
	2014	2015	Dollars	Percentage
	(in thousands, except percentages)			
Cost of revenue	\$ 93,272	\$ 138,492	\$ 45,220	48%
Gross profit	\$ 32,091	\$ 48,846	\$ 16,755	52
Percentage of revenue				
Gross margin	25.6%	26.1%		

In 2015, cost of revenue increased \$45.2 million, or 48%, as compared with 2014. This increase in cost of revenue was primarily attributable to an \$18.1 million increase in personnel costs due to increased lead agent and related support staff headcount, a \$12.9 million increase in transaction bonuses, and a \$7.7 million increase in home touring and field costs.

Gross margin increased 48 basis points for 2015 as compared with 2014. This was primarily attributable to an 85 basis point reduction in personnel costs, a 46 basis point reduction in occupancy and office expenses, and a 33 basis point reduction in operating expenses as a percentage of revenue. This was partially offset by a 119 basis point increase in transaction bonuses as a percentage of revenue.

Operating Expenses

	Year Ended December 31,		Change	
	2014	2015	Dollars	Percentage
	(in thousands, except percentages)			
Technology and development	\$ 17,876	\$ 27,842	\$ 9,966	56%
Marketing	15,058	19,899	4,841	32
General and administrative	24,240	31,394	7,154	30
Total operating expenses	\$ 57,174	\$ 79,135	\$ 21,961	38
Percentage of revenue				
Technology and development	14.3%	14.9%		
Marketing	12.0	10.6		
General and administrative	19.3	16.8		
Total operating expenses	45.6%	42.2%		

In 2015, technology and development expenses increased by \$10.0 million, or 56%, as compared with 2014. The increase was primarily attributable to a \$7.5 million increase in personnel costs due to increased headcount as we continued to build technology for customers and our internal teams. Amortization expense related to our internal-use software increased by \$1.1 million.

In 2015, marketing expenses increased by \$4.8 million, or 32%, as compared with 2014. The increase was primarily attributable to a \$3.5 million increase in marketing media costs as we expanded advertising.

In 2015, general and administrative expenses increased by \$7.2 million, or 30%, as compared with 2014. The increase was primarily attributable to a \$4.6 million increase in personnel costs, largely the result of increases in headcount to support the continued growth of our business. Outside professional services expenses increased by \$1.5 million.

Quarterly Results of Operations and Key Business Metrics

The following tables set forth our unaudited quarterly statements of operations data for each of the nine quarters in the period ended March 31, 2017, as well as the percentage that each line item represents of our revenue for each quarter presented. The information for each quarter has been prepared on a basis consistent with our audited consolidated financial statements included elsewhere in this prospectus, and reflect, in the opinion of management, all adjustments of a normal, recurring nature that are necessary for a fair presentation of the financial information contained in those statements. Our historical results are not necessarily indicative of the results that may be expected in the future. The following quarterly financial data should be read in conjunction with our audited consolidated financial statements included elsewhere in this prospectus.

Quarterly Results

	Three Months Ended								
	Mar. 31, 2015	June 30, 2015	Sep. 30, 2015	Dec. 31, 2015	Mar. 31, 2016	June 30, 2016	Sep. 30, 2016	Dec. 31, 2016	Mar. 31, 2017
	(in thousands)								
Revenue	\$ 28,831	\$ 55,164	\$ 57,610	\$ 45,733	\$ 41,636	\$ 77,714	\$ 81,064	\$ 66,782	\$ 59,868
Cost of revenue ⁽¹⁾	27,962	37,346	38,166	35,018	38,505	50,303	50,147	45,497	53,492
Gross profit	869	17,818	19,444	10,715	3,131	27,411	30,917	21,285	6,376
Operating expenses:									
Technology and development ⁽¹⁾	5,770	7,150	7,463	7,459	7,898	8,060	9,781	8,849	9,672
Marketing ⁽¹⁾	7,210	4,075	3,726	4,888	9,211	8,486	5,436	5,438	10,459
General and administrative ⁽¹⁾	8,344	7,219	8,674	7,157	10,385	9,526	10,037	12,421	14,367
Total operating expenses	21,324	18,444	19,863	19,504	27,494	26,072	25,254	26,708	34,498
Income (loss) from operations	(20,455)	(626)	(419)	(8,789)	(24,363)	1,339	5,663	(5,423)	(28,122)
Total interest income and other income, net	14	10	11	18	84	49	37	88	56
Income (loss) before tax benefit (expense)	(20,441)	(616)	(408)	(8,771)	(24,279)	1,388	5,700	(5,335)	(28,066)
Net income (loss)	\$ (20,441)	\$ (616)	\$ (408)	\$ (8,771)	\$ (24,279)	\$ 1,388	\$ 5,700	\$ (5,335)	\$ (28,066)

(1) Includes stock-based compensation as follows:

	Three Months Ended								
	Mar. 31, 2015	June 30, 2015	Sep. 30, 2015	Dec. 31, 2015	Mar. 31, 2016	June 30, 2016	Sep. 30, 2016	Dec. 31, 2016	Mar. 31, 2017
	(in thousands)								
Cost of revenue	\$ 291	\$ 346	\$ 348	\$ 455	\$ 518	\$ 525	\$ 546	\$ 677	\$ 714
Technology and development	248	382	341	404	539	559	555	730	731
Marketing	93	39	76	90	110	112	114	133	119
General and administrative	357	385	1,139	568	654	718	940	983	1,117
Total	\$ 989	\$ 1,152	\$ 1,904	\$ 1,517	\$ 1,821	\$ 1,914	\$ 2,155	\$ 2,523	2,681

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	Three Months Ended								
	Mar. 31, 2015	June 30, 2015	Sep. 30, 2015	Dec. 31, 2015	Mar. 31, 2016	June 30, 2016	Sep. 30, 2016	Dec. 31, 2016	Mar. 31, 2017
	(as a percentage of revenue)								
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenue(1)	97.0	67.7	66.2	76.6	92.5	64.7	61.9	68.1	89.3
Gross profit	3.0	32.3	33.8	23.4	7.5	35.3	38.1	31.9	10.7
Operating expenses:									
Technology and development(1)	20.0	13.0	13.0	16.3	19.0	10.4	12.1	13.3	16.2
Marketing(1)	25.0	7.4	6.5	10.7	22.1	10.9	6.7	8.1	17.5
General and administrative(1)	28.9	13.1	15.1	15.6	24.9	12.3	12.4	18.6	24.0
Total operating expenses	74.0	33.4	34.5	42.6	66.0	33.5	31.2	40.0	57.6
Income (loss) from operations	(70.9)	(1.1)	(0.7)	(19.2)	(58.5)	1.7	7.0	(8.1)	(47.0)
Total interest income and other income, net	—	—	—	—	0.2	0.1	—	0.1	0.1
Income (loss) before tax benefit (expense)	(70.9)	(1.1)	(0.7)	(19.2)	(58.3)	1.8	7.0	(8.0)	(46.9)
Net income (loss)	(70.9)%	(1.1)%	(0.7)%	(19.2)%	(58.3)%	1.8%	7.0%	(8.0)%	(46.9)%

(1) Includes stock-based compensation as follows:

	Three Months Ended								
	Mar. 31, 2015	June 30, 2015	Sep. 30, 2015	Dec. 31, 2015	Mar. 31, 2016	June 30, 2016	Sep. 30, 2016	Dec. 31, 2016	Mar. 31, 2017
	(as a percentage of revenue)								
Cost of revenue	1.0%	0.6%	0.6%	1.0%	1.2%	0.7%	0.7%	1.0%	1.2%
Technology and development	0.9	0.7	0.6	0.9	1.3	0.7	0.7	1.1	1.2
Marketing	0.3	0.1	0.1	0.2	0.3	0.1	0.1	0.2	0.2
General and administrative	1.2	0.7	2.0	1.2	1.6	0.9	1.2	1.5	1.9
Total	3.4%	2.1%	3.3%	3.3%	4.4%	2.5%	2.7%	3.8%	4.5%

Revenue for the periods above has followed a seasonal pattern consistent with the residential real estate industry. Accordingly, revenue in 2015 and 2016 increased sequentially from the first quarter through the third quarter. Revenue in the fourth quarters of 2015 and 2016, as well as the first quarters of 2016 and 2017, declined sequentially.

Cost of revenue has also reflected seasonality. Cost of revenue in 2015 and 2016 increased sequentially from the first quarter through the second quarter. In the third quarter of 2015, cost of revenue increased sequentially, while it decreased sequentially in the same period for 2016 as we kept the average number of lead agents flat with the second quarter. In the fourth quarters of 2015 and 2016, the cost of revenue declined sequentially due to lower real estate transaction volume.

Technology and development expenses are influenced period to period by the timing of development project expenses, including the additional use of contract software developers as well as the utilization of interns, who typically work with the company during the third quarter. Marketing expenses are influenced by seasonal factors and the timing of advertising campaigns. We typically spend more on advertising during the first half of the year than the second half of the year.

Quarterly Key Business Metrics

	Three Months Ended								
	Mar. 31, 2015	June 30, 2015	Sep. 30, 2015	Dec. 31, 2015	Mar. 31, 2016	June 30, 2016	Sep. 30, 2016	Dec. 31, 2016	Mar. 31, 2017
Monthly average visitors (in thousands)	10,235	12,381	13,060	11,142	13,987	17,021	17,795	16,058	20,162
Real estate transactions:									
Brokerage	2,958	5,465	5,653	4,510	4,005	7,497	7,934	6,432	5,692
Partner	1,459	2,456	2,718	2,273	1,936	2,602	2,663	2,281	2,041
Total	<u>4,417</u>	<u>7,921</u>	<u>8,371</u>	<u>6,783</u>	<u>5,941</u>	<u>10,099</u>	<u>10,597</u>	<u>8,713</u>	<u>7,733</u>
Real estate revenue per real estate transaction:									
Brokerage	\$ 8,880	\$ 9,243	\$ 9,343	\$ 9,242	\$ 9,485	\$ 9,524	\$ 9,333	\$ 9,428	9,570
Partner	959	1,164	1,191	1,177	1,224	1,633	1,932	1,991	1,911
Aggregate	6,263	6,738	6,696	6,539	6,793	7,491	7,474	7,481	7,548
Aggregate home value of real estate transactions (in millions)	1,874	3,601	3,837	2,984	2,599	4,684	4,898	4,018	3,470
U.S. market share by value	0.38%	0.44%	0.46%	0.46%	0.48%	0.53%	0.57%	0.56%	0.58%
Revenue from top-10 Redfin markets as a percentage of real estate revenue	76%	78%	76%	73%	71%	74%	72%	71%	68%
Average number of lead agents	509	568	621	667	743	756	756	796	935

Similar to our revenue, monthly average visitors to our website and mobile application has typically followed a seasonal pattern, increasing sequentially in 2015 and 2016 from the first quarter through the third quarter. Monthly average visitors fell sequentially during the fourth quarters of 2015 and 2016 following seasonality.

Liquidity and Capital Resources

To date, our principal sources of liquidity have been the net proceeds we received through private sales of our equity securities. From our inception through March 31, 2017, we completed several rounds of sales of shares of our redeemable convertible preferred stock to investors representing total gross proceeds of approximately \$167.5 million.

In the first quarter of 2017, we introduced Redfin Mortgage, to originate and underwrite mortgage loans, and began testing a new service called Redfin Now, where we buy homes directly from home sellers, intending to resell those homes. To date, neither business has had a material impact on our liquidity or results of operations. If we decide to significantly expand these new product offerings, we may seek to raise additional capital through equity, equity-linked, or debt financing arrangements to fund this expansion. We cannot assure you that any additional financing will be available to us on acceptable terms or at all.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
	(in thousands)				
Net cash used in operating activities	\$(13,596)	\$(22,160)	\$ (9,345)	\$ (19,295)	\$ (22,011)
Net cash used in investing activities	(9,039)	(4,567)	(13,567)	(935)	(4,782)
Net cash provided by financing activities	69,585	1,723	1,345	342	(1,028)

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Cash Flows from Operating Activities

Net cash used in operating activities in the three months ended March 31, 2017 consisted of \$28.1 million of net losses, a \$4.6 million positive impact from non-cash items, a \$2.9 million net increase in accrued expenses and accounts payable due to the timing of when amounts came due, and a \$1.1 million decrease in prepaid expenses. These benefits were partially offset by a \$1.6 million increase in accrued revenue due to the timing of real estate transactions and \$1.8 million in home purchases from testing Redfin Now.

Net cash used in operating activities in the three months ended March 31, 2016 consisted of \$24.3 million of net losses, a \$3.3 million positive impact from non-cash items, a \$2.4 million net increase in accrued expenses and accounts payable due to the timing of when amounts came due, and a \$1.9 million decrease in prepaid expenses. These benefits were partially offset by a \$2.1 million increase in accrued revenue due to the timing of real estate transactions that closed.

Net cash used in operating activities in 2016 consisted of \$22.5 million of net losses, a \$14.7 million positive impact from non-cash items, a \$7.2 million net increase in accrued expenses and accounts payable due to the timing of when amounts came due, and a \$2.2 million decrease in prepaid expenses. These benefits were partially offset by a \$6.0 million increase in other long-term assets, including a \$5.4 million deposit with the landlord for our new Seattle headquarters office space. We also incurred a \$5.0 million increase in accrued revenue due to the timing of real estate transactions that closed.

Net cash used in operating activities in 2015 consisted of \$30.2 million of net losses, a \$10.0 million positive impact from non-cash items, and a \$3.9 million increase in accrued expenses due to the timing of when amounts came due. These benefits were partially offset by a \$4.0 million increase in prepaid expenses and a \$2.7 million increase in accrued revenue due to the timing of real estate transactions that had closed.

Net cash used in operating activities in 2014 consisted of \$24.7 million of net losses, a \$7.6 million impact of non-cash items, a \$3.4 million increase in accrued expenses due to the timing of when amounts came due, and a \$0.5 million decrease in accrued revenue due to the timing of real estate transactions that closed. These benefits were partially offset by a \$0.7 million increase in prepaid expenses.

Cash Flows from Investing Activities

Net cash used in investing activities in the three months ended March 31, 2017 consisted of \$4.8 million of fixed asset purchases, including \$2.5 million of leasehold improvements for our new Seattle headquarters office space and \$1.2 million of capitalized software development expenses. The landlord for the Seattle headquarters office space will reimburse us for a portion of the construction in progress, and this cash inflow will be classified as an operating activity in a future period.

Net cash used in investing activities in the three months ended March 31, 2016 consisted of \$0.8 million of purchases of fixed assets, including internal use software development.

Net cash used in investing activities in 2016 consisted of \$13.6 million of fixed asset purchases, including \$8.0 million of construction in progress for our new Seattle headquarters office space and \$3.2 million of capitalized software development expenses. The landlord for the Seattle headquarters office space will reimburse us for a portion of the construction in progress, and this cash inflow will be classified as an operating activity in a future period.

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Net cash used in investing activities in 2015 consisted of \$4.6 million of purchases of fixed assets, including internal use software development.

Net cash used in investing activities in 2014 consisted of \$5.0 million of purchases of fixed assets, including internal use software development and \$4.1 million for the acquisition of Walk Score, Inc.

Cash Flows from Financing Activities

Net cash used in financing activities in the three months ended March 31, 2017 consisted of \$0.6 million in proceeds from the exercise of stock options offset by \$1.6 million of payments of deferred initial public offering costs. Net cash provided by financing activities in the three months ended March 31, 2016 consisted of \$0.3 million in proceeds from the exercise of stock options.

Net cash provided by financing activities in 2016 consisted of \$1.5 million in proceeds from the exercise of stock options. Net cash provided by financing activities in 2015 consisted of \$1.7 million from proceeds from the exercise of stock options. Net cash provided by financing activities in 2014 consisted of \$68.6 million in net proceeds from the issuance of our redeemable convertible preferred stock, and \$1.0 million in proceeds from the exercise of stock options.

Contractual Obligations

Contractual obligations are cash amounts that we are obligated to pay as part of certain contracts that we have entered into during the normal course of business. Below is a table that shows the contractual obligations as of December 31, 2016:

	Payments Due by Period:				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
			(in thousands)		
Operating leases	\$55,507	\$4,803	\$12,879	\$10,890	\$26,935
Purchase obligations	2,971	2,123	848	—	—
Total	<u>\$58,478</u>	<u>\$6,926</u>	<u>\$13,727</u>	<u>\$10,890</u>	<u>\$26,935</u>

In May 2016, we entered into a lease for a new corporate headquarters in Seattle, Washington. The minimum lease payments total \$43.8 million, which will be due over 133 months, beginning in mid-2017 and lasting through 2027.

Our purchase obligations primarily relate to the noncancelable portion of commitments related to our network infrastructure and annual employee meeting. We do not include obligations under contracts that we can cancel without significant penalty in the table above. Also included are the purchase prices of homes that we are under contract to purchase through Redfin Now but that have not yet closed. There were no such homes as of December 31, 2016.

Critical Accounting Policies and Estimates

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

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

Revenue Recognition

Revenue primarily consists of commissions and fees charged on each real estate transaction completed by us or our partner agents. We recognize commission-based brokerage revenue upon closing of a real estate transaction, net of any commission refund, closing-cost adjustment, commission discount or transaction fee adjustment. Partner revenue consists of fees earned by referring customers to partner agents. Partner revenue is earned and recognized when partner agents close a referred transaction, net of any refund provided to customers. Revenue earned from selling homes previously purchased by Redfin Now is recorded on a gross basis upon closing. There was no such revenue from home sales for all periods presented.

Revenue earned but not received is recorded as accrued revenue on the accompanying consolidated balance sheets. Fees and revenue from other services are recognized when the service is provided.

Stock-based Compensation

Stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense, net of estimated forfeitures, over the requisite service period, which is generally the vesting period of the respective award.

Determining the fair value of stock-based awards at the grant date is highly complex and subjective and requires significant judgment. We use the Black-Scholes-Merton option-pricing model to determine the fair value of stock options, the output of which is affected by a number of variables. These variables include the fair value of our common stock, our expected common stock price volatility over the expected life of the options, expected term of the stock option, risk-free interest rates and expected dividends, which are estimated as follows:

- *Fair Value of Our Common Stock*. The fair value of the shares of our common stock underlying stock options has historically been established by our board of directors with the assistance of an independent third-party valuation firm. Because there has been no public market for our common stock, our board of directors has relied on this independent valuation and other factors to establish the fair value of our common stock at the time of grant of the option.
- *Expected Life*. The expected term was estimated using the simplified method allowed under SEC guidance.
- *Volatility*. The expected stock price volatility for our common stock was estimated by taking the average historical price volatility for industry peers based on daily price observations. Industry peers consist of several public companies in the real estate brokerage and technology industries. In 2015, we changed the group of industry peers due to external mergers and acquisitions in the real estate industry.
- *Risk-Free Rate*. The risk-free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the options for each option group.

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- *Dividend Yield.* We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Consequently, we used an expected dividend yield of zero.

In addition to the assumptions used in the Black-Scholes-Merton option pricing model, we must also determine a forfeiture rate to calculate the stock-based compensation for awards. Through December 31, 2016, we recognized compensation for only the portion of options expected to vest using an estimated forfeiture rate that was derived from historical employee termination behavior. On January 1, 2017, we adopted Accounting Standards Update, or ASU, 2016-09 and elected to book forfeitures as they occur, using the modified retrospective approach through a cumulative-effect adjustment of \$552 to beginning accumulative deficit. The adoption of this guidance did not have a material impact on our financial position, results of operations or cash flows.

Valuation of Common Stock

Given the absence of a public trading market for our common stock, and in accordance with the American Institute of Certified Public Accountants Practice Guide, Valuation of Privately Held Company Equity Securities Issued as Compensation, our board of directors exercised reasonable judgment and considered numerous and subjective factors to determine the best estimate of fair value of our common stock, including the following:

- contemporaneous unrelated third-party valuations of our common stock;
- the prices at which we sold shares of our redeemable convertible preferred stock to outside investors in arm's-length transactions;
- the rights, preferences, and privileges of our redeemable convertible preferred stock relative to those of our common stock;
- our results of operations, financial position and capital resources;
- current business conditions and projections;
- the lack of marketability of our common stock;
- the hiring of key personnel and the experience of our management;
- the fact that the option grants involve illiquid securities in a private company;
- the likelihood of achieving a liquidity event, such as an initial public offering or a sale of our company, given the prevailing market conditions;
- industry trends and competitive environment;
- trends in the U.S. residential real estate market; and
- overall economic indicators, including gross domestic product, employment, inflation, and interest rates.

We performed valuations of our common stock that took into account the factors described above and used a combination of valuation methods as deemed appropriate under the circumstances

applicable at the valuation date to determine our business enterprise value, or BEV, including the following approaches:

- The market approach estimates value based on a comparison of the subject company to comparable public companies in a similar line of business. To determine our peer group of companies, we considered a combination of public enterprises using Internet-based technology and incurring similar costs to deliver services and selected those that are similar in business operations, products, size, growth, financial performance, and geographic location. From the comparable companies, a representative market value multiple is determined, which is applied to the subject company's operating results to estimate the value of the subject company. The market value multiple was determined based on consideration of revenue multiples and earnings before interest, taxes, depreciation and amortization, or EBITDA, and gross margin to each of the companies' last 12-month revenue and the next fiscal year 12-month revenue. The multiples are calculated and then applied to the business being valued. The estimated value is then discounted by a non-marketability factor (discount for lack of marketability) due to the fact that stockholders of private companies do not have access to trading markets similar to those enjoyed by stockholders of public companies, which affects liquidity.
- The income approach estimates value based on the expectation of future cash flows that a company will generate over a discrete projection period, as well as for the terminal period. The projected free cash flows include earnings before interest and taxes, less taxes, plus depreciation and amortization, less capital expenditures plus an increase or decrease in working capital. These future cash flows are discounted to their present values using a discount rate derived from an analysis of the cost of capital of comparable publicly traded companies in similar lines of business as of each calculations date and is adjusted to reflect the risks inherent in our cash flows. In addition, we also consider an appropriate discount adjustment to recognize the lack of marketability due to being a private company.
- The prior sale of company stock approach estimates value by considering any prior arm's length sales of our equity. When considering prior sales of our equity, the valuation considers the size of the equity sale, the relationship of the parties involved in the transaction, the timing of the equity sale, and our financial condition at the time of the sale.

Once the equity value is determined, one of the following methods was used to allocate the BEV to each of our classes of stock: (1) the option pricing method, or OPM; (2) a probability weighted expected return method, or PWERM; (3) the current value method, or CVM; or (4) the hybrid method, which is a hybrid between the OPM, PWERM or CVM methods.

The OPM treats common stock and preferred stock as call options on a business, with exercise prices based on the liquidation preference of the preferred stock. Therefore, the common stock only has value if the funds available for distribution to the holders of common stock exceeds the value of the liquidation preference of the preferred stock at the time of a liquidity event, such as a merger, sale, or initial public offering, assuming the business has funds available to make a liquidation preference meaningful and collectible by stockholders. The common stock is modeled as a call option with a claim on the business at an exercise price equal to the remaining value immediately after the preferred stock is liquidated. The OPM uses the Black-Scholes-Merton option pricing model to price the call option.

The PWERM employs various market approach calculations depending upon the likelihood of various liquidation scenarios. For each of the various scenarios, an equity value is estimated and the rights and preferences for each stockholder class are considered to allocate the equity value to

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common shares. The common share value is then multiplied by a discount factor reflecting the calculated discount rate and the timing of the event. Lastly, the common share value is multiplied by an estimated probability for each scenario. The probability and timing of each scenario are based on discussions between our board of directors and our management team. Under the PWERM, the value of our common stock is based upon possible future exit events for our company.

The CVM allocates the enterprise value derived from one or more of the methods described above to the various series of a company's preferred stock based on their respective liquidation preferences or conversion values, in accordance with the terms of the prevailing certificate of incorporation, assuming that each class of stock takes the course of action that maximizes its return. The fundamental assumption of this method is that the manner in which each class of preferred stockholders will exercise its rights and achieve its return is determined based on the enterprise value as of the valuation date and not at some future date. Accordingly, depending upon the equity value and the nature and amount of the various liquidation preferences, preferred stockholders will participate in equity value allocation either as holders of preferred stock or, if conversion would provide them with better economic results, as holders of common stock. We utilized CVM to account for certain secondary transactions involving our common stock. Specifically, we considered pricing, investor participation, visibility of information between the parties, and the purpose and size of the transaction.

Following this offering, we will rely on the closing price of our common stock as reported by _____ on the date of grant to determine the fair value of our common stock.

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 consolidated financial statement and tax bases of assets and liabilities at the applicable enacted tax rates. We will establish a valuation allowance for deferred tax assets if it is more likely than not that these items will either expire before we are able to realize their benefit or that future deductibility is uncertain.

We believe that it is currently more likely than not that our deferred tax assets will not be realized and as such, we have recorded a full valuation allowance for these assets of \$38.3 million. We evaluate the likelihood of the ability to realize deferred tax assets in future periods on a quarterly basis, and when appropriate evidence indicates we would release our valuation allowance accordingly. The determination to provide a valuation allowance depends on the assessment 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 our historical operating losses, lack of taxable income, and accumulated deficit, we provided a full valuation allowance against the U.S. tax assets resulting from the tax loss and credits carried forward.

In addition, current tax laws impose substantial restrictions on the utilization of research and development credit and net operating loss, or NOL, carryforwards in the event of an ownership change, as defined by Internal Revenue Code Sections 382 and 383. Such an event, having occurred in the past or in the future, may significantly limit our ability to utilize our NOL carryforwards and research and development tax credit carryforwards. In the three months ended March 31, 2017, we completed a Section 382 study. The study determined that we underwent an ownership change in 2006. Due to the Section 382 limitation determined on the date of the ownership change in 2006, NOL and research and development tax credit carryforwards will be reduced by \$1,506 and \$32, respectively.

Off-Balance Sheet Arrangements

Since inception, we have not had any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for facilitating off-balance sheet arrangements or for another contractually narrow or limited purpose.

JOBS Act

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act, or JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act 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, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Quantitative and Qualitative Disclosures about Market Risk

The principal market risk we face is interest rate risk. We had cash, cash equivalents, and short-term investments of \$87.3 million as of December 31, 2015 and \$65.8 million as of December 31, 2016. We held cash, cash equivalents, and short-term investments of \$38.0 million as of March 31, 2017. The goals of our investment policy are liquidity and capital preservation. We do not enter into investments for trading or speculative purposes. Our investment policy allows us to maintain a portfolio of cash equivalents and investments in a variety of securities, including U.S. government treasury and agency issues, bank certificates of deposit that are 100% Federal Deposit Insurance Corporation insured, and SEC-registered money market funds that consist of a minimum of \$1 billion in assets and meet the above requirements. We believe that we do not have any material exposure to changes in the fair value of these assets as a result of changes in interest rates due to the short term nature of our cash, cash equivalents and short-term investments. Declines in interest rates, however, would reduce future investment income. A 100 basis-point decline in interest rates, occurring January 1, 2016 and sustained throughout the fourth quarter of 2016, would not have been material.

We do not currently have any operations outside of the United States and, as a result, we do not face significant risk with respect to foreign currency exchange rates.

Recent Accounting Standards

For information on recent accounting standards, see Note 1 to our consolidated financial statements included elsewhere in this prospectus.

BUSINESS

Overview

Redfin is a technology-powered residential real estate brokerage. We represent people buying and selling homes in over 80 markets throughout the United States. Our mission is to redefine real estate in the consumer's favor.

Our strategy is simple. In a commission-driven industry, we put the customer first. We do this by pairing our own agents with our own technology to create a service that is faster, better, and costs less. We meet customers through our listings-search website and mobile application, reducing the marketing costs that can keep fees high. We let homebuyers schedule home tours with a few taps of a mobile-phone button, so it's easy to try our service. We create an immersive online experience for every Redfin-listed home and then promote that listing to more buyers than any traditional brokerage can reach through its own website. We use machine learning to recommend better listings than any customer could find on her own. And we pay Redfin lead agents based in part on customer satisfaction, not just commission, so we're on the customer's side.

Our efficiency results in savings that we share with our customers. Our homebuyers saved on average approximately \$3,500 per transaction in 2016. And we charge most home sellers a commission of 1% to 1.5%, compared to the 2.5% to 3% typically charged by traditional brokerages.

The results of our customer-first approach are clear. We:

- helped customers buy or sell more than 75,000 homes worth more than \$40 billion;
- gained market share in 81 of our 84 markets from 2015 to 2016;
- drew more than 15 million monthly average visitors to our website and mobile application in 2016, 39% more than in 2015, making us the fastest-growing top-10 real estate website;
- earned a Net Promoter Score, a measure of customer satisfaction, that is 50% higher than competing brokerages', and a customer repeat rate that is 37% higher than competing brokerages';
- sold Redfin-listed homes for approximately \$3,000 more on average compared to the list price than competing brokerages' listings in 2016; and
- employed lead agents who, in 2016, were on average three times more productive, and earned on average twice as much money as agents at competing brokerages; our lead agents were also 44% more likely to stay with us from 2015 to 2016 than agents at competing brokerages.

And we're just getting started. Because we're one of the only major brokerages building virtually all of our own brokerage software, our gains in efficiency, speed, and quality are proprietary. Because our leadership and engineering teams have come from the technology industry, and have structured the business to invest in software development, we believe those software-driven gains are likely to grow over time. And finally, because we hire our own lead agents as employees, we can set data-driven best practices for selling homes, with our software tailored to those practices, creating a positive feedback loop between software and operational innovations that we believe differentiates us from traditional brokerages. Moreover, we believe listing more homes and drawing more homebuyers to our website and mobile application will let us pair homebuyers and home sellers directly online over time, further improving our service and lowering our costs.

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Our growth has been significant. For the three months ended March 31, 2016 and 2017, we generated revenue of \$41.6 million and \$59.9 million, respectively, representing year-over-year growth of 44%. For the three months ended March 31, 2016 and 2017, we generated net losses of \$24.3 million and \$28.1 million, respectively.

For the years ended December 31, 2014, 2015, and 2016, we generated revenue of \$125.4 million, \$187.3 million, and \$267.2 million, respectively, representing annual growth of 37%, 49%, and 43%, respectively. We generated net losses of \$24.7 million, \$30.2 million, and \$22.5 million for the years ended December 31, 2014, 2015, and 2016, respectively.

Real Estate Industry

In 2016, housing represented more than 25% of total investment dollars in the United States. NAR estimated that the aggregate value of existing U.S. home sales was approximately \$1.5 trillion in 2016 from approximately 5.5 million total transactions. We estimate consumers paid more than \$75 billion in commissions in 2016 for these transactions.

Highly Fragmented

The residential brokerage industry is highly fragmented. There are an estimated 2,000,000 active licensed agents and over 86,000 real estate brokerages in the United States, many operating through franchises or as small local brokerages. Traditional brokerages engage agents as independent contractors. This model limits these brokerages' ability to tell agents how much to charge, what technology to use, and how to treat customers. And most residential brokerages buy disparate technologies rather than build their own.

Our goal is to build the first large-scale brokerage that stands apart in consumers' minds for delivering a unique and consistent customer experience, where the value is in our brokerage and its technologies, not just a personal relationship with one agent.

Commission-Driven Compensation

Traditional real estate agents earn commissions based on a home's sale price, with no direct consideration for customer satisfaction or service quality.

We pay our lead agents a bonus based in part on customer satisfaction, not just commission. We do this to make our lead agents accountable not just for any sale, but for a sale on terms that satisfy our customer. We believe this supports a more trusting relationship between our customers and our lead agents, giving customers the space to make better decisions, and the confidence to rely on our advice.

High Customer-Acquisition Costs

U.S. worker productivity has increased approximately 37% since 1999, but real estate agent productivity has fallen nearly 31% on average over the same period, in part because of increases in the number of real estate agents, which leads to more competition to find customers. Traditional real estate agents spend significant amounts of time and money prospecting for customers through traditional advertising channels and networking activities.

We believe that the Internet is more efficient at connecting consumers with agents than the prospecting activities of most agents, and that this efficiency gain can benefit the consumer most when a website is operated by the brokerage representing that consumer in a purchase or sale.

Market Trends

We believe the following trends show that consumers prefer a technology-powered real estate brokerage like Redfin.

A Changing Consumer

Residential real estate consumers increasingly want fast service and low fees. Since 2011, the percentage of Redfin home-tour requests received with less than 24 hours' notice increased from 39% to 51%. According to a study we commissioned, 57% of people who successfully sold a home in 2016 asked their agent for a lower commission.

More Consumers Go Online to Find and Purchase Homes and Select Agents

Homebuyers increasingly go online to find homes for sale. According to a 2016 study by NAR, more than half of homebuyers found their home online and 86% identified websites as the most useful information source. According to a 2016 study we commissioned, one in five homebuyers made an offer on a home they had not seen in person.

Consumers also choose their agent online. While 33% of homebuyers find an agent through referrals, nearly that many, 26%, are finding an agent online.

Shift to Mobile

Mobile devices are increasingly popular in the homebuying process. According to a 2016 NAR survey, 72% of homebuyers in 2015 used a mobile device to find their home, up from 61% in 2014 and 45% in 2013. The same study found that 58% of homebuyers found the home they purchased from browsing on a mobile application.

New Technologies Emerging

In a 2016 NAR survey, 48% of respondents from various residential brokerages indicated that "keeping up with technology" would be their biggest challenge over the next two years. Forty-six percent saw competition from online firms increasing, and 43% expected competition from non-traditional firms to increase in the next year.

How We Win

Next-Generation Technologies

From stocks to books to lodging, technology has made it easier, faster, and less expensive to buy almost everything in our lives except the most important thing: our home.

To solve this problem, Redfin uses a wide range of next-generation technologies. We invented map-based real estate search. We use machine learning and artificial intelligence to answer customers' most important questions about where to live, how much a home is worth, and when to move. We draw on cloud computing to perform computationally intensive comparisons of homes at a scale that would otherwise be cost prohibitive. We use streaming technologies to quickly notify customers about a listing. And we embrace new hardware, such as three-dimensional scanning cameras that let potential homebuyers walk through the property online.

The goal of all of these technologies is to empower our customers and increase our agents' productivity. This leads to consistently better customer service at a lower cost. We pass the resulting savings to our customers.

Comprehensive Listings Data

As a brokerage, Redfin has complete access to all the homes listed for sale in the local multiple listing services, or MLSs, in the markets we serve. MLSs are used by real estate agents to list properties and coordinate sales. Although websites that do not operate a brokerage often have access to these MLSs, the terms of their access vary widely. As a result, brokerage websites often get more listings from MLSs, or more detail about each listing, than other websites.

Access to this extensive data, paired with local knowledge, lets us give our customers what we believe to be the most comprehensive information on homes for sale.

Additionally, our streaming architecture is designed to recommend listings to our customers by mobile alert or email soon after these listings appear in the MLS. These advantages in loading listings data and quickly notifying consumers come not just at the listing debut in the MLS, but in recognizing when a price changes or a home sells. For over 80% of these listings, we can show the listing on our website and mobile application within five minutes of its debut in the MLS.

When we represent home sellers, we capture even more data about their properties, including an interactive three-dimensional scan; and in certain markets, we can also post our own listings to our website and mobile application days before those listings appear on any other website.

In 2016, we were the fastest growing top-10 real estate website. In 2016, we had the most monthly average visitors of any residential brokerage website, with more than twice as many as the second-most popular residential brokerage website. Monthly average visitors to our website and mobile application grew 39% from 2015 to 2016.

Machine Learning

Redfin Listing Recommendations

Knowing which listings customers visit online, tour in person, or ultimately make an offer on lets our algorithms make better listing recommendations, further enhanced through curation by our lead agents. These Redfin listing recommendations are one part of our strategy to increase the revenue generated from online visitors by personalizing our website and our service to keep customers engaged with Redfin from their first visit to a closing.

Redfin Estimate

Our access to detailed data about every MLS listing in markets we serve has helped us build what we believe is the most accurate automated home-valuation tool. According to a 2017 study we commissioned, among industry-leading websites that display valuations for active listings, 64% of the listings for which we provided a public valuation estimate sold within 3% of that estimate, compared to only 29% and 16% of the public estimates for the two other websites in the study. Our proprietary *Redfin Estimate* is fundamental technology that draws visitors to our website, then entices them to subscribe to a monthly home report with updates on changes to their home's value. The *Redfin Estimate* supports our sellers' agents in consultations with homeowners, our buyers' agents in guiding buyers on what to pay for a home, and our marketing teams in deciding which homeowners to target for a listing consultation.

Redfin Hot Homes

This proprietary algorithm identifies the homes we believe are most likely to sell quickly. Coupling Redfin *Hot Homes* alerts with on-demand tours, as well as data we're collecting about offer

deadlines, is part of our strategy to give our customers a first-mover advantage in pursuing the most desirable homes for sale.

We believe that our approach to data science and machine learning will continue to yield other insights, about the customers most likely to complete a transaction, about the key moments for offering service to online visitors we hope to convert into customers, and even about which homes will be harder or easier to sell, so we can optimize our fees and set customer expectations.

On-Demand Service

Customers place a premium on speed. When we offer online visitors faster service, more try that service. Delivering this speed depends on seamless integration between our technology and service—to get customers into homes first, to prepare an offer first, to be able to win the deal, and to close without a hitch. Tracking every digital customer interaction and working in teams lets us provide fast, consistently high-quality service.

With a few taps of a mobile-phone button, a Redfin homebuyer can schedule home tours quickly. To schedule a tour instantly and automatically, we first show the buyer online a wide range of homes for sale. Once the buyer chooses the homes she wants to see, we review lead agent availability, location, areas of expertise, and past interactions with that buyer, data that is easier for us to track because we store customer interactions with our agents in one central system, and ask our lead agents as employees to work during times of peak demand. Next, we confirm that each home is available to show at the requested time, communicating with the listing agent programmatically or through a phone call.

Finally, we determine the optimal order in which to visit each home, allocating enough time to drive or walk from one to the next. Because on-demand service depends on different lead agents being available at different times, everyone on a local Redfin team can see all of the customer's online and brokerage activities to learn about the customer prior to the tour. Every team member also can update this system through mobile tools during and after the tour so we can follow up with more detail about a home of interest, different listing recommendations, or an on-the-spot offer. The entire solution depends on a listings search website, a customer database, a team structure, and a mobile capability that few brokerages can deliver.

Teams and Tools

We believe that our ability to deliver better, faster service at lower cost depends not only on our ongoing software development, but also on organizing employees into teams using that software to respond faster than most individual agents could, without stepping on one another's toes or worrying about poaching the customer from another agent.

Teams of Employee Agents

Our lead agents are responsible for each customer's success and are the customer's primary point of contact. A lead agent typically meets the customer on a first tour or listing consultation and works with that customer throughout the buying or selling process. She is assisted by support agents for responding to initial online inquiries, by marketing assistants for getting a home photographed and promoted online and in printed fliers, and by transaction coordinators for closing paperwork.

Our entire team of employees follows processes and uses software developed by Redfin to ensure consistent, high-quality service, based on data-driven insights about how to schedule tours, when to check in with customers, and how to price a home.

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Flexible Network of Independent Associate Agents

We also contract with independent associate agents to create a flexible network of licensed real estate agents to deliver faster service for customer tours, open houses, and inspections.

Redfin Agent Tools

Because customers use our website and mobile application for their home search, and often go online to schedule tours, ask questions, review traffic to their listing, or start offers, we do not depend, as many competing brokerages do, on agents manually logging every customer interaction. Our proprietary *Redfin Agent Tools* automatically captures information on millions of customer interactions every year, and provides templates for our lead agents to recommend listings, follow up on tours, prepare comparative market analyses, and write offers. Our employee agents can access *Redfin Agent Tools* on their mobile device, so we can serve customers better and faster, even when our agents are in the field rather than at their desks. This is why a Redfin team can work together to deliver personal service to a large number of customers, with an agent using the system to learn, for example, that one customer is only interested in homes without stairs and another customer is looking for a home near a bus route.

Productive Agents

We believe our ability to meet customers through our website and mobile application has a profound effect not just on our economics but on our culture: our lead agents' primary responsibility is not generating new leads, but advising customers buying and selling homes. In 2016, our lead agents were on average three times more productive and earned on average twice as much money as agents at competing brokerages. High-performing agents also earned stock options and a celebratory trip to Barcelona.

About 60% of our lead agents were previously real estate agents, with the other 40% largely coming to us from customer-service industries like retail or hospitality. Data guides our hiring and management decisions, as we've analyzed which industry hires outperform those new to real estate and what level of prior experience is correlated with long tenure at our company. We measure agent performance in detail and give managers access to this data in real time, so we can quickly intervene when our customer service falls short.

Our lead agents were 44% more likely to stay with us from 2015 to 2016 than agents at competing brokerages.

Investment in Agents

The high productivity of our lead agents rationalizes an investment in equipment, management, training, and support staff that is unusual in the industry: we pay for all of our employee agents' equipment, dues, and marketing expenses, and provide training for each new hire, with a multi-week course for agents in our largest markets. Virtually every lead agent also receives support from transaction coordinators, support staff, marketing assistants, and local management. We believe that the combined effect of these investments is more productive lead agents and better customer service.

Redfin Partner Program

To serve customers when our own agents can't due to high demand or geographic limitations, we've developed partnerships with over 3,100 agents at other brokerages. Once we refer a customer to a partner agent, that agent, not us, represents the customer from the initial meeting through closing,

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at which point the agent pays us a portion of her commission as a referral fee. As part of our commitment to low fees, we directly issue the customer a \$500 check in connection with the purchase or sale of any home costing \$200,000 or more.

Rather than countering seasonal and cyclical changes in demand by recruiting a surplus of agents, we rely on partner agents to handle demand swings. We built our partner program so our lead agents can deliver consistently high-quality service at busy times, and so we can limit the effect of fixed expenses when demand falters. Anytime we have more customers than our lead agents can serve well, our website and mobile application refer those customers to our partners.

Each day, our website and mobile application make hundreds of thousands of decisions about whether customers are best served by a lead agent or a partner agent; our managers and executives meet weekly to calibrate this system based on our assessment of customer-satisfaction levels, hiring plans, monthly average visitors, and economic conditions. The data we gather comparing the customer satisfaction and close rates of our lead agents to partner agents also lets us benchmark our service quality from market to market.

Because the Redfin Partner Program is designed to ensure that every customer gets high-quality service, we require each partner agent to have completed at least five sales in the last 12 months, then subject the partner agent to a rigorous online and in-person screening process. We also survey customers who work with our partner agents, removing from the program partner agents who do not maintain high service levels.

Homebuyer Experience

We seek to provide every homebuyer with fast service, low fees, and an agent completely on that buyer's side. Our lead agents can join each homebuyer's online search, commenting on the buyer's favorite listings, answering questions, or recommending listings the buyer might have overlooked. With a few taps of a mobile-phone button, a Redfin homebuyer can schedule home tours before many buyers even realize these homes are for sale. Our lead agent hosting the tour earns bonuses based on customer reviews, not just commissions, encouraging the candor customers need to make the best decision about which home to buy.

We recently introduced an instant-offer capability in selected markets: on the front steps of a listing the customer likes, our lead agent uses our technology to draft an offer from her phone in minutes, with the goal of beating competing homebuyers to the punch. During the inspections and appraisals, we track contracts and tasks in an online deal room to keep the closing on schedule.

Home Seller Experience

We seek to give every home seller honest advice on how to price her property; the best marketing, primarily online; and the lowest fees. Our industry-leading algorithms for calculating what a home is worth lead to a better pricing recommendation in the initial consultation. We believe this is one reason Redfin listings sell for more relative to the list price than other brokers', and are more likely to sell in the first 90 days on market.

A homeowner can see our lead agents' nearby sales paired with customer reviews to decide whether we have the local expertise to sell her home. When we prepare a home for sale, we film an interactive, three-dimensional virtual scan of the home that lets potential homebuyers walk through the property online, boosting its appeal to out-of-town buyers.

To increase demand, we promote each Redfin listing on our website and mobile application. Our website has more than double the visits of any competing brokerage website. We drive additional

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demand through targeted email as well as other channels like Facebook, using advanced algorithms to promote the listing to the right homebuyers. We also share the listing with every major real estate website. An online dashboard tracks traffic to the listing and an iPad application registers in-person visits to open houses, so our home sellers make better decisions about pricing, marketing, and offer negotiations.

We believe listing more homes and drawing more homebuyers to our website and mobile application will let us pair homebuyers and home sellers directly online over time, further improving our service and lowering our costs.

Our Value Proposition

Customers Get Better Service

Our Net Promoter Score is 60, compared to the industry average of 40, as measured by a study we commissioned in June 2016.

Measurable Results

Redfin listings were on the market for an average of 30 days in 2016 compared to the industry average of 36 days according to a study we commissioned. And over 74% of Redfin listings sold within 90 days versus the industry average of approximately 70% according to the same study.

Customers Save Money

We give homebuyers a portion of the commissions that we earn. We typically earn 2.5% to 3% of a home's value for representing a homebuyer, and we contributed an average of approximately \$3,500 per transaction through a commission refund or a closing-cost reduction in 2016. We returned a total of approximately \$62.4 million to customers in commission refunds or closing-cost reductions in 2016. The commission refund or closing-cost reduction depends on the home's value and lender approval, and some states prohibit commission refunds altogether.

Consumers selling a home with a traditional brokerage typically pay total commissions of 5% to 6% of the sale price, with 2.5% to 3% going to their agent and another 2.5% to 3% to the agent representing the buyer. Redfin home sellers typically pay only 1% to 1.5% of their home's sale price to us, depending on the market and subject to market-by-market minimums. So we can readily sell our listings to any homebuyer, including a buyer represented by a competing brokerage, we typically recommend that our home sellers still offer a 2.5% to 3% commission to the buyer's agent. As a result, we typically save our home sellers 1% to 2% of the total sales prices on average listing fees.

In late 2014, we lowered our home seller commission from 1.5% to 1% in Washington, D.C., Virginia, and Maryland. Seeing accelerating share gain in those markets, we rolled out 1% listing fees in Seattle, Chicago, and Denver in late 2016.

Our Markets

We operate in 84 markets across 37 states and Washington, D.C. These markets cover approximately 70% of the United States by population. For 2016, we had 0.5% of U.S. market share, representing a 61% increase from 2014 and a 22% increase from 2015. We measure U.S. market share using transaction-volume data from NAR, and we include the value of transactions completed by our partner agents for sales referred from our website and mobile application. As we further realize the benefits of increasing scale, we'll evaluate new markets to enter.

Growth Strategies

Grow Share in Existing Markets

We have a strong track record of gaining share across nearly all of our markets, including the markets open more than a decade. We have studied cohorts of our markets opened in similar time frames. We have gained market share, increased real estate revenue, and increased real estate gross margin in all of the cohorts in each of the years studied. Our year-to-year market share gains have been largely consistent across cohorts.

As we gain local market share, our service gets even better. By doing more transactions in a smaller area, agents increase their local knowledge. We capture more customer-interaction data, powering analytics such as our listing recommendation engine. Potential customers see our yard signs more often and hear from other customers about our service. We believe these factors fuel further market share gains.

We believe listing share lets us provide better online search results, because we post Redfin listings to our website first in many markets, with exclusive photos about each listing. We further believe that as we gain share, more homebuyers will want to work with us to gain access to our listings, and we'll get more listings from home sellers seeking access to our homebuyers. As this flywheel starts turning, we plan to invest more to connect homebuyers and home sellers directly.

We believe transactions from our repeat customers will continue to play a larger role in our market share gains. According to NAR, homeowners sell their homes every nine years on average, suggesting that repeat business takes a long time to build. At Redfin, we're now seeing our customers come back to sell a home we helped them buy many years before. The rate at which our customers return to us for another transaction is 37% higher than the industry average. With tens of thousands of new customers each year, and higher rates of customer satisfaction, we believe we can drive future share gains as those customers choose to work with us again.

Offer a Complete Solution

We're continuously evaluating and introducing new services to become an end-to-end solution for customers buying and selling a home.

Title and Mortgage Services

Our experience with Title Forward, our title and settlement business, demonstrates that many Redfin customers are open to buying more services from us. In 2016, in the six states where Title Forward operated, 56% of our homebuyers also chose our title and settlement service. In the first quarter of 2017, we began originating and underwriting loans through Redfin Mortgage. Our goal is to build technology for Redfin Mortgage that will ultimately support a completely digital closing, leading to efficiency gains for our brokerage, title, and mortgage businesses. For more information on Redfin Mortgage, please see "—Redfin Mortgage Operations."

Redfin Now

In the first quarter of 2017, we began offering an experimental new service called Redfin Now, where we buy homes directly from home sellers. Customers who sell through Redfin Now will typically get less money for their home than they would listing their home with a real estate agent, but get that money faster with less risk and fuss. We believe our industry-leading algorithms for calculating what a home is worth will limit the risk that the price we pay a Redfin Now customer for her home is below the

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price we charge a new buyer for that home. And we believe our ability to reach more than 20 million monthly average visitors through our website and mobile application, coupled with our network of Redfin buyers, will let us effectively resell the homes we purchase through Redfin Now.

We currently offer Redfin Now to a limited number of customers in two markets. We intend to evaluate the results of the Redfin Now test to determine if we should expand the service to more markets. There was no revenue from Redfin Now home sales for all periods presented.

Our Culture of Service and Thrift

Service is fundamental to our “everyone-sweeps-the-floors” culture: our executives serve our employees, and our employees serve our customers. As part of this humility, we recognize that everyone can be a leader. An agent can imagine better software; an engineer can imagine better service. The only way we can use technology to make real estate better is by working together, in a way we believe that few pure technology or pure service companies can.

Another tenet of our culture is thrift. We may be a next-generation real estate brokerage, but we’re old-fashioned about stockholder value. We continued to grow through the darkness of the 2008 real estate crisis as we fought to make a margin-sensitive, headcount-intensive business work with the resources we had. Next week, next year, some day, that darkness will return, and we believe that our formative experiences will make us better prepared for it than others.

This has long been known at Redfin as a “rabid squirrel” state of mind. We often remind ourselves that every employee is paid by the sweat of a real estate agent’s brow. It’s the way we always want to be.

Our Employees

As of March 31, 2017, we had a total of 2,033 employees, of which 2,000 were full-time employees. 19.1 percent of our total employees were located at our headquarters in Seattle, Washington.

Marketing

Because we serve customers from their first online visit until the closing, we know how much we can afford to spend to meet a customer and which marketing channels provide the best returns on investment. With potential customers sometimes hopping between websites and different individual real estate agents over a year or more during a home search—and as often deciding against a move—it’s easy for an advertiser to lose track of who actually closes.

We analyze billions of interactions from customers and potential customers in our databases. We can pay more for one particular Facebook ad if we have determined that the people who click on it are extremely likely to buy a home. We can remove a marketing campaign from our own website that leads to more consumers contacting our agents, but fewer actual sales. At any given moment, we’re running over a hundred experiments on our website and mobile tools, with many more experiments running on third-party channels, to identify the most effective advertising.

We apply this data-driven approach to decisions about which pages to optimize for search engine traffic, what combination of email messages drives the most sales, and which moments in a TV commercial inspire the strongest consumer response.

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The goal of this data-driven approach to marketing is a formula for driving increased customer awareness in a cost-effective manner through both digital and traditional advertising channels:

- *Search engine optimization.* Our engineering teams constantly upgrade our website content and performance so that top-trafficked search engines find and rank our results for properties, neighborhoods, and regions. We believe this improves the customer experience and our ranking on high-traffic search engines.
- *Targeted-email campaigns.* We run targeted-email campaigns to connect with customers. These email campaigns, powered by machine learning, recommend relevant new listings to homebuyers and home sellers at what we believe are key moments throughout their interactions with us.
- *Paid-search advertising.* We advertise with top-trafficked search engines, regularly adjusting our bidding on key words and phrases, and modifying campaigns based on results.
- *Social media marketing.* We purchase targeted ads on social media networks such as Facebook and Twitter to generate traffic for our listings and attract new customers.
- *Traditional media.* We market through a mix of traditional media, including TV, radio, and direct mailings. We've been advertising on TV since 2014, and we continue to invest in TV advertising.

Technology Development

We build almost all of our own software, with more than 150 engineers and product managers based in Seattle and San Francisco. The audience for our software includes consumers visiting our website and our mobile application, customers of our brokerage, of Redfin Mortgage, and of Title Forward, as well as our real estate teams and our partner agents.

Our focus is on software that makes real estate fundamentally more efficient, and we believe our competitive advantage is a deeper understanding of how real estate works, gained by working with our lead agents and transaction coordinators. Lead agents and support teams participate in the development of our brokerage software, including for scheduling tours, preparing offers, pricing homes, chatting with customers, and monitoring the closing process.

Our obsession with efficiency extends beyond real estate to our own software development practices. We aim to hire a relatively small number of deeply technical engineers who understand that every expense matters. We have engineers dedicated to building software that makes the rest of our engineers more productive. And we measure the results of every major software project, eliminating features that do not make a difference to our customers or agents so as to avoid maintenance costs over time.

We contract with third-party software developers on a limited basis for specific projects. Our primary website servers operate from a co-location facility in Seattle, Washington, and we use a variety of third-party cloud-based software and services.

For 2015, 2016, and the three months ended March 31, 2017, technology and development expenses were 15%, 13%, and 16% of revenue, respectively.

Competition

The residential brokerage industry is highly fragmented. There are an estimated 2,000,000 active licensed agents and over 86,000 real estate brokerages in the United States. We face intense competition nationally and in each of the markets we serve. We compete primarily against other residential real estate brokerages, which include franchise operations affiliated with national or local brands, and small independent brokerages. We also compete with a growing number of Internet-based brokerages and others who operate with novel business models. Competition is particularly intense in some of the densely populated metropolitan markets we serve, as they are dominated by entrenched real estate brokerages with potentially greater financial resources, superior local referral networks, name recognition and perceived local knowledge and expertise. We also compete for traffic against online real estate data websites that aggregate listings and sell advertising to traditional brokers.

Our industry has evolved rapidly in recent years in response to technological advancements, changing customer preferences, and new offerings. We expect increasing competition from technology-enabled competitors, including new brokerages with technology-driven business models, as well as traditional brokerages that acquire or build businesses or technology to enhance their offerings.

We believe we compete primarily based on:

- access to timely, accurate data about homes for sale;
- traffic to our website and mobile application;
- the speed and quality of our service, including agent responsiveness and local knowledge;
- our ability to hire and retain agents who deliver the best customer service;
- the costs of delivering our service and the price of our service to consumers;
- consumer awareness of our service and the effectiveness of our marketing efforts;
- technological innovation; and
- depth and breadth of local referral networks.

We believe that our customer-focused values and technology differentiate us from our competitors and that we compete favorably with respect to the factors above.

Redfin Mortgage Operations

In the first quarter of 2017, we began originating and underwriting mortgage loans to customers in Texas through Redfin Mortgage, a wholly owned subsidiary. Redfin Mortgage funds its loans using a \$10.0 million warehouse credit facility. Funding of each loan is at the warehouse lender's discretion, and the warehouse lender takes a security interest in each loan. Redfin Mortgage may be required to repurchase the warehouse lender's entire interest if the mortgage loan is not sold to a third party after a specified deadline. Redfin guarantees Redfin Mortgage's obligations under the warehouse facility, and along with Redfin Mortgage, is required to meet certain financial and operating conditions for the duration of the facility.

Redfin Mortgage intends to sell every loan to third-party investors pursuant to one of three existing correspondent relationships. Redfin Mortgage does not intend to retain or service any loans.

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Redfin Mortgage intends to offer conventional conforming and jumbo loans, with both fixed and adjustable interest rate products available. Redfin Mortgage intends to offer loans to customers who are making down payments of less than 20% of the purchase price for which mortgage insurance will be required.

Redfin Mortgage assesses potential borrowers' creditworthiness according to investor and agency guidelines, including the borrower's credit score, income, and asset and liability ratios. Redfin Mortgage does not intend to perform ongoing assessment of credit quality once the loans have been sold to third-party financial institutions. Redfin Mortgage currently accepts applications from customers in Texas, however we may expand to additional states in the future.

Regulatory Matters

We are subject to a wide variety of laws, rules, and regulations enforced by both governments and private organizations. Many of these rules and regulations are constantly evolving. If we are unable to comply with them, we could be subject to civil and criminal liabilities, revocation, or suspension of our licenses or other adverse actions. We may also be required to modify or discontinue some or all of our offerings, and our ability to grow our business and our reputation may be harmed. See "Risk Factors" for a discussion of our regulatory risks.

Brokerage Service Regulation

Brokerage businesses are primarily regulated at the state level by agencies dedicated to real estate matters or professional services.

State Regulation

Real estate brokerage licensing laws vary widely from state to state. Generally all individuals and entities acting as real estate brokers or salespersons must be licensed in each state where they operate. Licensed agents must be affiliated with a broker to engage in licensed real estate brokerage activities. Generally, a corporation must obtain a corporate real estate broker license, although in some states the licenses are personal to individual brokers. The broker in all states must actively supervise the individual licensees and the corporation's brokerage activities within the state. All licensed market participants, whether individuals or entities, must follow the state's real estate licensing laws and regulations. These laws and regulations generally detail minimum duties, obligations, and standards of conduct, including requirements related to contracts, disclosures, record-keeping, local offices, trust fund handling, agency representation, advertising regulations, and fair housing. In each of the states and Washington, D.C., where our operations so require, we have designated a properly licensed broker and, where required, we also hold a corporate real estate broker's license.

Federal Regulation

Several federal laws and regulations govern the real estate brokerage business, including federal fair housing laws such as the Real Estate Settlement Procedures Act of 1974, or RESPA, and the Fair Housing Act of 1968, or FHA.

RESPA restricts kickbacks or referral fees that real estate settlement service providers such as real estate brokers, title and closing service providers, and mortgage lenders may pay or receive in connection with the referral of settlement services. RESPA also requires certain disclosures regarding certain relationships or financial interests among providers of real estate settlement services. RESPA provides a number of exceptions that allow for payments or splits between service providers, including market-rate compensation for services actually provided.

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RESPA is administered by the Consumer Financial Protection Bureau, or CFPB. The CFPB has applied a strict interpretation of RESPA and related regulations and often enforces these regulations in administrative proceedings. Consequently, industry participants have modified or terminated a variety of business practices to avoid the risk of protracted and costly litigation or regulatory enforcement.

The FHA prohibits discrimination in the purchase or sale of homes. The FHA applies to real estate agents and mortgage lenders, among others. The FHA prohibits expressing any preference or discrimination based on race, religion, sex, handicap, and certain other protected characteristics. The FHA also applies broadly to many forms of advertising and communications, including MLS listings and insights about home listings.

Local Regulation

In addition to state and federal regulations, residential transactions may also be subject to local regulations. These local regulations generally require additional disclosures by parties or agents in a residential real estate transaction, or the receipt of reports or certifications, often from the local governmental authority, prior to the closing or settlement of a real estate transaction.

MLS Rules

We are also subject to rules, policies, data licenses, and terms of service established by over 130 MLSs of which we are a participant. These rules, policies, data licenses, and terms of service specify, among other things, how we may access and use MLS data and how MLS data must be displayed on our website and mobile application. The rules of each MLS to which we belong can vary widely and are complex. NAR, as well as state and local associations of REALTORS®, also have codes of ethics and rules governing members' actions in dealings with other members, clients, and the public. We must comply with these codes of ethics and rules as a result of our membership in these organizations.

Title Service Regulation

Many states license and regulate title agencies or settlement service providers, their employees and underwriters. In many states, title insurance rates are either state-regulated or are required to be filed with each state by the agent or underwriter, and some states regulate the split of title insurance premiums between the agent and the underwriter. States also require title agencies and title underwriters to meet certain minimum financial requirements for net worth and working capital.

Mortgage Products and Services Regulation

Our mortgage business is subject to extensive federal, state, and local laws and regulations. Mortgage products are regulated at the state level by licensing authorities and administrative agencies, with additional oversight from the CFPB. We are required to obtain licensure as a mortgage banker or lender pursuant to applicable state law, and we are currently licensed, or are exempt or are otherwise not required to be licensed, to originate mortgage loans in Washington and Texas only.

The federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008 requires all states to enact laws requiring individuals acting as mortgage loan originators to be individually licensed or registered. In addition to licensing requirements, we must also comply with numerous federal consumer protection laws, including, among others, the Fair Debt Collection Practices Act, Truth in Lending Act, Fair Credit Reporting Act, Equal Credit Opportunity Act, Homeowners Protection Act, Home Mortgage Disclosure Act, National Flood Insurance Reform Act of 1994, and the FHA.

Privacy and Consumer Protection Regulation

We are subject to a variety of federal and state laws relating to our collection, use, and disclosure of data collected from our website and mobile users. Additionally, we are subject to regulations relating to the manner and circumstances under which we or third parties may market and advertise our products and services to customers, such as “Do Not Email” laws, U.S. Federal Trade Commission regulations and other state and federal laws regarding data protection and retention, privacy, advertising, unfair or deceptive acts or practices, and consumer protection, which are continuously evolving.

Labor Regulation

We are subject to federal and state regulations relating to our employment and compensation practices. We retain third-party licensed sales associates as associate agents, whom we classify as independent contractors. Independent contractor classification is subject to a number of federal and state laws. See “—Legal Proceedings” for a discussion of three lawsuits, each of which includes class and/or representative claims, filed by former third-party licensed sales associates against us, alleging that they were improperly classified as independent contractors.

Intellectual Property

We rely on a combination of patents, trademarks, and trade secrets, as well as contractual provisions and restrictions, to protect our intellectual property. As of March 31, 2017, we owned nine U.S. patents, which expire between 2026 and 2034, and had 16 U.S. patent applications and one Canadian patent application. These patents and patent applications seek to protect proprietary inventions relevant to our business. While we believe our patents and patent applications in the aggregate are important to our competitive position, no single patent or patent application is material to us as a whole. We intend to pursue additional patent protection to the extent we believe it would be beneficial and cost effective.

As of March 31, 2017, we owned 18 U.S. and two Canadian trademark registrations, including “Redfin,” “Walk Score,” “Title Forward” and related logos and designs. We also own three pending trademark applications, including “Redfin Estimate,” and several domain names including “Redfin,” “WalkScore,” our other trademarks, and similar variations.

We rely on trade secrets and confidential information to develop and maintain our competitive position. We seek to protect our trade secrets and confidential information through a variety of methods, including confidentiality agreements with employees, third parties, and others who may have access to our proprietary information. We also require employees to sign invention assignment agreements with respect to inventions arising from their employment, and strictly control access to our proprietary technology.

Facilities

We lease all of our facilities. Our principal executive office is in Seattle, Washington. The facility currently consists of approximately 84,000 square feet of space, and will expand to a total of approximately 113,000 square feet of space in January 2019. Our current lease, entered into in May 2016, expires in August 2027 with two options to extend the lease for an additional seven years each.

We also lease additional office space in Arizona, California, Colorado, Florida, Georgia, Illinois, Kentucky, Maryland, Massachusetts, Missouri, Nebraska, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Texas, Virginia, Washington, and Washington, D.C. We

intend to procure additional space in the future as we continue to add employees and expand our business. We believe our facilities are adequate and suitable for our current needs and that, should it be needed, suitable additional or alternative space will be available to accommodate our operations.

Legal Proceedings

From time to time we are involved in litigation, claims, and other proceedings relating to the conduct of our business. Such litigation and other proceedings may include, but are not limited to, actions relating to employment law and misclassification, intellectual property, commercial arrangements, brokerage or real estate disputes, and vicarious liability based upon conduct of individuals or entities outside of our control including partner agents. Litigation and other disputes are inherently unpredictable and subject to substantial uncertainties and unfavorable resolutions could occur. Often these cases raise complex factual and legal issues, which are subject to risks and uncertainties and could require significant management time and resources. Litigation and regulatory proceedings could result in unexpected expenses and liabilities, and could materially adversely affect our reputation and results of operations. Other than with respect to the matters described below, we are not presently a party to any legal proceedings that in the opinion of management, if determined adversely to us, would individually or taken together reasonably be expected to result in a material loss.

Misclassification

In 2013, third-party licensed sales associates filed three lawsuits against us in the Superior Court of the State of California. Two of the actions, which are pled as “class actions,” were removed to and are now pending in the Northern District of California. One of these cases also includes representative claims under California’s Private Attorney General Act, Labor Code section 2698 et seq, or PAGA. The third action is pending in the Los Angeles County Superior Court and asserts representative claims under PAGA. All three complaints allege that the plaintiffs and other licensed sales associates in California should be classified as employees instead of independent contractors. The claims vary from case to case, but generally seek compensation for unpaid wages, overtime, failure to provide meal and rest periods as well as reimbursement of business expenses. Each of these cases has been ordered to arbitration.

In March 2017, we entered into an agreement in principle to resolve these cases for an aggregate payment of \$1.8 million. The proposed settlement class includes all current and former third-party licensed sales associates engaged by Redfin from January 16, 2009, through April 29, 2017. We are currently negotiating a definitive settlement agreement that, if entered, will be subject to court approval.

MANAGEMENT

Executive Officers and Directors

The following table provides information regarding our executive officers and directors as of March 31, 2017.

Name	Age	Position(s)
<i>Executive Officers</i>		
Glenn Kelman	46	President, Chief Executive Officer and Director
Chris Nielsen	50	Chief Financial Officer
Bridget Frey	39	Chief Technology Officer
Scott Nagel	51	President of Real Estate Operations
Adam Wiener	38	Chief Growth Officer
<i>Non-Employee Directors</i>		
Robert Bass ⁽¹⁾	67	Director
Julie Bornstein	47	Director
Andrew Goldfarb	49	Director
Paul Goodrich	71	Director
Austin Ligon ⁽¹⁾	66	Director
Robert Mylod, Jr. ⁽¹⁾	50	Chairman of the Board
James Slavet	47	Director
Selina Tobaccowala	40	Director

(1) Member of the audit committee.

(2) Member of the compensation committee.

(3) Member of the nominating and corporate governance committee.

Executive Officers

Glenn Kelman has served as our President and Chief Executive Officer and as a member of our board of directors since March 2006 after serving in a number of executive-level roles since 2005. Before joining us, Mr. Kelman was the co-founder of Plumtree Software, Inc., a provider of enterprise portal software products, where he served as Vice President of Marketing and Product Management from 1997 to 2004. Mr. Kelman holds a B.A. in English from University of California, Berkeley. We believe that Mr. Kelman's deep understanding of our company and his real estate industry experience qualifies him to serve on our board of directors.

Chris Nielsen has served as our Chief Financial Officer since June 2013. Before joining us, Mr. Nielsen served as Chief Financial Officer and Chief Operating Officer at Zappos.com, an online shoe and clothing subsidiary of Amazon.com, Inc., from 2010 to June 2013. Prior to that, Mr. Nielsen served as Vice President, Home & Garden at Amazon.com, Inc., an electronic commerce and cloud computing company, from 2003 to 2010. Mr. Nielsen holds a B.S. in Industrial Engineering from Stanford University and an M.B.A from MIT Sloan School of Management.

Bridget Frey has served as our Chief Technology Officer since February 2015 and previously as our Senior Vice President, Engineering from September 2014 to February 2015. Ms. Frey joined us in June 2011 as Director of Analytics Engineering and also served as our Vice President, Seattle Engineering from April 2012 to September 2014. Before joining us, Ms. Frey held various positions at Lithium Technologies, Inc., a software company, from 2007 to 2011, including as Director of Analytics and Business Applications and a principal software engineer. Ms. Frey holds an A.B. in Computer Science from Harvard College.

Scott Nagel has served as our President of Real Estate Operations since April 2013 and previously as our Chief of Real Estate Operations from May 2012 to April 2013. Mr. Nagel joined us in

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2007 as Vice President of Real Estate. Before joining us, Mr. Nagel served as Managing Director at LexisNexis, a division of Reed Elsevier Inc., a provider of legal research services, from 2003 to 2007. Prior to that, Mr. Nagel also served as Director, Client Solutions Group at Applied Discovery, Inc., a provider of electronic discovery services, from 2000 to 2003. Mr. Nagel holds a B.A. in Political Science from the University of Washington and a J.D. from Seattle University School of Law.

Adam Wiener has served as our Chief Growth Officer since May 2015. Mr. Wiener joined us in 2007 and previously served in various positions of increasing leadership, including as Lead Product Manager; Director, Partner Programs and New Products; Vice President, Analytics and New Business; and Senior Vice President, Marketing Analytics and New Business. Before joining us, Mr. Wiener served as Lead Program Manager at Microsoft, Inc., a global technology company, from 2002 to 2007. Mr. Wiener holds a B.S. in Symbolic Systems from Stanford University.

Non-Employee Directors

Robert Bass has served as a member of our board of directors since October 2016. Mr. Bass served as a vice chairman of Deloitte LLP from 2006 through June 2012, and was a partner at Deloitte LLP from 1982 through June 2012. Mr. Bass also serves on the board of directors of Groupon, Inc., a global leader in online local commerce, Sims Metal Management Ltd, a metals and electronics recycling company, and Apex Tool Group, LLC, a manufacturer of professional hand and power tools. We believe that Mr. Bass's experience and knowledge of public company financial reporting and accounting, including with respect to companies in the online services sector, and his accounting firm leadership experience, qualifies him to serve on our board of directors.

Julie Bornstein has served as a member of our board of directors since October 2016. Since March 2015, Ms. Bornstein has served as Chief Operating Officer at Stitch Fix, Inc., an online styling services company. Prior to that, Ms. Bornstein served as Chief Marketing and Digital Officer at Sephora, a cosmetic products company and subsidiary of LVMH Moët Hennessy Louis Vuitton SE, from 2007 to March 2015. Ms. Bornstein also previously served on the boards of directors of a number of private companies. Ms. Bornstein holds an A.B. in Government from Harvard College and an M.B.A. from Harvard Business School. We believe that Ms. Bornstein's senior leadership experience at various online services companies qualifies her to serve on our board of directors.

Andrew Goldfarb has served as a member of our board of directors since April 2013. Mr. Goldfarb co-founded and has been serving as the Executive Managing Director of Globespan Capital Partners, a venture capital firm, since 2003. Mr. Goldfarb currently serves on the board of directors of a number of private companies. Mr. Goldfarb holds an A.B. in East Asian Studies and Economics from Harvard College and an M.B.A. from Harvard Business School. We believe that Mr. Goldfarb's experience advising and managing growth-oriented technology companies qualifies him to serve on our board of directors.

Paul Goodrich has served as a member of our board of directors since September 2005 and previously served as chairman of our board of directors from 2005 until August 2016. Mr. Goodrich has served as a Managing Director of Madrona Venture Group since 1995. Previously, Mr. Goodrich was a partner at Perkins Coie LLP, an international law firm, a co-founder of William D. Ruckelshaus Associates, an environmental consulting company, and a general partner of the Environmental Venture Fund, a venture capital fund. Mr. Goodrich currently serves on the board of directors of a number of private companies. Mr. Goodrich holds a B.A. in Economics from Amherst College and a J.D. from the University of Utah Law School. We believe that Mr. Goodrich's experience advising and managing growth-oriented technology companies qualifies him to serve on our board of directors.

Austin Ligon has served as a member of our board of directors since September 2010. Previously, Mr. Ligon served as Chief Executive Officer of CarMax, Inc., America's largest used-car

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retailer, operating both through stores and online, from 2002 to 2006. Mr. Ligon also serves on the board of directors of a private online services company. Mr. Ligon holds a B.A. in the Plan II Honors Program and an M.A. in Economics from the University of Texas at Austin, as well as an M.B.A. from Yale School of Management. We believe that Mr. Ligon's executive officer experience at an online retailer with distributed field operations qualifies him to serve on our board of directors.

Robert Mylod, Jr. has served as a member of our board of directors since January 2014 and has served as chairman of our board of directors since August 2016. Mr. Mylod has served as the Managing Partner of Annox Capital since January 2012. Previously, Mr. Mylod was Chief Financial Officer and Vice Chairman, Head of Worldwide Strategy and Planning at Priceline.com, an online travel services provider. Mr. Mylod also currently serves on the board of directors of EverBank Financial Corp, a unitary savings and loan holding company, NovoCure Limited, a commercial stage oncology company, and Autobytel Inc., an automotive marketing services company. Mr. Mylod holds an A.B. in English from the University of Michigan and an M.B.A. from the University of Chicago Booth School of Business. We believe that Mr. Mylod's experience as a venture capital investor and a senior finance executive, including as the chief financial officer of a large publicly-traded online services provider, qualifies him to serve on our board of directors.

James Slavet has served as a member of our board of directors since November 2009. Mr. Slavet has served as a Partner of Greylock Partners since 2006. Previously, Mr. Slavet served as Vice President/General Manager in Search & Marketplace at Yahoo! Inc., a global technology company from 2004 to 2006. Prior to that, Mr. Slavet founded and served as Chief Operating Officer of Guru Inc., an online contractor marketplace subsequently acquired by Unicru, Inc. Mr. Slavet currently serves on the board of directors of a number of private companies. Mr. Slavet holds a B.A. in Public Policy from Brown University and an M.B.A. from Harvard Business School. We believe that Mr. Slavet's experience advising and managing growth-oriented technology companies, including as an operating executive, qualifies him to serve on our board of directors.

Selina Tobaccowala has served as a member of our board of directors since January 2014. Ms. Tobaccowala has served as Chief Executive Officer and co-founder of Gixo Inc. since April 2016 and previously served as President and Chief Technology Officer of SurveyMonkey Inc., an online survey development company, from October 2009 to April 2016. Previously, Ms. Tobaccowala was Senior Vice President of Product & Technology at Ticketmaster Europe, Inc., an online retailer of tickets for events and subsidiary of Ticketmaster Entertainment, Inc., which was subsequently acquired by Live Nation Entertainment, and co-founder and Vice President of Engineering at Evite, Inc., an online social-planning website and subsidiary of IAC/InterActiveCorp, which was subsequently acquired by Liberty Media Group. Ms. Tobaccowala holds a B.S. in Computer Science from Stanford University. We believe that Ms. Tobaccowala's senior leadership experience at multiple online services companies qualifies her to serve on our board of directors.

Election of Officers

Our executive officers are appointed by, and serve at the discretion of, our board of directors. There are no family relationships among any of our directors or executive officers.

Codes of Business Conduct and Ethics

Prior to the completion of this offering, our board of directors will adopt a code of business conduct and ethics that applies to all of our employees, officers, and directors, including our Chief Executive Officer, Chief Financial Officer and other executive and senior financial officers. The full text of our code of conduct will be posted on the investor relations section of our website at www.redfin.com. The reference to our website address in this prospectus does not include or incorporate by reference the information on our website into this prospectus. We intend to disclose

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future amendments to certain provisions of our code of conduct, or waivers of these provisions, on our website or in public filings to the extent required by the applicable rules and exchange requirements.

Board of Directors Composition

Our board of directors may establish the authorized number of directors from time to time by resolution. Our board of directors currently consists of nine members. Eight of our directors are independent within the meaning of the independent director guidelines of the New York Stock Exchange. Our current certificate of incorporation and amended and restated voting agreement among certain of our stockholders provide for (1) one director to be designated by holders of our Series A preferred stock, who is currently Mr. Goodrich; (2) one director to be designated by holders of our Series D preferred stock, who is currently Mr. Slavet; (3) one director to be designated by holders of our Series E preferred stock, who is currently Mr. Goldfarb; (4) one director to be our current Chief Executive Officer, who is currently Mr. Kelman; and (5) five remaining directors to be designated by the other members of our board of directors, who are currently Messrs. Mylod, Ligon and Bass, and Mss. Tobaccowala and Bornstein.

The provisions of our current certificate of incorporation and our amended and restated voting agreement by which our directors were elected will terminate in connection with this offering and there will be no contractual obligations regarding the election of our directors. Each of our current directors will continue to serve until the election and qualification of his or her successor, or his or her earlier death, resignation or removal.

Classified Board of Directors

Upon completion of this offering, our board of directors will be divided into three staggered classes of directors. At each annual meeting of stockholders, a class of directors will be elected for a three-year term to succeed the same class whose term is then expiring. As a result, only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Our directors will be divided among the three classes as follows:

- the Class I directors will be _____, _____ and _____, and their terms will expire at the first annual meeting of stockholders to be held after completion of this offering;
- the Class II directors will be _____, _____ and _____, and their terms will expire at the second annual meeting of stockholders to be held after completion of this offering; and
- the Class III directors will be _____, _____ and _____, and their terms will expire at the third annual meeting of stockholders to be held after completion of this offering.

Each director's term continues until the election and qualification of his or her successor, or his or her earlier death, resignation, or removal. Our restated certificate of incorporation and bylaws that will become effective immediately prior to the completion of this offering will authorize only our board of directors to fill vacancies on our board of directors. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of our board of directors may have the effect of delaying or preventing changes in control of our company. See "Description of Capital Stock—Anti-Takeover Provisions—Restated Certificate of Incorporation and Restated Bylaw Provisions."

Director Independence

In connection with this offering, we intend to list our common stock on the New York Stock Exchange. Under the rules of the New York Stock Exchange, independent directors must comprise a

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majority of a listed company's board of directors within a specified period of the completion of this offering. In addition, the rules of the New York Stock Exchange require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and corporate governance committees be independent. Under the rules of the New York Stock Exchange, a director will only qualify as an "independent director" if, in the opinion of that company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended. In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee: (1) accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the listed company or any of its subsidiaries; or (2) be an affiliated person of the listed company or any of its subsidiaries. We intend to satisfy the audit committee independence requirements of Rule 10A-3 as of the completion of this offering.

Our board of directors has undertaken a review of the independence of each director and considered whether each director has a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. As a result of this review, our board of directors determined that all of our non-employee directors are "independent directors" as defined under the applicable rules and regulations of the SEC and the listing requirements and rules of the New York Stock Exchange. In making these determinations, our board of directors reviewed and discussed information provided by the directors and us with regard to each director's business and personal activities and relationships as they may relate to us and our management, including the beneficial ownership of our capital stock by each non-employee director and the transactions involving them described under "Certain Relationships and Related-Party Transactions."

Committees of the Board of Directors

Our board of directors has an audit committee, a compensation committee, and a nominating and corporate governance committee, each of which will have the composition and responsibilities described below as of the closing of our initial public offering. Members serve on these committees until their resignation or until otherwise determined by our board of directors. Each committee will operate under a charter approved by our board of directors. Following this offering, copies of each committee's charter will be posted on the investor relations section of our website at www.redfin.com.

Audit Committee

Our audit committee is comprised of Messrs. Bass, Ligon, and Mylod. Mr. Bass is the chairman of our audit committee. The composition of our audit committee meets the requirements for independence under the current New York Stock Exchange and SEC rules and regulations. Each member of our audit committee is financially literate. In addition, our board of directors has determined that Mr. _____ is an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K promulgated under the Securities Act. This designation does not impose on him any duties, obligations, or liabilities that are greater than are generally imposed on members of our audit committee and our board of directors. The audit committee assists our board of directors in overseeing the quality and integrity of our accounting, auditing, and reporting practices. The audit committee's role includes:

- overseeing the work of our accounting function and internal controls over financial reporting;
- overseeing internal audit processes;

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- inquiring about significant risks, reviewing our policies for risk assessment and risk management, including cybersecurity risks, and assessing the steps management has taken to control these risks; and
- reviewing compliance with significant applicable legal, ethical, and regulatory requirements.

Our audit committee is responsible for the appointment, compensation, retention, and oversight of the independent registered public accounting firm engaged to issue audit reports on our consolidated financial statements and internal control over financial reporting. The audit committee relies on the expertise and knowledge of management and the independent registered public accounting firm in carrying out its overnight responsibilities.

Compensation Committee

Our compensation committee is comprised of _____, _____ and _____. _____ is the chairperson of our compensation committee. The composition of our compensation committee meets the requirements for independence under the current New York Stock Exchange listing standards and SEC rules and regulations. Each member of this committee is an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code. Our compensation committee is responsible for, among other things:

- reviewing and approving, or recommending that our board of directors approve, the compensation of our executive officers;
- reviewing and recommending to our board of directors the compensation of our directors;
- reviewing and recommending to our board of directors the terms of any compensatory agreements with our executive officers;
- administering our stock and equity incentive plans;
- reviewing and approving, or making recommendations to our board of directors with respect to, incentive compensation and equity plans; and
- reviewing our overall compensation philosophy.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee is comprised of _____, _____ and _____. _____ is the chairperson of our nominating and corporate governance committee. The composition of our nominating and corporate governance committee meets the requirements for independence under the current New York Stock Exchange listing standards and SEC rules and regulations. Our nominating and corporate governance committee is responsible for, among other things:

- identifying and recommending candidates for membership on our board of directors;
- reviewing and recommending our corporate governance guidelines and policies;
- reviewing proposed waivers of the code of conduct for directors and executive officers;

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- overseeing the process of evaluating the performance of our board of directors; and
- assisting our board of directors on corporate governance matters.

Compensation Committee Interlocks and Insider Participation

None of our executive officers has served as a member of the board of directors, or as a member of the compensation or similar committee, of any entity that has one or more executive officers who served on our board of directors or compensation committee during 2016.

Non-Employee Director Compensation

The following table presents the total compensation for each person who served as a non-employee member of our board of directors in 2016. Other than as set forth in the table, in 2016, we did not make any equity awards or non-equity awards to or pay any other compensation to the non-employee members of our board of directors. Mr. Kelman, our Chief Executive Officer, received no compensation for his service as a director in 2016.

Name	Option Awards (\$)(1)	Total (\$)
Robert Bass(2)	\$ 246,000	\$ 246,000
Julie Bornstein(3)	184,500	184,500
Andrew Goldfarb	—	—
Paul Goodrich	—	—
Austin Ligon(4)	346,830	346,830
Robert Mylod, Jr.(5)	396,000	396,000
James Slavet	—	—
Selina Tobaccowala(6)	297,000	297,000

- (1) The amounts reported in this column represent the aggregate grant date fair value of stock options granted to our non-employee directors during the year ended December 31, 2016 as computed in accordance with Accounting Standards Codification Topic 718. The inputs used in calculating the grant date fair value of all stock options granted by the Company in 2016 are set forth in Note 6 to our consolidated financial statements included elsewhere in this prospectus. The amounts reported in this column reflect the accounting cost for these stock options, and do not correspond to the actual economic value that may be received by our directors from the stock options. The only amounts expensed for the periods presented are those that have vested.
- (2) As of December 31, 2016, Mr. Bass held options for the purchase of 200,000 shares of our common stock, 16,666 shares of which were vested as of such date.
- (3) As of December 31, 2016, Ms. Bornstein held options for the purchase of 150,000 shares of our common stock, 12,500 shares of which were vested as of such date.
- (4) As of December 31, 2016, Mr. Ligon held options for the purchase of 112,700 shares of our common stock, 31,305 shares of which were vested as of such date.
- (5) As of December 31, 2016, Mr. Mylod held options for the purchase of 400,000 shares of our common stock, 291,666 shares of which were vested as of such date.
- (6) As of December 31, 2016, Ms. Tobaccowala held options for the purchase of 300,000 shares of our common stock, 218,750 shares of which were vested as of such date.

Following the completion of this offering, we intend to adopt a policy for compensating our non-employee directors with a combination of cash and equity.

EXECUTIVE COMPENSATION

The following tables and accompanying narrative disclosure set forth information about the compensation provided to our executive officers during 2016. These executive officers, who include our principal executive officer and the two most highly compensated executive officers (other than our principal executive officer) who were serving as executive officers at the end of 2016, were:

- Glenn Kelman, President, Chief Executive Officer and Director;
- Bridget Frey, Chief Technology Officer; and
- Scott Nagel, President of Real Estate Operations.

We refer to these individuals as our “named executive officers.”

2016 Summary Compensation Table

The following table provides information regarding the compensation of our named executive officers who were serving as executive officers as of December 31, 2016.

Name and Principal Position	Salary (\$)	Option Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)(2)	Total (\$)
Glenn Kelman <i>President and Chief Executive Officer</i>	\$250,871	\$ 68,258	\$ —	\$319,129
Bridget Frey <i>Chief Technology Officer</i>	250,681	396,000	121,000	767,681
Scott Nagel <i>President of Real Estate Operations</i>	250,724	396,000	211,750	858,474

(1) The amounts reported in this column represent the aggregate grant date fair value of stock options granted to our named executive officers during the year ended December 31, 2016 as computed in accordance with Accounting Standards Codification Topic 718. The inputs used in calculating the grant date fair value of all stock options granted by the Company in 2016 are set forth in Note 7 to our consolidated financial statements included in this prospectus. The amounts reported in this column reflect the accounting cost for these stock options, and do not correspond to the actual economic value that may be received by our named executive officers from the stock options.

(2) The amounts reported in this column represent the amounts earned under our 2016 executive bonus plan, all of which were paid in 2017. For additional information, see “—Non-Equity Incentive Plan Compensation.”

Non-Equity Incentive Plan Compensation

Each of our named executive officers participated in our 2016 executive bonus plan, which is administered by our compensation committee. Each participant, other than Mr. Kelman whose performance metrics also included a requirement that we be profitable, was eligible to receive a cash bonus for 2016 based on our satisfaction of a minimum revenue and achievement of certain performance metrics pre-established by our compensation committee. These metrics included year-over-year growth targets for annual revenue, customer satisfaction as measured by Net Promoter Score, the number of monthly average visitors to our website and mobile application, and gross margin in certain of our large markets. The compensation committee established target and maximum levels of performance for each metric and following the end of 2016, reviewed the level of achievement of each performance goal against the pre-established targets, and approved the payment of the bonuses set forth in the Summary Compensation Table above.

Equity Awards

At the discretion of our board of directors, in February 2016 and September 2016, our board of directors granted Mr. Kelman an option to purchase 30,143 and 24,444 shares of common stock, respectively, with an exercise price per share of \$2.99 and \$2.70 per share, respectively. Each of the option awards granted to Mr. Kelman in 2016 was fully vested at the time of grant. Additionally, in May 2016, our board of directors granted each of Ms. Frey and Mr. Nagel options to purchase 300,000 shares of our common stock with an exercise price of \$3.05 per share. Each of Ms. Frey's and Mr. Nagel's option awards vests with respect to 25% of the shares underlying the option on the one-year anniversary of the vesting commencement date and the remaining 75% of the shares underlying the option vest in 36 equal monthly installments.

Executive Employment Arrangements

Each of our named executive officers is employed at will and their compensation is reviewed periodically and subject to the discretion of our board of directors. We intend to enter into amended and restated offer letters with each of our named executive officers in connection with this offering. We expect that each of these amended and restated offer letters will provide for at-will employment and include each officer's base salary, a discretionary incentive bonus opportunity and standard employee benefit plan participation.

Outstanding Equity Awards at Year-End Table

The following table presents, for each of our named executive officers, information regarding outstanding stock options and other equity awards held as of December 31, 2016.

Name	Vesting Commencement Date	Option Awards ⁽¹⁾		Option Exercise Price (\$)	Option Expiration Date
		Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)		
Glenn Kelman	08/16/2011	540,938	—	\$ 0.12	08/16/2021
	07/26/2013	494,792 ⁽²⁾	138,542	1.25	11/26/2023
	11/23/2015	392,708 ⁽³⁾	1,057,292	2.87	11/23/2025
	02/03/2016	30,143	—	2.99	02/03/2026
	09/29/2016	24,444	—	2.70	09/29/2026
Bridget Frey	06/20/2011	143,750	—	0.12	08/16/2021
	03/01/2012	245,000	—	0.47	04/12/2022
	04/01/2013	320,833 ⁽³⁾	29,167	0.59	06/18/2023
	11/25/2013	57,812 ⁽³⁾	17,188	1.25	11/26/2023
	11/25/2013	231,250 ⁽³⁾	68,750	1.25	11/26/2023
	05/04/2014	121,073 ⁽³⁾	66,395	2.14	07/10/2024
	08/24/2014	60,974 ⁽³⁾	43,553	2.13	10/14/2024
	01/01/2015	335,416 ⁽³⁾	364,584	2.46	04/13/2025
	05/01/2015	60,701 ⁽³⁾	92,649	2.87	10/28/2025
Scott Nagel	05/02/2016	—	300,000 ⁽³⁾	3.05	05/11/2026
	12/08/2009	500,000	—	0.12	12/08/2019
	05/01/2011	200,000	—	0.12	08/16/2021
	04/01/2012	455,000	—	0.47	04/12/2022
	05/01/2013	582,291 ⁽³⁾	67,709	0.59	06/18/2023
	05/04/2014	134,525 ⁽³⁾	73,772	2.14	07/10/2024
	05/01/2015	149,486 ⁽³⁾	228,165	2.87	10/28/2025
	05/02/2016	—	300,000 ⁽³⁾	3.05	05/11/2026

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- (1) All of the outstanding equity awards were granted under our Amended and Restated 2004 Equity Incentive Plan.
 - (2) Vests in equal monthly installments over four years measured from the vesting commencement date.
 - (3) Vests with respect to 25% of the shares underlying the option on the one-year anniversary of the vesting commencement date and the remaining 75% of the shares underlying the option vest in equal monthly installments over three years.

Employee Benefit Plans

2017 Equity Incentive Plan

We intend to adopt a 2017 Equity Incentive Plan that will become effective on the date immediately prior to the date of this prospectus and will serve as the successor to our Amended and Restated 2004 Equity Incentive Plan. We intend to reserve _____ shares of our common stock to be issued under our 2017 Equity Incentive Plan plus shares reserved but not issued or subject to outstanding grants under our 2004 Plan on the date immediately prior to the date of this prospectus. The number of shares that will be reserved for issuance under our 2017 Equity Incentive Plan will increase automatically on January 1 of each of year through _____ by the number of shares equal to _____ % of the total outstanding shares of our common stock as of the immediately preceding December 31. However, our board of directors or compensation committee may reduce the amount of the increase in any particular year. In addition, the following shares will again be available for grant and issuance under our 2017 Equity Incentive Plan:

- shares subject to options or stock appreciation rights granted under our 2017 Equity Incentive Plan that cease to be subject to the option or stock appreciation right for any reason other than exercise of the option or stock appreciation right;
- shares subject to awards granted under our 2017 Equity Incentive Plan that are subsequently forfeited or repurchased by us at the original issue price;
- shares subject to awards granted under our 2017 Equity Incentive Plan that otherwise terminate without shares being issued;
- shares surrendered, cancelled, or exchanged for cash or a different award (or combination thereof);
- shares issuable upon the exercise of options or subject to other awards under our 2004 Plan prior to the date of this prospectus that cease to be subject to such options or other awards by forfeiture or otherwise after the date of this prospectus;
- shares issued under our 2004 Plan that are forfeited or repurchased by us at the original issue price after the date of this prospectus; and
- shares subject to awards under our 2004 Plan or 2017 Equity Incentive Plan that are used to pay the exercise price of an option or withheld to satisfy the tax withholding obligations related to any award.

Our 2017 Equity Incentive Plan will authorize the award of stock options, restricted stock awards, or RSAs, stock appreciation rights, or SARs, restricted stock units, or RSUs, performance awards and stock bonuses. No person will be eligible to receive more than _____ shares in any calendar year under our 2017 Equity Incentive Plan other than a new employee of ours, who will be eligible to receive no more than _____ shares under the plan in the calendar year in which the employee commences employment. The aggregate number of shares of our common stock that may be subject to awards granted to any one non-employee director pursuant to the 2017 Plan in any calendar year shall not exceed such number of shares with an aggregate grant date value of _____.

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Our 2017 Equity Incentive Plan will be administered by our compensation committee, all of the members of which are outside directors as defined under applicable federal tax laws, or by our board of directors acting in place of our compensation committee. The compensation committee will have the authority to construe and interpret our 2017 Equity Incentive Plan, grant awards, and make all other determinations necessary or advisable for the administration of the plan.

Our 2017 Equity Incentive Plan will provide for the grant of awards other than incentive stock options to our employees, directors, consultants, independent contractors and advisors, provided the consultants, independent contractors, directors, and advisors render services not in connection with the offer and sale of securities in a capital-raising transaction. Incentive stock options may be granted only to our employees.

A stock option is the right, but not the obligation, to purchase a share of our common stock at a certain price and upon certain conditions. The exercise price of stock options must be at least equal to the fair market value of our common stock on the date of grant. The exercise price of incentive stock options granted to 10% stockholders must be at least equal to 110% of the fair market value on the date of grant (and have a term that does not exceed five years). Options may vest based on time or achievement of performance conditions. Our compensation committee may provide for options to be exercised only as they vest or to be immediately exercisable with any shares issued on exercise being subject to our right of repurchase that lapses as the shares vest. The maximum term of options granted under our 2017 Equity Incentive Plan is 10 years.

A restricted stock award is an offer by us to sell shares of our common stock subject to restrictions, which may vest based on time or achievement of performance conditions. The price (if any) of an RSA will be determined by the compensation committee. Unless otherwise determined by the compensation committee at the time of award, vesting will cease on the date the participant no longer provides services to us and unvested shares will be forfeited to or repurchased by us.

Stock appreciation rights provide for a payment, or payments, in cash or shares of our common stock, to the holder based on the difference between the fair market value of our common stock on the date of exercise and the stated exercise price up to a maximum amount of cash or number of shares. The exercise price of SARs must be at least equal to the fair market value of our common stock on the date of grant. SARs rights may vest based on time or achievement of performance conditions.

Restricted stock units represent the right to receive shares of our common stock at a specified date in the future, subject to forfeiture of that right because of termination of employment or failure to achieve certain performance conditions. If a RSU has not been forfeited, then on the date specified in the RSU agreement, we will deliver to the holder of the RSU whole shares of our common stock (which may be subject to additional restrictions), cash, or a combination of our common stock and cash.

Performance awards are awards that cover a number of shares of our common stock that may be settled on achievement of pre-established performance conditions in cash or by issuance of the underlying shares. These awards are subject to forfeiture prior to settlement because of termination of employment or failure to achieve the performance conditions.

Stock bonuses may be granted as additional compensation for service or performance, in the form of cash, common stock, or a combination thereof, and may be subject to restrictions, which may vest based on time or achievement of performance conditions.

In the event there is a specified type of change in our capital structure without receipt of consideration, such as a stock split, appropriate adjustments will be made to the number and class of

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shares reserved under our 2017 Equity Incentive Plan, the maximum number and class of shares that can be granted in a calendar year and the number and class of shares and exercise price, if applicable, of all outstanding awards under our 2017 Equity Incentive Plan.

The 2017 Equity Incentive Plan permits the grant of performance-based stock and cash awards that may qualify as performance-based compensation that is not subject to the \$1,000,000 limitation on income tax deductibility imposed by Section 162(m) of the Code. Our compensation committee may structure awards so that the stock or cash will be issued or paid only following the achievement of certain pre-established performance goals during a designated performance period.

Awards granted under our 2017 Equity Incentive Plan may not be transferred in any manner other than by will or by the laws of descent and distribution or as determined by our compensation committee. Unless otherwise permitted by our compensation committee, stock options may be exercised during the lifetime of the optionee only by the optionee or the optionee's guardian or legal representative. Options granted under our 2017 Equity Incentive Plan generally may be exercised for a period of three months after the termination of the optionee's service to us, for a period of 12 months in the case of death, or for a period of 12 months in the case of disability, or such other period as our compensation committee may provide, subject to the limitations set forth in our 2017 Equity Incentive Plan. Options generally terminate immediately upon termination of employment for cause.

If we are party to a merger or consolidation, outstanding awards, including any vesting provisions, may be assumed or substituted by the successor company. In the alternative, outstanding awards may be cancelled in connection with a cash payment. Outstanding awards that are not assumed, substituted, or cashed out will upon the merger or consolidation.

Our 2017 Equity Incentive Plan will terminate 10 years from the date our board of directors approves the plan, unless it is terminated earlier by our board of directors. Our board of directors may amend or terminate our 2017 Equity Incentive Plan at any time. If our board of directors amends our 2017 Equity Incentive Plan, it does not need to ask for stockholder approval of the amendment unless required by applicable law.

Amended and Restated 2004 Equity Incentive Plan

Our board of directors adopted and our stockholders approved our 2004 Equity Incentive Plan in November 2004. The Amended and Restated 2004 Equity Incentive Plan, or our 2004 Plan, was adopted by our board of directors and approved by our stockholders in December 2005. The 2004 Plan has since been amended and restated from time to time. Our 2004 Plan provides for the grant of incentive stock options, within the meaning of Section 422 of the Code, to our employees or any parent or subsidiary's employees and for the grant of nonstatutory stock options to our employees, directors, consultants, and any parent or subsidiary's employees and consultants. Stock bonus awards and restricted stock awards may also be granted under the 2004 Plan. As of December 31, 2016, a total of 89,651,602 shares had been approved for issuance under the 2004 Plan, options to purchase 39,876,938 shares of our common stock were outstanding under our 2004 Plan, and 14,821,690 shares remained available for the grant of future awards under our 2004 Plan. All shares of our common stock reserved but not ultimately issued or subject to awards that have expired or otherwise terminated under our 2004 Plan without having been exercised in full are reserved for issuance under our 2017 Equity Incentive Plan. Upon the completion of this offering we will cease issuing awards under our 2004 Plan and intend to grant all future equity awards under our 2017 Equity Incentive Plan.

In the event of a change in control as defined in the 2004 Plan, the 2004 Plan provides that, unless otherwise provided in an option agreement, awards shall be assumed by the successor entity or

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converted into or replaced with comparable awards of the successor entity, and, if such awards are not assumed, converted, or replaced by the successor entity, unexercised options or other outstanding awards held by individuals whose service with us has not terminated will, unless otherwise provided by our board of directors, accelerate and become exercisable immediately prior to the consummation of such change in control and, if unexercised, will terminate upon the consummation of such change in control. If such awards are assumed, converted, or replaced by the successor entity, any such awards shall have their vesting or exercise schedule accelerated by twelve (12) months. Under the 2004 Plan, a "change in control" means (1) the consummation of a merger or consolidation of us with or into another entity or any other stock acquisition or corporate reorganization, if more than 50% of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such merger, consolidation, stock acquisition, or other reorganization is owned by persons who were not our stockholders immediately prior to such merger, consolidation, stock acquisition or other reorganization; or (2) the sale, transfer or other disposition of all or substantially all of our assets. A transaction shall not constitute a "change in control" if its sole purpose is to change our state of incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held our securities immediately before such transaction. In the event that any amount paid or deemed paid under the 2004 Plan would constitute an excess parachute payment within the meaning of Section 280G of the Code, the amounts paid or deemed paid will be reduced so that such no such payments will constitute excess parachute payments.

Our board of directors currently administers our 2004 Plan. Our board of directors has the authority to amend, suspend, or terminate the 2004 Plan, provided that no amendment may adversely affect awards already granted without the written consent of the holder of the affected award. Our stockholders approve actions to the extent stockholder approval is necessary to satisfy the applicable requirements of Section 422 of the Code. Our 2004 Plan also provides for proportional adjustment of awards in the event of a stock split, stock dividend, and certain other similar corporate events.

401(k) Plan

We sponsor a retirement plan intended to qualify for favorable tax treatment under Section 401(a) of the Code, containing a cash or deferred feature that is intended to meet the requirements of Section 401(k) of the Code. U.S. employees who have attained at least 21 years of age are generally eligible to participate in the plan on the first day of the calendar month following the employees' date of hire, subject to certain eligibility requirements. Participants may make pre-tax contributions to the plan from their eligible earnings up to the statutorily prescribed annual limit on pre-tax contributions under the Code. Pre-tax contributions by participants and the income earned on those contributions are generally not taxable to participants until withdrawn. Participant contributions are held in trust as required by law. No minimum benefit is provided under the plan. An employee's interest in his or her pre-tax deferrals is 100% vested when contributed. Although the plan provides for a discretionary employer matching contribution, to date we have not made such a contribution on behalf of employees.

Limitations on Liability and Indemnification Matters

Our restated certificate of incorporation that will become effective immediately prior to the completion of this offering contains provisions that will limit the liability of our directors for monetary damages to the fullest extent permitted by the Delaware General Corporation Law, or DGCL. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director's duty of loyalty to us or our stockholders;

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- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL; or
- any transaction from which the director derived an improper personal benefit.

Our restated certificate of incorporation and our restated bylaws that will become effective immediately prior to the completion of this offering require us to indemnify our directors and officers to the maximum extent not prohibited by the DGCL and allow us to indemnify other employees and agents as set forth in the DGCL. Subject to certain limitations, our restated bylaws will also require us to advance expenses incurred by our directors and officers for the defense of any action for which indemnification is required or permitted, subject to very limited exceptions.

In connection with this offering, we intend to enter into amended and restated indemnification agreements with each of our directors and officers. These agreements, among other things, will require us to indemnify our directors and officers for certain expenses, including attorneys' fees, judgments, penalties, fines and settlement amounts actually incurred by such director or officer in any action or proceeding arising out of their service to us or any of our subsidiaries or any other company or enterprise to which the person provides services at our request. Subject to certain limitations, our indemnification agreements will also require us to advance expenses incurred by our directors and officers for the defense of any action for which indemnification is required or permitted.

We believe that these charter provisions and indemnification agreements are necessary to attract and retain qualified persons such as directors and officers. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our restated certificate of incorporation and restated bylaws may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions.

At present, there is no pending litigation or proceeding involving any of our directors or executive officers as to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, executive officers, or persons controlling us, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS

In addition to the executive officer and director compensation arrangements discussed above under “Management—Non-Employee Director Compensation” and “Executive Compensation,” below we describe transactions since January 1, 2014 to which we have been or will be a participant, in which the amount involved in the transaction exceeds or will exceed \$120,000 and in which any of our directors, executive officers, or beneficial holders of more than five percent of any class of our capital stock, or any immediate family member of, or person sharing the household with, any of these individuals, had or will have a direct or indirect material interest.

2015 Third-Party Tender Offer

In June 2015, we entered into a letter agreement with certain holders of our capital stock pursuant to which we agreed to waive certain transfer restrictions in connection with, and assist in the administration of, a tender offer that such holders proposed to commence. In June 2015, these holders commenced a tender offer to purchase shares of our outstanding capital stock at a price per share of \$3.2977, less transaction costs, pursuant to an offer to purchase to which we were not a party.

Adam Wiener, Bridget Frey, Chris Nielsen, and Scott Nagel, each of whom is an executive officer, sold shares of our capital stock in the tender offer, which closed in August 2015.

An aggregate of 4,780,236 shares of our capital stock were tendered pursuant to the tender offer, of which entities affiliated with T. Rowe Price purchased 1,912,094 shares for an aggregate purchase price of \$6,305,512, and Tiger Global Private Investment Partners IX, L.P. purchased 2,867,024 shares for an aggregate purchase price of \$9,454,585. Each of T. Rowe Price and Tiger Global Private Investment Partners IX, L.P., together with its respective affiliates, is a beneficial holder of more than five percent of our outstanding capital stock.

Series G Preferred Stock Financing

In December 2014, we sold an aggregate of 21,527,376 shares of our Series G preferred stock at a purchase price of \$3.2977 per share for an aggregate purchase price of approximately \$71.0 million. Each share of our Series G preferred stock will convert automatically into one share of our common stock upon the completion of this offering.

The purchasers of our Series G preferred stock are entitled to specified registration rights. For additional information, see “Description of Capital Stock—Registration Rights.” The terms of these purchases were the same for all purchasers of our Series G preferred stock. See “Principal Stockholders” for more details regarding the shares held by these entities.

The following table summarizes the Series G preferred stock purchased by members of our board of directors or their affiliates and holders of more than five percent of our outstanding capital stock:

Name of Related Party	Shares of Series	Total Purchase Price
	G Preferred Stock	
Tiger Global Private Investment Partners VII, L.P.(1)	1,852,760	\$ 6,109,847
Affiliates of T. Rowe Price New Horizons Fund, Inc.(2)	1,516,205	4,999,989
Annox Capital, LLC(3)	758,104	2,500,000

(1) Tiger Global Private Investment Partners VII, L.P. and its affiliates beneficially own more than five percent of our capital stock.

(2) T. Rowe Price New Horizons Fund, Inc. and its affiliates beneficially own more than five percent of our capital stock.

(3) Robert Mylod, Jr., a member of our board of directors, is Managing Member of Annox Capital, LLC.

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Series F Preferred Stock Financing

In multiple closings in November 2013 and February 2014, we sold an aggregate of 20,808,580 shares of our Series F preferred stock at a purchase price of \$2.4286 per share for an aggregate purchase price of approximately \$50.5 million. Each share of our Series F preferred stock will convert automatically into one share of our common stock upon the completion of this offering.

The purchasers of our Series F preferred stock are entitled to specified registration rights. For additional information, see “Description of Capital Stock—Registration Rights.” The terms of these purchases were the same for all purchasers of our Series F preferred stock. See “Principal Stockholders” for more details regarding the shares held by these entities.

The following table summarizes the Series F preferred stock purchased by members of our board of directors or their affiliates and holders of more than five percent of our outstanding capital stock:

Name of Related Party	Shares of Series F Preferred Stock	Total Purchase Price
Tiger Global Private Investment Partners VII, L.P.(1)	10,561,641	\$ 25,650,001
Affiliates of T. Rowe Price New Horizons Fund, Inc.(2)	7,411,678	18,000,001
Affiliates of Draper Fisher Jurvetson Fund IX, L.P.(3)	631,222	1,532,986
Affiliates of Greylock XII Limited Partnership(4)	424,536	1,031,028
Globespan Capital Partners V, L.P.(5)	243,982	592,535
Annox Capital, LLC(6)	200,000	485,720
Austin Ligon	29,141	70,772
Selina Tobaccowala	20,587	49,998

(1) Tiger Global Private Investment Partners VII, L.P. and its affiliates beneficially own more than five percent of our capital stock.

(2) T. Rowe Price New Horizons Fund, Inc. and its affiliates beneficially own more than five percent of our capital stock.

(3) Draper Fisher Jurvetson Fund IX, L.P. and its affiliates beneficially own more than five percent of our capital stock.

(4) Greylock XII Limited Partnership and its affiliates beneficially own more than five percent of our capital stock. James Slavet, a member of our board of directors, is a general partner of Greylock Partners.

(5) Andrew Goldfarb, a member of our board of directors, is the executive managing director of Globespan Management Associates V, LLC, which is the sole general partner of Globespan Management Associates V, L.P., which is the sole general partner of Globespan Capital Partners V, L.P., or Globespan, and has sole voting and dispositive power over the shares held by Globespan.

(6) Robert Mylod, Jr., a member of our board of directors, is Managing Member of Annox Capital, LLC.

2014 Third-Party Tender Offer

In December 2013, we entered into a letter agreement with certain holders of our capital stock pursuant to which we agreed to waive certain transfer restrictions in connection with, and assist in the administration of, a tender offer that such holders proposed to commence. In December 2013, these holders commenced a tender offer to purchase shares of our outstanding capital stock at a price per share of \$2.4286, less transaction costs, pursuant to an offer to purchase to which we were not a party.

Adam Wiener, an executive officer, sold shares of our capital stock in the tender offer, which closed in January 2014.

An aggregate of 1,621,076 shares of our capital stock were tendered pursuant to the tender offer, of which Tiger Global Private Investment Partners VII, L.P. purchased 1,540,023 shares for an aggregate purchase price of \$3,740,100. Tiger Global Private Investment Partners VII, L.P. and its affiliates is a beneficial holder of more than five percent of our outstanding capital stock.

2014 Third-Party Stock Transfer

In February 2014, Scott Nagel, an executive officer, and certain holders of our capital stock entered into a stock transfer agreement pursuant to which we agreed to assist in the administration of Mr. Nagel's sale of 325,000 shares of common stock to such holders at a price per share of \$2.4286.

Entities affiliated with T. Rowe Price purchased 210,000 shares for an aggregate purchase price of \$510,006, and Annox Capital, LLC purchased 115,000 shares for an aggregate purchase price of \$279,290. T. Rowe Price, together with its affiliated entities, is a beneficial holder of more than five percent of our outstanding capital stock, and Robert Mylod, Jr., a member of our board of directors, is Managing Member of Annox Capital, LLC.

Amended and Restated Investors' Rights Agreement

We have entered into an Amended and Restated Investors' Rights Agreement with certain holders of our redeemable convertible preferred stock, including entities with which certain of our executive officers and directors are affiliated. These stockholders are entitled to rights with respect to the registration of their shares following the completion of this offering. For a description of these registration rights, see "Description of Capital Stock—Registration Rights."

Indemnification Agreements

In connection with this offering, we intend to enter into amended and restated indemnification agreements with each of our directors and executive officers. The indemnification agreements, our restated certificate of incorporation and our restated bylaws, which will become effective immediately prior to the completion of this offering, will require us to indemnify our directors to the fullest extent not prohibited by Delaware law. Subject to certain limitations, our restated bylaws will also require us to advance expenses incurred by our directors and officers. For more information regarding these agreements, see "Executive Compensation—Limitations on Liability and Indemnification Matters."

Review, Approval, or Ratification of Transactions with Related Parties

Our written related party transactions policy and the charters of our audit committee and nominating and corporate governance committee to be adopted by our board of directors and in effect immediately prior to the completion of this offering will require that any transaction with a related person that must be reported under applicable rules of the SEC must be reviewed and approved or ratified by our audit committee, unless the related party is, or is associated with, a member of that committee, in which event the transaction must be reviewed and approved by our nominating and corporate governance committee.

Prior to this offering we had no formal, written policy or procedure for the review and approval of related-party transactions. However, our practice has been to have all related-party transactions reviewed and approved by a majority of the disinterested members of our board of directors, including the transactions described above.

PRINCIPAL STOCKHOLDERS

The following table presents certain information with respect to the beneficial ownership of our common stock, and as adjusted to reflect the sale of common stock offered by us in this offering assuming no exercise of the underwriters' option to purchase additional shares of our common stock, by:

- each of our directors;
- each of our named executive officers;
- all of our directors and executive officers as a group; and
- each stockholder known by us to be the beneficial owner of more than five percent of our outstanding shares of common stock.

We have determined beneficial ownership in accordance with the rules of the Securities and Exchange Commission. Unless otherwise indicated below, to our knowledge, based on information furnished to us, the persons and entities named in the table have sole voting and investment power with respect to all shares that they beneficially own, subject to applicable community property laws. We have deemed shares of our common stock subject to options that are currently exercisable or exercisable within 60 days of April 30, 2017 to be outstanding and to be beneficially owned by the person holding the option for the purpose of computing the percentage ownership of that person but have not treated them as outstanding for the purpose of computing the percentage ownership of any other person.

We have based percentage ownership of our common stock before this offering on 210,964,410 shares of our common stock outstanding on April 30, 2017, which includes conversion of all outstanding shares of our redeemable convertible preferred stock in connection with this offering, as if this conversion had occurred as of April 30, 2017. Percentage ownership of our common stock after this offering also assumes the sale by us of _____ shares of common stock in this offering. Unless otherwise indicated, the address of each beneficial owner in the table below is c/o Redfin Corporation, 1099 Stewart St., Suite 600, Seattle, Washington 98101.

Name of Beneficial Owner	Beneficial Ownership Prior to this Offering		Beneficial Ownership After this Offering	
	Number	Percent	Number	Percent
Directors and Named Executive Officers:				
Glenn Kelman(1)	7,751,355	3.6%		%
Bridget Frey(2)	1,988,517	*		
Scott Nagel(3)	2,268,505	1.1		
Robert Bass(4)	66,666	*		
Julie Bornstein(5)	50,000	*		
Andrew Goldfarb(6)	8,344,583	4.0		
Paul Goodrich(7)	24,108,079	11.4		
Austin Ligon(8)	1,968,008	1.0		
Robert Mylod, Jr.(9)	1,414,770	*		
James Slavet(10)	26,240,568	12.4		
Selina Tobaccowala(11)	276,837	*		
All executive officers and directors as a group (13 persons)(12)	79,208,198	35.8		
Other 5% Stockholders:				
Entities affiliated with Madrona Ventures(7)	24,108,079	11.4		
Entities affiliated with Greylock XII Funds(10)	26,240,568	12.4		
Entities affiliated with Draper Fisher Jurvetson (13)	21,588,984	10.2		
Entities affiliated with Tiger Global Private Investment Partners Funds(14)	22,124,054	10.5		
Entities affiliated with Vulcan Capital Venture Capital I LLC(15)	21,122,722	10.0		
Entities affiliated with T. Rowe Price(16)	14,883,264	7.1		

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- * Represents beneficial ownership of less than one percent.
- (1) Represents (a) 5,968,330 shares of common stock and (b) 1,783,025 shares underlying options to purchase common stock that are exercisable within 60 days of April 30, 2017.
- (2) Represents (a) 111,250 shares of common stock and (b) 1,877,267 shares underlying options to purchase common stock that are exercisable within 60 days of April 30, 2017.
- (3) Represents (a) 25,000 shares of common stock and (b) 2,243,505 shares underlying options to purchase common stock that are exercisable within 60 days of April 30, 2017.
- (4) Represents 66,666 shares underlying options to purchase common stock that are exercisable within 60 days of April 30, 2017.
- (5) Represents 50,000 shares underlying options to purchase common stock that are exercisable within 60 days of April 30, 2017.
- (6) Represents 8,315,620 shares of common stock held by Globespan Capital Partners V, L.P., or Globespan V and 28,963 shares of common stock held by Globespan Capital Partners Opportunity Fund VI, L.P., or Globespan VI. Andrew Goldfarb, a member of our board of directors, is the executive managing director of (a) Globespan Management Associates V, LLC, which is the sole general partner of Globespan Management Associates V, L.P., which is the sole general partner of Globespan V, and has sole voting and dispositive power over the shares held by Globespan V and (b) Globespan Opportunity Associates VI, LLC, which is the sole general partner of Globespan Opportunity Associates VI, L.P., which is the sole general partner of Globespan VI and has sole voting and dispositive power over the shares held by Globespan VI. The address of Globespan V and Globespan VI is 1 Boston Place, Suite 2810, Boston, Massachusetts 02108.
- (7) Represents (a) 22,746,780 shares of common stock held by Madrona Venture Fund III, L.P., or Madrona Fund III, and (b) 1,361,299 shares of common stock held by Madrona Venture Fund III-A, L.P., or Madrona Fund III-A. Paul Goodrich, a member of our board of directors, Tom Alberg, Matt McIlwain, Tim Porter, Scott Jacobson, and Len Jordan are the managing directors of Madrona III General Partner, LLC, which is the general partner of Madrona Investment Partners III, L.P., which in turn is the general partner of each of Madrona Fund III and Madrona Fund III-A. Messrs. Goodrich, Alberg, McIlwain, Porter, Jacobson, and Jordan have shared voting and dispositive power over the shares held by Madrona Fund III and Madrona Fund III-A. The address of Madrona Venture Group is 999 Third Avenue, 34th Floor, Seattle, Washington 98104.
- (8) Represents (a) (i) 234,602 shares of common stock and (ii) 68,871 shares underlying options to purchase common stock that are exercisable within 60 days of April 30, 2017 and (b) 1,664,535 shares of common stock held by Toon Toot Sawan LP, or Toon Toot. Austin Ligon, a member of our board of directors, is the managing member of Tewda Management LLC, which is the general partner of Toon Toot, and has sole voting and investment control over the shares held by Toon Toot.
- (9) Represents (a) 341,666 shares underlying options to purchase common stock that are exercisable within 60 days of April 30, 2017 and (b) 1,073,104 shares of common stock held by Annox Capital, LLC, or Annox. Robert Mylod, Jr., a member of our board of directors, is the managing member of Annox and has sole voting and investment control over the shares held by Annox.
- (10) Represents (a) 22,435,687 shares of common stock held by Greylock XII Limited Partnership, or Greylock XII, (b) 2,492,854 shares of common stock held by Greylock XII-A Limited Partnership, or Greylock XII-A, and (c) 1,312,027 shares held by Greylock XII Principals LLC, or Greylock XII Principals. Greylock XII GP Limited Liability Company, or Greylock GP, is the general partner of each of Greylock XII and Greylock XII-A, and Greylock Management Corporation, is the sole member of Greylock XII Principals. James Slavet, a member of our board of directors, is a managing member of Greylock GP, and William W. Helman and Aneel Bhusri are the senior managing members of Greylock GP, and each of Messrs. Helman and Bhusri them may be deemed to share voting and investment control over the shares held by each of Greylock XII and Greylock XII-A. The shares held by Greylock XII Principals are held in nominee form only and Greylock XII Principals does not have voting or investment control over the shares that it holds. The address of Greylock Partners is 2550 Sand Hill Road, Suite 200, Menlo Park, California 94025.
- (11) Represents (a) 20,587 shares of common stock and (b) 256,250 shares underlying options to purchase common stock that are exercisable within 60 days of April 30, 2017.
- (12) Represents (a) 68,719,597 shares of common stock and (b) 10,488,601 shares underlying options to purchase common stock that are exercisable within 60 days of April 30, 2017.
- (13) Represents (a) 676,438 shares of common stock held by Draper Associates, L.P., or DALP, (b) 22,858 shares of common stock held by Draper Associates Riskmasters Fund II, LLC, or DARF II, (c) 23,935 shares of common stock held by Draper Associates Riskmasters Fund III, LLC, or DARF III, (d) 20,315,235 shares of common stock held by Draper Fisher Jurvetson Fund IX, L.P., or Fund IX, and (e) 550,518 shares held by Draper Fisher Jurvetson Partners IX, LLC, or Partners IX. The general partner of DALP is Draper Associates, Inc., which is wholly owned and controlled by Timothy C. Draper, who has voting and dispositive power over the shares held by DALP. Mr. Draper is also the managing member of DARF II and DARF III, and has voting and dispositive power over the shares held by DARF II and DARF III. Mr. Draper, John H.N. Fisher, and Stephen T. Jurvetson control Draper Fisher Jurvetson Fund IX Partners, L.P., which is the general partner of Fund IX, and share voting and dispositive power over the shares held by Fund IX. Messrs. Draper, Fisher, and Jurvetson are the managing members of Partners IX, and share voting and dispositive power over the shares held by Partners IX. The address of DFJ Venture Capital is 2882 Sand Hill Road, Suite 150, Menlo Park, California 94025.

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- (14) Represents (a) 19,254,213 shares of common stock held by Tiger Global Private Investment Partners VII, L.P., or TGP VII, and (b) 2,869,841 shares held by Tiger Global Private Investment Partners IX, L.P., or TGP IX. Each of TGP VII and TGP IX has sole voting and investment control over the shares that it holds. Each of TGP VII and TGP IX is controlled by Chase Coleman, Lee Fixel and Scott Shleifer. The address of Tiger Capital Management is 9 West 57th Street, 35th Floor, New York, New York 10019.
- (15) Represents (a) 1,290,164 shares of common stock held by VCVC III LLC, or VCVC III, and (b) 19,832,558 shares of common stock held by Vulcan Capital Venture Capital I LLC, or VCVC I. VCVC I is managed by Vulcan Capital Venture Capital Management I LLC, or VCVC Management I, which in turn is managed by Vulcan Ventures Incorporated, or VVI. VVI is wholly owned by Paul G. Allen. Mr. Allen has sole voting and dispositive power over the shares held by VCVC I. VCVC I has in the past, made filings under Section 13 of the 1934 Exchange Act, as amended, together with VCVC Management I, VVI, and Mr. Allen. VCVC III is managed by VCVC Management III LLC, which is in turn managed Cougar Investment Holdings LLC, which is wholly owned by Mr. Allen. Mr. Allen has sole voting and dispositive power over the shares held by VCVC III. The address of Vulcan Capital is 505 Fifth Avenue, Suite 900, Seattle, Washington 98104.
- (16) Represents (a) 1,167,013 shares held by Amidspeed & Co., (b) 11,931,023 shares held by Bridge & Co., (c) 1,634,688 shares held by Heirloom & Co., (d) 23,589 shares held by Icecold & Co., and (e) 126,951 shares held by Mac & Co. The address of T. Rowe Price is 100 East Pratt Street, Baltimore, Maryland 21202.

DESCRIPTION OF CAPITAL STOCK

The following description summarizes the most important terms of our capital stock, as they will be in effect upon the completion of this offering. Because it is only a summary, it does not contain all the information that may be important to you. We expect to adopt a restated certificate of incorporation and restated bylaws that will become effective immediately prior to the completion of this offering, and this description summarizes provisions that are expected to be included in these documents. For a complete description, you should refer to our restated certificate of incorporation and restated bylaws, which are included as exhibits to the registration statement of which this prospectus forms a part, and to the applicable provisions of Delaware law.

Upon the completion of this offering, our authorized capital stock will consist of _____ shares of common stock, \$0.001 par value per share, and _____ shares of undesignated preferred stock, \$0.001 par value per share.

Assuming the conversion of all outstanding shares of our redeemable convertible preferred stock into shares of our common stock, which will occur upon the completion of this offering, as of March 31, 2017, there were outstanding 210,918,254 shares of our common stock, held by approximately 450 stockholders of record, and 39,068,334 shares of our common stock issuable upon exercise of outstanding stock options.

Common Stock

Dividend Rights

Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of our common stock are entitled to receive dividends out of funds legally available if our board of directors, in its discretion, determines to issue dividends and then only at the times and in the amounts that our board of directors may determine. See “Dividend Policy” for additional information.

Voting Rights

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders. Our restated certificate of incorporation that will become effective upon the completion of this offering does not provide for cumulative voting for the election of directors. As a result, the holders of a majority of our voting shares can elect all of the directors then standing for election. Our restated certificate of incorporation that will become effective upon the completion of this offering will establish a classified board of directors, to be divided into three classes with staggered three-year terms. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms.

No Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights, and is not subject to redemption or sinking fund provisions.

Right to Receive Liquidation Distributions

Upon our liquidation, dissolution or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our common stock and any participating preferred stock outstanding at that time, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights of and the payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Preferred Stock

Pursuant to the provisions of our current certificate of incorporation, each currently outstanding share of redeemable convertible preferred stock will automatically be converted into one share of common stock upon the completion of this offering. Following the completion of this offering, no shares of redeemable convertible preferred stock will be outstanding.

Pursuant to our restated certificate of incorporation that will become effective immediately prior to the completion of this offering, our board of directors will be authorized, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the designation, powers, preferences, and rights of the shares of each series and any of its qualifications, limitations, or restrictions, in each case without further vote or action by our stockholders. Our board of directors can also increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring, or preventing a change in our control and might adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. We have no current plan to issue any shares of preferred stock.

Stock Options

As of March 31, 2017, we had outstanding options to purchase an aggregate of 39,068,334 shares of our common stock, with a weighted-average exercise price of \$1.97 per share, pursuant to our Amended and Restated 2004 Equity Incentive Plan.

Registration Rights

Following the completion of this offering, the holders of an aggregate of 174,917,441 shares of our common stock, including 166,266,114 shares of common stock issuable upon conversion of our redeemable convertible preferred stock, or their permitted transferees, will be entitled to rights with respect to the registration of these shares under the Securities Act. These shares are referred to as registrable securities. These rights are provided under the terms of our Amended and Restated Investors' Rights Agreement, or IRA, dated as of December 15, 2014, between us and the holders of these registrable securities, which registration rights include demand registration rights, Form S-3 registration rights, and piggyback registration rights. All fees, costs, and expenses incurred in connection with the registration of registrable securities, including reasonable fees and disbursements of one special counsel to the selling stockholders up to \$25,000, will be borne by us and all selling expenses, including underwriting discounts and selling commissions, will be borne by the holders of the shares being registered.

The registration rights terminate upon the earliest of (1) five years following the completion of this offering, (2) as to each holder of registration rights, when such holder can sell all of such holder's registrable securities during a three-month period pursuant to Rule 144 promulgated under the Securities Act, and (3) when the IRA is terminated pursuant to its terms.

Demand Registration Rights

Under the terms of the IRA, if we receive a written request, at any time after six months following the effective date of this offering, from the holders of at least 20% of the registrable securities

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then outstanding (or any lesser percentage if the aggregate proceeds after deducting underwriting discounts and commissions is not less than \$5.0 million) that we file a registration statement under the Securities Act covering the registration of registrable securities, then we will be required to use our best efforts to file as soon as practicable, and in any event no later than 90 days following such request, a registration statement covering all registrable securities requested to be registered for public resale. We are required to effect only two registrations pursuant to this provision of the IRA, and may postpone the filing of a registration statement for up to 90 days once in any 12-month period if our board of directors determines that the filing would be seriously detrimental to us and our stockholders. We are not required to effect a demand registration under certain additional circumstances specified in the IRA, including at any time during the 180-day period after the effective date of this offering.

Form S-3 Registration Rights

The holders of registrable securities can request that we register all or part of their shares on Form S-3 if we are eligible to file a registration statement on Form S-3 and if the aggregate price to the public of the shares offered (net of any underwriters' discounts or commissions) is at least \$1.0 million. We are required to effect no more than two registrations on Form S-3 in any 12-month period, and may postpone the filing of a registration statement on Form S-3 for up to 60 days once in any 12-month period if our board of directors determines that the filing would be seriously detrimental to us and our stockholders. We are not required to file a registration statement on Form S-3 under certain additional circumstances specified in the IRA.

Piggyback Registration Rights

If we register any of our securities for public sale, each holder of registrable securities has a right to request the inclusion of any then-outstanding registrable securities held by them on our registration statement. However, this right does not apply to a registration relating solely to employee benefit plans, a corporate reorganization or stock issuable upon conversion of debt securities. If the underwriters of any underwritten offering determine in good faith that marketing factors require a limitation on the number of shares, the number of shares to be registered will be apportioned, first, to the company for its own account and, second, pro rata among these holders, based on the number of registrable securities held by each holder. However, the number of registrable securities to be registered cannot be reduced below 30% of the total shares covered by the registration statement, other than in the initial public offering.

Anti-Takeover Provisions

The provisions of Delaware and Washington law, our restated certificate of incorporation, and our restated bylaws, as we expect they will be in effect immediately prior to the completion of this offering, could have the effect of delaying, deferring, or discouraging another person from acquiring control of our company. These provisions, which are summarized below, may have the effect of discouraging takeover bids. They are also designed, in part, to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging a proposal to acquire us because negotiation of these proposals could result in an improvement of their terms.

Delaware Law

We are subject to the provisions of Section 203 of the Delaware General Corporation Law, or DGCL, regulating corporate takeovers. In general, DGCL Section 203 prohibits a publicly held

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Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date on which the person became an interested stockholder unless:

- prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, but not the outstanding voting stock owned by the interested stockholder, (1) shares owned by persons who are directors and also officers and (2) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to the date of the transaction, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66.67% of the outstanding voting stock that is not owned by the interested stockholder.

Generally, a business combination includes a merger, asset or stock sale, or other transaction or series of transactions together resulting in a financial benefit to the interested stockholder. An interested stockholder is a person who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own 15% or more of a corporation's outstanding voting stock. We expect the existence of this provision to have an anti-takeover effect with respect to transactions our board of directors does not approve in advance. We also anticipate that DGCL Section 203 may also discourage attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

Washington Law

Furthermore, we may also be subject to the provisions of Chapter 23B.19 of the Washington Business Corporation Act, or WBCA, which imposes restrictions on certain transactions between a corporation and certain significant stockholders. The WBCA generally prohibits a "target corporation" (as defined in the WBCA) from engaging in certain significant business transactions with an "acquiring person," which is defined as a person or group of persons that beneficially owns 10% or more of the voting securities of the target corporation, for a period of five years after such acquisition, unless the transaction or acquisition of shares is approved by a majority of the members of the target corporation's board of directors prior to the time of the acquisition or at or subsequent to the acquiring person's share acquisition time, such significant business transaction is approved by a majority of the members of the target corporation's board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 66-2/3% of the outstanding voting shares, except for shares beneficially owned by or under the voting control of the acquiring person. Such prohibited transactions include, among other things:

- a merger or consolidation with, disposition of assets to, or issuance or redemption of stock to or from the acquiring person;
- termination of 5% or more of the employees of the target corporation as a result of the acquiring person's acquisition of 10% or more of the shares; or
- allowing the acquiring person to receive any disproportionate benefit as a stockholder.

After the five-year period, a “significant business transaction” may occur if it complies with “fair price” provisions specified in the statute. A corporation may not opt out of this statute and, therefore, we anticipate this statute will apply to us. Depending upon whether we meet the definition of a target corporation, Chapter 23B.19 of the WBCA may have the effect of delaying, deferring, or preventing a change in control.

Restated Certificate of Incorporation and Restated Bylaw Provisions

Our restated certificate of incorporation and our restated bylaws will include a number of provisions that could deter hostile takeovers or delay or prevent changes in control of our management team, including the following:

- *Board of Directors Vacancies.* Our restated certificate of incorporation and restated bylaws will authorize only our board of directors to fill vacant directorships, including newly created seats. In addition, the number of directors constituting our board of directors is permitted to be set only by a resolution adopted by a majority vote of our entire board of directors. These provisions would prevent a stockholder from increasing the size of our board of directors and then gaining control of our board of directors by filling the resulting vacancies with its own nominees. This makes it more difficult to change the composition of our board of directors but promotes continuity of management.
- *Classified Board.* Our restated certificate of incorporation and restated bylaws will provide that our board of directors will be classified into three classes of directors. The existence of a classified board of directors could discourage a third party from making a tender offer or otherwise attempting to obtain control of us as it is more difficult and time consuming for stockholders to replace a majority of the directors on a classified board of directors. See “Management—Classified Board of Directors” for additional information.
- *Stockholder Action; Special Meeting of Stockholders.* Our restated certificate of incorporation provides that special meetings of our stockholders may be called only by a majority of our board of directors, the chairman of our board of directors, our chief executive officer, or our president. Our restated certificate of incorporation will provide that our stockholders may not take action by written consent, but may only take action at annual or special meetings of our stockholders. As a result, holders of our capital stock would not be able to amend our restated bylaws or remove directors without holding a meeting of our stockholders called in accordance with our restated bylaws. Further, our restated bylaws will provide that special meetings of our stockholders may be called only by a majority of our board of directors, the chairman of our board of directors, our lead independent director, our chief executive officer, or our president, thus prohibiting a stockholder from calling a special meeting. These provisions might delay the ability of our stockholders to force consideration of a proposal or for stockholders to take any action, including the removal of directors.
- *Advance Notice Requirements for Stockholder Proposals and Director Nominations.* Our restated bylaws provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders or to nominate candidates for election as directors at our annual meeting of stockholders. Our restated bylaws also specify certain requirements regarding the form and content of a stockholder’s notice. These provisions might preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders if the proper procedures are not followed. We expect that these provisions might also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer’s own slate of directors or otherwise attempting to obtain control of our company.

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- *No Cumulative Voting.* The DGCL provides that stockholders are not entitled to the right to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. Our restated certificate of incorporation and restated bylaws will not provide for cumulative voting.
- *Directors Removed Only for Cause.* Our restated certificate of incorporation will provide that stockholders may remove directors only for cause and only by the affirmative vote of the holders of at least two-thirds of our outstanding common stock.
- *Amendment of Charter Provisions.* Any amendment of the above expected provisions in our restated certificate of incorporation would require approval by holders of at least two-thirds of our outstanding common stock.
- *Issuance of Undesignated Preferred Stock.* After the filing of our restated certificate of incorporation, our board of directors will have the authority, without further action by the stockholders, to issue up to _____ shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our board of directors. The existence of authorized but unissued shares of preferred stock enables our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest, or other means.
- *Choice of Forum.* Our restated certificate of incorporation will provide that the Court of Chancery of the State of Delaware will be the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the DGCL, our restated certificate of incorporation or our restated bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine.

Listing

We intend to apply to list our common stock on the New York Stock Exchange under the symbol "RDFN."

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Wells Fargo Bank, N.A. The transfer agent's address is 1110 Centre Point Curve, Suite 101, Mendota Heights, Minnesota, 55120-4100, and its telephone number is (800) 401-1957.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for shares of our common stock, and we cannot predict the effect, if any, that market sales of shares of our common stock or the availability of shares of our common stock for sale will have on the market price of our common stock prevailing from time to time. Nevertheless, sales of substantial amounts of our common stock, including shares issued upon exercise of outstanding stock options, in the public market following this offering could adversely affect market prices prevailing from time to time and could impair our ability to raise capital through the sale of our equity securities.

Upon the completion of this offering, based on the number of shares of our capital stock outstanding as of March 31, 2017, we will have a total of _____ shares of our common stock outstanding. Of these outstanding shares, all of the shares of common stock sold in this offering will be freely tradable, except that any shares purchased in this offering by our affiliates, as that term is defined in Rule 144 under the Securities Act, would only be able to be sold in compliance with the Rule 144 limitations described below.

The remaining outstanding shares of our common stock will be deemed “restricted securities” as defined in Rule 144 under the Securities Act. Restricted securities may be sold in the public market only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, which rules are summarized below. In addition, most of our security holders have entered into agreements with us containing market standoff provisions or lock-up agreements with the underwriters under which they have agreed, subject to specific exceptions, not to sell any of our stock for at least 180 days following the date of this prospectus, as described below. As a result of these agreements, subject to the provisions of Rule 144 or Rule 701, shares will be available for sale in the public market as follows:

- beginning on the date of this prospectus, all of the shares sold in this offering will be immediately available for sale in the public market;
- beginning 181 days after the date of this prospectus, _____ additional shares will become eligible for sale in the public market, of which _____ shares will be held by affiliates and subject to the volume and other restrictions of Rule 144, as described below; and
- the remainder of the shares will be eligible for sale in the public market from time to time thereafter upon subject to vesting and, in some cases, to the volume and other restrictions of Rule 144, as described below.

Lock-Up Agreements and Market Stand-off Provisions

All of our directors, officers and most of our security holders are subject to lock-up agreements or market stand-off provisions that, subject to exceptions described under “Underwriting” below, prohibit them from offering for sale, selling, contracting to sell, pledging, granting any option for the sale of, making any short sale of, transferring or otherwise disposing, of any shares of our common stock, stock options, or any security or instrument related to our common stock or stock options for a period of at least 180 days following the date of this prospectus, without the prior written consent of the underwriters. These agreements are subject to certain customary exceptions. See “Underwriting” for additional information.

Rule 144

In general, under Rule 144, as currently in effect, once we have been subject to the public company reporting requirements for at least 90 days, a person who is not deemed to have been one of

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our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least six months, including the holding period of any prior owner other than our affiliates, is entitled to sell those shares without complying with the manner of sale, volume limitation, or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then that person would be entitled to sell those shares without complying with any of the requirements of Rule 144.

In general, under Rule 144, as currently in effect, our affiliates or persons selling shares on behalf of our affiliates are entitled to sell, upon expiration of the lock-up and market stand-off provisions described above, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately _____ shares immediately after this offering; or
- the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to that sale.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 701

Rule 701 generally allows a stockholder who purchased shares of our capital stock pursuant to a written compensatory plan or contract and who is not deemed to have been an affiliate of our company during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation, or notice provisions of Rule 144. Rule 701 also permits affiliates of our company to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required by that rule to wait until 90 days after the date of this prospectus before selling those shares pursuant to Rule 701. Moreover, all Rule 701 shares are subject to lock-up agreements or market stand-off provisions as described above and under "Underwriting" and will not become eligible for sale until the expiration of those agreements.

Registration Statement

In connection with this offering, we intend to file a registration statement on Form S-8 under the Securities Act registering the issuance and sale of all of the shares of our common stock subject to outstanding options and the shares of our common stock reserved for issuance under our equity incentive plans. We expect to file this registration statement as soon as permitted under the Securities Act. However, the shares registered on Form S-8 may be subject to the volume limitations and the manner of sale, notice, and public information requirements of Rule 144 and will not be eligible for resale until expiration of the lock-up and market stand-off agreements to which they are subject.

Registration Rights

We have granted demand, Form S-3, and piggyback registration rights to certain of our stockholders to sell our common stock. Registration of the sale of these shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the related registration statement, except for shares purchased by affiliates. See "Description of Capital Stock—Registration Rights" for additional information.

**MATERIAL U.S. FEDERAL TAX CONSEQUENCES
TO NON-U.S. HOLDERS OF OUR COMMON STOCK**

The following summary describes the material U.S. federal income tax considerations of the acquisition, ownership, and disposition of our common stock by “non-U.S. holders” (as described below under “—Non-U.S. Holder Defined”). This summary does not address all aspects of U.S. federal income tax considerations relating thereto. This summary also does not address the tax considerations arising under the laws of any non-U.S., state, or local jurisdiction, or under U.S. federal gift and estate tax laws, except to the limited extent provided below.

Special rules different from those described below may apply to certain non-U.S. holders that are subject to special treatment under the Code, including, without limitation:

- banks, insurance companies, or other financial institutions;
- partnerships or entities or arrangements treated as partnerships or other pass-through entities for U.S. federal tax purposes (or investors in such entities);
- corporations that accumulate earnings to avoid U.S. federal income tax;
- persons subject to the alternative minimum tax or Medicare contribution tax;
- tax-exempt entities (including private foundations) or tax-qualified retirement plans;
- controlled foreign corporations or passive foreign investment companies;
- persons who acquired our common stock as compensation for services;
- dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- persons that own, or are deemed to own, more than five percent of our capital stock (except to the extent specifically set forth below);
- U.S. expatriates and certain former citizens or long-term residents of the United States;
- persons who hold our common stock as a position in a hedging transaction, “straddle,” “conversion transaction,” or other risk-reduction transaction;
- persons who do not hold our common stock as a capital asset within the meaning of Section 1221 of the Code (generally, for investment purposes); or
- persons deemed to sell our common stock under the constructive sale provisions of the Code.

In addition, if a partnership or an entity or an arrangement classified as a partnership or other pass-through entity for U.S. federal income tax purposes is a beneficial owner of our common stock, the tax treatment of a partner in the partnership or an owner of the entity will depend upon the status of the partner or other owner and the activities of the partnership or other entity. Therefore, this summary does not address tax considerations applicable to partnerships that hold our common stock, and partners in such partnerships should consult their tax advisors.

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The information provided below is based upon provisions of the Code, Treasury regulations promulgated thereunder, administrative rulings, and judicial decisions as of the date hereof. Such authorities may be subject to differing interpretations, repealed, revoked, or modified, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those discussed below. We have not requested a ruling from the Internal Revenue Service, or IRS, with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will not take a contrary position regarding the tax consequences of the acquisition, ownership, and disposition of our common stock, or that any such contrary position would not be sustained by a court. In either case, the tax considerations of owning or disposing of our common stock could differ from those described below and, as a result, we cannot assure you that the tax consequences described in this discussion will not be challenged by the IRS or will be sustained by a court if challenged by the IRS.

INVESTORS CONSIDERING THE PURCHASE OF OUR COMMON STOCK SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME AND ESTATE TAX LAWS TO THEIR PARTICULAR SITUATIONS AND THE CONSEQUENCES OF FOREIGN, STATE, OR LOCAL LAWS AND TAX TREATIES.

Non-U.S. Holder Defined

For purposes of this summary, a “non-U.S. holder” is any beneficial owner of our common stock, other than a partnership, that is not:

- an individual who is a citizen or resident of the United States (as determined under U.S. federal income tax rules);
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States, any state therein, or Washington, D.C.;
- a trust if it (1) is subject to the primary supervision of a court within the United States and one of more U.S. persons have authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or
- an estate whose income is subject to U.S. income tax regardless of its source.

If you are a non-U.S. citizen that is an individual, you may, in some cases, be deemed to be a resident alien (as opposed to a nonresident alien) by virtue of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year. Generally, for this purpose, all the days you are present in the current year, one-third of the days you are present in the immediately preceding year and one-sixth of the days you are present in the second preceding year, are counted. Resident aliens are generally subject to U.S. federal income tax as if they were U.S. citizens. Such an individual is urged to consult his or her own tax advisor regarding the U.S. federal income tax consequences of the ownership or disposition of our common stock.

Distributions

We do not expect to declare or make any distributions on our common stock in the foreseeable future. If we do make distributions on our common stock, however, such distributions will generally constitute dividends for U.S. federal income tax purposes to the extent they are paid from our current

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or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of our current and accumulated earnings and profits will constitute a return of capital that is applied against and reduces, but not below zero, a non-U.S. holder's adjusted tax basis in our common stock. Any remaining excess will be treated as gain realized on the sale or exchange of our common stock as described below under "—Gain on Disposition of Our Common Stock." The amount of any distribution of property other than cash will be the fair market value of that property on the date of distribution.

Any distribution on our common stock that is treated as a dividend paid to a non-U.S. holder that is not effectively connected with the non-U.S. holder's conduct of a trade or business in the United States will generally be subject to U.S. withholding tax at a 30% rate or such lower rate as may be specified under the terms of an applicable income tax treaty between the United States and the non-U.S. holder's country of residence. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under a relevant income tax treaty. Generally, in order for us or our paying agent to withhold tax at a lower treaty rate, a non-U.S. holder must certify its entitlement to treaty benefits. A non-U.S. holder generally can meet this certification requirement by providing a properly executed Form W-8BEN or Form W-8BEN-E or appropriate substitute form to us or our paying agent. If the non-U.S. holder holds the stock through a financial institution or other agent acting on the holder's behalf, the holder will be required to provide appropriate documentation to the agent. The holder's agent will then be required to provide certification to us or our paying agent, either directly or through other intermediaries. A non-U.S. holder that is eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty with the United States may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund with the IRS in a timely manner.

Dividends received by a non-U.S. holder that are effectively connected with a U.S. trade or business conducted by the non-U.S. holder, and if required by an applicable income tax treaty between the United States and the non-U.S. holder's country of residence, are attributable to a permanent establishment maintained by the non-U.S. holder in the United States, are not subject to U.S. withholding tax. To obtain this exemption, a non-U.S. holder must provide us or our paying agent with a properly executed IRS Form W-8ECI certifying such exemption. Such effectively connected dividends, although not subject to withholding tax, are taxed at the same graduated rates applicable to U.S. persons, net of certain deductions and credits. In addition to being taxed at graduated income tax rates, dividends received by corporate non-U.S. holders that are effectively connected with a U.S. trade or business of the corporate non-U.S. holder may also be subject to an additional "branch profits tax," which is imposed, under certain circumstances, at a rate of 30% (or such lower rate as may be specified by an applicable tax treaty) on the corporate non-U.S. holder's effectively connected earnings and profits, subject to certain adjustments.

For additional withholding rules that may apply to dividends paid to foreign financial institutions (as specifically defined by the applicable rules), or to non-financial foreign entities that have substantial direct or indirect U.S. owners, see "—Foreign Accounts."

Gain on Disposition of Our Common Stock

Subject to the discussions below under "—Backup Withholding and Information Reporting" and "—Foreign Accounts," non-U.S. holders will generally not be subject to U.S. federal income tax on gain realized on the sale, exchange, or other disposition of our common stock unless:

- (1) the gain is effectively connected with the conduct by the non-U.S. holder of a U.S. trade or business and, if required by an applicable income tax treaty between the United States and the non-U.S. holder's country of residence, is attributable to a permanent establishment maintained by the non-U.S. holder in the United States;

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- (2) the non-U.S. holder is a nonresident individual and is present in the United States for 183 days or more in the taxable year of the sale, exchange, or other disposition of our common stock and certain other requirements are met; or
- (3) the rules of the Foreign Investment in Real Property Tax Act, or FIRPTA, apply to treat the gain as effectively connected with a U.S. trade or business.

A non-U.S. holder described in (1) above will be required to pay tax on the net gain derived from the sale, exchange, or other disposition of our common stock at regular graduated U.S. federal income tax rates, unless a specific treaty exemption applies, and corporate non-U.S. holders described in (1) above may also be subject to the additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

An individual non-U.S. holder described in (2) above will be required to pay a flat 30% tax on the gain derived from the sale, exchange, or other disposition of our common stock, or such other reduced rate as may be specified by an applicable income tax treaty, which gain may be offset by U.S. source capital losses (even though the non-U.S. holder is not considered a resident of the United States).

With respect to (3) above, in general, the FIRPTA rules may apply to a sale, exchange, or other disposition of our common stock if we are, or were within the shorter of the five-year period preceding the disposition and the non-U.S. holder's holding period, a U.S. real property holding corporation, or USRPHC. We do not believe that we are a USRPHC and we do not anticipate becoming a USRPHC in the future. Even if we become a USRPHC, gain realized by a non-U.S. holder on a disposition of our common stock will not be subject to U.S. federal income tax under FIRPTA as long as (a) our common stock is regularly traded on an established securities market and (b) the non-U.S. holder owned, directly, indirectly, and constructively, no more than five percent of our outstanding common stock at all times within the shorter of (i) the five-year period preceding the disposition or (ii) the holder's holding period.

For additional withholding rules that may apply to proceeds of a disposition of our common stock paid to foreign financial institutions (as specifically defined by the applicable rules), or to non-financial foreign entities that have substantial direct or indirect U.S. owners, see "—Foreign Accounts."

U.S. Federal Estate Tax

The estates of nonresident alien individuals generally are subject to U.S. federal estate tax on property with a U.S. situs. Because we are a U.S. corporation, our common stock will be U.S. situs property and therefore will be included in the taxable estate of a nonresident alien decedent, unless an applicable estate tax treaty between the United States and the decedent's country of residence provides otherwise. Investors are urged to consult their own tax advisors regarding the U.S. federal estate tax consequences of the ownership or disposition of our common stock.

Backup Withholding and Information Reporting

The Code and the Treasury regulations require those who make specified payments to report the payments to the IRS. Among the specified payments are dividends and proceeds paid by brokers to their customers. The required information returns enable the IRS to determine whether the recipient properly included the payments in income. This reporting regime is reinforced by "backup withholding" rules. These rules require the payors to withhold tax from payments subject to information reporting if the recipient fails to comply with the reporting requirements by failing to provide his or her taxpayer

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identification number or other certification of exempt status to the payor, furnishing an incorrect identification number, or failing to report interest or dividends on his or her returns. The backup withholding tax rate is currently 28%. The backup withholding rules do not apply to payments to corporations, whether domestic or foreign, provided they establish such exemption.

Payments to non-U.S. holders of dividends on common stock generally will not be subject to backup withholding, and payments of proceeds made to non-U.S. holders by a broker upon a sale of common stock will not be subject to information reporting or backup withholding, in each case so long as the non-U.S. holder certifies its nonresident status (and we or our paying agent do not have actual knowledge or reason to know the holder is a U.S. person or that the conditions of any other exemption are not, in fact, satisfied) or otherwise establishes an exemption. U.S. backup withholding generally will not apply to a non-U.S. holder who provides a properly executed IRS Form W-8BEN or IRS Form W-8BEN-E, or otherwise establishes an exemption. We must report annually to the IRS any dividends paid to each non-U.S. holder and the tax withheld, if any, with respect to these dividends. Copies of these reports may be made available to tax authorities in the country where the non-U.S. holder resides.

Under the Treasury regulations, the payment of proceeds from the disposition of shares of our common stock by a non-U.S. holder made to or through a U.S. office of a broker generally will be subject to information reporting and backup withholding unless the beneficial owner certifies, under penalties of perjury, among other things, its status as a non-U.S. holder (and the broker does not have actual knowledge or reason to know the holder is a U.S. person) or otherwise establishes an exemption. The payment of proceeds from the disposition of shares of our common stock by a non-U.S. holder made to or through a non-U.S. office of a broker generally will not be subject to backup withholding and information reporting, except as noted below. Information reporting, but not backup withholding, will apply to a payment of proceeds, even if that payment is made outside of the United States, if a non-U.S. holder sells our common stock through a non-U.S. office of a broker that is:

- a U.S. person (including a foreign branch or office of such person);
- a “controlled foreign corporation” for U.S. federal income tax purposes;
- a foreign person 50% or more of whose gross income from certain periods is effectively connected with a U.S. trade or business; or
- a foreign partnership if at any time during its tax year (1) one or more of its partners are U.S. persons who, in the aggregate, hold more than 50% of the income or capital interests of the partnership or (2) the foreign partnership is engaged in a U.S. trade or business,

unless the broker has documentary evidence that the beneficial owner is a non-U.S. holder and certain other conditions are satisfied, or the beneficial owner otherwise establishes an exemption (and the broker has no actual knowledge or reason to know to the contrary).

Backup withholding is not an additional tax. Any amounts withheld from a payment to a holder of common stock under the backup withholding rules can be credited against any U.S. federal income tax liability of the holder and may entitle the holder to a refund, provided that the required information is furnished to the IRS in a timely manner.

Foreign Accounts

In addition to, and separately from the withholding rules described above, U.S. federal withholding taxes may apply under the Foreign Account Tax Compliance Act, or FATCA, on certain

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types of payments, including dividends and the gross proceeds of a disposition of our common stock, made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, or gross proceeds from the sale or other disposition of, our common stock paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. The 30% federal withholding tax described in this paragraph cannot be reduced under an income tax treaty with the United States. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States-owned foreign entities" (each as defined in the Code), annually report certain information about such accounts, and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Under applicable Treasury regulations and IRS guidance, FATCA withholding as described above currently applies to payments of dividends on our common stock, and will also apply to payments of gross proceeds from the sale or other disposition of our common stock made on or after January 1, 2019.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE POTENTIAL APPLICATION OF WITHHOLDING UNDER FATCA TO THEIR INVESTMENT IN OUR COMMON STOCK. THE PRECEDING DISCUSSION OF U.S. FEDERAL TAX CONSIDERATIONS IS FOR GENERAL INFORMATION PURPOSES ONLY. IT IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE PARTICULAR U.S. FEDERAL, GIFT, ESTATE, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF PURCHASING, HOLDING, AND DISPOSING OF OUR COMMON STOCK, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.

UNDERWRITING

We have entered into an underwriting agreement with Goldman Sachs & Co. LLC with respect to the shares being offered. Goldman Sachs & Co. LLC is the representative of the underwriters.

Underwriters	Number of Shares
Goldman Sachs & Co. LLC	
Total	

The underwriters will commit to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

The underwriters have an option to buy up to an additional _____ shares from us. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discount to be paid to the underwriters by us. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase _____ additional shares.

	No Exercise	Full Exercise
Per Share	\$	\$
Total	\$	\$

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover page of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to \$ _____ per share from the initial public offering price. After the initial offering of the shares, the representatives may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We and our officers, directors, and holders of substantially all of our common stock and securities convertible into or exchangeable for our common stock have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of our or their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Goldman Sachs & Co. LLC. See "Shares Eligible for Future Sale" for a discussion of certain transfer restrictions.

Prior to this offering, there has been no public market for the shares. The initial public offering price will be negotiated among us and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, were our historical performance, estimates of the business potential and earnings prospects of our company, an assessment of our management and the consideration of the above factors in relation to market valuation of companies in related businesses.

Our common stock will be listed on New York Stock Exchange under the symbol "RDFN."

In connection with this offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and

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purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in this offering, and a short position represents the amount of such sales that have not been covered by subsequent purchases. A "covered short position" is a short position that is not greater than the amount of additional shares for which the underwriters' option described above may be exercised. The underwriters may cover any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to cover the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option described above. "Naked" short sales are any short sales that create a short position greater than the amount of additional shares for which the option described above may be exercised. The underwriters must cover any such naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of this offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of our common stock and together with the imposition of the penalty bid, may stabilize, maintain, or otherwise affect the market price of our common stock. As a result, the price of our common stock may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities and may end any of these activities at any time. These transactions may be effected on the New York Stock Exchange, in the over-the-counter market, or otherwise.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered. We have also agreed to reimburse the underwriters for certain FINRA-related expenses incurred by them in connection with the offering in an amount not to exceed \$35,000 as set forth in the underwriting agreement.

We estimate that our share of the total expenses of the offering, excluding the underwriting discount, will be approximately \$ million.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage, and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to us and to persons and entities with relationships with us, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors, and employees may purchase, sell, or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps, and

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other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities, or instruments of the issuer (directly, as collateral securing other obligations, or otherwise), or persons and entities with relationships with the issuer. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color, or trading ideas or publish or express independent research views in respect of such assets, securities, or instruments and may at any time hold, or recommend to clients that they should acquire, long or short positions in such assets, securities, and instruments.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, each, a Relevant Member State, each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, or the Relevant Implementation Date, it has not made and will not make an offer of shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

- (1) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (2) to any legal entity which has two or more of: (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than € 43.0 million; and (c) an annual net turnover of more than € 50.0 million, as shown in its last annual or consolidated accounts;
- (3) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or
- (4) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of shares to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each underwriter has represented and agreed that:

- (1) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, or FSMA)

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received by it in connection with the issue or sale of the shares in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (2) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

Hong Kong

The shares may not be offered or sold by means of any document other than (1) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (2) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (3) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore or the SFA, (2) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (1) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (2) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (a) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA; (b) where no consideration is given for the transfer; or (c) by operation of law.

Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA. The securities may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or

to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

Canada

The securities may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts, or NI 33-105, the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

LEGAL MATTERS

Fenwick & West LLP, Seattle, Washington, has acted as our counsel in connection with this offering and will pass upon the validity of the issuance of the shares of our common stock offered by this prospectus. Cooley LLP, Seattle, Washington, is representing the underwriters.

EXPERTS

The consolidated financial statements as of December 31, 2015 and 2016 and for each of the three years in the period ended December 31, 2016, included in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing in this prospectus. Such consolidated financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits filed therewith. For further information about us and our common stock offered hereby, reference is made to the registration statement and the exhibits filed therewith. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and in each instance we refer you to the copy of such contract or other document filed as an exhibit to the registration statement. We currently do not file periodic reports with the SEC. Upon the completion of this public offering, we will be required to file periodic reports, proxy statements and other information with the SEC pursuant to the Exchange Act. A copy of the registration statement and the exhibits filed therewith may be inspected without charge at the public reference room maintained by the SEC, located at 100 F Street, NE, Washington, D.C. 20549, and copies of all or any part of the registration statement may be obtained from that office. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. The SEC also maintains a website that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC. The address of the website is www.sec.gov. We also maintain a website at www.redfin.com, at which you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Information contained on our website is not a part of this prospectus and the inclusion of our website address in this prospectus is an inactive textual reference only.

REDFIN CORPORATION
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Redfin Corporation
Seattle, Washington

We have audited the accompanying consolidated balance sheets of Redfin Corporation and subsidiaries (the "Company") as of December 31, 2015 and 2016, and the related consolidated statements of operations, changes in redeemable convertible preferred stock and stockholders' deficit, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Redfin Corporation and subsidiaries as of December 31, 2015 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

April 5, 2017

Redfin Corporation and Subsidiaries
Consolidated Balance Sheets
(in thousands, except share and per share amounts)

	December 31,		March 31,	Pro Forma March 31,
	2015	2016	2017	2017
				(unaudited)
Assets:				
Current assets:				
Cash and cash equivalents	\$ 85,597	\$ 64,030	\$ 36,209	
Restricted cash	3,423	3,815	8,664	
Short-term investments	1,744	1,749	1,750	
Prepaid expenses	6,632	4,388	3,303	
Accrued revenue, net	5,604	10,625	12,275	
Other current assets	10	8,781	10,355	
Loans held for sale	—	—	240	
Total current assets	103,010	93,388	72,796	
Property and equipment, net	7,378	19,226	22,365	
Intangible assets, net	4,270	3,782	3,660	
Goodwill	9,186	9,186	9,186	
Deferred offering costs	—	720	2,109	
Other assets	1,210	7,175	6,791	
Total assets:	<u>\$ 125,054</u>	<u>\$ 133,477</u>	<u>\$ 116,907</u>	
Liabilities, redeemable convertible preferred stock and stockholders' equity (deficit):				
Current liabilities:				
Accounts payable	\$ 1,490	\$ 5,385	\$ 2,558	
Accrued liabilities	14,892	22,253	27,781	
Other payables	3,394	3,793	8,444	
Loan facility	—	—	233	
Current portion of deferred rent	—	1,512	1,095	
Total current liabilities	19,776	32,943	40,110	
Deferred rent, net of current portion	1,077	8,852	9,874	
Total liabilities	<u>20,853</u>	<u>41,795</u>	<u>49,984</u>	
Commitments and contingencies (Note 10)				
Redeemable convertible preferred stock—par value \$0.001 per share; 166,266,114 shares authorized, issued and outstanding; and aggregate liquidation preference of \$167,488	<u>599,914</u>	<u>655,416</u>	<u>680,186</u>	\$ —
Stockholders' equity (deficit)				
Common stock—par value \$0.001 per share; 255,000,000, 290,081,638 and 290,081,638 shares authorized, respectively; 42,179,400, 44,061,806 and 44,652,140 shares issued and outstanding, respectively	42	44	45	211
Additional paid-in capital	—	—	—	208,777
Accumulated deficit	(495,755)	(563,778)	(613,309)	(142,066)
Total stockholders' equity (deficit)	<u>(495,713)</u>	<u>(563,734)</u>	<u>(613,264)</u>	<u>66,922</u>
Total liabilities, redeemable convertible preferred stock and stockholders' equity:	<u>\$ 125,054</u>	<u>\$ 133,477</u>	<u>\$ 116,907</u>	

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

Redfin Corporation and Subsidiaries
Consolidated Statements of Operations
(in thousands, except share and per share amounts)

	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
	(unaudited)				
Revenue	\$ 125,363	\$ 187,338	\$ 267,196	\$ 41,636	\$ 59,868
Cost of revenue	93,272	138,492	184,452	38,505	53,492
Gross profit	32,091	48,846	82,744	3,131	6,376
Operating expenses:					
Technology and development	17,876	27,842	34,588	7,898	9,672
Marketing	15,058	19,899	28,571	9,211	10,459
General and administrative	24,240	31,394	42,369	10,385	14,367
Total operating expenses	57,174	79,135	105,528	27,494	34,498
Income (loss) from operations	(25,083)	(30,289)	(22,784)	(24,363)	(28,122)
Interest income and other income, net:					
Interest income	23	46	173	47	43
Other income, net	24	7	85	37	13
Total interest income and other income, net	47	53	258	84	56
Income (loss) before tax benefit (expense)	(25,036)	(30,236)	(22,526)	(24,279)	(28,066)
Income tax benefit (expense)	306	—	—	—	—
Net income (loss)	\$ (24,730)	\$ (30,236)	\$ (22,526)	\$ (24,279)	\$ (28,066)
Accretion of redeemable convertible preferred stock	(101,251)	(102,224)	(55,502)	(5,212)	(24,770)
Net income (loss) attributable to common stock—basic and diluted	\$ (125,981)	\$ (132,460)	\$ (78,028)	\$ (29,491)	\$ (52,836)
Net income (loss) per share attributable to common stock—basic and diluted	\$ (3.92)	\$ (3.29)	\$ (1.81)	\$ (0.69)	\$ (1.19)
Weighted average shares used to compute net income (loss) per share attributable to common stock—basic and diluted	32,150,025	40,249,762	43,185,844	42,710,904	44,303,191
Pro forma net income (loss) per share attributable to common stock—basic and diluted (unaudited)			\$ (0.11)		\$ (0.13)
Pro forma weighted-average shares used to compute net income (loss) per share attributable to common stock—basic and diluted (unaudited)			209,451,958		210,569,305

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

Redfin Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
				(unaudited)	
Operating activities					
Net income (loss)	\$ (24,730)	\$ (30,236)	\$ (22,526)	\$ (24,279)	\$ (28,066)
Adjustments to reconcile net income (loss) to net cash used in operating activities:					
Depreciation and amortization	2,672	4,395	6,293	1,432	1,905
Stock-based compensation	5,196	5,562	8,413	1,820	2,681
Tax benefit from business acquisition	(306)	—	—	—	—
Change in assets and liabilities:					
Restricted cash	275	(1,761)	(392)	(6,001)	(4,848)
Prepaid expenses	(726)	(3,963)	2,244	1,958	1,086
Accrued revenue	499	(2,685)	(5,021)	(2,120)	(1,650)
Other current assets	(120)	721	(8,778)	(8)	(1,582)
Other long-term assets	(474)	(36)	(5,964)	(369)	384
Accounts payable	913	152	638	384	(2,912)
Accrued expenses	3,412	3,890	6,581	1,998	5,839
Other payables	(322)	1,822	399	6,007	4,651
Deferred lease liability	115	(21)	8,768	(117)	501
Net cash used in operating activities	<u>(13,596)</u>	<u>(22,160)</u>	<u>(9,345)</u>	<u>(19,295)</u>	<u>(22,011)</u>
Investing activities					
Maturities of short-term investments	1,477	1,590	1,744	1,251	1,251
Purchases of short-term investments	(1,481)	(1,550)	(1,744)	(1,251)	(1,252)
Acquisition of business, net of cash acquired	(4,074)	—	—	—	—
Purchases of property and equipment	(4,961)	(4,607)	(13,567)	(935)	(4,781)
Net cash used in investing activities	<u>(9,039)</u>	<u>(4,567)</u>	<u>(13,567)</u>	<u>(935)</u>	<u>(4,782)</u>
Financing activities					
Proceeds from issuance of redeemable convertible preferred stock	71,517	—	—	—	—
Issuance costs of redeemable convertible preferred stock	(2,928)	(9)	—	—	—
Proceeds from tender offer	225	2,659	—	—	—
In-substance dividend paid in relation to tender offer	(225)	(2,659)	—	—	—
Proceeds from exercise of stock options	996	1,732	1,495	342	551
Payment of deferred initial public offering costs	—	—	(150)	—	(1,579)
Net cash provided by (used in) financing activities	<u>69,585</u>	<u>1,723</u>	<u>1,345</u>	<u>342</u>	<u>(1,028)</u>
Net change in cash and cash equivalents	46,950	(25,004)	(21,567)	(19,888)	(27,821)
Cash and cash equivalents:					
Beginning of period	63,651	110,601	85,597	85,597	64,030
End of period	<u>\$ 110,601</u>	<u>\$ 85,597</u>	<u>\$ 64,030</u>	<u>\$ 65,709</u>	<u>\$ 36,209</u>
Supplemental disclosure of non-cash investing and financial activities					
Fair value of common stock issued for acquisition of business	\$ (8,520)	\$ —	\$ —	\$ —	\$ —
Reversal of treasury stock receivable	\$ (1,170)	\$ —	\$ —	\$ —	\$ —
Accretion of redeemable convertible preferred stock	\$ (101,251)	\$ (102,224)	\$ (55,502)	\$ (5,212)	\$ (24,770)
Stock-based compensation capitalized in property and equipment	\$ —	\$ (49)	\$ (100)	\$ —	\$ (74)
Deferred initial public offering cost accruals	\$ —	\$ —	\$ (570)	\$ —	\$ (190)
Property and equipment additions in accounts payable and accrued expenses	\$ —	\$ —	\$ (3,466)	\$ —	\$ (37)
Leasehold improvements paid directly by lessor	\$ —	\$ —	\$ (520)	\$ —	\$ (104)

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

Redfin Corporation and Subsidiaries
Consolidated Statements of Changes in Redeemable Convertible Preferred Stock and Stockholders' Deficit
(in thousands, except for shares)

	Redeemable Convertible Preferred Stock		Common Stock		Additional	Treasury Stock		Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-in Capital	Shares	Amount	Deficit	Stockholders' Deficit
Balance, January 1, 2014	144,518,151	\$ 327,859	27,587,129	\$ 28	\$ —	2,924,500	\$ (1,170)	\$ (259,887)	\$ (261,029)
Exercise of stock options	—	—	5,301,436	5	1,523	—	—	—	1,528
Issuance of redeemable convertible preferred stock—net of issuance costs of \$2,928	21,747,963	68,589	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	5,196	—	—	—	5,196
In-substance dividend issued in tender offer	—	—	—	—	225	—	—	(225)	—
Issuance of common stock in business acquisition	—	—	4,000,331	4	8,516	—	—	—	8,520
Treasury stock modification into common shares	—	—	1,000,000	1	—	(2,924,500)	1,170	—	1,171
Accretion of redeemable convertible preferred stock	—	101,251	—	—	(15,460)	—	—	(85,791)	(101,251)
Net income (loss)	—	—	—	—	—	—	—	(24,730)	(24,730)
Balance, December 31, 2014	166,266,114	\$ 497,699	37,888,896	\$ 38	\$ —	—	\$ —	\$ (370,633)	\$ (370,595)
Exercise of stock options	—	—	4,290,504	\$ 4	\$ 1,727	—	—	—	\$ 1,731
Redeemable convertible preferred stock issuance costs	—	\$ (9)	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	5,611	—	—	—	5,611
In-substance dividend issued in tender offer	—	—	—	—	2,659	—	—	\$ (2,659)	—
Accretion of redeemable convertible preferred stock	—	102,224	—	—	(9,997)	—	—	(92,227)	(102,224)
Net income (loss)	—	—	—	—	—	—	—	(30,236)	(30,236)
Balance, December 31, 2015	166,266,114	\$ 599,914	42,179,400	\$ 42	\$ —	—	\$ —	\$ (495,755)	\$ (495,713)
Exercise of stock options	—	—	1,882,406	\$ 2	\$ 1,493	—	—	—	\$ 1,495
Stock-based compensation	—	—	—	—	8,512	—	—	—	8,512
Accretion of redeemable convertible preferred stock	—	\$ 55,502	—	—	(10,005)	—	—	(45,497)	(55,502)
Net income (loss) (unaudited)	—	—	—	—	—	—	—	(22,526)	(22,526)
Balance, December 31, 2016	166,266,114	\$ 655,416	44,061,806	\$ 44	\$ —	—	\$ —	\$ (563,778)	\$ (563,734)
Cumulative stock-based compensation adjustment (unaudited)	—	—	—	—	\$ 523	—	—	\$ (523)	\$ —
Exercise of stock options (unaudited)	—	—	590,334	\$ 1	550	—	—	—	\$ 551
Stock-based compensation (unaudited)	—	—	—	—	2,755	—	—	—	2,755
Accretion of redeemable convertible preferred stock (unaudited)	—	\$ 24,770	—	—	(3,828)	—	—	(20,942)	(24,770)
Net income (loss) (unaudited)	—	—	—	—	—	—	—	(28,066)	(28,066)
Balance, March 31, 2017 (unaudited)	166,266,114	\$ 680,186	44,652,140	\$ 45	\$ —	—	\$ —	\$ (613,309)	\$ (613,264)

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

Redfin Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(information as of March 31, 2017 and for the three months ended March 31, 2016 and 2017 is unaudited)

Note 1: Description of Business and Summary of Significant Accounting Policies:

Description of Business—Redfin Corporation (“Redfin” or the “Company”) was incorporated in October 2002 and is headquartered in Seattle, Washington. The Company operates an online real estate marketplace and provides real estate services, including assisting individuals to purchase or sell their residential property. The Company’s wholly owned subsidiaries also provide title and settlement services and originate mortgages. The Company has operations located in multiple states nationwide.

Basis of Presentation—The consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Company had no components of other comprehensive income (loss) during any of the years presented, as such, a consolidated statement of comprehensive income (loss) is not presented. All amounts are presented in thousands, except share and per share data.

Principles of Consolidation—The consolidated financial statements include the accounts of Redfin and its wholly owned subsidiaries. Intercompany transactions and balances have been eliminated.

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. Further, during the period required to achieve substantially higher revenue in order to become profitable, the Company may require additional funds that may not be readily available or may not be on terms that are acceptable to the Company.

The Company operates in the online real estate marketplace and, accordingly, can be affected by a variety of factors. For example, management of the Company believes that any of the following factors could have a significant negative effect on the Company’s future financial position, results of operations, and cash flows: unanticipated fluctuations in operating results due to seasonality and cyclicity in the real estate industry, changes in home sale prices and transaction volumes, the Company’s ability to increase market share, competition and U.S. economic conditions.

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 results of operations during the respective periods. The Company’s more significant estimates include but are not limited to valuation of deferred income taxes, stock-based compensation, fair value of common stock and redeemable convertible preferred stock, capitalization of website development costs, recoverability of intangible assets with finite lives, and the fair value of reporting units for purposes of evaluating goodwill for impairment. The amounts ultimately realized from the affected assets or ultimately recognized as liabilities will depend on, among other factors, general business conditions and could differ materially in the near term from the carrying amounts reflected in the consolidated financial statements.

Unaudited Pro Forma Consolidated Balance Sheet Data and Unaudited Pro Forma Net Income (Loss) per Share Attributable to Common Stock—The unaudited pro forma information has been prepared assuming that, upon the completion of the public offering contemplated by us, all of the

Redfin Corporation and Subsidiaries
Notes to Consolidated Financial Statements—(Continued)
(information as of March 31, 2017 and for the three months ended March 31, 2016 and 2017 is unaudited)

Company's redeemable convertible preferred stock outstanding will automatically convert into shares of common stock, based on the provisions in the Company's Amended and Restated Certificate of Incorporation. The Company prepared the unaudited pro forma basic and diluted net income (loss) per share attributable to common stock for the year ended December 31, 2016 and for the three months ended March 31, 2017, assuming the automatic conversion of the redeemable convertible preferred stock as if the initial public offering had been completed on January 1, 2016.

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 instruments.

Restricted Cash and Other Payables—Restricted cash primarily consists of cash held in escrow on behalf of real estate buyers using the Company's title and settlement services. Since the Company does not have rights to the cash, a corresponding customer deposit liability in the same amount is recognized in the consolidated balance sheets in other payables. When a real estate transaction closes, the restricted cash transfers from escrow and the corresponding deposit liability is reduced. Restricted cash is classified as an operating activity in the statement of cash flows due to the reciprocity between restricted cash and other payables representing either simultaneous cash inflows or outflows.

Short-Term Investments—The Company's short-term investments consist of certificates of deposit with maturities of 12 months or less from the balance sheet date. Short-term investments are reported at cost, which approximates fair value, as of each balance sheet date.

Concentration of Credit Risk—Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents. The Company generally places its cash and cash equivalents and short-term investments with high-credit-quality counterparties to make sure the financial institutions are stable when the Company's deposits exceed Federal Deposit Insurance Corporation limits, and by policy, limit the amount of credit exposure to any one counterparty based on the Company's analysis of the counterparty's relative credit standing. The Company maintains its cash accounts with financial institutions where, at times, deposits exceed federal insurance limits.

Other Assets and Other Current Assets—Other assets consist primarily of leased building security deposits. In May 2016, the Company signed a new lease for its corporate headquarters with a security deposit of \$5,424. Other current assets consist primarily of a receivable due from the landlord of the Company's new corporate headquarters. The Company paid the upfront leasehold improvements costs and, once completed, is owed \$8,470 in reimbursement that is fully collectable. Additionally, in January 2017, RDFN Ventures, Inc. ("Redfin Now"), a wholly owned subsidiary of the Company, began purchasing properties with the intent of resale. Direct property acquisition and improvement costs are capitalized and tracked directly with each specific property. These are stated at cost unless the utility of the properties is no longer as great as their cost, in which case it is written down to "market". As of December 31, 2015 and 2016 and March 31, 2017 there were \$0, \$0, and \$1,806, respectively, in home inventories included in other current assets.

Leases—The Company categorizes leases at their inception as either operating or capital 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

Redfin Corporation and Subsidiaries
Notes to Consolidated Financial Statements—(Continued)
(information as of March 31, 2017 and for the three months ended March 31, 2016 and 2017 is unaudited)

terms, such as rent holidays, that defer the commencement date of required payments. Additionally, incentives the Company receives are treated as a reduction of rent expense over the term of the agreement and are presented in leasehold improvements and deferred rent on the balance sheet.

Technology and Development—Technology and development costs, which include research and development costs, are expensed as incurred and primarily include personnel costs (including base pay and benefits), stock-based compensation, data licenses, software and equipment, and infrastructure such as for data centers and hosted services. Technology and development expenses also include amortization of capitalized internal-use software and website and mobile application development costs.

Property and Equipment—Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method over the estimated useful life of two to five years. Depreciation and amortization is included in direct real estate operations, technology and development, and general and administrative and is allocated based on estimated usage for each class of asset.

Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the related asset. Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statements of operations. Repair and maintenance costs are expensed as incurred.

The costs incurred in the preliminary stages of website and software development are expensed as incurred. Once an application has reached the development stage, direct and incremental internal and external costs relating to upgrades or enhancements that meet the criteria for capitalization are capitalized in property and equipment 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 and amortized on a straight-line basis over the estimated useful lives.

Capitalized software development activities placed in service are amortized over the expected useful lives of those releases. The Company views capitalized software costs as either internal use or expansion. Currently, internal use and expansion useful lives are estimated at one year and three years, respectively. Amortization expense related to capitalized website and software development costs is included in depreciation and amortization expense under technology and development costs.

Estimated useful lives of website and software development activities are reviewed annually or whenever events or changes in circumstances indicate that intangible assets may be impaired and adjusted as appropriate to reflect upcoming development activities that may include significant upgrades or enhancements to the existing functionality. The Company capitalized software development costs of \$2,548, \$2,824, and \$3,194 during the years ended December 31, 2014, 2015, and 2016, respectively, and \$784 and \$1,241 for the three months ended March 31, 2016 and 2017, respectively.

Impairment of Long-Lived Assets—Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured first by a comparison of the

Redfin Corporation and Subsidiaries
Notes to Consolidated Financial Statements—(Continued)
(information as of March 31, 2017 and for the three months ended March 31, 2016 and 2017 is unaudited)

carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such asset were considered to be impaired, an impairment loss would be recognized when the carrying amount of the asset exceeds the fair value of the asset. To date, no such impairment has occurred.

Intangible Assets—Intangible assets are finite lived and mainly consist of trade names, developed technology and customer relationships and are amortized over their estimated useful lives of ten years. The useful lives were determined by estimating future cash flows generated by the acquired intangible assets. Amortization expense is included in cost of revenue.

Goodwill—Goodwill represents the excess of the purchase price over the fair value of the net tangible assets and identifiable intangible assets acquired in a business combination. Goodwill is not amortized, but is subject to impairment testing. The Company assesses the impairment of goodwill on an annual basis, in its fourth quarter, or whenever events or changes in circumstances indicate that goodwill may be impaired. The Company assesses goodwill for possible impairment by first 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. If the Company qualitatively determines that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then the first and second steps of the goodwill impairment test are unnecessary. The first step of the goodwill impairment test identifies if there is potential goodwill impairment. If step one indicates that an impairment may exist, a second step is performed to measure the amount of the goodwill impairment, if any. Goodwill impairment exists when the estimated fair value of goodwill is less than its carrying value. If impairment exists, the carrying value of the goodwill is reduced to fair value through an impairment charge recorded in the Company's statements of operations.

For the Company's most recent impairment assessment performed as of October 1, 2016, the Company performed a qualitative assessment and determined that it was not more likely than not that the fair value of its reporting unit for which goodwill has been assigned was less than its carrying amount. In evaluating whether it was more likely than not that the fair value of its reporting unit was less than its carrying amount, the Company considered macroeconomic conditions, industry and market considerations, cost factors, its overall financial performance, other relevant entity-specific events, potential events affecting its reporting unit, and changes in the fair value of the Company's common stock. The primary qualitative factors the Company considered in its analysis as of October 1, 2016 were the Company's overall financial performance and the fair value of the reporting unit for which goodwill was assigned, which was well in excess of its book value. The aggregate carrying value of goodwill was \$9,186 at December 31, 2015 and 2016 and March 31, 2017. Goodwill, associated with the acquisition of Walk Score, Inc. (Note 4), was assigned to the Company's real estate services reporting unit as it benefits from the synergies of the acquisition. There have been no accumulated impairments to goodwill.

Revenue Recognition—Revenue primarily consists of commissions and fees charged on each real estate transaction completed by the Company or its partner agents. The Company's key revenue components are brokerage revenue, partner revenue, and other revenue. The Company recognizes commission-based brokerage revenue upon closing of a real estate transaction, net of any commission refund or any closing-cost reduction. Partner revenue consists of fees earned by referring customers to partner agents. Partner revenue is earned and recognized when partner agents close a referred transaction, net of any refund provided to customers. Fees and revenue from other services are recognized when the service is provided. Revenue earned from selling homes previously

Redfin Corporation and Subsidiaries
Notes to Consolidated Financial Statements—(Continued)
(information as of March 31, 2017 and for the three months ended March 31, 2016 and 2017 is unaudited)

purchased by Redfin Now is recorded on a gross basis upon closing. There was no such revenue from home sales for all periods presented.

Revenue earned but not received is recorded as accrued revenue on the accompanying consolidated balance sheets, net of an allowance for doubtful accounts. Commission revenue is known and is clearing escrow, and therefore it is not estimated.

The Company establishes an allowance for doubtful accounts after reviewing historical experience, age of accounts receivable balances and any other known conditions that may affect collectability. The allowance for doubtful accounts balance was \$0 as of December 31, 2014 and 2015 and \$150 as of December 31, 2016 and March 31, 2017. During the year ended December 31, 2016 there were \$290 of charges and \$140 of write-offs to the allowance. There were no charges or write-offs during the three months ended March 31, 2016 and 2017.

Cost of Revenue—Costs of revenue consists of personnel costs (including base pay and benefits), stock-based compensation, transaction bonuses, tour and field expenses, listing expenses, business expenses, facilities expenses, and, for Redfin Now, the cost of homes including the purchase price and capitalized improvements.

Advertising and Advertising Production Costs—The Company expenses advertising costs as they are incurred and production costs as of the first date the advertisement takes place. Advertising costs totaled \$5,073, \$8,394, and \$17,570 in 2014, 2015, and 2016 respectively, and \$6,185 and \$7,005 for the three months ended March 31, 2016 and 2017, respectively, and are included in marketing expenses. Advertising production costs totaled \$2,032, \$1,661, and \$1,640 in 2014, 2015, and 2016, respectively, and \$93 and \$11 for the three months ended March 31, 2016 and 2017, respectively, and are included in marketing expenses.

Loans Held for Sale—Redfin Mortgage, LLC (“Redfin Mortgage”), a wholly owned subsidiary of the Company, began originating mortgage loans in March 2017. Such mortgage loans are intended to be sold in the secondary mortgage market within a short period of time of origination. Mortgage loans held for sale consist of single-family residential loans collateralized by the underlying property. Mortgage loans held for sale are stated at the lower of cost or estimated fair value. As of March 31, 2017 there were \$240 of mortgage loans held for sale.

Derivative Instruments—Redfin Mortgage is party to interest rate lock commitments (“IRLCs”) with customers resulting from mortgage origination operations. IRLCs for single family mortgage loans that Redfin Mortgage intends to sell are considered free-standing derivatives. All free-standing derivatives are required to be recorded on the Company’s consolidated balance sheets at fair value. Because Redfin Mortgage can terminate a loan commitment if the borrower does not comply with the terms of the contract, and some loan commitments may expire without being drawn upon, these commitments do not necessarily represent future cash requirements. The Company does not use derivatives for trading purposes.

Interest rate market risk, related to the residential mortgage loans held for sale and IRLCs, is offset using loan investor commitments. Changes in the fair value of IRLCs and other derivative financial instruments are recognized in revenue, and the fair values are reflected in other current assets and accrued liabilities, as applicable. The Company considers several factors in determining the

Redfin Corporation and Subsidiaries
Notes to Consolidated Financial Statements—(Continued)
(information as of March 31, 2017 and for the three months ended March 31, 2016 and 2017 is unaudited)

fair value including the fair value in the underlying loan resulting from the exercise of the commitment and the probability that the loan will not fund according to the terms of the commitment (referred to as a fall-out factor). The value of the underlying loan is affected primarily by changes in interest rates.

Deferred Offering Costs—Deferred offering costs, including legal, accounting and other fees and costs relating to our planned initial public offering, are capitalized and included as a noncurrent asset in the consolidated balance sheets. The deferred offering costs will be offset against initial public offering proceeds upon the closing of the initial public offering within equity. There were \$0, \$720, and \$2,109 of capitalized deferred offering costs as of December 31, 2015 and 2016, and March 31, 2017, respectively.

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 consolidated 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 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 and credits carried forward.

In addition, current tax laws impose substantial restrictions on the utilization of research and development credit and net operating loss ("NOL") carryforwards in the event of an ownership change, as defined by Internal Revenue Code Sections 382 and 383. Such an event, having occurred in the past or in the future, may significantly limit the Company's ability to utilize its NOLs and research and development tax credit carryforwards. In the three months ended March 31, 2017, the Company completed a Section 382 study. The study determined that the Company underwent an ownership change in 2006. Due to the Section 382 limitation determined on the date of the ownership change in 2006, NOL and R&D credits will be reduced by \$1,506 and \$32, respectively.

Stock-based Compensation—The Company recognizes expense related to the fair value of stock-based compensation. Compensation cost recognized for the years ended December 31, 2014, 2015 and 2016 and the three months ended March 31, 2016 and 2017 includes compensation cost for all stock-based compensation, based on the grant-date fair value, and recognized using the straight-line method over the requisite service period. The fair value of stock options granted was calculated using the Black-Scholes-Merton option-pricing model. Through December 31, 2016, the Company recognized compensation expense for only the portion of options expected to vest using an estimated forfeiture rate that was derived from historical employee termination behavior. On January 1, 2017, the Company adopted Accounting Standards Update ("ASU") 2016-09 and elected to recognize forfeitures as they occur rather than estimate forfeitures. The Company has a stock-based compensation plan that is more fully described in Note 7.

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Recently Adopted Accounting Pronouncements—In January 2017, the Financial Accounting Standard Board (“FASB”) issued guidance simplifying the test for goodwill impairment. Step 2 from the goodwill impairment test is no longer required, instead requiring an entity to recognize a goodwill impairment charge for the amount by which the goodwill carrying amount exceeds the reporting unit’s fair value. This guidance is effective for interim and annual goodwill impairment tests in fiscal years beginning after December 15, 2019, and early adoption is permitted. This guidance must be applied on a prospective basis. The Company adopted this guidance for interim and annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company performs its goodwill assessment annually on October 1 of each year or as events merit. The Company does not expect the adoption of this guidance to impact the Company’s financial position, results of operations or cash flows.

In March 2016, the FASB issued guidance on several aspects of the accounting for share-based payment transactions, including the income tax consequences, impact of forfeitures, classification of awards as either equity or liabilities and classification on the statement of cash flows. This guidance is effective for interim and annual reporting periods beginning after December 15, 2016, and early adoption is permitted. The Company adopted this guidance on January 1, 2017 using the modified retrospective approach through a cumulative-effect adjustment of \$552 to beginning accumulated deficit, and the Company elected to account for forfeitures as they occur beginning on January 1, 2017. The adoption of this guidance did not have a material impact on the Company’s financial position, results of operations or cash flows.

In November 2015, the FASB issued guidance on the balance sheet classification of deferred taxes. This standard requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. This guidance is effective for interim and annual reporting periods beginning after December 15, 2016, and early adoption is permitted. The Company has prospectively adopted this guidance as of January 1, 2016. The adoption of this guidance had no effect on the Company’s financial position.

Recently Issued Accounting Pronouncements—In November 2016, the FASB issued guidance on the classification and presentation of changes in restricted cash on the statement of cash flows. This guidance is effective for interim and annual reporting periods beginning after December 15, 2017, and early adoption is permitted. The adoption of this guidance requires a retrospective transition method to each period presented. The Company expects to adopt this guidance on January 1, 2018. The Company is currently evaluating the effect the adoption of this guidance will have on the Company’s cash flows.

In August 2016, the FASB issued guidance on the classification of certain cash receipts and cash payments in the statement of cash flows. This new standard will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The new standard is effective for fiscal years beginning after December 15, 2018, which means that it will be effective for the Company in its fiscal year beginning January 1, 2019. The new standard will require adoption on a retrospective basis unless it is impracticable to apply, in which case the Company would be required to apply the amendments prospectively as of the earliest date practicable. The Company is currently evaluating the effect the adoption of this guidance will have on the Company’s statement of cash flows.

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In February 2016, the FASB issued guidance on leases. This standard requires the recognition of a right-of-use asset and lease liability on the balance sheet for all leases. This standard also requires more detailed disclosures to enable users of financial statements to understand the amount, timing, and uncertainty of cash flows arising from leases. This guidance is effective for interim and annual reporting periods beginning after December 15, 2018, and should be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, and early adoption is permitted. The Company expects to adopt this guidance on January 1, 2019. The Company believes adoption of this standard will have a significant effect on its financial position.

In May 2014, the FASB issued guidance on revenue recognition. This guidance provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The original effective date of this guidance was for interim and annual reporting periods beginning after December 15, 2016, early adoption is not permitted, and the guidance must be applied retrospectively or modified retrospectively. In July 2015, the FASB approved an optional one-year deferral of the effective date. As a result, the Company expects to adopt this guidance on January 1, 2018. In 2016, the FASB issued final amendments to clarify the implementation guidance for principal versus agent considerations, identifying performance obligations and the accounting for licenses of intellectual property. The Company expects to adopt this guidance on January 1, 2018. While the Company does not expect the adoption of this standard to have a significant effect on the Company's financial position, results of operations and cash flows, the Company continues to evaluate its current arrangements with customers and related performance obligations therein and when such performance obligations are satisfied. Additionally the Company continues to evaluate the enhanced disclosure requirements under the new standard.

Note 2: Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short-term investments, accrued revenue, restricted cash, accounts payable, certain accrued liabilities, and redeemable convertible preferred stock. The fair value of the Company's financial instruments approximates their recorded values due to their short period to maturity. Fair value is defined as the exchange price that would be received for an asset or an exit price paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The current accounting guidance for fair value measurements defines a three-level valuation hierarchy for disclosures as follows:

Level I—Unadjusted quoted prices in active markets for identical assets or liabilities.

Level II—Inputs other than quoted prices included within Level I that are observable, unadjusted quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

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Level III—Unobservable inputs that are supported by little or no market activity, requiring the Company to develop its own assumptions.

The categorization of a financial instrument within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's financial instruments consist of Level I and Level II assets and liabilities. Level I assets include highly liquid money market funds that are included in cash and cash equivalents and Level II assets include certificates of deposit that are included as short-term investments, IRLCs and forward sales commitments, included in other current assets and other current liabilities. The certificates of deposit are measured by observable market data for substantially the full term of the assets or liabilities. Interest rate lock commitments and forward sales commitments are measured by observable marketplace prices. The Company's redeemable convertible preferred stock is categorized as Level III. Redeemable convertible preferred stock is valued at each reporting date based on unobservable inputs and management's judgment due to the absence of quoted market prices, inherent lack of liquidity and the long-term nature of such financial instruments.

The Company's redeemable convertible preferred stock is measured at fair value using a weighted average of the probability weighted expected return method ("PWERM"), the income approach, and the market approach. Specifically, the income and market approach models are weighted in relation to the probability of a private company scenario, whereas the PWERM method is weighted in relation to the probability of future exit scenarios.

The income approach incorporates the use of the discounted cash flow method, whereas the market approach incorporates the use of the guideline public company method. Application of the discounted cash flow method requires estimating the annual cash flows that the business enterprise is expected to generate in the future with the application of a discount rate and terminal value. In the guideline public company method, valuation multiples, including total invested capital, are calculated based on financial statements and stock price data from selected guideline publicly traded companies. A comparative analysis is then performed for factors including, but not limited to size, profitability and growth to determine fair value.

Under the PWERM, value is determined based upon an analysis of future values for the enterprise under different potential outcomes (e.g., sale, merger, IPO, dissolution). The value determined for the enterprise is allocated then allocated to each class of stock based upon the assumption that each class will look to maximize its value. The values determined for each class of stock under each scenario are weighted by the probability of each scenario and then discounted to a present value.

Any change in the fair value is recognized as accretion expense (income) and included as an adjustment to net loss to arrive at net income (loss) attributable to common stock on the consolidated statements of operations. Summary of changes in fair value are reflected in the consolidated balance sheets, consolidated statements of changes in redeemable convertible preferred stock and stockholders' deficit, and Note 6.

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Significant unobservable inputs used in the determination of fair value of the Company's redeemable convertible preferred stock included the following:

	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
				(unaudited)	
Valuation methodology:					
Income approach (private company)	0.0%-40.0%	12.5%	12.5%-15.0%	15.0%	12.5%
Market approach (private company)	0.0%-25.0%	12.5%	12.5%-15.0%	15.0%	12.5%
PWERM (IPO)	39.6%-56.3%	56.3%	52.5%-60.0%	52.5%	60.0%
PWERM (M&A)	0.0%-20.4%	18.8%	15.0%-17.5%	17.5%	15.0%
IPO revenue multiple	4.0x-5.0x	4.0x-5.0x	3.0x-4.5x	4.0x-4.5x	2.8x-3.0x
Forecasted revenue growth rate	30.0%-47.0%	30.0%-50.3%	28.0%-41.80%	35.0%-40.9%	31.1%-40.0%
Discount rate	20.0%-35.0%	20.0%-30.0%	20.0%-30.0%	20.0%-25.0%	20.0%

A summary of assets, (liabilities), and (mezzanine equity) at December 31, 2015 and 2016 and March 31, 2017, related to our financial instruments, measured at fair value on a recurring basis, is set forth below:

Financial instrument	Fair value hierarchy	Fair value		
		December 31,		March 31,
		2015	2016	2017
				(unaudited)
Money market funds (included in cash and cash equivalents)	Level I	\$ 76,689	\$ 46,357	\$ 23,899
Certificates of deposit (included in short-term investments)	Level II	1,744	1,749	1,750
Interest rate lock commitments	Level II	—	—	6
Forward loan commitments	Level II	—	—	(1)
Redeemable convertible preferred stock (mezzanine equity)	Level III	\$ (599,914)	\$ (655,416)	\$ (680,186)

Note 3: Property and Equipment:

A summary of property and equipment at December 31, 2015 and 2016, is as follows:

	Useful Lives (years)	December 31,		March 31,
		2015	2016	2017
		(in thousands)		(unaudited)
Leasehold improvements	Shorter of lease term or economic life	\$ 3,559	\$ 4,911	\$ 15,246
Website and software development costs	1-3	6,939	10,114	11,355
Computer and office equipment	3	2,160	2,846	3,234
Software	3	1,394	1,367	1,367
Furniture	7	1,156	2,406	2,802
Construction in progress		—	10,856	—
		15,208	32,500	34,004
Accumulated depreciation and amortization		(7,830)	(13,274)	(11,639)
Property and equipment, net		\$ 7,378	\$ 19,226	\$ 22,365

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Depreciation and amortization expense for property and equipment amounted to \$2,550, \$3,907, and \$5,805 for the years ended December 31, 2014, 2015, and 2016, respectively, and \$1,310 and \$1,783 for the three months ended March 31, 2016 and 2017, respectively.

Note 4: Business Combination and Acquired Intangible Assets:

On October 14, 2014, Redfin and Walk Score, Inc., a Washington corporation ("Walk Score"), entered into an agreement and plan of merger (the "Merger Agreement"), pursuant to which Redfin agreed to acquire Walk Score. The transaction closed on October 22, 2014. The acquisition was part of the Company's strategy to better position itself in search engine optimization and increase traffic to the Company's website. The net consideration transferred included \$5,500 cash plus working capital and transaction expense adjustments of \$282 and 4,000,000 shares of common stock valued at \$8,520. There were no contingencies or earn outs included in the consideration. The Company has included the financial results of Walk Score in its consolidated financial statements from the date of acquisition, and the results of operations are not significant. Pro forma financial information for the acquisition accounted for as a business combination has not been presented, as the effects were not material to the Company's consolidated financial statements. The Company incurred acquisition and related costs of approximately \$261, which were recorded as expense for the year ended December 31, 2014, and are included in general and administrative in the consolidated statements of operation. Acquisition-related costs include legal costs and professional services.

The allocation of the total consideration to the fair values of the assets acquired and liabilities assumed as of October 22, 2014, the acquisition date, is as follows:

Gross cash contributed by Redfin	\$ 5,782
Fair value of common stock	8,520
Gross consideration	<u>\$ 14,302</u>
Cash acquired from Walk Score bank accounts	(263)
Walk Score cash-in-transit to satisfy employee payable	<u>(1,445)</u>
Net consideration	<u>\$ 12,594</u>

The allocation of the purchase price to Redfin's assets acquired and liabilities assumed, net of cash acquired, is as follows:

Assets acquired:	
Accounts receivable	\$ 71
Other current assets	90
Intangible assets	4,880
Goodwill	<u>9,186</u>
Total assets acquired	<u>\$ 14,227</u>
Liabilities assumed:	
Accrued and other current liabilities	1,327
Deferred tax liability	<u>306</u>
Total liabilities assumed	<u>1,633</u>
Net assets acquired	<u>\$ 12,594</u>

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The acquisition resulted in an income tax benefit due to a reduction of the valuation allowance from the acquired NOL carryforwards. Income tax benefit of \$306 (Note 9) and an increase to goodwill by the same amount were recorded.

As part of the business combination, the Company recorded \$4,880 in intangible assets, measured at fair value, as reflected in the table below. Acquired intangible assets are amortized using the straight-line method over their estimated useful life, which approximates the expected use of these assets. Amortization expense amounted to \$122, \$488, and \$488 for the years ended December 31, 2014, 2015, and 2016, respectively, and \$122 and \$122 for the three months ended March 31, 2016 and 2017, respectively.

	Useful Lives (years)	December 31, 2015			December 31, 2016			March 31, 2017 (unaudited)		
		Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Trade names	10	\$1,040	\$ (130)	\$ 910	\$1,040	\$ (234)	\$ 806	\$1,040	\$ (260)	\$ 780
Developed technology	10	2,980	(372)	2,608	2,980	(670)	2,310	2,980	(745)	2,235
Customer relationships	10	860	(108)	752	860	(194)	666	860	(215)	645
		<u>\$4,880</u>	<u>\$ (610)</u>	<u>\$4,270</u>	<u>\$4,880</u>	<u>\$ (1,098)</u>	<u>\$3,782</u>	<u>\$4,880</u>	<u>\$ (1,220)</u>	<u>\$ 3,660</u>

Note 5: Operating Segments:

Operating segments are defined as components of an enterprise for which separate financial information is available and evaluated regularly by the chief operating decision maker ("CODM") in deciding how to make operating decisions, allocate resources and in assessing performance. The Company has four operating segments and one reportable segment, real estate. Real estate revenue is derived from commissions and fees charged on real estate transactions closed by us or partner agents. Other revenue consists of fees charged for title and settlement services, mortgage banking operations, marketing services provided to homebuilders by the Company's builder services group, Walk Score licensing and advertising fees, homes sold through Redfin Now, and other services. There was no such revenue from Redfin Now home sales for all periods presented. The Company's CODM is its Chief Executive Officer. The CODM evaluates the performance of the Company's operating segments based on revenue and gross profit. The Company does not analyze discrete segment balance sheet information related to long-term assets, all of which are located in the United States. All other financial information is presented on a consolidated basis.

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Information on each of the reportable and other segments and reconciliation to consolidated net income (loss) is as follows:

	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
				(unaudited)	
Real estate					
Revenue	\$ 121,804	\$ 181,446	\$ 260,383	\$ 40,358	\$ 58,371
Cost of revenue	89,620	131,522	176,408	36,729	51,156
Gross profit	<u>\$ 32,184</u>	<u>\$ 49,924</u>	<u>\$ 83,975</u>	<u>\$ 3,629</u>	<u>\$ 7,215</u>
Other					
Revenue	3,559	5,892	6,813	1,278	1,497
Cost of revenue	3,652	6,970	8,044	1,776	2,336
Gross profit	<u>\$ (93)</u>	<u>\$ (1,078)</u>	<u>\$ (1,231)</u>	<u>\$ (498)</u>	<u>\$ (839)</u>
Consolidated					
Revenue	125,363	187,338	267,196	41,636	59,868
Cost of revenue	93,272	138,492	184,452	38,505	53,492
Gross profit	<u>\$ 32,091</u>	<u>\$ 48,846</u>	<u>\$ 82,744</u>	<u>\$ 3,131</u>	<u>\$ 6,376</u>
Operating expenses	57,174	79,135	105,528	27,494	34,498
Net income (loss)	<u>\$ (24,730)</u>	<u>\$ (30,236)</u>	<u>\$ (22,526)</u>	<u>\$ (24,279)</u>	<u>\$ (28,066)</u>

Real estate revenue consisted of the following:

	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
				(unaudited)	
Real estate revenue					
Brokerage revenue	\$ 115,701	\$ 171,276	\$ 244,079	\$ 37,988	\$ 54,471
Partner revenue	6,103	10,170	16,304	2,370	3,900
Total real estate revenue	<u>\$ 121,804</u>	<u>\$ 181,446</u>	<u>\$ 260,383</u>	<u>\$ 40,358</u>	<u>\$ 58,371</u>

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Note 6: Redeemable Convertible Preferred Stock and Stockholders' Deficit:

Redeemable Convertible Preferred Stock—Redeemable convertible preferred stock is issuable in one or more series, each with such designations, rights, qualifications, limitations, and restrictions as the board of directors of the Company may determine at the time of issuance. As of December 31, 2015 and 2016 and March 31, 2017, the Company had outstanding redeemable convertible preferred stock as follows:

As of December 31, 2015 and 2016				
	Shares Authorized	Shares Issued and Outstanding	Aggregate Liquidation Preference	Proceeds, Net of Issuance Costs
Series A-1	4,378,284	4,378,284	\$ 500	\$ 462
Series A-2	109,552	109,552	11	11
Series A-3	9,099,610	9,099,610	259	241
Series B	36,338,577	36,338,577	7,998	7,952
Series C	33,388,982	33,388,982	12,000	11,950
Series D	28,574,005	28,574,005	10,269	10,201
Series E	12,041,148	12,041,148	14,924	14,841
Series F	20,808,580	20,808,580	50,536	50,453
Series G	21,527,376	21,527,376	70,991	68,062
Total	166,266,114	166,266,114	\$ 167,488	\$ 164,173

As of March 31, 2017 (unaudited)				
	Shares Authorized	Shares Issued and Outstanding	Aggregate Liquidation Preference	Proceeds, Net of Issuance Costs
Series A-1	4,378,284	4,378,284	\$ 500	\$ 462
Series A-2	109,552	109,552	11	11
Series A-3	9,099,610	9,099,610	259	241
Series B	36,338,577	36,338,577	7,998	7,952
Series C	33,388,982	33,388,982	12,000	11,950
Series D	28,574,005	28,574,005	10,269	10,201
Series E	12,041,148	12,041,148	14,924	14,841
Series F	20,808,580	20,808,580	50,536	50,453
Series G	21,527,376	21,527,376	70,991	68,062
Total	166,266,114	166,266,114	\$ 167,488	\$ 164,173

The terms of all redeemable convertible preferred stock are summarized below:

Conversion—Each share of redeemable convertible preferred stock is convertible at the option of the holder into such number of common stock as is determined by dividing the original issue price by the conversion price in effect at the time of conversion. The original issue prices are as follows: \$0.1142 for Series A-1 preferred, \$0.0971 for Series A-2 preferred, \$0.0285 for Series A-3 preferred, \$0.2201 for Series B preferred, \$0.3594 for Series C preferred, \$0.3594 for Series D preferred, \$1.2394 for Series E preferred, \$2.4286 for Series F preferred, and \$3.2977 for Series G preferred. Under the terms of the Company's Amended and Restated Certificate of Incorporation, redeemable convertible preferred stock shall be automatically converted into shares of common stock upon the

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occurrence of specific events, including a firm commitment underwritten public offering with aggregate net proceeds of not less than \$50,000.

Liquidation Preference—In the event of a voluntary or involuntary liquidation, dissolution, or winding-up of the Company, the holders of redeemable convertible preferred stock will be entitled to receive, prior and in preference to any distribution of any of the assets of the Company to the holders of common stock, an amount per share equal to the greater of (1) the original issue price (as adjusted for stock splits, stock dividends, reclassifications, and the like) for each share of redeemable convertible preferred stock held by them, plus declared but unpaid dividends, and (2) the amount such holder would have received if, immediately prior to such event, such holder had converted such share of redeemable convertible preferred stock into common stock. After payment of all preferential amounts, the remaining assets shall be distributed ratably among all holders of common stock on a pro rata basis based on the number of shares of common stock outstanding held by each such holder.

Redemption—At any time after December 15, 2021, the holders of not less than 67% of outstanding redeemable convertible preferred stock may request the Company to redeem all the outstanding shares of redeemable convertible preferred stock by paying in cash a sum per share with respect to each share of redeemable convertible preferred stock equal to the greater of (1) the original issue price of each share of preferred stock plus all declared but unpaid dividends or (2) the fair market value of each share of redeemable convertible preferred stock as determined by an appraisal performed by an independent third party approved by holders of at least 67% of the then outstanding shares of redeemable convertible preferred stock and the Company.

Accretion represents the increase or decrease in the redemption value of the Company's redeemable convertible preferred stock. The redemption value increased for all periods presented.

The following table presents the accretion of the redeemable convertible preferred stock to its redemption value recorded within the consolidated statements of changes in redeemable convertible preferred stock and stockholders' deficit during the periods presented:

	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
				(unaudited)	
Series A-1	\$ (3,065)	\$ (2,674)	\$ (1,618)	\$ (85)	\$ (701)
Series A-2	(77)	(67)	(40)	(2)	(18)
Series A-3	(6,279)	(5,650)	(3,360)	(83)	(1,365)
Series B	(25,437)	(22,561)	(13,416)	(332)	(5,451)
Series C	(23,372)	(20,390)	(12,333)	(645)	(5,008)
Series D	(20,002)	(17,450)	(10,555)	(552)	(4,286)
Series E	(9,151)	(7,353)	(4,086)	(353)	(1,806)
Series F	(10,404)	(12,494)	(6,025)	(1,030)	(3,121)
Series G	(3,464)	(13,585)	(4,069)	(2,130)	(3,014)
Total	<u>\$ (101,251)</u>	<u>\$ (102,224)</u>	<u>\$ (55,502)</u>	<u>\$ (5,212)</u>	<u>\$ (24,770)</u>

Voting—The holder of each share of redeemable convertible preferred stock has the right to one vote for each full share of common stock into which its respective shares of redeemable convertible preferred stock would be convertible on the record date for the vote.

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Dividends—The holders of redeemable convertible preferred stock are entitled to receive noncumulative dividends out of any funds legally available, prior and in preference to any declaration or payment of any dividends to holders of common stock. Dividends are payable when, as and if declared by the board of directors at a rate of \$0.0091 per share for Series A-1 preferred, \$0.0078 per share for Series A-2 preferred, \$0.0023 per share for Series A-3 preferred, \$0.0176 per share for Series B preferred, \$0.0288 per share for Series C preferred and Series D preferred, \$0.0992 per share for Series E preferred, \$0.1943 per share for Series F preferred, and \$0.2638 per share Series G preferred, per year (as adjusted for stock splits, stock dividends, reclassifications and the like). The holders of the redeemable convertible preferred stock also shall be entitled to participate pro rata in any dividends or other distributions paid on the common stock on an as-if-converted basis.

Common Stock—At December 31, 2015 and 2016 and March 31, 2017, the Company was authorized to issue 255,000,000, 290,081,638, and 290,081,638 shares of common stock with a par value of \$0.001 per share, respectively.

The Company has reserved shares of common stock, on an as-converted basis, for future issuance as follows:

	December 31,		March 31,
	2015	2016	2017
			(unaudited)
Redeemable convertible preferred stock outstanding	166,266,114	166,266,114	166,266,114
Stock options issued and outstanding	31,235,451	39,876,938	39,068,334
Shares available for future equity grants	1,904,590	14,821,690	15,039,960
Total	199,406,155	220,964,742	220,374,408

Treasury Stock Receivable—In 2013, the Company exercised a repurchase right to reacquire shares outstanding pursuant to separation agreements with two founders. The Company, as of December 31, 2013, recorded a treasury share receivable for \$1,170 and recorded a corresponding payable. This transaction resulted in a reduction of 2,924,500 shares of common stock outstanding as of December 31, 2013. In 2014, the Company reached a settlement agreement with the two founders to repurchase only 1,924,500 shares of common stock, which were subsequently retired.

Note 7: Stock-based Compensation:

On November 5, 2004, the Company adopted the 2004 Equity Incentive Plan (as amended to date, the “Plan”), which provides for the issuance of incentive and nonqualified common stock options to employees, directors, officers, and consultants of the Company. Subsequent to adoption, the Company amended the Plan to increase the number of shares of common stock reserved for issuance to 89,651,602. The term of each option shall be no more than 10 years. The options generally vest over a four-year period.

The grant-date fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option-pricing model. The inputs used below are subjective and generally require significant analysis and judgment to develop. The Company has not declared or paid any cash dividends and does not currently expect to do so in the future. The risk-free interest rate used in the Black-Scholes-Merton option-pricing model is based on the implied yield currently available in U.S. Treasury securities at maturity with an equivalent term. Expected volatility is based on an average

Redfin Corporation and Subsidiaries
Notes to Consolidated Financial Statements—(Continued)
(information as of March 31, 2017 and for the three months ended March 31, 2016 and 2017 is unaudited)

volatility of stock prices for a group of real estate and technology industry peers. In 2015, the Company changed the group of comparable companies used to calculate volatility due to external mergers and acquisitions in the real estate industry. The Company uses the “simplified method” to calculate expected life due to the lack of historical exercise data, which assumes a ratable rate of exercise over the contractual life to estimate the expected term for employee options. The expected term of options represents the period that the stock-based awards are expected to be outstanding for the remaining unexercised shares. The range of assumptions for the years ended December 31, 2014, 2015 and 2016 and the three months ended March 31, 2016 and 2017, are provided in the following table:

	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
				(unaudited)	
Expected life	7 years	7 years	7 years	7 years	7 years
Volatility	51.43%-54.56%	42.51%-49.62%	38.15%-41.36%	41.36%	37.88%
Risk-free interest rate	1.88%-2.30%	1.71%-2.01%	1.39%-2.32%	1.66%	2.26%
Dividend yield	0%	0%	0%	0%	0%
Weighted-average grant date fair value	1.17	1.33	1.37	1.34	1.51

The following table presents information regarding options granted, exercised, forfeited, or cancelled for the periods presented:

	Number Of Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
Outstanding at January 1, 2015	27,672,196	\$ 0.93	8.05	33,277
Options granted	10,569,087	2.77		
Options exercised	(4,290,504)	0.43		10,469
Options forfeited or canceled	(2,715,328)	1.65		
Outstanding at December 31, 2015	31,235,451	1.54	7.98	41,543
Options granted	11,931,272	2.87		
Options exercised	(1,882,406)	0.75		5,184
Options forfeited or canceled	(1,407,379)	2.31		
Outstanding at December 31, 2016	39,876,938	1.95	7.74	61,774
Options granted (unaudited)	266,200	3.50		
Options exercised (unaudited)	(590,334)	0.93		1,574
Options forfeited or canceled (unaudited)	(484,470)	2.61		
Outstanding at March 31, 2017 (unaudited)	39,068,334	1.97	7.54	63,735
Options exercisable at December 31, 2016	20,454,923	1.28	6.53	45,496
Options exercisable at March 31, 2017 (unaudited)	21,708,990	1.37	6.48	48,594

The total grant date fair value of shares vested during 2014, 2015, and 2016 and the three months ended March 31, 2016 and 2017 was \$3,630, \$4,917, \$9,817, and \$1,580, and \$2,287 respectively. The total grant date fair value of shares exercised during 2014, 2015, and 2016 and the three months ended March 31, 2016 and 2017 was \$1,295, \$1,373, \$911, \$186, and \$406, respectively.

Redfin Corporation and Subsidiaries
Notes to Consolidated Financial Statements—(Continued)
(information as of March 31, 2017 and for the three months ended March 31, 2016 and 2017 is unaudited)

The following table presents the detail of stock-based compensation amounts included in the Company's consolidated statements of operations for the periods indicated below:

	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
				(unaudited)	
Cost of revenue	\$ 1,280	\$ 1,440	\$ 2,266	\$ 518	\$ 714
Technology and development	962	1,375	2,383	539	731
Marketing	237	298	469	110	119
General and administrative	2,717	2,449	3,295	654	1,117
Total stock-based compensation	<u>\$ 5,196</u>	<u>\$ 5,562</u>	<u>\$ 8,413</u>	<u>\$ 1,821</u>	<u>\$ 2,681</u>

Stock-based compensation of \$373 is included in general and administrative expenses attributable to the tender offer that occurred in January 2014. Existing investors acquired 1,540,023 shares of common stock at a premium of \$0.39 per share over the fair value at the time of the tender offer. Of the 1,540,023 shares, 959,940 were purchased from employees and 580,083 were purchased from non-employees. The premium attributable to the shares tendered from non-employees for \$225 were treated as an in-substance dividend.

Stock-based compensation of \$970 is included in general and administrative expenses attributable to the stock modification settlement with two founders. The settlement agreement provided a total of 1,000,000 shares of common stock will remain outstanding and will not be subject to a right of repurchase. The settlement occurred in 2014 (Note 6).

Stock-based compensation of \$772 is included in general and administrative expenses attributable to the tender offer that closed in August 2015. An existing investor acquired 4,780,236 shares of common stock at a premium of \$0.72 per share over the fair value at the time of the tender offer. Of the 4,780,236 shares, 1,074,992 were purchased from employees and 3,705,244 were purchased from non-employees. The premium attributable to the shares tendered from non-employees in the amount of \$2,659 was treated as an in-substance dividend.

The Company capitalizes stock-based compensation related to work performed on internally developed software. There was \$0, \$49, and \$100 of stock-based compensation that was capitalized in the years ended 2014, 2015, and 2016, respectively, and \$0 and \$74 during the three months ended March 31, 2016 and 2017, respectively. All stock-based compensation is related to employees in technology and development.

There was \$22,297 and \$22,331 of total unrecognized stock-based compensation related to non-vested stock option arrangements granted under the Plan as of December 31, 2016 and March 31, 2017, respectively. These costs are expected to be recognized over a weighted-average period of 2.71 years and 2.58 years, respectively. The total fair value of options vested was \$41,223 and \$71,592 as of December 31, 2015 and December 31, 2016, respectively, and \$78,152 as of March 31, 2017.

Redfin Corporation and Subsidiaries
Notes to Consolidated Financial Statements—(Continued)
(information as of March 31, 2017 and for the three months ended March 31, 2016 and 2017 is unaudited)

Note 8: Net Income (Loss) per Share Attributable to Common Stock:

Net income (loss) per share attributable to common stock is computed by dividing the net income (loss) attributable to common stock by the weighted-average number of common shares outstanding. The Company has outstanding stock options and redeemable convertible preferred stock, which are included in the calculation of diluted net income (loss) attributable to common stock per share whenever doing so would be dilutive.

The Company calculates basic and diluted net income (loss) per share attributable to common stock in conformity with the two-class method required for companies with participating securities. The Company considers all series of redeemable convertible preferred stock to be participating securities. Under the two-class method, net loss attributable to common stock is not allocated to the redeemable convertible preferred stock as the holders of redeemable convertible preferred stock do not have a contractual obligation to share in losses.

Diluted net income (loss) per share attributable to common stock is computed by giving effect to all potential dilutive common stock equivalents outstanding for the period. For purposes of this calculation, redeemable convertible preferred stock and options to purchase common stock are considered anti-dilutive securities for all periods presented. Basic and diluted net income (loss) per share attributable to common stock was the same for each period presented.

The following table sets forth the calculation of basic and diluted net income (loss) per share attributable to common stock during the periods presented:

	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016	2017
				(unaudited)	
Numerator:					
Net income (loss)	\$ (24,730)	\$ (30,236)	\$ (22,526)	\$ (24,279)	\$ (28,066)
Accretion of preferred stock	(101,251)	(102,224)	(55,502)	(5,212)	(24,770)
Net income (loss) attributable to common stock—basic and diluted	<u>=(125,981)</u>	<u>=(132,460)</u>	<u>=(78,028)</u>	<u>=(29,491)</u>	<u>=(52,836)</u>
Denominator:					
Weighted average shares used to compute net income (loss) per share attributable to common stock—basic and diluted	32,150,025	40,249,762	43,185,844	42,710,904	44,303,191
Net income (loss) per share attributable to common stock—basic and diluted	<u>\$ (3.92)</u>	<u>\$ (3.29)</u>	<u>\$ (1.81)</u>	<u>\$ (0.69)</u>	<u>\$ (1.19)</u>

Redfin Corporation and Subsidiaries
Notes to Consolidated Financial Statements—(Continued)
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The following outstanding shares of common stock equivalents were excluded from the computation of the diluted net income (loss) per share attributable to common stock for the periods presented because their effect would have been anti-dilutive:

	Year Ended December 31,			Three Months Ended March 31,	
	2014	2015	2016	2016 (unaudited)	2017
Redeemable convertible preferred stock	166,266,114	166,266,114	166,266,114	166,266,114	166,266,114
Options outstanding	27,672,196	31,235,451	39,876,938	32,001,165	39,068,334
Total	193,938,310	197,501,565	206,143,052	198,267,279	205,334,448

Note 9: Income Taxes:

The Company's deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following table represents the significant components of the Company's deferred tax assets and liabilities for the periods presented:

	December 31,	
	2015	2016
Deferred tax assets:		
Net operating loss carryforwards	\$ 29,576	\$ 31,618
Credit carryforwards	2,735	3,200
Accruals and reserves	3,094	6,389
Gross deferred tax assets	35,405	41,207
Valuation allowance	(31,507)	(38,307)
Total deferred tax assets, net of valuation allowance	3,898	2,900
Deferred tax liabilities:		
Intangible assets	(1,625)	(1,419)
Prepaid expenses	(2,273)	(1,481)
Total deferred tax liabilities	(3,898)	(2,900)
Net deferred tax assets and liabilities	\$ —	\$ —

The valuation allowance increased by \$7,868, \$11,296, and \$6,800 during the years ended December 31, 2014, 2015 and 2016, respectively.

The following table represents the Company's NOL carryforwards as of December 31, 2015 and 2016:

	December 31,	
	2015	2016
Federal	\$ 79,373	\$84,973
Various states	\$ 3,993	\$ 4,133

Redfin Corporation and Subsidiaries
Notes to Consolidated Financial Statements—(Continued)
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NOL carryforwards are available to offset federal taxable income and begin to expire in 2025. NOL carryforwards for states range from 5 to 20 years.

Current tax laws impose substantial restrictions on the utilization of research and development credits and NOL carryforwards in the event of an ownership change, as defined by the Internal Revenue Code Section 382 and 383. Such an event may significantly limit the Company's ability to utilize its net NOLs and research and development tax credit carryforwards. In the three months ended March 31, 2017, the Company completed a Section 382 study. The study determined that the Company underwent an ownership change in 2006. Due to the Section 382 limitation determined on the date of the ownership change in 2006, NOL and R&D credits will be reduced by \$1,506 and \$32, respectively.

The components of loss before provision (benefit) for income taxes for the years ended December 31, 2014, 2015, and 2016 were \$(25,036), \$(30,236), and \$(22,526), respectively, and the component of the provision (benefit) for income taxes was \$(306) (Note 4) in the year ended December 31, 2014, which related to a deferred tax liability from the Walk Score business combination.

In 2014, the Company acquired Walk Score in a nontaxable stock transaction and recorded \$4,800 of identified intangibles and \$4,700 of federal NOL carryforwards. The purchase accounting for the identified intangibles created a deferred tax liability, which represents a source of future income. The Company inherited Walk Score's federal NOLs, which created a deferred tax asset to absorb the future income from the intangible deferred tax liability. Walk Score did not have any state NOLs to absorb future income from the intangible deferred tax liability, resulting in part of the valuation allowance on the Company's state NOLs being released, resulting in a tax benefit of \$306 and corresponding adjustment to goodwill.

The reconciliation of the U.S. federal income tax at statutory rate with the Company's effective income tax rate:

	December 31,		
	2014	2015	2016
U.S. federal income tax at statutory rate	34.00%	34.00%	34.00%
State taxes (net of federal benefit)	3.56	3.86	2.49
Permanent differences	(6.23)	(2.94)	(8.21)
Federal research and development credit	1.87	2.42	2.06
Change in valuation allowance	(32.45)	(37.36)	(30.19)
Nondeductible expenses and others	0.47	0.02	(0.15)
Effective income tax rate	1.22%	—%	—%

Permanent differences consist primarily of stock compensation expense related to incentive stock options in the amounts of (6.89)%, (4.90)%, and (7.87)% for the years ended December 31, 2014, 2015, and 2016, respectively.

The Company recorded a tax benefit of \$306, \$0, and \$0 for the years ended December 31, 2014, 2015, and 2016, respectively. The difference between the U.S. federal income tax at statutory rate of 34% and the Company's effective tax rate in all periods is primarily due to a full valuation allowance related to the Company's U.S. deferred tax assets.

Redfin Corporation and Subsidiaries
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The Company accounts for uncertainty in income taxes in accordance with ASC 740. Tax positions are evaluated in a two-step process, whereby the Company first determines whether it is more likely than not that a tax position will be sustained upon examination by the tax authority, including resolutions of any related appeals or litigation processes, based on technical merit. If a tax position meets the more-likely-than-not recognition threshold it is then measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

The following table summarized the activity related to unrecognized tax benefits:

	December 31,	
	2015	2016
Unrecognized benefit—beginning of year	\$ 458	\$ 684
Gross increases (decreases)—prior year tax positions	—	—
Gross increases (decreases)—current year tax positions	226	116
Unrecognized benefit—end of year	<u>\$ 684</u>	<u>\$ 800</u>

All of the unrecognized tax benefits as of December 31, 2015 and 2016 are accounted for as a reduction in the Company's deferred tax assets. Due to the Company's valuation allowance, none of the \$684 and \$800 of unrecognized tax benefits would affect the Company's effective tax rate, if recognized. The Company does not believe it is reasonably possible that its unrecognized tax benefits will significantly change in the next twelve months.

The Company recognizes interest and penalties related to unrecognized tax benefits as income tax expense. There was no interest or penalties accrued related to unrecognized tax benefits for 2015 and 2016 and no liability for accrued interest or penalties related to unrecognized tax benefits as of December 31, 2016.

The Company's material income tax jurisdiction is the United States (federal). As a result of NOL carryforwards, the Company is subject to audit for tax years 2005 and forward for federal purposes. There are tax years which remain subject to examination in various other jurisdictions that are not material to the Company's financial statements.

Note 10: Commitments and Contingencies:

Legal Proceedings—In 2013, third-party licensed sales associates filed three lawsuits against the Company in the Superior Court of the State of California. Two of the actions, which are pled as "class actions," were removed to and are now pending in the Northern District of California. One of these cases also includes representative claims under California's Private Attorney General Act, Labor Code section 2698 et. seq ("PAGA"). The third action is pending in the Los Angeles County Superior Court and asserts representative claims under PAGA. All three complaints alleged that the Company had misclassified current and former third-party licensed sales associates in California as independent contractors.

In March 2017, the Company entered into an agreement in principle to settle the lawsuit with an aggregate payment of \$1,800. The proposed settlement does not contain any admission of liability,

Redfin Corporation and Subsidiaries
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wrongdoing, or responsibility by any of the parties. The proposed settlement class includes all current and former third party licensed sales associates engaged by the Company in California from January 16, 2009, through April 29, 2017. The parties are currently negotiating a definitive settlement agreement that, if entered, will be subject to court approval. The Company has recorded an accrual for \$1,800 as of December 31, 2016.

The claims vary from case to case, but generally seek compensation for unpaid wages, overtime, and failure to provide meal and rest periods, as well as reimbursement of business expenses.

As with all class action and representative litigation, these cases are inherently complex and subject to many uncertainties. In the event the settlement in principle is either not finalized or not approved, the actions may continue and a class may be certified. If that happens, there can be no assurance the plaintiffs will not seek substantial damage awards, penalties, attorneys' fees, or other remedies. The Company believes it has complied with all applicable laws and regulations and that it properly classified the third-party licensed sales associates as independent contractors.

In addition, 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, intellectual property, the Real Estate Settlement Procedures Act of 1974, the Fair Housing Act of 1968, or other consumer protection statute claims, commercial or contractual arrangements, brokerage- or real estate related-disputes, ordinary-course brokerage disputes like the failure to disclose property defects, and vicarious liability based upon conduct of individuals or entities outside of the Company's control, including partner agents and third-party contractor agents. Litigation and other disputes are inherently unpredictable and subject to substantial uncertainties and unfavorable resolutions could occur. Often these cases raise complex factual and legal issues, which are subject to risks and uncertainties and could require significant management time and resources.

Redfin Corporation and Subsidiaries
Notes to Consolidated Financial Statements—(Continued)
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Facility Leases and Other Commitments—The Company leases its office space under noncancelable operating leases with terms ranging from one to eleven years. The leases require a fixed minimum rent with contractual minimum rent increases over the lease term, and certain leases include escalation provisions. Rent expense totaled \$2,860, \$4,147, and \$5,811 for the years ended December 31, 2014, 2015, and 2016, respectively and \$1,065 and \$2,645 for the three months ended March 31, 2016 and 2017, respectively. Other commitments primarily relate to network infrastructure for the Company's data operations and commitments for the Company's annual corporate meeting. Also included are homes that we are under contract to purchase through Redfin Now but that have not closed. Future minimum payments due under these agreements as of December 31, 2016 and March 31, 2017 are as follows:

	Facility Leases		Other Commitments	
	December 31, 2016	March 31, 2017 (unaudited)	December 31, 2016	March 31, 2017 (unaudited)
2017	\$ 4,803	\$ 3,940	\$ 2,123	\$ 1,770
2018	6,227	6,392	848	979
2019	6,652	6,769	—	—
2020	5,563	5,681	—	—
2021 and thereafter	32,262	32,372	—	—
Total minimum lease payments	<u>\$ 55,507</u>	<u>\$ 55,154</u>	<u>\$ 2,971</u>	<u>\$ 2,749</u>

Mortgage Warehouse Agreement—In December 2016, Redfin Mortgage entered into a Mortgage Warehouse Agreement with Texas Capital Bank, National Association ("Texas Capital"). Pursuant to the Mortgage Warehouse Agreement, Texas Capital agrees to fund loans originated by Redfin Mortgage, in its discretion, up to \$10,000 in the aggregate and to take a security interest in such loans. The per annum interest rate payable to Texas Capital is a fixed rate equal to the rate of interest accruing on the outstanding principal balance of the loan, minus 1.5%, or 3.0%, whichever is higher. For each loan in which Texas Capital elects to purchase a participation interest, it will acquire an undivided 97% participation interest, by paying as the purchase price an amount equal to the participation interest multiplied by the principal balance of the loan. If a loan is not sold to a correspondent lender, Texas Capital's participation interest in the loan is to be repurchased in whole or in part by Redfin Mortgage.

The Mortgage Warehouse Agreement requires the Company to maintain certain financial covenants and to provide Texas Capital with annual and quarterly financial statements, periodic compliance certificates, and quality control and audit summaries. The Company and Redfin Mortgage are required to satisfy, on an ongoing basis, specified tangible net worth and liquid asset minimums, and shall not incur pre-tax net losses for two consecutive quarters. The Company has a history of net losses in consecutive quarters. The Mortgage Warehouse Agreement expires on December 21, 2017. As of December 31, 2016 and March 31, 2017, there were \$0 and \$233, respectively, outstanding under the Mortgage Warehouse Agreement.

Redfin Corporation and Subsidiaries
Notes to Consolidated Financial Statements—(Continued)
(information as of March 31, 2017 and for the three months ended March 31, 2016 and 2017 is unaudited)

Note 11: Accrued Liabilities:

The following table presents the detail of accrued liabilities as of the dates presented:

	December 31,		March 31,
	2015	2016	2017 (unaudited)
Accrued compensation and benefits	\$ 13,707	\$ 16,659	\$ 19,150
Legal fees and settlements	315	2,795	2,375
Miscellaneous accrued liabilities	870	2,799	6,256
Total accrued liabilities:	<u>\$ 14,892</u>	<u>\$ 22,253</u>	<u>\$ 27,781</u>

Note 12: Retirement Plan:

The Company adopted a 401(k) profit sharing plan effective January 2005. The plan covers eligible employees as of their hire date. The 401(k) component of the plan allows employees to elect to defer from 1% to 100% of their eligible compensation up to the federal limit per year. Company-matching and profit-sharing contributions are discretionary and are determined annually by Company management and approved by the board of directors. No matching or profit-sharing contributions were declared for the years ended December 31, 2014, 2015 or 2016, or the three months ended March 31, 2016 and 2017.

Note 13: Subsequent Events:

The Company has evaluated subsequent events and transactions through April 5, 2017, the date the audited consolidated financial statements were issued.

The Company has evaluated subsequent events from April 1, 2017 through June 5, 2017, the date the unaudited interim financial statements were issued.

Shares
Common Stock

REDFIN.

Goldman Sachs & Co. LLC

Through and including _____, 2017 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the costs and expenses to be paid by the Registrant, other than the estimated writing discount, in connection with the sale of the shares of common stock being registered hereby. All amounts are estimates except for the SEC registration fee, the FINRA filing fee, and the New York Stock Exchange listing fee.

SEC registration fee	\$	*
FINRA filing fee		*
New York Stock Exchange listing fee		*
Printing and engraving		*
Legal fees and expenses		*
Accounting fees and expenses		*
Road show expenses		*
Transfer agent and registrar fees and expenses		*
Miscellaneous expenses		*
Total	\$	*

* To be provided by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law, or DGCL, authorizes a court to award, or a company's board of directors to grant, indemnity to directors and officers under certain circumstances and subject to certain limitations. The terms of Section 145 of the DGCL are sufficiently broad to permit indemnification under certain circumstances for liabilities, including reimbursement of expenses incurred, arising under the Securities Act.

As permitted by the DGCL, the Registrant's restated certificate of incorporation that will be in effect immediately prior to the completion of this offering contains provisions that eliminate the personal liability of its directors for monetary damages for any breach of fiduciary duties as a director, except liability for the following:

- any breach of the director's duty of loyalty to the Registrant or its stockholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- under Section 174 of the DGCL (regarding unlawful dividends and stock purchases); or
- any transaction from which the director derived an improper personal benefit.

As permitted by the DGCL, the Registrant's restated bylaws that will be in effect immediately prior to the completion of this offering provide that:

- the Registrant is required to indemnify its directors and officers to the fullest extent permitted by the DGCL, subject to very limited exceptions;

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- the Registrant may indemnify its other employees and agents as set forth in the DGCL;
- the Registrant is required to advance expenses, as incurred, to its directors and officers in connection with a legal proceeding to the fullest extent permitted by the DGCL, subject to very limited exceptions; and
- the rights conferred in the restated bylaws are not exclusive.

Prior to this offering, the Registrant has entered into indemnification agreements with each of its current directors and executive officers to provide these directors and executive officers additional contractual assurances regarding the scope of the indemnification set forth in the Registrant's restated certificate of incorporation and restated bylaws and to provide additional procedural protections. At present, there is no pending litigation or proceeding involving a director, executive officer, or employee of the Registrant regarding which indemnification is sought. Reference is also made to the underwriting agreement filed as Exhibit 1.1 to this Registration Statement, which provides for the indemnification of executive officers, directors, and controlling persons of the Registrant against certain liabilities. The indemnification provisions in the Registrant's restated certificate of incorporation and restated bylaws and the indemnification agreements entered into or to be entered into between the Registrant and each of its directors and executive officers may be sufficiently broad to permit indemnification of the Registrant's directors and executive officers for liabilities arising under the Securities Act.

The Registrant has directors' and officers' liability insurance for its directors and officers.

Certain of the Registrant's directors are also indemnified by their employers with regard to their service on the Registrant's board of directors.

Reference is made to the following documents filed as exhibits to this Registration Statement regarding relevant indemnification provisions described above and elsewhere herein:

Exhibit Document	Number
Form of Underwriting Agreement.	1.1
Form of Restated Certificate of Incorporation of the Registrant, to be effective immediately prior to the completion of this offering.	3.2
Form of Restated Bylaws of the Registrant to be effective immediately prior to the completion of this offering.	3.4
Amended and Restated Investors' Rights Agreement by and among the Registrant and certain security holders of the Registrant dated December 15, 2014.	4.2
Form of Indemnification Agreement.	10.1

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

From May 31, 2014 through May 31, 2017, the Registrant has issued the following securities:

1. From May 31, 2014 through May 31, 2017, the Registrant granted options to employees, directors, consultants, and other service providers to purchase an aggregate of 27,663,183 shares of common stock under its Amended and Restated 2004 Equity Incentive Plan, or 2004 Plan, with per share exercise prices ranging from \$2.13 to \$3.50 per share.
2. From May 31, 2014 through May 31, 2017, employees, directors, consultants, and other service providers of the Registrant exercised options granted under the 2004 Plan

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aggregating 8,774,306 shares of common stock with exercise prices ranging from \$0.12 per share to \$3.05 per share for an aggregate exercise price of approximately \$4.76 million.

3. In December 2014, the Registrant issued and sold to 28 accredited investors an aggregate of 21,527,376 shares of Series G preferred stock, at a purchase price of \$3.2977 per share, for aggregate consideration of approximately \$71.0 million. In connection with the completion of the offering described in this Registration Statement, these shares of Series G preferred stock will convert into 21,527,376 shares of common stock.
4. In October 2014, the Registrant issued to 31 accredited investors an aggregate of 3,600,873 shares of common stock in connection with the acquisition of Walk Score, Inc.

Unless otherwise stated, the sales of the above securities were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(a)(2) of the Securities Act (or Regulation D or Regulation S promulgated thereunder), or Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed on the stock certificates issued in these transactions.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits.

Exhibit Number	Exhibit Title
1.1*	Form of Underwriting Agreement.
3.1#	Amended and Restated Certificate of Incorporation, as currently in effect.
3.2*	Form of Restated Certificate of Incorporation to be effective immediately prior to the completion of this offering.
3.3#	Amended and Restated Bylaws, as currently in effect.
3.4*	Form of Restated Bylaws to be effective immediately prior to the completion of this offering.
4.1*	Form of Common Stock Certificate.
4.2#	Amended and Restated Investors' Rights Agreement by and among the Registrant and certain security holders of the Registrant dated December 15, 2014.
5.1*	Opinion of Fenwick & West LLP.
10.1*	Form of Indemnification Agreement.
10.2#	Amended and Restated 2004 Equity Incentive Plan, and forms of award agreements thereunder.
10.3*	2017 Equity Incentive Plan, and forms of award agreements thereunder.
10.4*	Amended and Restated Offer Letter by and between the Registrant and Glenn Kelman, dated ..

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10.5*	Amended and Restated Offer Letter by and between the Registrant and Bridget Frey, dated .
10.6*	Amended and Restated Offer Letter by and between the Registrant and Scott Nagel, dated .
10.7*	Office Lease by and between Registrant and Hill7 Developers, LLC, dated May 9, 2016.
10.8	Mortgage Warehouse Agreement by and between Redfin Mortgage, LLC and Texas Capital Bank, National Association, dated December 21, 2016.
21.1#	List of Subsidiaries.
23.1*	Consent of Fenwick & West LLP (included in Exhibit 5.1).
23.2*	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.
24.1*	Power of Attorney (included on page II-5).

* To be filed by amendment.

Previously submitted.

(b) Financial Statement Schedule.

All financial statement schedules are omitted because they are not applicable or the information is included in the Registrant's consolidated financial statements or related notes.

ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers, and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933, as amended, and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, as amended, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, as amended, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Seattle, State of Washington, on _____, 2017.

REDFIN CORPORATION

By: _____
Glenn Kelman
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Glenn Kelman and Chris Nielsen, and each of them, as his or her true and lawful attorneys-in-fact, proxies and agents, each with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Registration Statement (including post-effective amendments or any abbreviated Registration Statement and any amendments thereto filed pursuant to Rule 462(b) increasing the number of securities for which registration is sought), and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, proxies and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, proxies and agents, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the date indicated:

Name	Title	Date
Glenn Kelman	President, Chief Executive Officer and Director (Principal Executive Officer)	, 2017
Chris Nielsen	Chief Financial Officer (Principal Financial and Accounting Officer)	, 2017
Robert Mylod, Jr.	Chairman of the Board of Directors	, 2017
Robert Bass	Director	, 2017
Julie Bornstein	Director	, 2017
Andrew Goldfarb	Director	, 2017

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Name	Title	Date
Paul Goodrich	Director	, 2017
Austin Ligon	Director	, 2017
James Slavet	Director	, 2017
Selina Tobaccowala	Director	, 2017

EXHIBIT INDEX

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24.1*	Power of Attorney (included on page II-5).

* To be filed by amendment.

Previously submitted.

MORTGAGE WAREHOUSE AGREEMENT

by and between

REDFIN MORTGAGE, LLC, A DELAWARE LIMITED LIABILITY COMPANY, and

TEXAS CAPITAL BANK, NATIONAL ASSOCIATION

DATED:

DECEMBER 21, 2016

AGREEMENT NO.:

4301

Mortgage Warehouse Agreement
Version: 2015-11
HAL2016-4

MORTGAGE WAREHOUSE AGREEMENT

THIS MORTGAGE WAREHOUSE AGREEMENT (this "Agreement") is made and entered into as of DECEMBER 21, 2016 (the "Effective Date") between REDFIN MORTGAGE, LLC, A DELAWARE LIMITED LIABILITY COMPANY (the foregoing are each individually and collectively referred to herein as "Seller") and TEXAS CAPITAL BANK, NATIONAL ASSOCIATION.

RECITALS

- A. Seller is actively engaged in Mortgage Loan Activities.
- B. Seller is seeking additional funding sources for its Mortgage Loan Activities through the sale of Participation Interests in Mortgage Loans generated by such Mortgage Loan Activities.
- C. Bank is, among other things, in the business of purchasing participation interests in Mortgage Loans.
- D. Seller shall have no obligation to offer for sale, and Bank shall have no obligation to purchase, Participation Interests in such Mortgage Loans. However, Seller and Bank desire to set forth the terms under which such offers and purchases, if any, can be made.

AGREEMENT

NOW, THEREFORE, for and in consideration of the covenants, representations, warranties and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1 DEFINITIONS

1.1 Specific Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

"Advance Request Termination Date" shall mean the final day on which Seller may submit to Bank a Request. The Advance Request Termination Date is the earlier to occur of: (a) DECEMBER 21, 2017; or (b) the date on which Seller's rights hereunder to submit any and all Requests to Bank shall terminate pursuant to the provisions of this Agreement or any other Warehouse Document (including, pursuant to Section 5.2, 5.3 or 9.2).

"Bank Document Deliverables" shall mean, with respect to any Participated Mortgage Loan, (a) the original of the fully executed Mortgage Note for such Participated Mortgage Loan, together with the Required Endorsements related thereto (including, without limitation, each original executed allonge required by Bank in connection therewith) and (b) any other agreements, files, records and other documents related to such Participated Mortgage Loan which are required to be delivered to Bank in connection with the purchase of the Participation Interest in such Participated Mortgage Loan pursuant to the Warehouse Program Guide in effect as of the related Purchase Date.

"Document Custodian" shall mean Bank.

"Eligible Mortgage Loan" shall mean any Mortgage Loan: (a) that is a Seller Originated Mortgage Loan; (b) that is in all respects in compliance with the provisions of the Warehouse Program Guide applicable to such Mortgage Loan; (c) for which all of the representations and warranties set forth in Section 6.10 shall be true, complete and correct on and as of the Purchase Date of a Participation Interest in such Mortgage Loan and at all times thereafter; and (d) which is otherwise acceptable to Bank in its sole and absolute discretion on and as of such Purchase Date.

"Funding Fee" shall mean a fee payable by Seller to Bank in an amount equal to FIFTY and No/100 Dollars (\$50.00) for each Participated Mortgage Loan. Subject to applicable Law, Bank may, in its sole and absolute discretion, adjust the Funding Fee applicable to Participated Mortgage Loans upon thirty (30) days advance written notice to Seller, in which case, commencing upon the thirty-first (31st) day after the date of such notice, the Funding Fee set forth in such written notice shall apply to any and all Mortgage Loans in which Bank elects to purchase Participation Interests on or after such thirty-first (31st) day.

"Maximum Participation Amount" shall mean an amount equal to TEN MILLION and No/100 Dollars (\$10,000,000.00); provided, however, that during any Overline Period, the Maximum Participation Amount shall be the amount set forth for the same in the related Overline Confirmation for such Overline Period.

"Minimum Pledged Balance" shall mean good funds in an amount not less than TWO Percent (2.00%) of the Maximum Participation Amount; provided, however, that during any Overline Period, the Minimum Pledged Balance shall be the amount set for the same in the related Overline Confirmation for such Overline Period.

"Mortgage Loan Activities" shall mean the processing, origination, administration, servicing and selling of Mortgage Loans by Seller and any other business activities related thereto or contemplated by this Agreement (including any activities related to Mortgage Loan Transactions).

"Mortgage Loan Transaction" shall mean, with respect to any Mortgage Loan, the closing and funding of such Mortgage Loan by the applicable Escrow Agent.

"Participation Interest Rate" shall mean, with respect to any Participated Mortgage Loan, the per annum rate of interest payable to Bank in connection with such Participated Mortgage Loan and its Participation Interest therein, which rate shall be calculated as a fixed rate equal to the greater of: (a) the Mortgage Note Rate for such Participated Mortgage Loan as of the related Purchase Date Minus ONE HUNDRED FIFTY Basis Points (1.50%); or (b) the Participation Interest Rate Floor; provided, however, that the Participation Interest Rate for any Participated Mortgage Loan shall not at any time be greater than the maximum rate permitted under applicable Law. Subject to applicable Law, Bank may, in its sole and absolute discretion, adjust the Participation Interest Rate applicable to Participated Mortgage Loans upon thirty (30) days advance written notice to Seller, in which case, commencing upon the thirty-first (31st) day after the date of such notice, the Participation Interest Rate for any and all Mortgage Loans in which Bank elects to purchase Participation Interests on or after such thirty-first (31st) day shall be the lesser of (a) the rate of interest set forth in such written notice or (b) the maximum rate permitted under applicable Law for the applicable Participated Mortgage Loan. All interest hereunder shall be calculated on the basis of a three hundred sixty (360) day year and shall accrue on the actual number of days elapsed for any whole or partial month in which interest is being calculated.

“Participation Interest Rate Floor” shall mean an interest rate equal to THREE HUNDRED Basis Points (3.00%) per annum. Subject to applicable Law, Bank may, in its sole and absolute discretion, adjust the Participation Interest Rate Floor applicable to Participated Mortgage Loans upon thirty (30) days advance written notice to Seller, in which case, commencing upon the thirty-first (31st) day after the date of such notice, the Participation Interest Rate Floor set forth in such written notice shall apply to any and all Mortgage Loans in which Bank elects to purchase Participation Interests on or after such thirty-first (31st) day.

“Repayment Account” shall mean the deposit account established, owned and controlled by Bank, into which all proceeds from each sale of any Participated Mortgage Loan by Bank and Seller to a Take-Out Purchaser shall be funded and deposited, and such account and all funds deposited or maintained therein shall be disbursed and applied by Bank pursuant to the terms of this Agreement. The account number for the Repayment Account is 2111051526 or such other deposit account number designated by Bank from time to time as the Repayment Account in a written notice delivered by Bank to Seller pursuant to this Agreement.

“Required Endorsements” shall mean, with respect to any Mortgage Note, at Bank’s election, either: (a) the endorsement pursuant to applicable Law of such Mortgage Note in blank by Seller (which may, in Bank’s discretion, be evidenced by an original allonge, in form and content acceptable to Bank, executed by Seller and affixed to such Mortgage Note); or (b) no endorsement of such Mortgage Note by Seller, if Bank shall have received and accepted a valid power of attorney, in form and content satisfactory to Bank, authorizing Bank to endorse such Mortgage Note for and on behalf of Seller (provided that prior to any delivery of such Mortgage Note by Bank to a Take-Out Purchaser, such Mortgage Note shall be endorsed in favor of such Take-Out Purchaser by Bank as agent for Seller under such power of attorney).

“Standard Participation Percentage” shall mean a percentage equal to NINETY-SEVEN percent (97.00%).

“Target Usage Amount” shall mean an amount equal to Fifty Percent (50.00%) of the principal balance of mortgage loans originated by the Seller during the calendar month.

1.2 General Defined Terms. In addition to the terms defined in Section 1.1, as used in this Agreement, the following terms shall have the meanings set forth below:

“Accepted Lending Practices” shall mean the loan origination practices to be observed by the originators of the Mortgage Loans, which practices shall be conducted: (a) in a commercially reasonable manner and in good faith; (b) in accordance with the provisions of this Agreement; (c) in accordance with all applicable Laws; (d) in accordance with the requirements (if any) of the Warehouse Program Guide; and (e) in a manner consistent with customary and usual standards of practice of prudent originators of residential mortgage loans.

“Accepted Servicing Practices” shall mean the loan servicing practices to be observed by Seller in connection with Participated Mortgage Loans, which practices shall be conducted: (a) in a commercially reasonable manner and in good faith; (b) in accordance with the provisions of this Agreement; (c) in accordance with all applicable Laws; (d) in accordance with the Warehouse Program Guide; (e) in a manner consistent with customary and usual standards of practice of prudent servicers of residential mortgage loans; and (f) to the extent consistent with the foregoing, in a manner to maximize the timely and complete recovery of all Mortgage Loan Collections.

“Account” or “Accounts” shall mean any of the deposit accounts to be established and maintained pursuant to this Agreement, including: (a) the Participation Account; (b) the Pledged Account; (c) the Remittance Account; (d) the Repayment Account; and (e) such other accounts as Bank may require Seller to establish pursuant to or in connection with this Agreement or any other Warehouse Document.

“Advance” shall mean each payment of funds by Bank to Seller pursuant to the terms of this Agreement to pay the Purchase Price for the purchase of a Participation Interest. Such payment by Bank to Seller of the Purchase Price for a Participation Interest shall be effected through the delivery by Bank on behalf of Seller of the proceeds of the related Advance directly to the applicable Funding Recipient, which proceeds shall be applied towards satisfying Seller’s obligations with respect to the applicable Mortgage Loan Transaction. With respect to any Participated Mortgage Loan, an Advance shall be deemed to be made on the date on which funds are wired or otherwise transferred by Bank to the related Funding Recipient regardless of whether funds are actually received by such Funding Recipient on the date of the initiation of such wire or other transfer.

“Aged Participated Mortgage Loan” shall mean any Participated Mortgage Loan which does not constitute a Retired Participated Mortgage Loan on or after the thirtieth (30th) day after the Purchase Date for such Participated Mortgage Loan.

“Agency” shall mean FHA, FHLMC, FNMA, GNMA, VA or USDA.

“Agreement Termination Date” shall mean the date on which this Agreement shall terminate and cease to be in force and effect (except with respect to the provisions of this Agreement which expressly survive termination). The Agreement Termination Date is the earlier to occur of: (a) the date on which this Agreement shall terminate pursuant to Section 5.2(c); or (b) the date on which this Agreement shall otherwise terminate in accordance with the express terms of this Agreement or any other Warehouse Document.

“Bank” shall mean TEXAS CAPITAL BANK, NATIONAL ASSOCIATION, and its successors and assigns.

“Bank Payment Deliverables” shall mean any and all checks, commercial paper, notes, cash or other forms of payment of any and all sums: (a) required to be paid to Bank hereunder but which have been received by Seller (including any and all proceeds received by Seller from the sale of any Participated Mortgage Loan to a Take-Out Purchaser); or (b) received by Seller during the occurrence of an Event of Default which sums relate to any Participated Mortgage Loan.

“Bankruptcy Code” shall mean Title 11 of the United States Code, as now or hereafter in effect.

“Bailee Letter” shall mean a letter, in such form and content required by Bank, delivered or caused to be delivered by Bank to any Take-Out Purchaser in connection with the proposed purchase of a Participated Mortgage Loan by such Take-Out Purchaser or its designee, which letter, among other things, directs such Take-Out Purchaser to hold, as bailee for Bank, the Mortgage Loan Documents for such Participated Mortgage Loan.

“Blanket Assignment” shall mean an assignment agreement in the form of Exhibit I, or in such other form required by Bank, executed and acknowledged by Seller and Bank, which evidences, among other things, the sale, transfer, assignment and conveyance by Seller to Bank of any and all Participation Interests in the Participated Mortgage Loans and the Mortgage Loan Documents related thereto now or hereafter purchased by Bank from Seller.

“Borrower” shall mean any Person who is an obligor on or under a Mortgage Loan.

“Business Day” shall mean any day other than a Saturday, Sunday or day on which commercial banks are authorized or required to be closed under the Laws of the State of Texas. Unless otherwise provided herein, the term “day” means a calendar day.

“Collateral” shall have the meaning given to such term in the UCC-1 financing statement attached hereto as Exhibit D.

“Escrow Agent” shall mean, with respect to any Mortgage Loan, the title company or agency, approved in advance by Bank, which is responsible for the closing and funding of such Mortgage Loan.

“Event of Default” shall mean any of the events specified in Section 9.1.

“FHA” shall mean the Federal Housing Administration, or its successor.

“FHLMC” shall mean the Federal Home Loan Mortgage Corporation, or its successor.

“FNMA” shall mean the Federal National Mortgage Association, or its successor.

“Funding Recipient” shall mean, with respect to any Participated Mortgage Loan, the Person to whom Bank shall directly pay the Purchase Price for the purchase of a Participation Interest in such Participated Mortgage Loan, as set forth in the related Request, provided that such Person meets the qualifications set forth in the Warehouse Program Guide for being a Funding Recipient with respect to such Participated Mortgage Loan.

“Generally Accepted Accounting Principles” or “GAAP” shall mean those generally accepted accounting principles and practices which are recognized as such by the American Institute of Certified Public Accountants acting through its Accounting Principles Board or by the Financial Accounting Standards Board or through other appropriate boards or committees thereof and which are consistently applied for all applicable periods, except that any accounting principle or practice required to be changed by the said Accounting Principles Board or Financial Accounting Standards Board (or other appropriate board or committee of the said Boards) in order to continue as a generally accepted accounting principle or practice may be so changed.

“GNMA” shall mean the Government National Mortgage Association, or its successor.

“Governmental Authority” shall mean any and all (domestic or foreign) federal, state, county, municipal, city or other government department, commission, board, court, agency or any other instrumentality of any of them having jurisdiction over Bank, Seller, the Mortgage Loans or any of the transactions contemplated herein.

“Guarantor” shall mean any Person who now or hereafter has executed and delivered to Bank a Guaranty Agreement.

“Guaranty Agreement” shall mean, individually and collectively, each guaranty agreement, in such form and content required by Bank, now or hereafter executed and delivered to Bank in connection with this Agreement and the transactions contemplated hereby, including each agreement (if any) attached hereto as Exhibit C.

“Investor” shall mean any Person (other than a Securitizer), approved in advance by Bank, who purchases or agrees to purchase any Participated Mortgage Loan from Seller and Bank pursuant to an Investor Loan Purchase Agreement.

“Investor Loan Purchase Agreement” shall mean, with respect to any Participated Mortgage Loan to be sold by Seller and Bank to any Investor, a current, valid, binding and enforceable commitment issued by such Investor in favor of Seller, and/or other written agreement or arrangement between such Investor and Seller, to purchase such Participated Mortgage Loan (including any such commitment or agreement which does not specifically identify such Participated Mortgage Loan but which contemplates the purchase of Mortgage Loans by such Investor from time to time on a best-efforts basis), which Investor Loan Purchase Agreement provides for a purchase price to be paid by such Investor of not less than the Take-Out Purchase Price for such Participated Mortgage Loan and which is otherwise on terms and in such form and content acceptable to Bank.

“Law” or “law” shall mean any and all present and future law, statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, guideline, authorization or other direction or requirement of the United States, or of any city or municipality, state, commonwealth, nation, country, territory or possession or of any court or governmental department, commission, board, bureau, agency or instrumentality. The terms “Law” and “law” include: (a) the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. Law No. 111-203, 124 Stat. 1376 (2010), and any and all Laws issued thereunder or in connection therewith, as may be amended from time to time (collectively, the “Dodd-Frank Act”); (b) the Interagency Appraisal and Evaluation Guidelines jointly issued on December 2, 2010 by the Office of the Comptroller of Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration, as the same may be amended from time to time (collectively, the “Interagency Appraisal Guidelines”); (c) the S.A.F.E. Mortgage Licensing Act of 2008 (12 U.S.C. §§ 5101 et seq.) and any and all applicable state Laws related thereto, as may be amended from time to time (collectively, the “S.A.F.E. Act”); (d) any and all similar Laws from time to time in effect; (e) any and all interpretations, rules, and regulations promulgated by any Government Authority in connection with the foregoing; and (f) any and all amendments to or replacements of the foregoing.

“Lien” shall mean any lien, mortgage, security interest, assignment, tax lien, pledge or encumbrance, or conditional sale or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, or any other interest in Property designed to secure the repayment of indebtedness.

“Loan Application” shall mean a completed application for the applicable Mortgage Loan in its final form, signed by all applicable Borrowers, and which is in compliance with all applicable Laws.

“Material Adverse Effect” shall mean any set of circumstances or event which with respect to any Person: (a) could reasonably be expected to have a material adverse effect upon the validity, performance, or enforceability of any Warehouse Document against such Person; (b) is or could reasonably be expected to have a material adverse effect upon the condition (financial or otherwise), properties, liabilities (actual or contingent), business operations or prospects of such Person; (c) could reasonably be expected to materially impair the ability of such Person to perform its obligations under any Warehouse Document to which it is a party; or (d) could reasonably be expected to cause an Event of Default.

“Maximum Judgment Amount” shall mean the lesser of: (a) \$250,000.00; or (b) at any particular time, the amount equal to ten percent (10.0%) of the sum of Seller’s cash, cash equivalents (certificates of deposit and other depository accounts established at FDIC-insured banks), United States government-issued securities and other registered, unrestricted equity or debt securities which are publicly traded on a recognized United States exchange and have been approved by Bank, in its sole and absolute discretion and which, in all events, are held in Seller’s name and are free and clear of all Liens (except Liens in favor of Bank).

“Mortgage Loan” shall mean a residential mortgage loan evidenced by a Mortgage Note and secured by a Security Instrument.

“Mortgage Loan Collections” shall mean all checks, instruments, funds, and other property from time to time paid on, under or with respect to any Participated Mortgage Loan under any Mortgage Loan Document or otherwise related thereto, including, without limitation, all payments of principal, interest, fees, charges, costs, expenses, indemnities and other amounts, and all proceeds of sale of such Participated Mortgage Loan.

“Mortgage Loan Documents” shall mean, with respect to any Mortgage Loan, the Mortgage Note evidencing such Mortgage Loan, the Security Instrument securing such Mortgage Loan, and all other agreements, instruments and documents governing, evidencing, guaranteeing or relating to such Mortgage Loan, Mortgage Note or Security Instrument.

“Mortgage Loan File” shall mean, with respect to any Participated Mortgage Loan, any and all Mortgage Loan Documents and other agreements, files, records and other documents related to such Participated Mortgage Loan (including the related credit file and underwriting standards under which Seller approved such Participated Mortgage Loan).

“Mortgage Note” shall mean, with respect to any Mortgage Loan, a full recourse promissory note evidencing such Mortgage Loan and secured by a Security Instrument.

“Mortgage Note Rate” shall mean, with respect to any Mortgage Loan, the per annum rate of interest in effect and accruing from time to time on the outstanding principal balance of such Mortgage Loan, as set forth in the Mortgage Note evidencing such Mortgage Loan.

“Mortgaged Property” shall mean, with respect to any Mortgage Loan, the Residential Real Property subject to a Security Instrument securing such Mortgage Loan.

“Obligated Party” shall mean Seller, each Guarantor, or any other Person who is or becomes party to any agreement that guarantees or secures payment or performance of Seller’s obligations to Bank under this Agreement.

“Outstanding Participation Balance” shall mean, at any given time, an amount, as reflected on Bank’s books and records, equal to the aggregate sum of each Repurchase Price which would be payable by Seller to Bank hereunder if Seller was required hereunder to immediately repurchase from Bank, in their entirety, all of Bank’s then-outstanding Participation Interests in all Participated Mortgage Loans pursuant to Section 4.8 hereof.

“Participated Mortgage Loan” shall mean any Mortgage Loan in which Bank has elected to purchase a Participation Interest from Seller pursuant to the terms and conditions of this Agreement. A Mortgage Loan in which Bank has purchased a Participation Interest shall cease to be a Participated Mortgage Loan hereunder at such time as such Mortgage Loan is a Retired Participated Mortgage Loan.

“Participation Account” shall mean the deposit account established and maintained by Seller at Bank for the purpose of holding funds of Seller to be used to pay Seller’s Funding Amounts. The account number for the Participation Account is identified in Schedule 1 to the Pledge Agreement.

“Participation Interest” shall mean, with respect to any Mortgage Loan, an undivided percentage ownership interest in all rights, titles and interests in, to and under such Mortgage Loan (including, all Mortgage Loan Collections payable on, and with respect to such Mortgage Loan, all of such Mortgage Loan Documents and all other obligations thereunder, all claims, suits, causes of action, and any other rights, known or unknown, against any of the related Borrower, guarantor or other Person relating to any of the foregoing, all collateral, guarantees and other security of or provided by any of the related Borrower or any other Person of any kind for or in respect to any and all of the foregoing, and all proceeds of any and all of the foregoing) purchased by Bank from Seller hereunder and owned by Bank. The undivided percentage ownership interest of Bank in any such Mortgage Loan shall be equal to the Participation Percentage for such Mortgage Loan in effect from time to time.

“Participation Percentage” shall mean, with respect to any Participation Interest in a Participated Mortgage Loan, a percentage of undivided ownership interest in such Participated Mortgage Loan equal to: (a) the Standard Participation Percentage; or (b) if Bank elects, in its sole discretion, to make an Advance for the purchase of such Participation Interest which is greater or less than the amount equal to the Standard Participation Percentage multiplied by the outstanding principal amount of such Participated Mortgage Loan as of the related Purchase Date, then the amount of such Advance divided by such outstanding principal amount, expressed as a percentage; as the Participation Percentage for such Participated Mortgage Loan is reflected on Bank’s books and records. Upon any repurchase of all or any portion of Bank’s outstanding Participation Interest in any Participated Mortgage Loan by Seller hereunder, Bank’s then-current Participation Percentage in such Participated Mortgage Loan shall be adjusted pursuant to this Agreement to give effect to such repurchase. The Participation Percentage for any Participated Mortgage Loan shall be the percentage reflected on Bank’s books and records from time to time for such Participation Percentage, absent manifest error conclusively established by Seller.

“Party” shall mean each of Seller and Bank.

“Permitted Encumbrances” shall mean, with respect to any Mortgage Loan: (a) the Lien of current real property taxes and assessments not yet due and payable; (b) covenants, conditions and restrictions, rights of way, easements and other matters of the public record as of the date of recording being acceptable pursuant to Accepted Lending Practices and specifically referred to in the lender’s title insurance policy delivered to the originator of such Mortgage Loan and which do not adversely affect the appraised value of the Mortgaged Property for such Mortgage Loan; and (c) other matters to which like properties are commonly subject which are acceptable pursuant Accepted Lending Practices and do not, individually or in the aggregate, materially interfere with the benefits of the security intended to be provided by the Security Instrument for such Mortgage Loan or the use, enjoyment, value or marketability of the related Mortgaged Property.

“Person” shall mean any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof, or any other form of entity.

“Pledge Agreement” shall mean, individually and collectively, each pledge or security agreement, in such form and content required by Bank, now or hereafter executed for the benefit of Bank in connection with this Agreement and the transactions contemplated hereby, including each agreement attached hereto as Exhibit B.

“Pledged Account” shall mean the depository account or accounts established and maintained by Seller at Bank for the purpose of holding funds of Seller to be used as a source of funds to pay the Repurchase/Sale Obligations. The account number for the Pledged Account is identified in Schedule 1 to the Pledge Agreement.

“Property” shall mean any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

“Purchase Date” shall mean, with respect to any Participated Mortgage Loan, the date and time of the Advance for the purchase by Bank of a Participation Interest in such Participated Mortgage Loan.

“Purchase Price” shall mean, with respect to a Participation Interest in any Mortgage Loan to be purchased by Bank, an amount equal to the outstanding principal amount of such Mortgage Loan on the related Purchase Date multiplied by the Bank’s Participation Percentage for such Participation Interest in such Mortgage Loan.

“Remittance Account” shall mean the deposit account established and maintained by Seller at Bank into which Bank shall deposit any and all funds received by Bank from time to time which are attributable hereunder to Seller’s Retained Percentage in any Participated Mortgage Loan and which are required to be paid by Bank to Seller hereunder.

“Repurchase Participation Percentage” shall mean, with respect to a Participation Interest in any Participated Mortgage Loan: (a) the portion of Bank’s outstanding Participation Percentage in such Participated Mortgage Loan which is required by Bank to be repurchased by Seller from Bank pursuant to Section 4.7, expressed as a percentage (for example, if Bank’s Participation Percentage immediately prior to the repurchase is 99.0%, and Bank’s Participation Percentage is required to be reduced to 89.0% in connection with the repurchase, then the Repurchase Participation Percentage would equal 10.0%); or (b) one hundred percent (100.0%) of Bank’s outstanding Participation Percentage in such Mortgage Loan which is required by Bank to be repurchased in its entirety by Seller from Bank pursuant to Section 4.8 (for example, if Bank’s Participation Percentage immediately prior to the repurchase is 99.0%, and Bank’s Participation Percentage is required to be reduced to 0.0% in connection with the repurchase, then the Repurchase Participation Percentage would equal 99.0%).

“Repurchase Price” shall mean, with respect to a Participation Interest in any Participated Mortgage Loan, the amount to be paid by Seller to Bank for the repurchase of all or any portion of such Participation Interest which is required by Bank to be repurchased by Seller from Bank pursuant to Sections 4.7 or 4.8, which amount shall be equal to: (a) the amount of any then-earned and unpaid Funding Fee payable by Seller to Bank hereunder with respect to such Participated Mortgage Loan as of the date of such repurchase; plus (b) the amount of any then-earned and unpaid Administrative Fees payable by Seller to Bank hereunder with respect to such Participated

Mortgage Loan as of the date of such repurchase; plus (c) an amount equal to (i) the Purchase Price for such Participated Mortgage Loan, multiplied by (ii) the Repurchase Participation Percentage for such Participated Mortgage Loan; plus (d) the amount of Bank's pro rata share of accrued interest on such Participated Mortgage Loan (which is allocable to the portion of the Participation Interest that is required to be repurchased by Seller), determined at the Participation Interest Rate for such Participated Mortgage Loan, during the period of time commencing on the Purchase Date for such Participated Mortgage Loan and ending on the date of such repurchase; plus (e) any and all other amounts related to such Participated Mortgage Loan which are then due and payable by Seller to Bank under this Agreement as of the date of such repurchase (including, without limitation, any and all costs and expenses of Bank incurred in enforcing its rights and remedies hereunder in connection with the related Mortgage Loan); less (f) all amounts (if any) received and applied by Bank hereunder, as of the date of such repurchase, towards payment of Bank's pro rata share (determined in accordance with Bank's Participation Percentage in effect from time to time with respect to such Participation Interest) of principal and interest (determined at the applicable Participation Interest Rate) on such Participated Mortgage Loan.

"Repurchase/Sale Obligations" shall mean: (a) any and all obligations of Seller, whether now existing or hereafter arising, to (i) arrange for the sale by and on behalf of the Parties of each Participated Mortgage Loan to a Take-Out Purchaser, and complete each such sale, as and when required pursuant to the terms and conditions of this Agreement and (ii) repurchase all or any portion of Bank's Participation Interest in each Participated Mortgage Loan as and when required pursuant to the terms and conditions of this Agreement; (b) any and all liabilities of Seller to Bank in connection with the obligations described in clause (a) of this sentence; and (c) any and all costs and expenses incurred by Bank in connection with the collection, administration or enforcement of all or any part of the obligations and liabilities described in clauses (a) and (b) of this sentence or the protection or preservation of, or realization upon, any collateral securing all or any part of such liabilities and obligations, including, without limitation, all reasonable attorneys' fees.

"Request" shall mean any request by Seller to Bank for the purchase by Bank from Seller of a Participation Interest in an Eligible Mortgage Loan and the Advance by Bank of funds for the Purchase Price for such Participation Interest, which Request shall be delivered by Seller to Bank in such manner and shall contain such information as may be required by Bank from time to time.

"Residential Real Property" shall mean a single platted lot of land improved with a one- to-four family residence.

"Restricted Accounts" shall mean the Participation Account and the Pledged Account.

"Retained Percentage" shall mean, with respect to any Participated Mortgage Loan, the percentage of undivided ownership interest retained by Seller in such Participated Mortgage Loan, after giving effect to the sale by Seller and purchase by Bank of such Participation Interest hereunder, which percentage shall be, for any such Mortgage Loan, equal to the difference of one hundred percent (100.0%) less the Bank's Participation Percentage in such Participated Mortgage Loan. Upon any repurchase of all or any portion of Bank's outstanding Participation Interest in any Participated Mortgage Loan by Seller hereunder, Seller's then-current Retained Percentage in such Participated Mortgage Loan shall be adjusted to give effect to such repurchase. The Retained Percentage for any Participated Mortgage Loan shall be the percentage reflected on Bank's books and records from time to time for such Retained Percentage, absent manifest error conclusively established by Seller.

"Retired Participated Mortgage Loan" shall mean any Mortgage Loan in which Bank has purchased a Participation Interest: (a) which has been subsequently sold in its entirety to a Take-Out Purchaser and the full amount of the Take-Out Purchase Price for such sale has been received and applied by Bank (as reflected on the Bank's books and records), all pursuant to the terms of this Agreement; (b) for which the Participation Interest in such Mortgage Loan has been subsequently repurchased in its entirety by Seller from Bank and the full amount of the Repurchase Price for such repurchase has been received and applied by Bank (as reflected on the Bank's books and records), all pursuant to the terms of this Agreement; or (c) for which the entire principal balance and all accrued interest for such Mortgage Loan has been subsequently paid in full by the related Borrower, and Bank's pro rata share of such amounts (determined in accordance with Bank's Participation Percentage and the Participation Interest Rate in effect from time to time with respect to such Mortgage Loan) have been received and applied by Bank (as reflected on the Bank's books and records), all pursuant to the terms of this Agreement.

"Security Instrument" shall mean, with respect to any Mortgage Loan, a full recourse mortgage or deed of trust securing such Mortgage Loan and granting a perfected first priority lien on the Residential Real Property related thereto.

"Securitizer" shall mean any Person, approved in advance by Bank in its sole and absolute discretion, who or which purchases or agrees to purchase any Participated Mortgage Loan from Seller and Bank pursuant to a Securitization Loan Purchase Agreement in connection with the securitization of a pool of mortgage loans.

"Securitization Loan Purchase Agreement" shall mean, with respect to any Participated Mortgage Loan to be sold by Seller and Bank to a Securitizer, a current, valid, binding and enforceable mortgage loan purchase and sale agreement and/or other written agreement between the Securitizer and Seller regarding the sale of mortgage loans by Seller to, and purchase by, the Securitizer in connection with the securitization of a pool of residential mortgage loans, which Securitization Loan Purchase Agreement provides for a purchase price to be paid by the Securitizer of not less than the Take-Out Purchase Price for such Participated Mortgage Loan and which is otherwise on terms and in such form and content acceptable to Bank in its sole and absolute discretion.

"Seller's Funding Amount" shall mean, with respect to any Participated Mortgage Loan and the related Mortgage Loan Transaction, the total amount to be paid by Seller (through sources other than an Advance) in connection with such Mortgage Loan Transaction, which Seller's Funding Amount shall be equal to the Total Funding Amount for such Participated Mortgage Loan less the Purchase Price for the Participation Interest therein.

"Seller Originated Mortgage Loan" shall mean any Mortgage Loan: (a) originated by Seller and closed in the name of Seller as lender; and (b) with respect to which Seller is (or shall be upon the closing thereof) the holder of the Mortgage Note for such Mortgage Loan and otherwise owns all rights, titles and interests in and to such Mortgage Loan.

"Take-Out Purchase Agreement" shall mean any Investor Loan Purchase Agreement or Securitization Loan Purchase Agreement.

"Take-Out Purchase Price" shall mean, with respect to any Participated Mortgage Loan to be sold by Seller and Bank to a Take-Out Purchaser pursuant to a Take-Out Purchase Agreement, an amount which is not less than: (a) as of the date of such sale, the outstanding principal balance of such Mortgage Loan plus any and all accrued and unpaid interest thereon; or (b) such other amount approved by Bank as confirmed in writing by Bank to Seller prior to such sale.

“Take-Out Purchaser” shall mean any Securitizer or any Investor approved in advance by Bank in its sole and absolute discretion for the purchase of a Mortgage Loan from Seller and Bank.

“Title Policy” shall mean, with respect to any Participated Mortgage Loan, a title insurance policy relating to such Participated Mortgage Loan, in such form acceptable to Bank, which title insurance policy: (a) is issued by a nationally recognized title insurance company acceptable to Bank; (b) provides insurance to the lender named therein, and such lender’s successors and assigns, in the full amount of such Participated Mortgage Loan and insures that the lien of the Security Instrument for such Participated Mortgage Loan is a first and prior lien upon the related Mortgaged Property, without any exceptions, except for Permitted Encumbrances; (c) includes such endorsements thereto which are consistent with Accepted Lending Practices; and (d) satisfies the requirements (if any) of the Warehouse Program Guide.

“Total Funding Amount” shall mean, with respect to any Participated Mortgage Loan and the related Mortgage Loan Transaction, the total amount to be paid by Seller in connection with such Mortgage Loan Transaction (including amounts to be provided on behalf of Seller by Bank through the making of an Advance for the purchase of a Participation Interest in such Participated Mortgage Loan), as set forth in the related Request.

“UCC” shall mean the Uniform Commercial Code of the State of Texas or other applicable jurisdiction, as it may be amended from time to time.

“USDA” shall mean the United States Department of Agriculture, or its successor.

“VA” shall mean the United States Department of Veterans Affairs, or its successor.

“Warehouse Documents” shall mean this Agreement, the Blanket Assignment, each Guaranty Agreement, the Pledge Agreement and any and all other agreements, instruments and documents evidencing, securing or pertaining to Bank’s discretionary purchase of Participation Interests in Mortgage Loans from Seller hereunder, as shall from time to time be executed and delivered to Bank by Seller, any Obligated Party or any other Person pursuant to or in connection with this Agreement or the transactions contemplated hereby, including each addendum to this Agreement (if any) executed by Bank and Seller, any future amendments hereto, or restatements hereof, together with any and all renewals, extensions, and restatements of, and amendments and modifications to, any such agreements, documents and instruments.

“Warehouse Program Guide” shall mean, collectively, the “Warehouse Program Guide” issued by Bank and made available to Seller pursuant to the provisions of this Agreement, as amended, modified or supplemented from time to time by Bank, and including any notices or bulletins issued by Bank concerning the guidelines, procedures and requirements for the transactions contemplated by this Agreement.

1.3 Other Defined Terms. In addition to the terms defined in Section 1.1 and Section 1.2, as used in this Agreement, other capitalized terms contained in this Agreement shall have the meanings assigned to them.

1.4 Other Definitional Provisions.

- (a) All terms defined in this Agreement shall have the herein defined meanings when used in any document, certificate, report or other document, instrument, or writing made or delivered pursuant to this Agreement or any other Warehouse Document, unless the context therein shall otherwise require.
- (b) Words used herein in the singular, where the context so permits, shall be deemed to include the plural and vice versa. The definitions of words in the singular herein shall apply to such words when used in the plural where the context so permits and vice versa.
- (c) The words “herein,” “hereof,” “hereunder” and other similar compounds of the word “here” when used in this Agreement shall refer to the entire Agreement and not to any particular provision or section; and the word “including,” as used herein, shall mean “including, without limitation.”
- (d) All references herein to “Articles” and “Sections” are, unless specified otherwise, references to articles and sections of this Agreement. All references herein to an “Exhibit,” “Schedule” or “Addendum” are references to exhibits, schedules or addenda attached hereto, all of which are made a part hereof for all purposes, the same as if set forth herein verbatim, it being understood that if any exhibit, schedule or addendum attached hereto, which is to be executed and delivered, contains blanks, the same shall be completed correctly and in accordance with the terms and provisions contained and as contemplated herein prior to or at the time of the execution and delivery thereof.

ARTICLE 2

PURCHASE OF PARTICIPATION INTERESTS

2.1 Request for Purchase.

- (a) At any time prior to the Advance Request Termination Date, Seller may submit a Request to Bank for Bank to purchase a Participation Interest in one or more Eligible Mortgage Loans from Seller hereunder by delivering or causing to be delivered to Bank, by electronic data submission or in such other manner, as may be required by Bank from time to time, the information and other items for such Eligible Mortgage Loans required by Bank pursuant to the Warehouse Program Guide.
- (b) To assist Bank in making its decision whether to purchase a Participation Interest in any particular Eligible Mortgage Loan, Seller will timely provide Bank or Bank’s agents with the information and other items for such Eligible Mortgage Loan required by Bank pursuant to the Warehouse Program Guide.
- (c) Each submission of a Request shall be deemed to constitute a representation and warranty by Seller to Bank on the date of such Request and on the date of an Advance made by Bank to purchase a Participation Interest in any Mortgage Loan in connection with such Request that: (i) such Request relates to an Eligible Mortgage Loan; and (ii) the information and materials submitted to Bank in connection with such Mortgage Loan and such Request are true, correct and complete in all respects.
- (d) Each submission of a Request shall constitute Seller’s agreement and reaffirmation of the terms of the Blanket Assignment, such that, if Bank elects to purchase from Seller a Participation Interest in the Mortgage Loan referenced in such Request, then effective upon payment by Bank to Seller of the Purchase Price for such Participation Interest pursuant to

the terms of this Agreement, Seller shall have (and shall be conclusively deemed to have) irrevocably and unconditionally sold, transferred, assigned and conveyed to Bank, and Bank shall have (and shall be conclusively deemed to have) purchased and accepted from Seller, all of Seller's rights, titles, and interests in, to and under such Participation Interest in such Mortgage Loan and the related Mortgage Loan Documents, and such sale, transfer, assignment and conveyance shall be evidenced by the Blanket Assignment (including the Schedule thereto which shall be updated and maintained by Bank, and which Seller hereby confirms and accepts, and shall be conclusive absent manifest error conclusively established by Seller).

2.2 Decision to Purchase. Each decision of Bank whether to purchase any Participation Interest in any Mortgage Loan from Seller hereunder shall be made by Bank in its sole and absolute discretion. Bank shall be under no obligation hereunder to purchase any Participation Interest in any Mortgage Loan nor shall Bank have any obligation hereunder to purchase any minimum amount of Participation Interests in Mortgage Loans. In each instance where a Request is submitted to Bank, Bank will make an independent decision whether to purchase a Participation Interest in any Mortgage Loan contemplated by the Request. Bank may decline to purchase any Participation Interest in any Mortgage Loan for any reason or for no reason whatsoever and shall provide Seller with notice of its decision not to purchase a Participation Interest within one Business Day of receipt of the Request from Seller. The election of Bank to purchase a Participation Interest in any Mortgage Loan shall be evidenced by the making of an Advance by Bank for the payment of the Purchase Price related thereto. If Bank elects to purchase a Participation Interest in an amount other than the Standard Percentage, it shall provide Seller with notice of its decision within one Business Day of receipt of the Request from Seller.

2.3 Conditions to Each Purchase. As a condition precedent to any purchase of a Participation Interest by Bank from Seller hereunder, in addition to all other requirements set forth herein, Seller shall deliver to Bank all of the following, each being duly executed, endorsed, notarized where applicable and delivered and in form and content satisfactory to Bank in its sole and absolute discretion:

- (a) The information and other items required to be delivered to Bank pursuant to Section 2.1;
- (b) If requested by Bank, a written certification from Seller to Bank that the representations and warranties of Seller contained in this Agreement and each other Warehouse Document (other than those representations and warranties which are, by their terms, expressly limited to the date of the agreement in which they were initially made) are true and correct in all material respects on and as of the date of such purchase;
- (c) If requested by Bank, a written certification from Seller that no Event of Default has occurred or is continuing as of the date of the Advance;
- (d) Seller has adequate available funds on deposit in the Participation Account in an amount not less than Seller's Funding Amount for such Mortgage Loan; and
- (e) Such other documents as Bank may reasonably request at any time at or prior to the date of the first Advance hereunder or as a condition to any subsequent Advance hereunder, including any and each Pledge Agreement and Guaranty Agreement required by Bank to be executed in connection with the transactions contemplated by this Agreement.

Each submission of a Request shall be deemed to constitute a representation and warranty by Seller to Bank on the date of such Request and on the date of the applicable Advance made to purchase a Participation Interest in connection with such Request as to the facts and statements specified in clauses

(a), (b), (c) and (d) immediately above and in Sections 5.1(c), (g) and (h) are true and correct. It is understood and agreed that Bank shall not make any Advance for the Purchase Price of any Participation Interest unless with respect thereto Bank is in receipt of all agreements and documents required to be delivered to Bank under this Agreement and all other conditions precedent and requirements set forth herein are satisfied or waived by Bank in writing.

All conditions precedent hereunder to the purchase of a Participation Interest are solely for the benefit of Bank. Bank's election, in its sole discretion, to waive any condition precedent hereunder for the purchase of any Participation Interest shall not constitute a waiver of the satisfaction of such condition precedent for any subsequent purchase of any other Participation Interest. No such condition precedent shall be deemed waived unless waived in writing by Bank.

2.4 Funding of Mortgage Loan Transactions; Purchase of Participation Interests With respect to each Participated Mortgage Loan, Bank and Seller agree that:

(a) Bank shall (and is authorized to) debit funds from the Participation Account in an amount equal to Seller's Funding Amount for such Participated Mortgage Loan and deliver on behalf of Seller by wire transfer such funds directly to the account of the Funding Recipient designated in the related Request (provided, however, if such Funding Recipient is an Escrow Agent, then such account shall be an escrow account) or deliver such funds on behalf of Seller to such Funding Recipient in any other manner acceptable to Bank. Bank shall not make an Advance for the purchase of a Participation Interest in any Mortgage Loan unless Seller has good funds on deposit in the Participation Account in an amount not less than Seller's Funding Amount for such Mortgage Loan;

(b) As payment by Bank to Seller for the purchase of a Participation Interest in such Participated Mortgage Loan, Bank shall make an Advance in an amount equal to the related Purchase Price. Seller hereby irrevocably and unconditionally instructs Bank, with respect to any such Advance, to deliver by wire transfer the proceeds of such Advance on behalf of Seller directly to the account of the Funding Recipient designated in the related Request or to deliver such proceeds on behalf of Seller to such Funding Recipient in any other manner acceptable to Bank; and

(c) Upon the making of an Advance by Bank to or on behalf of Seller for the purchase of a Participation Interest in such Participated Mortgage Loan as described above in this Section: (i) Bank shall immediately have purchased such Participation Interest from Seller, and shall immediately have become fully vested with, an undivided percentage ownership interest in all of Seller's rights, titles and interests in and to such Participated Mortgage Loan and the related Mortgage Loan Documents, which undivided percentage ownership interest shall equal the Participation Percentage for such Participated Mortgage Loan; and (ii) Seller shall immediately make proper entries on its books and records disclosing the absolute sale by Seller to Bank of such Participation Interest in such Participated Mortgage Loan and the related Mortgage Loan Documents. The purchase and sale of a Participation Interest in any Participated Mortgage Loan hereunder shall be conclusively established by the making of an Advance by Bank for the Purchase Price for such Participation Interest as and in the manner provided in this Section and shall be evidenced by the Blanket Assignment.

2.5 Failure to Complete Mortgage Loan Transaction Each Advance made by Bank to purchase a Participation Interest from Seller in a Mortgage Loan is intended by Bank and Seller to be made in connection with a Mortgage Loan Transaction, which Mortgage Loan Transaction is to occur on or about the date on which the related Request for such Advance is submitted by Seller to Bank for Bank

to purchase a Participation Interest in such Mortgage Loan or on such date otherwise specified in such Request. With respect to any Mortgage Loan for which Seller has submitted a Request to Bank for Bank to purchase a Participation Interest therein, if the Mortgage Loan Transaction related thereto is not expected by Seller to occur or fails to occur within two (2) days of such Request then Seller shall immediately provide notice thereof to Bank. Should the Mortgage Loan Transaction related to any Mortgage Loan not be expected by Seller to occur or fail to occur within two (2) days of the Request to Bank for Bank to purchase a Participation Interest therein and Bank shall have delivered on behalf of Seller to the related Funding Recipient the proceeds of the Advance for the purchase by Bank of such Participation Interest, then: (a) the proceeds of such Advance shall immediately be returned directly to Bank and Bank may instruct such Funding Recipient to immediately return such proceeds directly to Bank; and (b) Seller shall (i) immediately instruct and cause such Funding Recipient to return the proceeds of such Advance directly to Bank and (ii) cooperate with Bank to effect the immediate return of the proceeds of such Advance directly to Bank and, at the request of Bank, take such actions and do such things deemed necessary or appropriate by Bank to effect the immediate return directly to Bank of the proceeds of such Advance.

2.6 Funding Fee. Seller shall pay to Bank a Funding Fee for each Participated Mortgage Loan as compensation for Bank's costs and expenses incurred in connection with underwriting and processing its purchase of the Participation Interest in such Participated Mortgage Loan and administering such Participation Interest hereunder. The Funding Fee with respect to any Participated Mortgage Loan shall be: (a) earned in full by Bank on the related Purchase Date; and (b) payable to Bank by Seller upon the earlier to occur of the date on which: (i) all or any portion of the related Participation Interest is to be repurchased by Seller from Bank as contemplated by and in accordance with the terms of this Agreement; (ii) such Participated Mortgage Loan is sold to a Take-Out Purchaser as contemplated by and in accordance with the terms of this Agreement; or (iii) the entire principal balance of such Participated Mortgage Loan has been paid in full by the related Borrower.

2.7 Maximum Participation Amount. Notwithstanding anything to the contrary contained herein, Bank shall not purchase and hold, at any one time, Participation Interests such that the Outstanding Participation Amount exceeds the Maximum Participation Amount; provided, however, that Bank may, in its sole and absolute discretion, elect to temporarily increase the Maximum Participation Amount upon written notice to Seller pursuant to Section 2.8. Nothing contained in this Section shall limit, impair or affect the provisions of Section 2.2.

2.8 Overline Facility Increases. Upon Seller's request from time to time, Bank may, in its sole and absolute discretion, elect to temporarily increase the amount of the Maximum Participation Amount (each, an "Overline Facility Increase") by providing written notice thereof to Seller (each, an "Overline Confirmation"). Each Overline Confirmation shall set forth the terms on which Bank agrees to temporarily increase the Maximum Participation Amount, including: (a) the amount to which the Maximum Participation Amount will be temporarily increased; (b) the date on which such temporary increase in the Maximum Participation Amount shall commence and terminate (the "Overline Period"); and (c) the amount to which the Minimum Pledged Balance shall be increased in connection with such Overline Facility Increase. As a condition precedent to the effectiveness of any Overline Facility Increase, Seller shall deposit into the Pledged Account good funds in such amount required in order to maintain therein the Minimum Pledged Balance set forth in the related Overline Confirmation. During any Overline Period, the Maximum Participation Amount and Minimum Pledged Balance shall equal the respective amounts set forth on the Overline Confirmation and, upon the expiration of the Overline Period, the Maximum Participation Amount and Minimum Pledged Balance shall automatically be reduced to the respective amounts in effect prior to the commencement of any Overline Period.

2.9 **Client-to-Client Funding**. If Seller submits a Request to Bank for Bank to purchase a Participation Interest in a Mortgage Loan from Seller hereunder to pay off a Mortgage Loan in which Bank already holds an ownership interest pursuant to a separate agreement with a different mortgage company (each, a “**Client-to-Client Funding**”), then Seller: (a) shall provide any and all documents and information Bank requests regarding or related to such Participation Interest representing the Client-to- Client Funding; and (b) acknowledges and agrees that, without limiting any other provision in this **Article 2** relating to the purchase of such Participation Interest, any such Client-to-Client Funding shall be conditioned upon the timely satisfaction of all other conditions Bank may in its sole and absolute discretion determine to be necessary or appropriate, including the consent of the original mortgage company to the Client-to-Client Funding and Bank’s agreement to the application of the funds advanced under the Client-to-Client Funding.

ARTICLE 3 **DELIVERY OF BANK DOCUMENT DELIVERABLES**

3.1 **Documents to be Delivered to the Document Custodian After an Advance** Subject to **Sections 3.2 and 3.3**, within two (2) Business Days after the Purchase Date for any Participated Mortgage Loan, Seller shall deliver or cause to be delivered to the Document Custodian all of the Bank Document Deliverables for such Participated Mortgage Loan. Bank reserves the right to require copies of any of the Bank Document Deliverables for review prior to making any Advance for the purchase of a Participation Interest in any specific Mortgage Loan.

3.2 **Procedure for Delivery of Bank Document Deliverables**. Seller shall cause the Bank Document Deliverables for each Participated Mortgage Loan to be delivered directly to the Document Custodian (and, in the event that the applicable Funding Recipient for such Participated Mortgage Loan is or is required hereunder to be an Escrow Agent, such Bank Document Deliverables shall be delivered directly to the Document Custodian from escrow by the Escrow Agent for such Participated Mortgage Loan) within two (2) Business Days after the Purchase Date for such Participated Mortgage Loan, unless otherwise expressly provided by Bank in writing to Seller with respect to such Participated Mortgage Loan (it being understood that any such writing from Bank shall only apply to the specific Participated Mortgage Loan referenced therein).

3.3 **Bank Document Deliverables Held By Seller**. Without limiting the requirements set forth in **Section 3.2**, Seller acknowledges and agrees that any and all Bank Document Deliverables relating to any Participated Mortgage Loan which are at any time in the custody, possession or control of Seller after Bank’s purchase of a Participation Interest in such Participated Mortgage Loan shall be held and delivered to the Document Custodian pursuant to the terms and conditions of **Section 5.11**. Nothing contained in this Article authorizes or permits the delivery to Seller or any other Person (other than the Document Custodian) of any of the Bank Document Deliverables which Seller is required hereunder to cause to be delivered directly to the Document Custodian.

ARTICLE 4 **SALE OF LOANS TO TAKE-OUT PURCHASERS;** **AGED LOANS; REPURCHASE OBLIGATIONS**

4.1 Short Term Nature of Investment

(a) It is understood that each Participation Interest which Bank purchases in any Mortgage Loan shall be purchased by Bank for its own account for the short term investment of its capital and in reliance of Seller’s agreement hereunder that: (i) Seller shall arrange and complete the sale by and on behalf the Parties of the related Participated Mortgage Loan as and

when required pursuant to the terms of this Agreement; or (ii) repurchase all or any portion of such Participation Interest as and when required pursuant to the terms of this Agreement, if such sale is not arranged and completed by Seller as and when required pursuant to the terms of this Agreement. In order to secure the prompt and complete performance by Seller of its Repurchase/Sale Obligations, Seller does hereby pledge, assign and grant to Bank a continuing security interest in and to the Collateral. For this purpose, this Agreement shall constitute a security agreement in accordance with the UCC, and Bank shall have all the rights of a secured creditor with respect to such security.

(b) For each Participated Mortgage Loan, it is the intention of Bank and Seller that such Participated Mortgage Loan and the related Mortgage Loan Documents will be sold and delivered to a Take-Out Purchaser, and for such Take-Out Purchaser to have paid the full amount of the Take-Out Purchase Price for such Participated Mortgage Loan, within thirty (30) days of the Purchase Date for such Participated Mortgage Loan. Notwithstanding the foregoing, it is understood and agreed that Bank shall not have and does not undertake any duty, obligation or liability arising from or related to any Take-Out Purchase Agreement or any Take-Out Purchaser.

4.2 Sale of Participated Mortgage Loans to Take-Out Purchasers

(a) The sale of each Participated Mortgage Loan by Seller and Bank to any Take-Out Purchaser shall be in accordance with the terms of the related Take-Out Purchase Agreement. If a Take-Out Purchaser fails to perform or anticipatorily breaches its obligations under a Take-Out Purchase Agreement to purchase any Participated Mortgage Loan, then Seller shall promptly locate and consummate the sale by Bank and Seller of such Participated Mortgage Loan to another Take-Out Purchaser acceptable to Bank at a price which is not less than the Take-Out Purchase Price for such Participated Mortgage Loan; provided, however, that the foregoing shall not limit or qualify any other rights or remedies available to Bank hereunder with respect to such Participated Mortgage Loan or any Participation Interest therein.

(b) Notwithstanding anything to the contrary in any Take-Out Purchase Agreement, the procedures of sale to a Take-Out Purchaser by Seller and Bank of any Participated Mortgage Loan shall be as follows:

(i) Seller shall deliver to the Take-Out Purchaser the Mortgage Loan Documents for such Participated Mortgage Loan (other than the related Mortgage Note and other Mortgage Loan Documents, if any, which are then being held by the Document Custodian). Such Mortgage Loan Documents shall be delivered by Seller to the Take-Out Purchaser under the provisions of the Take-Out Purchase Agreement which govern the Take-Out Purchaser's custody and possession of such Mortgage Loan Documents or under such other written custodial or similar agreement between Seller and the Take-Out Purchaser acceptable to Bank. Seller shall provide prompt written notice to Bank of the transmittal and delivery of such Mortgage Loan Documents to the Take-Out Purchaser.

(ii) Bank shall deliver or cause to be delivered to the Take-Out Purchaser, under a Bailee Letter, the Mortgage Loan Documents for such Participated Mortgage Loan which are then held by the Document Custodian pursuant to this Agreement, including the original Mortgage Note for such Participated Mortgage Loan accompanied by: (A) the Required Endorsements; and (B) if such Mortgage Note was not endorsed in blank by Seller, an allonge endorsed in favor of such Take-Out Purchaser by Bank, as agent for Seller, pursuant to (and if and to the extent that Bank shall have received and accepted) a valid power of attorney, in form and content satisfactory to Bank, authorizing Bank to endorse such Mortgage Note for and on behalf of Seller.

(c) Within a period of time acceptable to Bank, but in no event more than twenty (20) days after the delivery by the Document Custodian to the Take-Out Purchaser of the Mortgage Note evidencing such Participated Mortgage Loan, Seller shall cause the Take-Out Purchaser to pay or cause to be paid directly to Bank, as payment to Seller and Bank for the purchase by the Take-Out Purchaser of such Participated Mortgage Loan, immediately available funds in an amount not less than the Take-Out Purchase Price for such Participated Mortgage Loan.

(d) All of the proceeds from the sale by Seller and Bank of a Participated Mortgage Loan to a Take-Out Purchaser shall be paid directly to Bank pursuant to Section 4.3 and shall be applied by Bank on behalf of Bank and Seller in accordance with Section 4.4.

(e) Subject to Section 4.4(b), Bank and Seller's ownership interests in any Participated Mortgage Loan to be sold to a Take-Out Purchaser shall continue in full force and effect, and Bank and Seller shall not have (and shall not be deemed to have) sold such Participated Mortgage Loan to a Take-Out Purchaser unless and until such time as Bank shall have received immediately available funds from the Take-Out Purchaser for such sale in an amount not less than the Take-Out Purchase Price for such Participated Mortgage Loan and applied such funds in accordance with Section 5.12.

4.3 Payments From Take-Out Purchasers. In connection with each sale of a Participated Mortgage Loan by Seller and Bank to a Take-Out Purchaser, Seller shall cause the Take-Out Purchase Price to be paid by the Take-Out Purchaser for the purchase of the Participated Mortgage Loan to be paid by the Take-Out Purchaser, in immediately available funds, directly to Bank into the Repayment Account.

4.4 Processing Payments From Take-Out Purchasers. With respect to any immediately available funds on deposit in the Repayment Account which constitute the proceeds of any Take-Out Purchase Price (each a "Take-Out Purchaser Payment"):

(a) Seller shall promptly confirm to Bank the Participated Mortgage Loan to which such Take-Out Purchaser Payment applies; provided, however, that if Seller shall not have provided such confirmation to Bank by the last Business Day of the calendar month in which Bank provided notice to Seller of the Take-Out Purchaser Payment, then Bank may, in its sole discretion, determine and designate the Participated Mortgage Loan to which such Take-Out Purchaser Payment applies to the extent Bank is able to make such a determination based on information available to it;

(b) Bank reserves the right, in its sole discretion, to determine whether to accept or reject such Take-Out Purchaser Payment in the event that insufficient funds were delivered by the Take-Out Purchaser to Bank to fully pay the Take-Out Purchase Price for the Participated Mortgage Loan to which the Take-Out Purchaser Payment applies. Seller acknowledges and agrees that: (i) if Bank elects, in its sole discretion, to reject a Take-Out Purchaser Payment for which insufficient funds were delivered, then Bank's related Participation Interest shall not have been sold (and shall be deemed to not have been sold) to such Take-Out Purchaser, and Seller shall immediately notify such Take-Out Purchaser that no sale of such Participated Mortgage Loan by Bank and Seller to such Take-Out Purchaser has occurred; and (ii) if Bank elects, in its sole discretion, not to reject a Take-Out Purchaser Payment for which insufficient funds were delivered, then Bank shall have the right to offset any amounts in any Account in order to effect full payment of Bank's share of such Take-Out Purchase Price; and

(c) If such Take-Out Purchaser Payment is accepted by Bank, the proceeds of the Take-Out Purchaser Payment shall be applied by Bank pursuant to Section 5.12.

All notices to be given and actions to be taken pursuant to this Section shall be effectuated electronically or in such other manner, as required by Bank from time to time pursuant to the Warehouse Program Guide.

4.5 **Reserved**.

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4.6 **Participation Interest Rate for Aged Participated Mortgage Loans.**

(a) With respect to any Aged Participated Mortgage Loan, to the extent permitted by applicable Law, Bank may from time to time, in its sole discretion, increase the then-current Participation Interest Rate with respect to such Aged Participated Mortgage Loan by an amount, as determined by Bank, in accordance with the following:

Number of days elapsed since the Purchase Date for the Participation Interest in the Aged Mortgage Loan	Maximum <u>aggregate total</u> amount by which Bank may increase the applicable Participation Interest Rate pursuant to this Section	Date on which the increase (if any) in the Participation Interest Rate is effective
30 days or more but less than 45 days	up to 1.0%	30 th day following the Purchase Date of the Participation Interest
45 days or more but less than 60 days	up to 1.5% (inclusive of all prior increases to the applicable Participation Interest Rate made by Bank pursuant to this Section)	45 th day following the Purchase Date of the Participation Interest
60 days or more	up to 2.5% (inclusive of all prior increases to the applicable Participation Interest Rate made by Bank pursuant to this Section)	60 th day following the Purchase Date of the Participation Interest

(b) Notwithstanding anything herein to the contrary, the Participation Interest Rate for any Participated Mortgage Loan shall not at any time exceed the maximum rate permitted under applicable Law.

(c) The provisions of this Section shall not limit or qualify any rights or remedies of Bank hereunder (including, without limitation, any rights or remedies of Bank Sections 4.5, 4.7 or 4.8).

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4.7 Curtailment of Aged Participated Mortgage Loans.

(a) With respect to any Aged Participated Mortgage Loan, to the extent permitted by applicable Law, Bank may from time to time, in its sole and absolute discretion, require Seller to repurchase from Bank any portion of the Participation Interest then owned by Bank in such Aged Participated Mortgage Loan, as determined by Bank, in accordance with the following table:

<u>Number of days elapsed since the Purchase Date for the Participation Interest in the Aged Mortgage Loan</u>	<u>Maximum <i>aggregate total</i> portion of the Participation Percentage (as of the Purchase Date for the related Participation Interest) in the applicable Aged Mortgage Loan which Bank may require to be repurchased by Seller pursuant to this Section</u>
60 days or more but less than 75 days	up to 10.0%

(b) To effect the repurchase by Seller from Bank of any portion of a Participation Interest required by Bank to be repurchased under this Section, Seller shall pay to Bank an amount equal to the applicable Repurchase Price for such portion of such Participation Interest, which amount shall be due and payable upon any demand therefor made by Bank pursuant to the terms of this Section. Bank shall have the right to offset any amounts in the Pledged Account in order to effect full payment of any Repurchase Price when due and payable under this Section, and upon any such offset, Seller shall immediately deposit funds into the Pledged Account in the amount required to fully restore the Minimum Pledged Balance.

(c) Upon Bank's receipt from Seller of the full amount of the Repurchase Price for the portion of the Participation Interest in any Aged Participated Mortgage Loan required to be repurchased by Seller from Bank pursuant to this Section, effective as of the date of receipt of such funds and the application by Bank of such funds pursuant to the terms of this Agreement, Seller shall have repurchased from Bank such portion of such Participation Interest equal to the Repurchase Participation Percentage for such Participation Interest, and Bank's respective Participation Percentage in such Aged Participated Mortgage Loan and Seller's respective Retained Percentage in such Aged Participated Mortgage Loan shall be correspondingly adjusted, all as indicated on the Bank's books and records.

(d) The provisions of this Section shall not limit or qualify any rights or remedies of Bank hereunder (including, without limitation, any rights or remedies of Bank under Sections 4.5, 4.6 or 4.8).

4.8 Full Repurchase of Participation Interests

(a) With respect to any specific Participated Mortgage Loan, Bank shall have the right to require Seller, upon demand by Bank, to repurchase from Bank, in its entirety, all of Bank's then-outstanding Participation Interest in such Participated Mortgage Loan, if Bank reasonably determines at any time, that: (i) any representation or warranty made or deemed made by Seller to Bank under Sections 2.1 or 6.10 as to such Participated Mortgage Loan was false, misleading, or erroneous in any respect at the time on or as of the Purchase Date for such Participated Mortgage Loan; (ii) such Participated Mortgage Loan was not an Eligible Mortgage Loan on or as of the Purchase Date for such Participated Mortgage Loan or no longer qualifies as an Eligible Mortgage Loan anytime thereafter; (iii) any Mortgage Loan Document related to such Participated Mortgage Loan was erroneous, unsigned or incomplete in any material respect on the

Purchase Date for such Participated Mortgage Loan and such error, lack of signature or incompleteness has not been corrected to the reasonable satisfaction of Bank within a commercially reasonable time period following such Purchase Date; (iv) any fraud occurred on the part of Seller or its agents or employees or of Borrower or any other Person with respect to the origination, underwriting, closing or funding of such Mortgage Loan; or (v) any of the Bank Document Deliverables for such Participated Mortgage Loan have not been delivered to the Document Custodian as and when required pursuant to the provisions of this Agreement. In addition, if an Event of Default shall have occurred, Bank shall have the right to require Seller, upon demand by Bank, to repurchase from Bank, in their entirety, all of Bank's then-outstanding Participation Interests in the Participated Mortgage Loans identified in such demand.

(b) In Bank's sole and absolute discretion, Seller shall automatically be required to immediately repurchase from Bank, in its entirety, all of Bank's then-outstanding Participation Interest in any Aged Participated Mortgage Loan on the seventy-fifth (75th) day after the Purchase Date for such Participation Interest if such Aged Participated Mortgage Loan does not constitute a Retired Participated Mortgage Loan by such seventy-fifth (75th) day. In addition, Seller shall automatically be required, whether or not Bank has made demand therefor, to immediately repurchase from Bank, in their entirety, all of Bank's then-outstanding Participation Interests in any and all Participated Mortgage Loan upon the occurrence of an Event of Default under Sections 9.1(e) or (f) with respect to Seller.

(c) To effect the repurchase of any Participation Interest required under this Section, Seller shall pay to Bank an amount equal to applicable Repurchase Price for such Participation Interest, which amount shall be due and payable: (i) on the date Bank has made demand for the repurchase of such Participation Interest, if such repurchase is required pursuant to Section 4.8(a); or (ii) on the seventy-fifth (75th) day after the Purchase Date for such Participation Interest, if such repurchase is required pursuant to Section 4.8(b). Bank shall have the right to offset any amounts in the Pledged Account in order to effect full payment of any Repurchase Price when due and payable under this Section, and upon any such offset, Seller shall immediately deposit funds into the Pledged Account in the amount required to fully restore the Minimum Pledged Balance.

(d) Upon Bank's receipt from Seller of the full amount of the Repurchase Price for the Participation Interest in any Participated Mortgage Loan to be repurchased in its entirety by Seller from Bank pursuant to this Section, and so long as such payment is not disgorged or revoked by a court of competent jurisdiction: (i) effective as of the date of receipt of such funds and the application by Bank of such funds pursuant to the terms of this Agreement, Seller shall have repurchased from Bank such Participation Interest in its entirety, and Bank's respective Participation Percentage in such Participated Mortgage Loan and Seller's respective Retained Percentage in such Participated Mortgage Loan shall be correspondingly adjusted, all as indicated on the Bank's books and records; and (ii) Bank shall thereafter deliver or cause to be delivered to Seller the Mortgage Note and any other Mortgage Loan Documents for such Participated Mortgage Loan then in the Document Custodian's possession.

(e) The provisions of this Section shall not limit or qualify any rights or remedies of Bank hereunder (including, without limitation, any rights or remedies of Bank under Sections 4.5, 4.6 or 4.7).

4.9 Bank's Direct Contact with Take-Out Purchasers. Seller irrevocably authorizes Bank and its agents and representatives to directly deliver all pertinent documentation to, and communicate with, disclose to, receive from and share information with, any Take-Out Purchaser, which is related to any Participated Mortgage Loan which is to be purchased or has been purchased by such Take-Out Purchaser.

ARTICLE 5
GENERAL PROVISIONS

5.1 Conditions to Effectiveness of Agreement As a condition precedent to effectiveness of this Agreement, in addition to all other requirements set forth herein, Seller shall deliver to Bank all of the following, each being duly executed, endorsed, notarized where applicable and delivered and in form and content satisfactory to Bank in its sole and absolute discretion:

- (a) This Agreement, the Blanket Assignment, the Pledge Agreement and each Guaranty Agreement;
- (b) One (1) or more limited power of attorney in the form of Exhibit A executed by Seller;
- (c) All financing statements required by Bank, including a UCC-1 financing statement identifying Seller, as debtor, and Bank, as secured party, which covers the Collateral, and Seller hereby authorizes Bank and its representatives to execute, deliver and file of record all such financing statements;
- (d) Such signature cards, depository account agreements, USA PATRIOT Act forms and information, and such other documents and instruments, as Bank may require for Seller to establish at Bank, the Pledged Account, the Participation Account and the Remittance Account or to otherwise implement the arrangements contemplated herein;
- (e) Evidence that all necessary action on the part of Seller and each other Obligated Party has been taken with respect to the execution and delivery of the Warehouse Documents and the performance of the matters contemplated thereby, so that this Agreement and all of the other Warehouse Documents shall be valid and binding upon each Person executing and delivering the same. Such evidence shall include certified organizational documents, certified resolutions, and certificates of incumbency for Seller and each other Obligated Party that is not a natural person;
- (f) For Seller and each Obligated Party that is not a natural person, a copy, certified as true, complete and correct, by an authorized officer, partner, member, manager or other representative of such entity, of the documents evidencing the formation and governance of the operations and affairs of such entity, together with all amendments thereto;
- (g) For Seller and each Obligated Party that is not a natural person, a certificate of existence and good standing showing that such entity is in good standing under the Laws of the state of its formation and certificates indicating that such entity has qualified to transact business and is in good standing in all other states where it transacts business;
- (h) Evidence that Seller has received any and all licenses, permits, approvals and other consents under any and all applicable Laws to permit Seller to lawfully engage in the Mortgage Loan Activities, and evidence that the same are currently in existence and good standing; and

(i) Such other documents, information and materials as Bank may require to be delivered or caused to be delivered by Seller to Bank prior to the execution of this Agreement by Bank.

5.2 Termination; Burn-Down

(a) Seller's rights hereunder to submit any Request to Bank shall automatically terminate on the Advance Request Termination Date.

(b) Notwithstanding anything herein to the contrary, and without limiting Bank's rights and remedies under Section 9.2, prior to the Advance Request Termination Date, either Party may immediately terminate for any reason whatsoever Seller's rights hereunder to submit any Request to Bank to purchase a Participation Interest by providing written notice thereof to the other Party. It is understood that the Parties intend the continuation of this Agreement by Bank (and, accordingly, the continuation of Seller's rights hereunder to submit any Request to Bank for Bank to purchase a Participation Interest) will be based upon the quality of the Mortgage Loans owned by Seller and Seller's performance of its obligations in connection therewith and herewith and also based upon market conditions and the business objectives of Bank and Seller which may change from time to time.

(c) Any and all outstanding Participation Interests in Participated Mortgage Loans owned by Bank on or before the Advance Request Termination Date shall continue to be subject to the terms and conditions of this Agreement. Unless extended by a written agreement executed by Seller and Bank, this Agreement shall automatically terminate and cease to be in force and effect (except with respect to the provisions of this Agreement which expressly survive termination) without any action or notice upon such time as: (i) Seller shall no longer have any rights hereunder to submit any Request to Bank to purchase a Participation Interest; (ii) each Participated Mortgage Loan constitutes a Retired Participated Mortgage Loan; (iii) Bank has received full, final and indefeasible payment of all other amounts due and payable by Seller to Bank pursuant to the terms hereof and any other Warehouse Document; (iv) Seller has fully performed and discharged each of its duties, covenants and obligations under each Warehouse Document; and (v) Bank has remitted to Seller all amounts, if any, required hereunder to be remitted by Bank to Seller hereunder.

5.3 Target Usage; Termination for Non-Usage. While pursuant to Section 2.2, Bank is not obligated to purchase, and Seller is not obligated to sell, any Participation Interests, or any minimum amount of Participation Interests, Bank and Seller contemplate that Seller shall sell, and Bank shall purchase, Participation Interests such that, Bank's total Participation Interest for a calendar month shall equal or exceed the Target Usage Amount. Should for any calendar quarter, the total Participation Interest, on average for such calendar quarter, not equal or exceed the Target Usage Percentage, Bank may elect to increase the Participation Interest Rate Floor or, pursuant to Section 5.2(b), terminate Seller's right hereunder to submit any Request to Bank to purchase a Participation Interest.

5.4 Seller's Accounts

(a) Seller shall at all times during the term of this Agreement maintain each Restricted Account with Bank. With respect to each Restricted Account, Seller may deposit funds into the Restricted Account, however Seller shall not be permitted to withdraw, transfer or otherwise exercise any rights to access any funds held therein and Seller shall have no rights to exercise dominion or control over the Restricted Account.

(b) Seller shall at all times during the term of this Agreement maintain the Remittance Account with Bank. Subject to the terms and conditions of this Agreement and the other Warehouse Documents, Seller shall be permitted to withdraw, transfer and otherwise exercise rights to access any funds held therein; provided, that notwithstanding the foregoing, upon the occurrence of an Event of Default, Seller shall not be permitted to withdraw, transfer or otherwise exercise any rights to access any funds held therein and Seller shall have no rights to exercise dominion or control over the Remittance Account.

(c) Concurrently with the execution hereof Seller shall deposit into the Pledged Account, and thereafter for the duration of this Agreement Seller shall maintain in the Pledged Account, good funds in an amount not less than the Minimum Pledged Balance. Seller shall replenish funds in the Pledged Account, such that the Pledged Account is fully restored to the Minimum Pledged Balance, in the event Bank shall offset or apply funds from the Pledged Account in accordance with the terms of this Agreement.

(d) In order to secure the prompt and complete performance by Seller of its Repurchase/Sale Obligations, Seller does hereby pledge, assign and grant to Bank a continuing security interest in and to the Restricted Accounts, the Remittance Account and the other Collateral. For this purpose, this Agreement shall constitute a security agreement in accordance with the UCC, and Bank shall have all the rights of a secured creditor with respect to such security, and Bank shall have the right to hold and "freeze" such Accounts and the funds maintained therein upon the occurrence of an Event of Default. Without limiting any rights and remedies available to Bank hereunder, Bank may exercise the right to offset and apply all or any portion of the funds of Seller held in one or more of the Accounts towards the payment of all or any portion of any amount due and payable by Seller to Bank hereunder in connection with Seller's Repurchase/Sale Obligations. Bank is hereby authorized to debit funds from the Accounts in accordance with the provisions of this Agreement without any notice to or permission from Seller.

5.5 Subordination. It is expressly understood and agreed that all of Seller's rights, title and interests in and to any Participated Mortgage Loan (including Seller's servicing rights, if any) are subordinate and inferior to Bank's Participation Interest in such Participated Mortgage Loan, from and after the Purchase Date for such Participated Mortgage Loan.

5.6 Power of Attorney. Seller hereby irrevocably appoints Bank and each officer of Bank as its attorney-in-fact, with full power of substitution, for, on behalf of, and in the name of Seller, to: (a) endorse and deliver to any Person any notes, checks, drafts, money orders or other instruments of payment coming into Bank's possession and representing any payment made on or with respect to any Participated Mortgage Loan or otherwise received in connection with any Participated Mortgage Loan (including the proceeds from the sale of any such Participated Mortgage Loan received from a Take-Out Purchaser), and any collateral and any Take-Out Purchase Agreement therefor; (b) prepare, complete, execute, deliver and record, and do anything else necessary or desirable to effect, (i) any endorsement to Bank, any Take-Out Purchaser or any other Person, of any Mortgage Note evidencing a Participated Mortgage Loan, or (ii) any transfer, assignment or conveyance to Bank, any Take-Out Purchaser or any other Person, of any or all rights, titles and interest in and to any Mortgage Note and the Mortgage Loan Documents related thereto in which Bank has purchased a Participation Interest (including servicing rights); (c) do anything necessary or desirable to effect sale, transfer, assignment or conveyance, of any or all rights, titles and interest of Seller and/or Bank in and to any Participated Mortgage Loan and the related Mortgage Loan Documents related thereto to any Take-Out Purchaser or any other Person; and (d) commence, prosecute, settle, discontinue, defend, or otherwise dispose of any claim relating to any Take-Out Purchase Agreement or any Participated Mortgage Loan. The powers and authorities herein conferred

on Bank may be exercised by Bank through any Person who, at the time of the execution of a particular instrument, is an officer of Bank. The limited power of attorney conferred by this Section is granted for a valuable consideration and is coupled with an interest and, therefore, is irrevocable so long as any duties or obligations to Bank under this Agreement or any other Warehouse Document, or any part thereof, shall remain unpaid or otherwise unsatisfied, and so long as Bank may elect to purchase any Participation Interests hereunder. The limited power of attorney conferred hereunder shall not be affected by any subsequent disability or incapacity of the principal or by the lapse of time. To facilitate processing, Bank may request that Seller execute and deliver a separate, limited power of attorney in such form and content required by Bank, but any failure of Bank to request or obtain any such separate power of attorney instrument shall not mitigate or undermine the rights and powers conferred under this Section.

5.7 Private Recording Systems. Bank reserves the right to require or permit that any or all Participated Mortgage Loans be registered and processed on the MER[®] System and/or any other similar mortgage registration or processing system (collectively, "Private Recording System"). Should Bank require or permit the registration or processing of any or all Participated Mortgage Loans on any Private Recording System: (a) each such Participated Mortgage Loan shall be registered and processed on the Private Recording System approved by Bank in accordance with the requirements of the Warehouse Program Guide; and (b) Bank may terminate and revoke any such requirement or permission regarding the registration and processing of any such Participated Mortgage Loans on any Private Recording System.

5.8 Regulatory Compliance. With respect to each Participated Mortgage Loan, Seller hereby represents, warrants and certifies to Bank that such Participated Mortgage Loan and each related Mortgage Loan Document was originated, made, negotiated, executed and delivered pursuant to and in accordance with the applicable terms and provisions of the Federal Truth in Lending Act, the Real Estate Settlement Procedures Act, the Equal Credit Opportunity Act, Dodd-Frank Act, the Interagency Appraisal Guidelines, and all other applicable Laws relating to the financing of Residential Real Property, each of which Laws have been fully satisfied and strictly complied with by Seller and such other applicable parties, and that Bank shall have no obligation with respect to the compliance with any such Laws, or the filing of any reports, certifications or other documents or items with or to any Borrower, any Governmental Authority, or any other Person whatsoever. **IN THIS RESPECT, SELLER WILL RELEASE, HOLD HARMLESS AND INDEMNIFY EACH INDEMNIFIED PARTY FROM AND AGAINST ANY AND ALL LOSSES WHICH ARE INCURRED BY OR ASSERTED AGAINST BANK IN CONNECTION WITH ANY BREACH OR INACCURACY OF THE TERMS CONTAINED IN THIS SECTION.**

5.9 Verifications. Bank shall have the right and authority to re-verify all information obtained by Seller regarding any Borrower, including verification of employment, verification of deposit and all information included in each related Loan Application. Seller shall cooperate with Bank in such re-verification process. Further, Bank shall have full right and authority to obtain an updated credit report on any Borrower. In such verification process, Seller shall, upon the request of Bank, supply a copy of Borrower's handwritten, typed or signed Loan Application.

5.10 Servicing Responsibilities.

(a) Seller shall administer, manage, collect and enforce each Participated Mortgage Loan for and on behalf of and for the benefit of Bank and Seller in accordance with Accepted Servicing Practices (collectively, the "Mortgage Loan Services"). With respect to each Participated Mortgage Loan, Seller shall promptly take any and all actions, and exercise any and all available remedies, under the related Mortgage Loan Documents or otherwise which are necessary or advisable to perform the Mortgage Loan Services pursuant to this Agreement.

(b) At the request of Bank: (i) Seller shall promptly provide to Bank such information requested by Bank regarding any default, breach, violation or event of acceleration related to any Participated Mortgage Loan, and the actions which Seller has taken or proposes to take in connection therewith; and (ii) Seller shall promptly take any and all actions, and exercise any and all remedies, under the Mortgage Loan Documents or otherwise for any Participated Mortgage Loan which Bank shall deem, in its discretion, reasonably necessary or advisable to effect the provisions of this Section.

(c) With respect to any Participated Mortgage Loan, any and all Mortgage Loan Collections received by Seller from the exercise of any rights or remedies under the related Mortgage Loan Documents or in connection with the full repayment of the outstanding principal balance and all accrued and unpaid interest for such Participated Mortgage Loan shall (i) be immediately transferred or delivered by Seller to Bank (and, if required by Bank, into the Repayment Account) and (ii) upon receipt by Bank, be applied pursuant to the provisions of this Agreement.

(d) Notwithstanding anything herein to the contrary, upon the occurrence of an Event of Default: (i) Seller shall not exercise any remedies under any of the Mortgage Loan Documents for any Participated Mortgage Loan without the prior written consent of Bank; and (ii) Bank may at any time: (A) provide written notice to Seller terminating any or all rights, duties and obligations of Seller to provide Mortgage Loan Services with respect to any Participated Mortgage Loan (each, a “Servicing Termination Notice”); and/or (B) subject to the requirements of RESPA and Regulation X, 12 CFR 1024, require that Seller instruct in writing any Borrower or other Person obligated on any Participated Mortgage Loan to deliver any and all payments to be made by such Borrower or such other Person on or in respect of such Participated Mortgage Loan directly to Bank or to the Repayment Account, and Seller shall not make any changes to any such instructions so provided without first obtaining the prior written consent of Bank. With respect to each Participated Mortgage Loan specified in any Servicing Termination Notice, Seller shall at its expense: (i) immediately turn over to Bank or its designee all books, records and other documents related to the Mortgage Loan Services for such Participated Mortgage Loan; (ii) cooperate with Bank in the immediate and orderly transfer of the administration and servicing responsibilities for such Participated Mortgage Loan to Bank or its designee; and (iii) upon Bank’s request, immediately execute and deliver to Bank all documents, agreements and instruments, and take such other actions and do such other things, deemed necessary or advisable by Bank in connection with the transfer to Bank of the administration and servicing responsibilities for such Participated Mortgage Loan.

5.11 Trust Provisions.

(a) Any and all amounts required hereunder to be paid to Bank shall be paid to Bank pursuant to the terms and conditions of this Agreement. Without limiting the foregoing, any and all Bank Payment Deliverables received by Seller at any time (and any and all Bank Payment Deliverables that are or are deemed to be in or under the custody, possession or control of Seller at any time) shall be held in trust by Seller as the property and for the benefit of Bank. In such event, Seller shall, and Seller has a fiduciary duty to Bank, (i) to hold in trust, as the property and for the benefit of Bank, the Bank Payment Deliverables and (ii) (A) to immediately turn over and deliver to Bank each Bank Payment Deliverable, in kind, and in the exact form received, no later than one (1) Business Day after receipt thereof, and concurrently, endorse to Bank any instrument or other form of payment payable to Seller, but which is to be paid to Bank under this Agreement, (B) not to release any Bank Payment Deliverable to any other Person without Bank’s prior written consent, and (C) not to negotiate or otherwise seek to convert to cash any Bank Payment

Deliverables which are in the form of a check or other form of payment without Bank's prior written consent. Nothing contained in this Section authorizes or permits payment to Seller or any other Person (other than Bank) of any amounts which are required under this Agreement to be paid directly to Bank.

(b) Any and all Bank Document Deliverables required hereunder to be delivered to the Document Custodian shall be delivered to the Document Custodian pursuant to the terms and conditions of this Agreement. Without limiting the foregoing, any and all Bank Document Deliverables received by Seller at any time (and any and all Bank Document Deliverables that are or are deemed to be in or under the custody, possession or control of Seller at any time) shall be held in trust by Seller as the property and for the benefit of Bank. In such event, Seller shall, and Seller has a fiduciary duty to Bank, (i) to hold in trust for Bank, and as the property and for the benefit of Bank, the Bank Document Deliverables and (ii) (A) to immediately turn over and deliver to the Document Custodian each Bank Document Deliverable no later than one (1) Business Day after receipt thereof (except that Seller may deliver the applicable Bank Document Deliverables to the Document Custodian by such later time, if any, permitted by the express terms of this Agreement) and (B) not to release any Bank Document Deliverable to any Person (other than the Document Custodian). Nothing contained in this Section authorizes or permits the delivery to Seller or any other Person (other than the Document Custodian) of any Bank Document Deliverables which are required under this Agreement to be delivered directly to the Document Custodian.

(c) The Mortgage Loan Files for Participated Mortgage Loans (other than any portions thereof which constitute Bank Document Deliverables or which have been delivered to Bank) shall be held in trust by Seller as the property and for the benefit of Bank. Seller shall, and Seller has a fiduciary duty to Bank, (i) to hold in trust for Bank, and as the property and for the benefit of Bank, such Mortgage Loan Files and (ii) (A) to turn over and deliver to Bank such Mortgage Loan Files no later than one (1) Business Day after Bank's request and (B) not to release such Mortgage Loan Files to any Person (other than Bank) except as otherwise expressly permitted hereunder.

5.12 Application of Payments.

(a) Except as expressly provided otherwise herein, any and all Mortgage Loan Collections received by Bank with respect to any Participated Mortgage Loan (each, a "Payment"), including all proceeds from the sale of such Participated Mortgage Loan by Seller and Bank to a Take-Out Purchaser, shall be credited and applied in the following order of priority upon Bank's actual receipt of such sums, and Seller hereby instructs Bank to so apply such proceeds:

(i) To the payment of any then-earned and outstanding Funding Fees and Administrative Fees payable by Seller to Bank hereunder in connection with such Participated Mortgage Loan;

(ii) To the payment of any other outstanding fees, costs and expenses assessed or incurred by Bank and payable by Seller to Bank under this Agreement or any other Warehouse Document with respect to such Mortgage Loan;

(iii) To the reimbursement of all outstanding amounts (other than the Advance made by Bank to purchase a Participation Interest in such Participated Mortgage Loan), if any, disbursed by Bank in connection with such Participated Mortgage Loan;

(iv) To the payment of Bank's pro rata share (determined in accordance with the Participation Interest Rate in effect from time to time for such Participated Mortgage Loan) of all interest that accrued on such Participated Mortgage Loan from and after the related Purchase Date, but which has not been previously paid to Bank;

(v) To the repayment of Bank's pro rata share (determined in accordance with Bank's Participation Percentage in effect from time to time for such Participated Mortgage Loan) of the outstanding principal amount of such Participated Mortgage Loan (as of the related Purchase Date) which has not been previously paid to Bank;

(vi) Upon the occurrence of an Event of Default, if required by Bank, to the payment of any of the amounts set forth above with respect to any other Participated Mortgage Loan, to be applied in the same order of priority as set forth above;

(vii) To any other amounts payable by Seller to Bank;

(viii) To restoring (in whole or in part) the Minimum Pledged Balance of the Pledged Account if the balance thereof is less than the Minimum Pledged Balance. Any such funds shall be deposited directly by Bank into the Pledged Account;

(ix) To the payment of Seller's pro rata share (determined in accordance with the Seller's Retained Percentage in effect from time to time with respect to such Participated Mortgage Loan) of: (A) the outstanding principal amount of such Participated Mortgage Loan (as of the related Purchase Date) which has not been previously paid to or otherwise received by Seller; and (B) interest that has accrued on such Participated Mortgage Loan from and after the related Purchase Date (including any portion of such interest that accrued at a rate in excess of the Participation Interest Rate in effect from time to time for such Participated Mortgage Loan), but which has not been previously paid to or otherwise received by Seller. Any and all of the foregoing amounts due to Seller shall be paid by Bank to Seller on or before the next Business Day after receipt by Bank of the applicable Payment and shall be disbursed by Bank into the Remittance Account; and

(x) Thereafter, all remaining amounts to Seller, except as otherwise required to be in compliance with this Agreement.

(b) Notwithstanding anything to the contrary in Section 5.12(a), with respect to any Participated Mortgage Loan, Bank may elect, in its sole and absolute discretion, to defer applying any proceeds of any Payment to any of the items described in Section 5.12(a)(i), (ii) or (iii), in which case Bank reserves the right to satisfy any outstanding amount for such items with the proceeds of any future Payment with respect to such Participated Mortgage Loan.

(c) If the amount of any Take-Out Purchaser Payment received by Bank in connection with the sale of any Participated Mortgage Loan to a Take-Out Purchaser is insufficient to pay any and all amounts payable to Bank under Section 5.12(a) with respect to such Participated Mortgage Loan, then Bank shall be entitled to offset and apply available funds in the Pledged Account to satisfy the deficiency in such amounts payable to Bank. In such event, if after resorting the foregoing described sources of payment, any amounts remain payable to Bank under Section 5.12(a) with respect to such Participated Mortgage Loan, then Seller shall immediately pay such amounts to Bank upon demand.

(d) In the event that Bank offsets or applies any funds in the Pledged Account to satisfy amounts payable to Bank, then Seller shall immediately deposit funds into the Pledged Account in the amount required to fully restore the Minimum Pledged Balance. Bank shall have no duty or obligation at any time to apply any amounts due from any Take-Out Purchaser or from any other Person with respect to any purchase of any Participated Mortgage Loan until Bank has actually received such amounts in immediately available funds. Further, notwithstanding anything herein to the contrary, Bank shall be under no duty at any time to apply any amounts representing Take-Out Purchaser Payments except pursuant to the procedures set forth in Section 4.4.

5.13 Warehouse Program Guide.

(a) Seller agrees to comply at all times with all of the provisions of the Warehouse Program Guide in effect from time to time. Notwithstanding anything herein to the contrary, each Participated Mortgage Loan: (i) shall be subject to the provisions of the Warehouse Program Guide in effect as of the Purchase Date for such Participated Mortgage Loan; and (ii) shall not be subject to any material amendment, modification or supplement to the Warehouse Program Guide which occurs after the Purchase Date for such Participated Mortgage Loan. The Warehouse Program Guide is hereby incorporated into this Agreement by reference as if it was fully set forth herein.

(b) Bank shall make available to Seller the Warehouse Program Guide by: (i) posting the Warehouse Program Guide on a web portal or website (including the Electronic Platform) to which Seller will be granted access (if Bank shall elect to maintain a web portal or web site for such purpose and if Bank shall grant Seller access thereto); or (ii) by providing a written copy of the Warehouse Program Guide to Seller. Bank may, in its sole discretion, amend, modify or supplement the Warehouse Program Guide from time to time. If Bank shall have granted Seller access to a web portal or website on which the Warehouse Program Guide is posted, then: (i) any amendments, modifications or supplements to the Warehouse Program Guide shall become effective as to Seller upon such time as the same are posted on such web portal or website, without any further action or notice by Bank; and (ii) Seller shall be solely responsible for monitoring such web site or web portal for any amendments, modifications or supplements to the Warehouse Program Guide. If Bank shall have provided to Seller written copies of any amendments, modifications or supplements to the Warehouse Program Guide, then such amendments, modifications or supplements to the Warehouse Program Guide shall become effective as to Seller upon Seller's receipt thereof (unless Bank shall have also granted Seller access to a web portal or website to which such amendments, modifications or supplements are posted, in which case, such amendments, modifications or supplements shall become effective as to Seller upon the earlier of the posting thereof on such web portal or website or Seller's receipt of written copies thereof).

(c) Each submission of a Request by Seller to Bank shall constitute: (i) the ratification by Seller of the provisions of the Warehouse Program Guide in effect as of the Purchase Date (if any) for the Mortgage Loan that is the subject of the Request; and (ii) the agreement by Seller to be bound by all of the provisions of the Warehouse Program Guide (which is in effect as of such Purchase Date) applicable to the Mortgage Loan that is the subject of the Request.

5.14 Financial Covenants. At all times prior to the Agreement Termination Date (and thereafter if expressly required), Seller shall promptly and fully perform, observe and comply with the provisions set forth in Exhibit E.

5.15 **Supplemental Provisions.** At all times prior to the Agreement Termination Date (and thereafter if expressly required), Seller shall promptly and fully perform, observe and comply with the provisions set forth in Exhibit F.

5.16 **Other Warehousing Facilities.** Seller represents and warrants to Bank that any and all mortgage warehousing facilities of Seller (other than with Bank) in effect as of the date hereof are identified on Exhibit G. Seller covenants and agrees to: (a) notify Bank in writing prior to entering into any other mortgage warehousing facilities; and (b) promptly notify Bank in writing regarding any material change in any mortgage warehousing facility of Seller (including as to the maximum amount of any such facility and as to any termination, suspension or non-renewal of any such facility) or any default by Seller under any such mortgage warehousing facility.

5.17 **Affiliate Escrow Agents.** Seller represents and warrants to Bank that any and all title companies and other Persons that provide closing services in connection with residential mortgage loan transactions which are directly or indirectly owned or controlled by Seller or under common ownership or control with Seller (each an "Affiliate Escrow Agent") as of the date hereof are identified on Exhibit H. Seller represents and warrants that, prior to the Effective Date, Seller has delivered to Bank true, correct and complete copies of the financial statements for each Affiliate Escrow Agent. Seller covenants and agrees to promptly notify Bank in writing regarding any new Affiliate Escrow Agents arising after the Effective Date.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES

Seller represents and warrants to Bank as of the date hereof and thereafter:

6.1 **Organization and Good Standing.** Seller is duly organized, validly existing, and in good standing under the Laws of the state of its formation, and is duly qualified to transact business and is in good standing in each jurisdiction where the nature and extent of Seller's business and property requires the same.

6.2 **Authorization and Power.** Seller has: (a) the requisite power and authority to, and has taken all action necessary to authorize it to, execute, deliver and perform this Agreement, the other Warehouse Documents to which Seller is a party, and all of the other documents herein contemplated to be executed by Seller or otherwise to be executed by Seller from time to time in connection herewith; (b) all requisite authority, power, licenses, permits and franchises to conduct its business; and (c) received, has in its possession, and will maintain in full force and effect and in good standing, any and all federal, state and local licenses or approvals which may be necessary for Seller to undertake the actions required of it pursuant to this Agreement and to conduct its business. No consent or approval of any Person is required (other than such consents and approvals already obtained by Seller) in order for Seller to legally execute, deliver, and comply with the terms of the Warehouse Documents to which it is a party.

6.3 **No Conflicts.** Not the execution and delivery of this Agreement, the other Warehouse Documents to which Seller is a party, or any other documents to be executed in connection herewith, nor the consummation of any of the transactions herein or therein contemplated, nor compliance with the terms and provisions hereof or with the terms and provisions thereof, will contravene or materially conflict with any applicable Law, or any loan agreement, lease, promissory note, indenture, mortgage, deed of trust, or other agreement or instrument to which Seller is a party or by which Seller or any of its Property may be bound or be subject, or violate any provision of the documents creating or governing Seller.

6.4 **Enforceable Obligations.** This Agreement and each other Warehouse Document to which Seller is or will become a party are or upon execution will be the legal, valid and binding obligations of Seller, are enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency or other Laws of general application relating to the enforcement of creditors' rights.

6.5 **Financial Condition.** Seller has delivered to Bank copies of its most recent balance sheet, and the related statements of income, stockholders' equity and changes in financial position for the year ending on the date indicated therein, audited by independent certified public accountants; such financial statements are true and correct, fairly present the financial condition of Seller as of such date and have been prepared in accordance with GAAP as of the date hereof; there are no obligations, liabilities or indebtedness (including contingent and indirect liabilities and obligations or unusual forward or long term commitments) of Seller which are not reflected in such financial statements; and no change having a material adverse effect has occurred in the financial condition or business of Seller since the date of such financial statements.

6.6 **Material Agreements.** To the best of Seller's knowledge, Seller is not in default under any loan agreement, mortgage, security agreement or other material agreement or obligation to which it is a party or by which any of its Properties is bound, and the execution of this Agreement and the other Warehouse Documents to which Seller is a party, and Seller's performance of its duties and obligations hereunder and thereunder, will not cause a default under any loan agreement, mortgage, security agreement or other material agreement or obligation to which Seller is a party or by which any of its Properties is bound.

6.7 **Litigation.** Except as previously disclosed to Bank in writing, there are no: (a) actions, suits or legal, equitable, arbitration or administrative proceedings pending, or to the knowledge of Seller, threatened against Seller which, if determined adversely to Seller, may have a Material Adverse Effect; or (b) outstanding or unpaid judgments against Seller.

6.8 **Taxes.** All tax returns required to be filed by Seller in any jurisdiction have been filed. All taxes, assessments, fees and other governmental charges upon Seller or upon any of its Properties, income or franchises have been paid (if applicable, prior to the time that such taxes, assessments, fees or other governmental charges could give rise to a Lien), other than those being protested in good faith by appropriate proceedings, with respect to which no Lien exists and for which Seller has set aside adequate reserves.

6.9 **No Approvals Required.** Neither the execution and delivery of this Agreement and the other Warehouse Documents to which Seller is a party, nor the consummation of any of the transactions contemplated hereby or thereby, requires the consent or approval of, the giving of notice to, or the registration, recording or filing of any document with, or the taking of any other action in respect of, any Governmental Authority or other Person.

6.10 **Representations Regarding Participated Mortgage Loans** Each Participated Mortgage Loan is in all respects in compliance with the provisions of the Warehouse Program Guide. Without limiting the generality of the foregoing, Seller hereby represents and warrants to Bank with respect to each Participated Mortgage Loan:

(a) Except for the Participation Interest in such Participated Mortgage Loan and any and all other rights, titles or interests of Bank in or to such Participated Mortgage Loan and the related Mortgage Loan Documents: (i) Seller is the sole direct, legal and beneficial owner of all rights, titles and interests in and to such Participated Mortgage Loan and the related Mortgage

Loan Documents; (ii) such Participated Mortgage Loan and the related Mortgage Loan Documents are free and clear of all Liens; and (iii) no right title, or interest in or to such Participated Mortgage Loan or the related Mortgage Loan Documents, or any part thereof, has been transferred, assigned or conveyed to any Person. Seller has the full right to sell to Bank a Participation Interest in such Participated Mortgage Loan and the related Mortgage Loan Documents free and clear of any Lien;

(b) Bank is the sole legal and beneficial owner of a Participation Interest in such Mortgage Loan, having an undivided percentage ownership interest equal to the Participation Percentage therefor;

(c) The Mortgage Note evidencing such Participated Mortgage Loan contains the Required Endorsements. The endorsement of such Mortgage Note pursuant to the Required Endorsements (including any endorsement of such Mortgage Note on behalf of Seller pursuant to the power of attorney granted herein or such other power of attorney delivered by Seller to Bank in accordance with this Agreement) and the assignment of such Mortgage Note and the other Mortgage Loan Documents related to such Participated Mortgage Loan (whether executed by Seller or by Bank pursuant to the general power of attorney herein granted or such other power of attorney delivered by Seller to Bank in accordance with this Agreement) is or will be valid and enforceable under all applicable Law;

(d) Any and all portions of the Participated Mortgage Loan required hereunder to be funded by Seller have been funded from sources other than any loan, credit facility or other financing or sale arrangement;

(e) (i) The Mortgage Loan Documents for such Participated Mortgage Loan have been duly executed and delivered by the related Borrower, and where applicable, acknowledged, and recorded; and (ii) such Participated Mortgage Loan is valid and complies with all applicable lending Laws applicable to the related Borrower, Seller and Bank and the Mortgaged Property securing such Participated Mortgage Loan;

(f) (i) Such Participated Mortgage Loan is secured by a valid first Lien on the Mortgaged Property described in the Security Instrument for such Participated Mortgage Loan; (ii) such Mortgaged Property is free and clear of all Liens, claims and encumbrances having priority over the Lien of the Security Instrument which secures such Participated Mortgage Loan, except for Permitted Encumbrances; and (iii) there is no subordinate Lien encumbering such Mortgaged Property;

(g) A Title Policy has been obtained by Seller, in the full amount of such Participated Mortgage Loan, which provides insurance to Seller (and its successors and/or assigns) that the Lien of the Security Instrument securing such Participated Mortgage Loan is a first and prior Lien upon the related Mortgaged Property, without any exceptions, except for Permitted Encumbrances, and which Title Policy includes such endorsements thereto which are consistent with Accepted Lending Practices;

(h) Such Participated Mortgage Loan and the related Mortgage Loan Documents are valid, binding and enforceable in accordance with their respective terms, in full force and effect, except as such enforceability may be limited by bankruptcy, insolvency or other Laws of general application relating to the enforcement of creditors' rights;

(i) The Mortgage Note evidencing such Participated Mortgage Loan is genuine in all respects as appearing on its face and as represented in the books and records of Seller, and all information set forth therein is true and correct;

(j) (i) The Mortgage Loan Documents evidencing such Participated Mortgage Loan contain the entire agreement of the parties thereto with respect to the subject matter thereof, have not been modified or amended in any respect not expressed in writing therein and are free of concessions or understandings with the obligor thereon of any kind not expressed in writing therein; and (ii) such Participated Mortgage Loan and the related Mortgage Loan Documents are in all respects consistent with, and contain the same terms as represented by Seller to Bank in, the related Request, except as disclosed by Seller to Bank in writing prior to the time of the Purchase Date for such Participated Mortgage Loan;

(k) No default or breach has occurred under any Mortgage Loan Document relating to such Participated Mortgage Loan;

(l) (i) Such Participated Mortgage Loan is in all respects in compliance with all Laws applicable thereto, including all Laws applicable to the processing, origination, underwriting, closing and funding of such Participated Mortgage Loan; and (ii) without limiting the foregoing, Seller is in compliance with all Laws applicable to Seller in connection with such Participated Mortgage Loan;

(m) (i) The full principal amount of such Participated Mortgage Loan has been advanced; (ii) the outstanding principal balance of such Participated Mortgage Loan as of the Purchase Date related thereto is as stated in the related Request; and (iii) all costs, fees and expenses incurred in making, closing and recording such Participated Mortgage Loan have been paid;

(n) (i) All payments and other deposits made with respect to such Participated Mortgage Loan have been paid in cash by the related Borrower; (ii) Seller has not advanced funds, or induced, solicited or knowingly received any advance of funds by a Person other than such Borrower, directly or indirectly, for the payment of any amount required by such Participated Mortgage Loan, except for interest accruing from the date of the disbursement of the proceeds of such Participated Mortgage Loan to the day which precedes by one (1) month the due date of the first installment of principal and interest thereunder; and (iii) other than as disclosed to Bank in writing, there have been no prepayments made on such Participated Mortgage Loan;

(o) To the best of Seller's knowledge, all taxes, governmental assessments, insurance premiums, water, sewer and municipal charges (relating to any of the Mortgaged Property for such Participated Mortgage Loan) which previously became due and owing have been paid, or an escrow of funds has been established in an amount sufficient to pay for every such item which remains unpaid;

(p) Such Participated Mortgage Loan which Seller represents to be insured by a private mortgage insurer is so insured;

(q) With respect to such Participated Mortgage Loan, all conditions as to the validity of the applicable insurance as required by applicable Law, the related Mortgage Loan Documents and by private mortgage insurance companies or other insurers, if and to the extent applicable, have been properly satisfied, and said insurance is valid and enforceable;

(r) To the best of Seller's knowledge: (i) the Mortgaged Property for such Participated Mortgage Loan is (A) in good repair and (B) free from damage (normal wear and tear excepted) since the date of the origination of such Participated Mortgage Loan; and (ii) there is no proceeding pending for the total or partial condemnation of any portion of such Mortgaged Property;

(s) (i) Seller has arranged to sell such Participated Mortgage Loan to a Take-Out Purchaser pursuant to a Take-Out Purchase Agreement, which sale is to be completed pursuant to the terms of such Take-Out Purchase Agreement no later than thirty (30) days after the Purchase Date for such Participated Mortgage Loan; and (ii) such Participated Mortgage Loan satisfies the eligibility, qualifications and other requirements under such Take-Out Purchase Agreement for the purchase thereunder by such Take-Out Purchaser;

(t) (i) If such Participated Mortgage Loan shall have been represented by Seller to Bank to be a Mortgage Loan eligible for purchase by any Agency or is required by Bank pursuant to the Warehouse Program Guide to be eligible for purchase by any Agency, (A) Seller has fully complied with the underwriting requirements of such Agency (in effect at the time such Participated Mortgage Loan was made) and such other underwriting requirements of the Warehouse Program Guide (in effect as of the date of the Purchase Date for such Participated Mortgage Loan) and (B) such Participated Mortgage Loan is otherwise in compliance with any and all other rules, regulations, policies, procedures and other requirements of such Agency for the purchase of such Participated Mortgage Loan; or (ii) if such Participated Mortgage Loan shall not have been represented by Seller to Bank to be a Mortgage Loan eligible for purchase by any Agency or is not required by Bank pursuant to the Warehouse Program Guide to be eligible for purchase by any Agency, Seller has fully complied with the underwriting requirements of the applicable Take-Out Purchaser for such Participated Mortgage Loan and complied with the underwriting requirements of the "general overlays" within the Warehouse Program Guide (in effect as of the date of the Purchase Date for such Participated Mortgage Loan);

(u) Except as otherwise provided in this Agreement, Seller has obtained, and has in its possession, in due form, fully executed originals of all of the Mortgage Loan Documents relating to such Participated Mortgage Loan required to legally effect such Participated Mortgage Loan, and all such Mortgage Loan Documents will be held and delivered by Seller pursuant to the terms and conditions of this Agreement;

(v) To the best of Seller's knowledge, all of the improvements which are included for the purpose of determining the appraised value of the Mortgaged Property related to such Participated Mortgage Loan lie wholly within the boundaries of such Mortgaged Property and do not encroach upon building restriction lines, and no improvements on adjoining properties encroach upon such Mortgaged Property. Seller has obtained a Title Policy without exceptions for boundary line and building line encroachments;

(w) To the best of Seller's knowledge, no circumstances or conditions exist with respect to such Participated Mortgage Loan, the related Mortgaged Property or the related Borrower (including its credit standing) that could be reasonably expected: (i) to cause the Take-Out Purchaser committed to purchase such Participated Mortgage Loan from Seller to not purchase such Participated Mortgage Loan; (ii) to cause any other private institutional investors or any Agency to regard such Participated Mortgage Loan as an unacceptable investment; (iii) to cause the occurrence of a default under the related Mortgage Loan Documents; or (iv) to adversely affect the value or marketability of such Participated Mortgage Loan;

(x) The information regarding such Participated Mortgage Loan (including with regard to the related Borrower) provided to Bank is true, complete and correct as of the Purchase Date for such Participated Mortgage Loan; and

(y) The Mortgage Loan Transaction for such Participated Mortgage Loan shall have been completed on and as of the Purchase Date related thereto.

6.11 **Survival of Representations.** All representations and warranties by Seller herein shall survive the termination or expiration of this Agreement and the making of any and all Advances. Any and all investigations at any time made by or on behalf of Bank shall not limit, impair or diminish Bank's right to rely on any and all representations and warranties by Seller herein.

ARTICLE 7

AFFIRMATIVE COVENANTS

At all times prior to the Agreement Termination Date (and thereafter if expressly required hereunder), Seller covenants and agrees with Bank that:

7.1 **Financial Statements and Reports.** Seller shall furnish to Bank the following, all in form and detail satisfactory to Bank:

(a) Promptly after becoming available, and in any event within ninety (90) days after the close of each fiscal year of Seller and Guarantor, an audited balance sheet of Seller and Guarantor as of the end of such year, and an audited statement of income and retained earnings of Seller and Guarantor for such year, setting forth in each case in comparative form the corresponding figures for the preceding fiscal year, accompanied by the related report of independent certified public accountants acceptable to Bank, which report shall be to the effect that such statements have been prepared in accordance with GAAP;

(b) If requested by Bank, on or before the thirtieth (30th) day of any calendar month: (i) a statement of income and expenses of Seller for the prior calendar month; and (ii) a statement, in form and content acceptable to Bank, setting forth the status, as of the last day of the prior calendar month, of all Loan Applications being processed by Seller for closing;

(c) Promptly after becoming available, and in any event within thirty (30) days after the close of each fiscal quarter of Seller and Guarantor, a balance sheet of Seller and Guarantor as of the end of such fiscal quarter, a statement of income and retained earnings for such fiscal quarter and an operating statement of Seller and Guarantor for such fiscal quarter setting forth in each case in comparative form the corresponding figures for the corresponding fiscal quarter of the preceding fiscal year, prepared in accordance with GAAP and certified by the principal financial officer of Seller and Guarantor;

(d) If Seller has been approved by Bank to sell Mortgage Loans to Securitizers, weekly hedging reports, in such form and content required by Bank;

(e) Promptly upon receipt thereof, a copy of each other report submitted to Seller by independent accountants in connection with any annual, interim or special audit of the books of Seller; and

(f) Such other information concerning the business, Properties or financial condition of Seller, or regarding any Participated Mortgage Loan, as Bank may reasonably request.

7.2 **Taxes and Other Liens**. Seller shall pay and discharge promptly all taxes, assessments and governmental charges or levies imposed upon it or upon its income or upon any of its Property as well as all claims of any kind (including claims for labor, materials, supplies and rent) which, if unpaid, might become a Lien upon any or all of its Property or the Mortgage Loans; provided, however, Seller shall not be required to pay any such tax, assessment, charge, levy or claim regarding its Property (other than with respect to Participated Mortgage Loans) if the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings diligently conducted by or on behalf of Seller and if Seller shall have set up reserves therefor adequate under GAAP.

7.3 **Maintenance**. Seller shall: (a) maintain its existence and all of its licenses, permits, franchises, qualifications and rights that are necessary in order for Seller to conduct its business; and (b) observe and comply in all material respects with all applicable Laws.

7.4 **Further Assurances**. Seller shall promptly cure any defects in the execution and delivery of this Agreement and any other Warehouse Document. Seller shall, at its expense, promptly execute and deliver to Bank, upon Bank's reasonable request, all such other and further documents, agreements and instruments in compliance with or accomplishment of the covenants and agreements of Seller in this Agreement, the other Warehouse Documents and all documents executed in connection herewith. In addition, Seller will provide Bank with any and all documentation and other information required by Bank relating to the business and background of Seller and its directors, officers, employees and representatives, and any certifications reasonably required by Bank to verify Seller's compliance with any applicable Laws.

7.5 **Accounts**. To facilitate the transfer of funds contemplated by this Agreement, Seller shall establish and maintain at Bank each of the Accounts. All other deposit accounts, certificate of deposit and other similar account of Seller shall be maintained only in accounts at federally insured financial institutions.

7.6 **Use of Electronic Platform**. Seller shall be required to use the Internet-based electronic platform established by Bank (as modified, replaced, enhanced or upgraded by Bank from time to time, the "Electronic Platform") in connection with the purchase and sale of Participation Interests and the other transactions contemplated in this Agreement, subject to the following:

(a) Bank hereby grants to Seller a revocable, non-exclusive, non-transferable license to access and use the Electronic Platform solely for the limited purpose of facilitating the sale by Seller to Bank of Participation Interests and the other transactions contemplated by this Agreement. Seller shall not permit any Person to utilize the Electronic Platform other than employees of Seller who have been approved in advance by Bank in writing (each an "Authorized User"). Seller shall immediately notify Bank of any unauthorized use of the Electronic Platform.

(b) Seller shall take all reasonable precautions to prevent unauthorized Persons from obtaining access to or use of the Electronic Platform. Bank shall have the right to rely upon any information received in the Electronic Platform from any Person using a password assigned to an Authorized User, and will incur no liability for such reliance. Seller shall be responsible for securing such passwords and shall be responsible for any actions taken using such passwords. In the event of any breach of the security measures established by Bank, including use of the Electronic Platform by any unauthorized Person, Bank shall have the right to immediately terminate or suspend access to the affected portion of the Electronic Platform by Seller and their Authorized Users until such time such breach has been secured to Bank's satisfaction.

(c) Bank shall not be required to perpetually license, maintain, service or support the Electronic Platform. Bank may at any time discontinue the Electronic Platform by providing written notice thereof to Seller. In addition, Bank may at any time terminate the license granted to Seller to use, and Seller's access to, the Electronic Platform by providing written notice thereof to Seller. Bank reserves the right to modify, replace, enhance or upgrade the Electronic Platform from time to time in Bank's sole discretion.

(d) SELLER UNDERSTANDS AND AGREES THAT THE ELECTRONIC PLATFORM IS BEING LICENSED, DELIVERED AND MADE AVAILABLE "AS IS", "WHERE IS", "WITH ALL FAULTS", AND WITH ANY AND ALL LATENT AND PATENT DEFECTS, WITHOUT ANY EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY BY BANK, AND BANK HEREBY DISCLAIMS AND SELLER HEREBY WAIVES ANY AND ALL IMPLIED REPRESENTATIONS, WARRANTIES AND COVENANTS. EXCEPT AS EXPRESSLY STATED HEREIN, BANK HAS NOT MADE AND DOES NOT HEREBY MAKE ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR CHARACTER WHATSOEVER, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND BANK HEREBY DISCLAIMS AND RENOUNCES ANY AND ALL SUCH REPRESENTATIONS AND WARRANTIES.

(e) Seller is fully aware of the inherent security risks of any Internet-based application (such as the Electronic Platform) and, in particular, the risk that unauthorized third- parties may through unauthorized use, "hacking", "Trojan horses", viruses or otherwise be able to access and manipulate the use of the Electronic Platform and the data made available thereby without Bank in any way being aware that the user is not Seller. Seller voluntarily assumes all such risks. Accordingly, **SELLER WILL RELEASE, HOLD HARMLESS AND INDEMNIFY EACH INDEMNIFIED PARTY FROM AND AGAINST ANY AND ALL LOSSES WHICH ARE RELATED TO ANY UNAUTHORIZED PARTY'S ACCESS THAT RESULTS IN THE DIVERSION, MISAPPROPRIATION OR USE OF THE INFORMATION MADE AVAILABLE THROUGH THE ELECTRONIC PLATFORM OR SELLER'S FUNDS AT BANK OR OTHERWISE.**

(f) Notwithstanding anything in this Section to the apparent contrary, the provisions of this Section shall not be deemed to limit or release Bank from its obligations under Section 10.26.

7.7 Reimbursement of Expenses. Seller shall pay, upon demand by Bank, any and all out of pocket fees and expenses incurred by Bank in enforcing its rights or remedies under this Agreement or any other Warehouse Document, which amounts shall include all court costs, reasonable attorneys' fees (including for trial, appeal or other proceedings, when awarded) , fees of auditors and accountants, and investigation expenses reasonably incurred by Bank in connection with any such matters, together with interest at the highest rate allowed by applicable Law on each such amount from the date of written demand or request for reimbursement until the date of reimbursement. Seller and Bank shall otherwise each be responsible for their own out of pocket expenses unless expressly provided otherwise in this Agreement or any other Warehouse Document.

7.8 Insurance. Seller shall at all time maintain in force and effect such insurance required under the Warehouse Program Guide. Without limiting the generality of the foregoing, such insurance shall be issued by such insurers, insure against such risks, be in such form, have such coverage amounts, deductibles, limits and retentions, contain such endorsements and otherwise be in such form, as required under the Warehouse Program Guide.

7.9 **Accounts and Records**. Seller shall keep books of record and account in which full, true and correct entries will be made of all dealings or transactions in relation to its business and activities, including the sale of any Participation Interests to Bank, in accordance with GAAP.

7.10 **Books and Records**. Seller agrees to maintain customary books and records relating to the Participation Interests sold by Seller to Bank hereunder. Seller shall properly reflect in its books and records the sale by Seller to Bank of all Participation Interests sold to Bank and the Percentage Interests of Bank in such Participation Interests. Upon request, Seller shall furnish to Bank copies of any of Seller's books and records and financial statements relating to the Participation Interests purchased by Bank from Seller hereunder.

7.11 **Mortgage Loan Files**. Except as expressly permitted or required hereunder, and subject to the provisions of Section 5.11, at all times after the Purchase Date for any Participated Mortgage Loan, Seller shall have and maintain in its direct custody and possession the Mortgage File for such Participated Mortgage Loan.

7.12 **Document Retention**. With respect to each Participated Mortgage Loan, Seller will maintain in its files all records relating to such Participated Mortgage Loan for the period of time required by applicable Law, but in no event for less than twenty-five (25) months from the Purchase Date for such Participated Mortgage Loan. Within twenty-four (24) hours following any demand therefor, Seller will supply Bank with certified copies and/or originals of any such records.

7.13 **Right of Inspection**. Seller shall permit any officer, employee, agent or representative of Bank: (a) with at least one Business Days' written notice, to examine (at any office of Seller selected by Bank), during normal business hours, Seller's books and records, accounts and any and all files, records and documents relating to the Mortgage Loans in which Bank has purchased or will purchase Participation Interests (including any in-file credit reports), and to make copies and extracts of any and all of the foregoing; and (b) to discuss the affairs, finances, books and records, and accounts of Seller with Seller's officers, accountants and auditors and other representatives who are subject to the confidentiality provisions of this Agreement.

7.14 **Audit**. Seller shall permit any third-party consultant engaged by Bank (each an "Auditor"), at the expense of Seller, which expenses shall be commercially reasonable, to inspect and conduct an audit of Seller's business operations and records related thereto with respect to Seller's compliance with the terms of this Agreement; provided, however, if such audit is conducted by Bank more than once during any fiscal year, and such additional audit is not the result of the occurrence of an Event of Default, Bank shall be responsible for the fee payable to the Auditor that performed such additional audit. In connection with each audit, Seller shall cooperate with the Auditor and will cause Seller's employees, agents and contractors to cooperate with the Auditor, and Seller shall furnish or cause to be furnished to the Auditor such information and documentation the Auditor may consider necessary or useful in connection with the performance of the audit.

7.15 **Notice of Certain Events**.

(a) Upon discovery, Seller shall promptly notify Bank of any event or circumstance or notice thereof which could reasonably be expected to have a Material Adverse Effect upon Seller. Without limiting the generality of the foregoing, Seller shall promptly deliver to Bank copies of all notices and other documents and correspondence from any Governmental Authority regarding any alleged non-compliance or potential non-compliance with the Dodd-Frank Act or any other applicable Law related to the financing and sale of Mortgage Loans.

(b) Seller shall furnish to Bank immediately upon becoming aware of the existence of any Event of Default, a written notice specifying the nature and period of existence thereof and the action which Seller is taking or proposes to take with respect thereto.

7.16 **Compliance with Warehouse Documents.** Seller shall promptly and fully perform, observe and comply with any and all provisions of this Agreement and the other Warehouse Documents to which Seller is a party.

7.17 **Guaranty.** If requested by Bank at any time, Seller agrees to obtain and deliver to Bank one or more Guaranty Agreement executed by any of the shareholders, partners, members, managers and/or principals of Seller and/or other Persons required by Bank in consideration of Bank executing this Agreement and/or to induce Bank to consider purchasing Participation Interests.

7.18 **INDEMNIFICATION.** SELLER SHALL INDEMNIFY, DEFEND, PROTECT AND HOLD HARMLESS BANK, BANK'S PARENTS, SUBSIDIARIES AND AFFILIATES, AND ALL DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES AND AGENTS, SUCCESSORS AND ASSIGNS OF ANY OF THE FOREGOING (EACH AN "INDEMNIFIED PARTY") FROM AND AGAINST ANY AND ALL LOSSES, LIABILITIES, DAMAGES, CLAIMS, PENALTIES, JUDGMENTS, OBLIGATIONS, DISBURSEMENTS, COSTS AND EXPENSES (INCLUDING REASONABLE ATTORNEYS' FEES AND EXPENSES), ACTIONS, PROCEEDINGS OR DISPUTES (COLLECTIVELY, "LOSSES") INCURRED BY ANY INDEMNIFIED PARTY OR TO WHICH ANY INDEMNIFIED PARTY MAY BECOME SUBJECT WHICH DIRECTLY OR INDIRECTLY ARISE FROM OR RELATE TO THIS AGREEMENT, ANY OTHER WAREHOUSE DOCUMENT, ANY PARTICIPATED MORTGAGE LOAN OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY OTHER WAREHOUSE DOCUMENT, INCLUDING ANY AND ALL LOSSES DUE TO: (A) ANY NEGLIGENT OR FRAUDULENT ACT OR OMISSION OF SELLER OR ANY OF ITS AGENTS, REPRESENTATIVES OR EMPLOYEES; (B) ANY BREACH BY SELLER OF ANY REPRESENTATION OR WARRANTY CONTAINED HEREIN; (C) ANY BREACH BY SELLER OF ANY PROVISION OF THIS AGREEMENT OR ANY OTHER WAREHOUSE DOCUMENT; (D) ANY EVENT OF DEFAULT; (E) SELLER'S USE FOR ANY MORTGAGE LOAN OF ANY FORM OR DOCUMENT NOT PROVIDED OR APPROVED BY BANK; (F) ANY MISCALCULATIONS OR OTHER ERRORS WHICH RESULT FROM SELLER'S INDEPENDENT PROCESSING PROCEDURES OR ITS MISUSE OR ALTERATION OF ANY FORMS OR DOCUMENTS PROVIDED OR APPROVED BY BANK; (G) ANY FAILURE BY SELLER TO COMPLY WITH ANY LAW; (H) THE UNMARKETABILITY OF ANY PARTICIPATED MORTGAGE LOAN RESULTING FROM ANY MATTER DESCRIBED IN CLAUSES (A) THROUGH (G) OF THIS SENTENCE; AND (I) ANY UNAUTHORIZED ACCESS TO OR USE OF THE ELECTRONIC PLATFORM OR THE INFORMATION MADE AVAILABLE THEREBY DUE TO ANY ACT OR OMISSION OF SELLER. IT IS THE EXPRESS INTENTION OF THE PARTIES HERETO THAT EACH INDEMNIFIED PARTY TO BE INDEMNIFIED UNDER THIS SECTION OR ANY OTHER SECTION OF THIS AGREEMENT (INCLUDING, SECTIONS 5.8, 7.6 AND 10.23) OR UNDER ANY OTHER WAREHOUSE DOCUMENT SHALL BE INDEMNIFIED FROM AND HELD HARMLESS AGAINST ANY AND ALL LOSSES WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF, OR ARE CLAIMED TO BE CAUSED BY OR ARISE OUT OF, THE NEGLIGENCE (WHETHER SOLE, COMPARATIVE OR CONTRIBUTORY) OR STRICT LIABILITY OF SUCH INDEMNIFIED PARTY; PROVIDED, HOWEVER, THAT SUCH INDEMNITIES SHALL NOT APPLY TO A PARTICULAR INDEMNIFIED PARTY WITH REGARD TO, AND TO THE EXTENT OF THE AMOUNT OF, THOSE CERTAIN LOSSES (IF ANY) WHICH ARE DETERMINED BY A FINAL NON-APPEALABLE ORDER OF

A COURT OF COMPETENT JURISDICTION TO HAVE BEEN PROXIMATELY CAUSED SOLELY BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNIFIED PARTY. IN NO EVENT WILL SELLER BE LIABLE FOR LOST PROFITS OR REVENUES OR DIMINUTION IN VALUE, OR INCIDENTAL, INDIRECT, SPECIAL, OR CONSEQUENTIAL DAMAGES, REGARDLESS OF WHETHER SUCH DAMAGES WERE FORSEEABLE OR WHETHER SELLER WAS ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. Each Indemnified Party shall give Seller prompt written notice of any losses or discovery of fact on which Indemnified Party intends to base a request for indemnification. Indemnified Party's failure to provide notice does not relieve Seller of any liability but in no event will Seller be liable for any losses that result from a delay in providing this notice. Each Indemnified Party may employ an attorney or attorneys to protect or enforce its respective rights, remedies and recourses under this Agreement and any other Warehouse Documents, and to advise and defend it with respect to any such actions and other matters. Seller shall reimburse each Indemnified Party for its respective reasonable attorneys' fees and expenses (including expenses and costs for experts) immediately upon receipt of a written demand therefor, whether on a monthly or other time interval, and whether or not an action is actually commenced or concluded. All other reimbursement and indemnity obligations hereunder shall become due and payable when actually incurred by such Indemnified Party. Any payments not made within five (5) days after written demand therefor shall bear interest at the highest rate permitted under applicable Law from the date of such demand until fully paid. The provisions of this Section and the other indemnity and hold harmless provisions of this Agreement (including Sections 5.8, 7.6 and 10.23) and the other Warehouse Documents shall survive the termination of this Agreement.

7.19 **Interest Rate Hedging.** Seller shall at all times hedge against the interest rate risk associated with any and all Mortgage Loans owned in whole or in part by Seller, as may be reasonably required by Bank from time to time.

7.20 **Closing Instructions.** Prior to the first Advance hereunder (if any) for the purchase of a Participation Interest in any Seller Originated Mortgage Loan, Bank shall have received a copy of, and approved in writing, Seller's standard form of closing instructions letter (such form of closing instructions letter which has been approved by Bank in writing is referred to herein as the "Approved Closing Instructions Form"). In connection with the closing of each Participated Mortgage Loan (that is a Seller Originated Mortgage Loan) Seller shall deliver a closing instructions letter to the applicable Escrow Agent which is in all material respects consistent with the Approved Closing Instructions Form and Seller shall have obtained a copy of such closing instructions agreed to by such Escrow Agent.

ARTICLE 8 NEGATIVE COVENANTS

At all times prior to the Agreement Termination Date (and thereafter if expressly required hereunder), Seller covenants and agrees with Bank that:

8.1 **Management or Control.** Without the prior written consent of Bank: (a) there shall not be any material change in direct or indirect management or control Seller; and (b) Seller shall not cease to maintain key management and executive personnel at a level of experience and ability equivalent to the present executive management and executive personnel as of the date hereof.

8.2 **Transfer of Ownership Interest.** Without the prior written consent of Bank, which consent shall not be unreasonably withheld or delayed, there shall not be any sale, transfer or assignment to any Person of the direct or indirect ownership interest in Seller if such sale, transfer or assignment shall result in such Person holding, directly or indirectly, ten percent (10.0%) or more of the total outstanding ownership interest in Seller.

8.3 **Merger**. Without the prior written consent of Bank, Seller shall not: (a) become a party to any merger or consolidation; (b) purchase or otherwise acquire all or any part of the assets or shares or other evidence of beneficial ownership of any Person; (c) sell or otherwise sell, transfer or assign all or substantially all of the assets or Properties of Seller to any other Person; or (d) wind-up, dissolve or liquidate.

8.4 **Fiscal Year; Method of Accounting**. Seller shall not, without giving prior written notice to Bank, change its fiscal year or method of accounting.

8.5 **Actions with respect to Mortgage Loans**. Seller shall not:

(a) Release the Lien of any Security Instrument of any Participated Mortgage Loan; (b) Amend, modify or supplement in any material respect any Mortgage Loan Document related to any Participated Mortgage Loan;

(c) Grant, create, incur, permit or suffer to exist any Lien upon the Mortgaged Property which is security for any Participated Mortgage Loan, except for the Lien granted under the Security Instrument for such Participated Mortgage Loan; or

(d) Sell, transfer or assign any of Seller's rights, titles or interests in or to any Participated Mortgage Loan to any Person except as expressly provided in this Agreement or otherwise with the prior written consent of Bank.

8.6 **Compliance with Material Agreements**. Seller shall not permit any default to occur with respect to any agreement, indenture, mortgage or document binding on it or affecting its Property or business, if such default may have a Material Adverse Effect upon Seller.

8.7 **Representations Regarding Interests Sold**. Seller will not represent to any Person that Seller owns all or any portion of the Participation Interests purchased by Bank under this Agreement.

ARTICLE 9
EVENTS OF DEFAULT;
CERTAIN RIGHTS AND REMEDIES OF BANK

9.1 **Events of Default**. An Event of Default shall exist if any one or more of the following occurs:

(a) Seller or any other Obligated Party shall fail to punctually make any payment of fees or other sums when due hereunder, or under any other Warehouse Document to which it is a party, and such failure shall continue for a period of three (3) days thereafter (provided that Bank shall not be required to provide any such three (3)-day grace period more than two (2) times in any twelve (12)-month period);

(b) The failure or refusal of Seller or any other Obligated Party to perform, observe or comply with any covenant or agreement contained in this Agreement or any other Warehouse Document to which it is a party, which failure or refusal is not otherwise addressed in this Section, and such failure or refusal continues for a period of five (5) days (provided that Bank shall not be required to provide any such five (5)-day grace period more than two (2) times in any twelve (12)-month period);

(c) Any material statement, warranty or representation made at any time by or on behalf of Seller or any other Obligated Party in this Agreement or any other Warehouse Document, or in any writing or communication (including any Request), or any statement or representation made in any certificate, report, or opinion delivered to Bank pursuant to or in connection with this Agreement or any other Warehouse Document to which it is a party, is false, calculated to mislead, misleading or erroneous in any material respect at the time made;

(d) Default shall occur (after the expiration of any applicable grace and cure periods): (i) in the punctual payment of any material indebtedness of Seller or any other Obligated Party owing to any Person (other than Bank), or in the performance, observance or compliance with any other covenant, agreement or obligation of any agreement executed in connection therewith; or (ii) in the performance of any other material agreement binding upon Seller or any other Obligated Party;

(e) Seller or any other Obligated Party shall: (i) apply for or consent to the appointment of a receiver, trustee, custodian, intervenor or liquidator of such Person or of all or a substantial part of its assets; (ii) file a voluntary petition in bankruptcy, admit in writing that it is unable to pay its debts as they become due or generally not pay its debts as they become due; (iii) make a general assignment for the benefit of creditors; (iv) file a petition or answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy or insolvency laws; (v) file an answer admitting the material allegations of, or consent to, or default in answering, a petition filed against it in any bankruptcy, reorganization or insolvency proceeding; or (vi) take any action for the purpose of effecting any of the foregoing;

(f) An involuntary petition or complaint shall be filed against Seller or any other Obligated Party seeking bankruptcy or reorganization of such Person or the appointment of a receiver, custodian, trustee, intervenor or liquidator of it, or of all or substantially all of its assets, and such petition or complaint shall not have been dismissed within thirty (30) days of the filing thereof; or an order, order for relief, judgment or decree shall be entered by any court of competent jurisdiction or other competent authority approving a petition or complaint seeking reorganization of such Person or appointing a receiver, custodian, trustee, intervenor or liquidator of such Person, or of all or substantially all of its assets, and such order, judgment or decree shall continue unstayed and in effect for a period of thirty (30) days;

(g) Seller shall fail within thirty (30) days to pay, bond or otherwise discharge any judgment or order for payment of money in excess of the Maximum Judgment Amount that is not otherwise being satisfied in accordance with its terms and is not stayed on appeal or otherwise being contested in good faith;

(h) Any default or event of default shall occur (after the expiration of any applicable grace and cure periods) under any indebtedness of Seller or any other Obligated Party to Bank (other than arising out of or pursuant to this Agreement) or under any document evidencing, securing or pertaining to any indebtedness of Seller or any other Obligated Party to Bank;

(i) Any Person shall levy on, seize, or attach all or any material portion of the Property of Seller or any other Obligated Party which is not permanently dismissed or discharged within thirty (30) days after commencement of such action;

(j) The failure of Seller to repurchase any Participation Interest (or any portion thereof) as and when required pursuant to the provisions of this Agreement;

(k) The dissolution of Seller or any other Obligated Party that is an entity for any reason, or the death or incapacity of any Obligated Party that is a natural person;

(l) If any Guarantor should purport or attempt to revoke Guarantor's guaranty or terminate Guarantor's liability thereunder;

(m) (i) Any change in the financial condition of Seller or any other Obligated Party from the condition shown on the financial statements submitted to Bank and relied upon by Bank in connection with the execution of this Agreement, which change would have a Material Adverse Effect upon Seller or any other Obligated Party, the materiality and adverse effect of such change in financial condition to be reasonably determined by Bank in accordance with its credit standards and underwriting practices in effect at the time of making such determination; or (ii) if Bank in good faith believes that any other act, event, condition or circumstance exists or has occurred (including a material management or organizational change in Seller or any other Obligated Party) that would have a Material Adverse Effect upon Seller or any other Obligated Party; or

(n) Any Warehouse Document ceases to be in full force and effect, or to be enforceable in accordance with its terms.

9.2 Default Remedies. Upon the occurrence of an Event of Default, without any presentment, demand, protest, notice of protest and nonpayment, or other notice of any kind, all of which are hereby expressly waived by Seller, Bank may, in its sole and absolute discretion, immediately: (a) terminate or suspend Seller's right hereunder to submit any Request to Bank for Bank to purchase Participation Interests; (b) pursuant to the power of attorney conferred to Bank by Seller in connection with this Agreement (and in reliance of Section 10.18 in the event that Bank exercises the following remedy after the occurrence of an Event of Default specified in Sections 9.1(e) or (f)), sell in a recognized market (or otherwise in a commercially reasonable manner) at such price or prices as Bank shall reasonably deem satisfactory, any or all rights, titles and interest of Bank and Seller in and to any or all Participated Mortgage Loans and apply the proceeds thereof to the aggregate outstanding Advances made by Bank in connection with such Participated Mortgage Loans and to any other amounts payable to Bank in connection with this Agreement or any other Warehouse Document, in such order and amounts determined by Bank; (c) exercise its rights and remedies under any Pledge Agreement, Guaranty Agreement or other Warehouse Document; and/or (d) exercise any other right or remedy otherwise available to Bank under this Agreement or any other Warehouse Document or at law or in equity. Notwithstanding the foregoing, if an Event of Default specified in Sections 9.1(e) or (f) occurs, fees and other sums due hereunder shall become automatically and immediately due and payable, both without any action by Bank and without presentment, demand, protest, notice of protest and nonpayment, notice of acceleration or of intent to accelerate, or any other notice of any kind, all of which are hereby expressly waived, notwithstanding anything contained herein to the contrary.

ARTICLE 10

MISCELLANEOUS

10.1 Accounting Principles. Where the character or amount of any asset or liability or item of income or expense is required to be determined or other financial or accounting computation is required to be made for the purposes of this Agreement or any other Warehouse Document, such determination shall be made in accordance with GAAP, except where such principles are inconsistent with the requirements of this Agreement or such other Warehouse Document. In addition, any accounting term used in this Agreement or any other Warehouse Document shall have, unless otherwise specifically provided therein, the meaning customarily given to such term in accordance with GAAP or other method of accounting acceptable to Bank.

10.2 **Time.** Time is of the essence of each and every term of this Agreement and the other Warehouse Documents.

10.3 **Titles of Articles, Sections and Subsections.** All titles or headings to articles, sections, subsections or other divisions of this Agreement or any other Warehouse Document or the exhibits or addenda hereto or thereto are only for the convenience of the parties and shall not be construed to have any effect or meaning with respect to the content of such articles, sections, subsections or other divisions, such content being controlling as to the agreement between the parties hereto.

10.4 **Seller's Status.** It is agreed that the relationship of Seller and Bank hereunder shall be that of the seller and purchaser of interests in Mortgage Loans. Seller and Bank are not partners or joint venturers, and nothing contained herein shall be construed to create a partnership, joint venture or similar relationship between the parties. Seller shall not act as or hold itself out to the public as being an agent for Bank, but is to act in all loan origination, administration and servicing matters hereunder for itself and in its name only, except to the extent that Seller is required under this Agreement to act as a trustee with fiduciary duties to hold for the benefit of Bank the Participated Mortgage Loans and the related Mortgage Loan Documents, and any and all funds and receipts, whether as principal, interest, escrows of otherwise, in respect of any Participated Mortgage Loan, and to make the remittances of any and all such documents and funds as specified in this Agreement. It further is agreed that Seller, as trustee, shall not assign its responsibilities under this Agreement except in accordance with this Agreement.

10.5 **Notices.** Any and all notices, requests and other communications required or permitted to be given under or in connection with this Agreement or any other Warehouse Document, except as otherwise provided herein or therein, shall be in writing and mailed or sent by electronic mail to the respective address, and to the attention of the designated recipient, provided below for Bank and provided on the signature page of this Agreement for Seller (or to such other address or to such designated recipient, as either party may designate in a written notice to the other party furnished pursuant to this Section). Such notices, requests and other communications so sent shall be deemed to have been given immediately if made by electronic mail (confirmed by concurrent written notice sent first class U.S. mail, postage prepaid), or one (1) day after sending by recognized national overnight courier company, signature of recipient required if to Seller or Bank; any notice, request and other communication sent by any other means shall be deemed made when actually received in writing by the designated recipient of the party to which notice is provided in accordance with this Section. Notwithstanding the foregoing, Requests or communications related to a Request shall not be effective until actually received by Bank. Bank's address for notices is:

TEXAS CAPITAL BANK, N.A.
2350 Lakeside Boulevard, Suite 310
Richardson, Texas 75082
Attention: Bruce Karda
E-mail: bruce.karda@texascapitalbank.com

10.6 **Amendments and Waivers.** Subject to Section 10.7, any provision of this Agreement or any other Warehouse Document may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by all the parties to this Agreement, such Warehouse Document or such other documents, as the case may be. The acceptance of Bank at any time and from time to time of part payment on any amounts payable to Bank hereunder shall not be deemed to be a waiver of the balance of such amounts. No waiver by Bank of any Event of Default shall be deemed to be a waiver of any other

then-existing or subsequent Event of Default. No waiver by Bank of any of its rights or remedies under this Agreement, any other Warehouse Document, or otherwise, shall be considered a waiver of any other or subsequent right or remedy of Bank. No delay or omission by Bank in exercising any right or remedy under this Agreement or any other Warehouse Document shall impair such right or remedy or be construed as a waiver thereof or any acquiescence therein, nor shall any single or partial exercise of any such right or remedy preclude other or further exercise thereof, or the exercise of any other right or remedy under this Agreement, any other Warehouse Document or otherwise.

10.7 **Amendment Due to Government Regulation.** Both Bank and Seller understand that Bank is subject to the supervision of various Governmental Authorities. Should any Governmental Authority direct Bank to discontinue any practice set forth herein or to amend the terms hereof, Bank shall take immediate action to do so and shall notify Seller of such action. Seller hereby consents to such action and agrees to enter into any amendment or termination hereof as may be reasonably required by Bank to bring Bank into full compliance with applicable Laws.

10.8 **Participations.** Seller agrees that Bank may elect, at any time and in its sole discretion, to sell, assign and convey an undivided percentage ownership interest, or grant an undivided participation interest, in all or any portion of the Participation Interests (or any portion of any such Participation Interest) to one or more financial institutions, private investors and/or other Persons (collectively, "**Participants**"). Seller further agrees that Bank may disseminate to any such actual or potential Participants all documents and information (including any and all financial information) which has been or is hereafter provided to or known to Bank in connection with this Agreement and the other Warehouse Documents and the transactions contemplated hereby and thereby, including, information with respect to Seller, each Obligated Party and each Mortgage Loan in which Bank has purchased a Participation Interest.

10.9 **Invalidity.** In the event that any one or more of the provisions contained in this Agreement or any other Warehouse Document, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement or the other Warehouse Documents.

10.10 **Survival.** All covenants, agreements, representations and warranties made herein and in any other Warehouse Document shall continue in full force and effect as long as Bank has the right to purchase Participation Interests hereunder and until all obligations to Bank hereunder and thereunder have been fully satisfied and discharged. Without limiting the generality of the foregoing, termination of this Agreement by either party pursuant to the terms of this Agreement shall not relieve Seller of: (a) its duties, obligations, representations, warranties, covenants, agreements or indemnities which accrued under this Agreement prior to the Advance Request Termination Date or the Agreement Termination Date; or (b) performance of its duties and obligations hereunder so long as there is any Participated Mortgage Loan which does not constitute a Retired Participated Mortgage Loan.

10.11 **Successors and Assigns.** All covenants and agreements contained by or on behalf of Seller in this Agreement or any Warehouse Document shall bind Seller's successors and assigns and shall inure to the benefit of Bank and its successors and assigns. Seller shall not, however, have the right to assign its rights under this Agreement or any interest herein, without the prior written consent of Bank, which consent may be withheld by Bank for any reason.

10.12 **Renewal.** If, as of the Effective Date, Bank holds any outstanding undivided percentage ownership interests (each an "**Existing Participation Interest**") in any Mortgage Loan purchased by Bank from Seller pursuant to a written mortgage warehouse agreement or similar written agreement executed by Bank and Seller prior to the Effective Date (as amended or modified from time to time, the

“**Existing Warehouse Agreement**”), then, as of the Effective Date, unless expressly agreed to otherwise by Seller and Bank in writing after the date of the Existing Warehouse Agreement: (a) Seller shall not have any rights under the Existing Warehouse Agreement to request Bank to purchase additional undivided percentage ownership interests in Mortgage Loans, and any and all such requests and purchases on or after the Effective Date shall be governed by the terms and conditions of this Agreement; (b) any and all Existing Participation Interests shall continue to be subject to the terms and conditions of the Existing Warehouse Agreement; (c) the Existing Warehouse Agreement shall automatically terminate and cease to be in force and effect (except with respect to the provisions of the Existing Warehouse Agreement which expressly survive termination) without any action or notice upon such time as (i) pursuant to the terms and conditions of the Existing Warehouse Agreement, with respect to each Mortgage Loan in which Bank purchased an Existing Participation Interest (A) such Mortgage Loan has been sold in its entirety and the full amount of the proceeds of such sale have been received and applied by Bank thereunder or (B) the Existing Participation Interest in such Mortgage Loan has been repurchased in its entirety by Seller and the full amount of the proceeds of such repurchase have been received and applied by Bank thereunder, (ii) Bank has received full and indefeasible payment of all amounts due and payable to Bank pursuant to the Existing Warehouse Agreement, and (iii) Bank has remitted to Seller all sums, if any, required by the Existing Warehouse Agreement to be remitted by Bank to Seller; and (d) the Maximum Participation Amount shall be reduced by the sum, as such sum may vary from time to time, of (i) the Outstanding Participation Balance calculated with respect to the outstanding Existing Participation Interests plus (ii) all other amounts due and payable to Bank pursuant to the Existing Warehouse Agreement. The terms of this Section supersede and modify any and all inconsistent provisions in any Existing Warehouse Agreement.

10.13 **Bank’s Consent or Approval.** Except where otherwise expressly provided in this Agreement or the other Warehouse Documents, in any instance under this Agreement or the other Warehouse Documents where the approval, consent or the exercise of judgment of Bank is required: (a) the granting or denial of such approval or consent and the exercise of such judgment shall be (i) within the sole and absolute discretion of Bank and (ii) deemed to have been given only by a specific writing intended for that purpose and executed by Bank; and (b) in order to be effective, such approval, consent or exercise of judgment must be given by Bank prior to the applicable action to be taken by Seller which requires Bank’s approval, consent or exercise of judgment, unless otherwise agreed to in writing by Bank. Each provision for consent, approval, inspection, review, or verification by Bank is for Bank’s own purposes and benefit only.

10.14 **Cumulative Rights.** The rights and remedies of Bank under this Agreement and any other Warehouse Document shall be cumulative, and shall be in addition to any rights and remedies of Bank at law or in equity.

10.15 **Acceptance of Agreement in Texas; Governing Law.** Seller has signed this Agreement and submits it to Bank for acceptance at Bank’s offices in Richardson, Collin County, Texas. Seller and Bank shall make all payments and perform all other obligations arising hereunder at Collin County, Texas, and this Agreement is made and entered into at Collin County, Texas. This Agreement and all of the terms and conditions hereof and the rights of the parties hereto shall be governed by and interpreted in accordance with the Laws of the State of Texas and venue for any legal action brought hereunder shall lie in Collin County, Texas or Dallas County, Texas.

10.16 **Seller’s Understanding.** Seller has read this Agreement and has had the opportunity to seek and/or receive counsel from an attorney of Seller’s choice as to the effects hereof.

10.17 **Nature of Transactions.**

(a) The relationship established by this Agreement and the other Warehouse Documents between Bank and Seller is that of a seller and purchaser of Participation Interests in Mortgage Loans, and not that of a lender and borrower. Subject to Section 10.17(b), it is the intention of Bank and Seller that: (i) the purchase and sale of each Participation Interest hereunder shall be treated and construed as a sale by Seller to Bank, and the purchase by Bank from Seller, of a certain undivided percentage ownership interest in the related Mortgage Loan and the related Mortgage Loan Documents; and (ii) each sale of a Participation Interest by Seller to Bank, and each purchase of a Participation Interest by Bank from Seller, is a sale of an undivided interest in a promissory note to Bank, and that pursuant to Section 9.109 of the UCC of the State of Texas, Bank and Seller's characterization of each such sale and purchase of a Participation Interest as a purchase and sale of such Participation Interest shall be conclusive that (A) the transaction is a sale and is not a secured transaction and (B) legal and equitable title has passed to Bank in the Mortgage Loan and Mortgage Loan Documents in which Bank acquired such Participation Interest.

(b) Neither Party has made or hereby makes any representations or warranties to the other Party, and hereby disclaims any such representations or warranties, regarding the accounting or tax treatment to be applied to any Participation Interest (including whether any such Participation Interest qualifies for "sale" treatment under any applicable accounting rules, regulations or standards). Each Party hereby agrees that it has and will make its own independent determination regarding the accounting and tax treatment to be applied to each Participation Interest, and has not relied upon the other Party in any manner in making such determination. The accounting or tax treatment applied by any Party with respect to any Participation Interest shall not be binding upon the other Party, shall not be used by the other Party in any manner inconsistent with, and shall not affect, the Parties' intent hereunder that any and all transaction pursuant to which Bank pays a Purchase Price to Seller is for a sale by Seller to Bank, and the purchase by Bank from Seller, of a certain undivided percentage ownership interest in the related Mortgage Loan and Mortgage Loan Documents and that legal and equitable title has passed to Bank in the Mortgage Loan in which Bank acquired such Participation Interest.

(c) If any court of competent jurisdiction shall deem any transaction involving Bank, Seller or any Participation Interest governed by this Agreement to be a loan, extension of credit or a secured financing, or if any court of competent jurisdiction shall determine that any purported Participation Interest in any purported Participated Mortgage Loan (or any portion thereof) is the property of Seller or shall otherwise not have been sold by Seller to, and purchased by, Bank, as contemplated herein, then notwithstanding anything herein or in any other Warehouse Document to the contrary: (i) as of the Effective Date, Bank shall have (and Seller shall have been deemed to have pledged, assigned and granted to Bank) a first priority security interest in and to the Collateral to secure the prompt and complete payment and performance of any and all of Seller's indebtedness and obligations to Bank under this Agreement and the other Warehouse Documents; and (ii) any and all amounts received by Bank with respect to any Participated Mortgage Loan may be applied in such order and priority as Bank may determine. For this purpose, this Agreement shall constitute a security agreement in accordance with the UCC, and Bank shall have all the rights of a secured creditor with respect to such security.

10.18 Repurchase Agreement. It is expressly stipulated to be the intent of Bank and Seller, and understood and agreed by Bank and Seller, that (a) this Agreement constitutes a "repurchase agreement" under Section 101(47) of the Bankruptcy Code and (b) pursuant to Sections 362(b), 555 and 559 of the Bankruptcy Code, the rights of Bank under this Agreement related to the sale and repurchase of Mortgage Loans (including, the rights of Bank hereunder, upon the occurrence of an Event of Default, to liquidate and/or foreclose on the Mortgage Loans in which it holds Participation Interests) shall not be stayed, avoided or otherwise limited by the operation of any provision of the Bankruptcy Code.

10.19 **Usury Savings Provision.** It is expressly stipulated to be the intent of Bank and Seller, and understood and agreed by Bank and Seller, that this Agreement: (a) does not represent a loan from Bank to Seller; and (b) allows Bank to purchase the Participation Interests for its own account and for a short term investment. If, notwithstanding the foregoing or the terms of this Agreement, a court of competent jurisdiction establishes a loan or extension of credit within this Agreement from Bank to Seller, then the parties to this Agreement hereby understand, acknowledge and agree that in such event: (a) Seller shall be the underlying obligor of that loan or extension of credit established by such court of competent jurisdiction; (b) Seller is utilizing the proceeds of that loan or extension of credit established by such court of competent jurisdiction for business, commercial, investment, or similar purposes; and (c) Seller has determined that it is beneficial to use any and all proceeds of that loan or extension of credit established by such court of competent jurisdiction to establish collateral for that loan or extension of credit established by such court of competent jurisdiction by: (i) making deposits at Bank; (ii) purchasing certificates of deposit from Bank; and/or (iii) establishing other accounts at Bank. Furthermore, it is Bank's and Seller's intention and agreement that if a court of competent jurisdiction establishes a loan or extension of credit from Bank to Seller under this Agreement, then any proceeds of that loan or extension of credit established by such court of competent jurisdiction deposited with Bank as additional collateral for that loan or extension of credit: (a) shall be considered a compensating balance under and pursuant to Section 276.003 of the Texas Finance Code; and (b) shall not be considered a reduction in the amount of the proceeds of that loan and/or extension of credit from Bank to Seller. Additionally, it is the stipulated, understood and agreed to be the intent of Bank and Seller that this Agreement shall at all times comply strictly with the applicable Texas law governing the maximum rate or amount of interest payable on the Indebtedness (as hereinafter defined), if any, or applicable United States federal law to the extent that such law permits Bank to contract for, charge, take, reserve or receive a greater amount of interest than under Texas law. For purposes of this provision, "Indebtedness" shall mean all indebtedness, if any, evidenced, referenced, described, or established by a court of competent jurisdiction under this Agreement, and all amounts payable in the performance of any covenant or obligation in any of the other documents or any other communication or writing by or between Bank and Seller related to the transaction or transactions that are the subject matter of this Agreement, or any part of such Indebtedness, if any. If the applicable law is ever judicially interpreted so as to render usurious any amount contracted for, charged, taken, reserved or received in respect of the Indebtedness, if any, including by reason of the acceleration of the maturity or the prepayment thereof, then it is Bank's and Seller's express intent that all amounts charged in excess of the Maximum Lawful Rate (as hereinafter defined), if any, shall be automatically canceled, ab initio, and all amounts in excess of the Maximum Lawful Rate theretofore collected by Bank, if any, shall be credited on the principal balance of the Indebtedness, if any, or, if the Indebtedness, if any, has been or would thereby be paid in full, refunded to Seller, and the provisions of this Agreement and any underlying documents shall immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable laws, but so as to permit the recovery of the fullest amount otherwise called for hereunder and thereunder; provided, however, if the Indebtedness has been paid in full before the end of the stated term hereof, then Bank and Seller agree that Bank shall, with reasonable promptness after Bank discovers or is advised by Seller that interest was received in an amount in excess of the Maximum Lawful Rate, either credit such excess interest against the Indebtedness then owing by Seller to Bank and/or refund such excess interest to Seller. If and to the extent Indebtedness is determined to exist by a court of competent jurisdiction, then Seller hereby agrees that as a condition precedent to any claim seeking usury penalties against Bank, Seller will provide written notice to Bank, advising Bank in reasonable detail of the nature and amount of the violation, and Bank shall have sixty (60) days after receipt of such notice in which to correct such usury violation, if any, by either refunding such excess interest to Seller or crediting such excess interest against the Indebtedness, if any, then owing by Seller to

Bank. All sums contracted for, charged, taken, reserved or received by Bank for the use, forbearance or detention of Indebtedness, if any, shall, to the extent permitted by applicable law, be amortized, prorated, allocated or spread, using the actuarial method, throughout the stated term of this Agreement (including any and all renewal and extension periods) until payment in full so that the rate or amount of interest on account of the Indebtedness, if any, does not exceed the Maximum Lawful Rate from time to time in effect and applicable to the Indebtedness, if any, for so long as debt is outstanding. In no event shall the provisions of Chapter 346 of the Texas Finance Code (which regulates certain revolving credit loan accounts and revolving tri-party accounts) apply to this Agreement or any other part of the Indebtedness, if any. If and to the extent any Indebtedness is determined to exist under this Agreement by a court of competent jurisdiction, then notwithstanding anything to the contrary contained herein or in any of underlying documents referenced herein, it is not the intention of Bank to accelerate the maturity of any interest, if any, that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration. If and to the extent any Indebtedness is determined to exist under this Agreement by a court of competent jurisdiction, then the terms and provisions of this paragraph shall control and supersede every other term, covenant or provision contained herein, in any of the other underlying documents referenced within this Agreement or in any other document or instrument pertaining to the Indebtedness. As used herein, the term "Maximum Lawful Rate" shall mean the maximum lawful rate of interest which may be contracted for, charged, taken, received or reserved in accordance with the applicable Laws of the State of Texas (or applicable United States federal law to the extent that such law permits Bank to contract for, charge, take, receive or reserve a greater amount of interest than under Texas law), taking into account all fees, charges and any other value whatsoever made in connection with the transaction evidenced by this Agreement. To the extent United States federal law permits contracting for, charging, taking, receiving or reserving a greater amount of interest than under Texas law, then such United States federal law will be relied upon instead of Texas law for the purpose of determining the Maximum Lawful Rate. Additionally, if and to the extent any Indebtedness is determined to exist under this Agreement by a court of competent jurisdiction, to the extent permitted by applicable law now or hereafter in effect, Bank may, at its option and from time to time utilize any other method of establishing the Maximum Lawful Rate under Texas law or under other applicable law by giving notice, if required, to Seller as provided by such applicable law now or hereafter in effect.

10.20 WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, SELLER AND BANK HEREBY IRREVOCABLY AND EXPRESSLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT, OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER WAREHOUSE DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY OR THE ACTIONS OF BANK IN THE NEGOTIATION, ADMINISTRATION, OR ENFORCEMENT THEREOF.

10.21 Joint and Several Liability. The liability of all Persons obligated to Bank in any manner under this Agreement shall be joint and several. If more than one Person shall execute this Agreement as "Seller", then the term "Seller" as used herein and in the other Warehouse Documents shall refer both to each such Person individually and to all such Persons collectively.

10.22 Electronic Processing.

(a) Seller acknowledges that Bank may employ one or more electronic processes and systems with respect to the transactions contemplated by this Agreement, including the purchase of Participation Interests in Mortgage Loans and the sale of such Participation Interests to Take- Out Purchasers. Seller shall cooperate with Bank with respect to the implementation of any such electronic document processes or systems.

(b) With respect to the Mortgage Loan Documents for Participated Mortgage Loans, Seller may use electronic services, process and systems for the execution thereof only with the Bank's prior written consent, which approval may be conditioned by Bank upon, among other things, the following: (i) full, unrestricted access by Bank to all electronic reports, records and data related thereto; (ii) cooperation on the part of Seller with respect to access and turnover of such reports, records and data to Bank; and (iii) recognition agreements with third party service providers and vendors, in form and content satisfactory to Bank.

10.23 Electronic Transmission of Data. Bank and Seller agree that certain data related to Mortgage Loans (including confidential information, documents, applications and reports) and the transactions contemplated by this Agreement may be transmitted electronically, including over the Internet and/or through the use of the Electronic Platform. This data may be transmitted to, received from or circulated among agents and representatives of Seller and/or Bank and their affiliates, and other Persons involved with the subject matter of this Agreement. Seller acknowledges and agrees that: (a) there are risks associated with the use of electronic transmission and that Bank does not control the method of transmittal or service providers; (b) Bank has no obligation or responsibility whatsoever and assumes no duty or obligation for the security, receipt, or third party interception of such transmissions, and (c) **SELLER WILL RELEASE, HOLD HARMLESS AND INDEMNIFY EACH INDEMNIFIED PARTY FROM AND AGAINST ANY AND ALL LOSSES WHICH ARE RELATED TO THE ELECTRONIC TRANSMITTAL OF DATA, SUBJECT TO THE LIMITATIONS OF SELLER'S INDEMNIFICATION OBLIGATIONS UNDER THIS AGREEMENT.** Notwithstanding anything in this Section to the contrary, the provisions of this Section shall not be deemed to limit or release Bank from its obligations under Section 10.26, Confidentiality.

10.24 Force Majeure. Bank shall not be responsible for any failure or delay of Bank in its performance hereunder by reason of fire, flood or other acts of God, lockout, acts of public enemy, riot, insurrection or any interruption, failure or defects in Internet, telephone or other interconnection service or in electronic or mechanical equipment or any other cause beyond the reasonable control Bank ("**Force Majeure Event**"). During the duration of any Force Majeure Event, Bank will use commercially reasonable efforts to avoid or remove such Force Majeure Event and will take reasonable steps to resume its performance under this Agreement with the least possible delay.

10.25 Limitation of Liability. Neither Bank nor any other Indemnified Party shall have any liability with respect to, and Seller hereby waives, releases, and agrees not to sue any of them upon, any claim for any special, indirect, incidental, consequential or punitive damages suffered or incurred by Seller in connection with, arising out of, or in any way related to, this Agreement or any of the other Warehouse Document, or any of the transactions contemplated by this Agreement or any of the Warehouse Document.

10.26 Confidentiality.

(a) The Parties hereby acknowledge and agree that all information provided on, before, or after the Effective Date by or on behalf of one Party or its affiliates, officers, directors, employees, representatives, agents or advisors (collectively, the "**Disclosing Party**") to the other Party or its Permitted Recipients (collectively, the "**Receiving Party**") in connection with any Warehouse Document or the transactions contemplated hereby which the Receiving Party knows or reasonably should know is the confidential or proprietary information of the Disclosing Party, including (i) all information relating to the business, operations and affairs of the Disclosing Party (including internal operating procedures, methodologies, strategies, trade secrets, sales data, vendor data and customer lists, financial plans, projections and reports), (ii) all property owned, licensed and/or developed by or for the Disclosing Party or its affiliates, such as computer

systems, programs, software and devices (including information about the design, methodology and documentation therefor), (iii) the terms of this Agreement and the other Warehouse Documents (including the outline of the proposed terms of the transactions contemplated hereby contained in any and all term sheets provided by Bank to Seller); and (iv) all "nonpublic personal information" of "customers" and "consumers" (as each is defined in the GLB Act) (collectively "Confidential Information"), shall be kept confidential by the Receiving Party and shall not be divulged by the Receiving Party to any Person without the prior written consent of the Disclosing Party except to the extent set forth in Section 10.26(b). Notwithstanding anything herein to the contrary, Confidential Information shall not include information of the Disclosing Party that: (i) is expressly permitted to be disclosed by the Receiving Party pursuant to and in accordance with any other provisions of this Agreement or the other Warehouse Documents; (ii) is or becomes generally available to the public (through no action or inaction in breach of this Agreement by the Receiving Party); (iii) was in the Receiving Party's possession or known by the Receiving Party without obligations of confidentiality owed to the Disclosing Party prior to receipt from the Disclosing Party; (iii) was rightfully disclosed to the Receiving Party by a third-party without obligations of confidentiality owed to the Disclosing Party, or (iv) was independently developed by the Receiving Party without use or access to the Confidential Information. Each Party agrees to take reasonable precautions to protect Confidential Information from disclosure in violation of this Section.

(b) Any Receiving Party shall be permitted to disclose, on a confidential basis, Confidential Information to: (i) its officers, directors, employees, legal counsel and auditors ("Permitted Recipients"), but only to the extent necessary in connection with the transactions contemplated hereby; (ii) taxing authorities and of Governmental Authorities, but only to the extent necessary to comply with applicable Law; (iii) any bank examiner, auditor or regulatory authority or supervisory authority that has jurisdiction over such Receiving Party or otherwise in connection with any audit or examination of such Receiving Party by any such bank examiner, auditor or authority. Any Receiving Party may disclose Confidential Information in connection with any litigation or other legal proceeding if required under applicable Law, and subject to the following: (i) to the extent permitted by applicable Law, the Receiving Party shall promptly notify the Disclosing Party in writing of the litigation or other proceeding involving the potential disclosure of Confidential Information, whereupon the Disclosing Party may seek an appropriate protective order or other relief (at the Disclosing Party's sole expense) and the Receiving Party shall cooperate with the Disclosing Party (at the Disclosing Party's sole expense) to obtain such order or relief; and (ii) Receiving Party shall exercise reasonable efforts to limit the disclosure to only that portion of the Confidential Information which is necessary to comply with applicable Law. In addition, Bank may disclose Confidential Information: (i) to an actual Participant or to a potential Participant pursuant to the provisions of Section 10.8; (ii) if an Event of Default has occurred and Bank has determined that the disclosure of Confidential Information is necessary or desirable in connection with the marketing and sale of Participated Mortgage Loans or the enforcement or exercise of Bank's rights or remedies under the Warehouse Documents.

(c) The Parties understand that the Confidential Information may contain "nonpublic personal information", as that term is defined in Section 509(4) of the Gramm-Leach-Bliley Act (the "GLB Act"), and each Party agrees to maintain such nonpublic personal information that it receives hereunder in accordance with the GLB Act and other applicable privacy and data protection Laws binding upon such Party. Each Party shall implement such physical and other security measures as shall be necessary to: (i) ensure the security and confidentiality of the "nonpublic personal information" of "customers" and "consumers" (as those terms are defined in the GLB Act); (ii) protect against any threats or hazards to the security and integrity of such nonpublic personal information; and (iii) protect against any unauthorized access to or use of such

nonpublic personal information. Each Party shall, at a minimum establish and maintain such data security program as is necessary to meet the objectives of the Interagency Guidelines Establishing Standards for Safeguarding Customer Information as set forth in the Code of Federal Regulations at 12 C.F.R. Parts 30, 168, 208, 211, 225, 263, 308 and 364. Upon request, each Party will provide evidence reasonably satisfactory to allow the other Party to confirm that the providing Party has satisfied its obligations as required under this Section. Each Party shall notify the other Party immediately following discovery of any breach or compromise of the security, confidentiality or integrity of nonpublic personal information of customers and consumers related to the Confidential Information.

10.27 Other Facilities.

(a) Any default or breach under any present or future indebtedness, obligation or liability of Seller to Bank (other than any obligations or liabilities of Seller to Bank under the Warehouse Documents) (collectively, the "Other Obligations") shall also constitute an Event of Default under the Warehouse Documents. Any Event of Default under any Warehouse Document shall also constitute a default and breach under the documents evidencing, securing or otherwise governing or pertaining to the Other Obligations.

(b) Any and all Liens at any time securing the Other Obligations shall also secure any and all obligations and liabilities of Seller under the Warehouse Documents. Any and all Liens at any time securing the obligations and liabilities of Seller under the Warehouse Documents shall also secure the Other Obligations.

(c) The documents evidencing, securing or otherwise governing or pertaining to the Other Obligations in effect as of the date hereof are hereby modified and amended in accordance with the provisions of this Section.

10.28 Inconsistencies. To the extent of any conflict between the provisions of this Agreement and the provisions of any other Warehouse Document, the provisions of this Agreement shall govern and control. To the extent of any conflict between the provisions of any Warehouse Document and the provisions of the Warehouse Program Guide, subject to Section 5.13(a), the provisions of the Warehouse Program Guide shall govern and control.

10.29 Counterparts. To facilitate execution, this Agreement may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature of, or on behalf of, each party, or that the signature of all Persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Agreement to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages.

10.30 ENTIRE AGREEMENT. THIS WRITTEN AGREEMENT AND THE OTHER WAREHOUSE DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[Signature Pages Follow]

EXECUTED by Seller to be effective as of the Effective Date.

SELLER:

REDFIN MORTGAGE, LLC, A DELAWARE LIMITED
LIABILITY COMPANY

By: /s/ Glenn Kelman
Name: GLENN KELMAN
Title: PRESIDENT AND CHIEF EXECUTIVE OFFICER

Seller's Contact Information for Notices:

REDFIN MORTGAGE, LLC
1099 Stewart Street, Suite 600
SEATTLE, WA 98101
Attention: GLENN KELMAN
Phone: (206) 859-2838
E-mail: GLENN.KELMAN@REDFIN.COM

With a copy to:

REDFIN Corporation
1099 Stewart Street, Suite 600
Seattle, WA 98101
Attention: General Counsel

* * *

STATE OF Washington §
 §
COUNTY OF King §

This document was acknowledged before me on the 14 day of February, 2017, by GLENN KELMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER of REDFIN MORTGAGE, LLC, A DELAWARE LIMITED LIABILITY COMPANY, known to me to be the person who executed this document in the capacity and for the purposes therein stated.

/s/ Illegible
Notary Public, State of Washington

[NOTARY STAMP]

[Bank's Signature Page Follows]

ACCEPTED AND AGREED to by Bank at Richardson, Collin County, Texas, and executed to be effective as the Effective Date.

BANK:

TEXAS CAPITAL BANK,
NATIONAL ASSOCIATION

By: /s/ Heather Crawford
Name: Heather Crawford
Title: Vice President

EXHIBIT LIST

<u>Exhibit A</u>	— Power of Attorney
<u>Exhibit B</u>	— Pledge Agreement
<u>Exhibit C</u>	— Guaranty Agreement
<u>Exhibit D</u>	— UCC-1 Financing Statement
<u>Exhibit E</u>	— Financial Covenants Addendum
<u>Exhibit F</u>	— Supplemental Provisions Addendum
<u>Exhibit G</u>	— List of Current Warehouse Facilities
<u>Exhibit H</u>	— List of Current Affiliate Escrow Agents
<u>Exhibit I</u>	— Blanket Assignment

EXHIBIT A
(TO MORTGAGE WAREHOUSE AGREEMENT)

POWER OF ATTORNEY

[Follows This Cover Page]

Mortgage Warehouse Agreement: Exhibit A
Version: 2015-11
HAL2016-4

LIMITED POWER OF ATTORNEY

Pursuant to that certain Mortgage Warehouse Agreement (as amended or modified from time to time, the "Warehouse Agreement") dated DECEMBER 21, 2016 ("Effective Date"), executed by the undersigned (the undersigned are each individually and collectively referred to herein as "Seller") and TEXAS CAPITAL BANK, NATIONAL ASSOCIATION ("Bank"), relating to Bank's discretionary purchase of Participation Interests in Mortgage Loans originated by Seller, Seller hereby irrevocably appoints Bank and each officer of Bank as its attorney-in-fact, with full power of substitution, for, on behalf of, and in the name of Seller, to: (a) endorse and deliver to any Person any notes, checks, drafts, money orders or other instruments of payment coming into Bank's possession and representing any payment made on or with respect to any Participated Mortgage Loan or otherwise received in connection with any Participated Mortgage Loan (including the proceeds from the sale of any such Participated Mortgage Loan received from a Take-Out Purchaser), and any collateral and any Take-Out Purchase Agreement therefor; (b) prepare, complete, execute, deliver and record, and do anything else necessary or desirable to effect, (i) any endorsement to Bank, any Take-Out Purchaser or any other Person, of any Mortgage Note evidencing a Participated Mortgage Loan, or (ii) any transfer, assignment or conveyance to Bank, any Take-Out Purchaser or any other Person, of any or all rights, titles and interest in and to any Mortgage Note and the Mortgage Loan Documents related thereto in which Bank has purchased a Participation Interest (including servicing rights); (c) do anything necessary or desirable to effect sale, transfer, assignment or conveyance, of any or all rights, titles and interest of Seller and/or Bank in and to any Participated Mortgage Loan and the related Mortgage Loan Documents related thereto to any Take-Out Purchaser or any other Person; and (d) commence, prosecute, settle, discontinue, defend, or otherwise dispose of any claim relating to any Take-Out Purchase Agreement or any Participated Mortgage Loan. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Warehouse Agreement.

The powers and authorities herein conferred on Bank may be exercised by Bank through any Person who, at the time of the execution of a particular instrument, is an officer of Bank. The limited power of attorney conferred herein is granted for a valuable consideration and is coupled with an interest and, therefore, is irrevocable so long as any duties or obligations to Bank under the Warehouse Agreement or the other Warehouse Documents, or any part thereof, shall remain unpaid or otherwise unsatisfied, and so long as Bank may elect to purchase Participation Interests under the Warehouse Agreement.

This appointment shall be construed in accordance with the Laws of the State of Texas, and venue for any proceeding hereunder shall lie exclusively in Collin County, Texas or Dallas County, Texas.

Dated effective as of the Effective Date.

SELLER:

REDFIN MORTGAGE, LLC

By: /s/ Glenn Kelman

Name: GLENN KELMAN

Title: PRESIDENT AND CHIEF EXECUTIVE OFFICER

* * *

STATE OF Washington §
 §
COUNTY OF King §

This document was acknowledged before me on the 14 day of February, 2017, by GLENN KELMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER of REDFIN MORTGAGE, LLC, A DELAWARE LIMITED LIABILITY COMPANY, known to me to be the person who executed this document in the capacity and for the purposes therein stated.

/s/ Illegible

Notary Public, State of Washington

[NOTARY STAMP]

Mortgage Warehouse Agreement: Exhibit A
Version: 2015-11
HAL2016-4

EXHIBIT B
(TO MORTGAGE WAREHOUSE AGREEMENT)

PLEDGE AGREEMENT

[Follows This Cover Page]

Mortgage Warehouse Agreement: Exhibit B
Version: 2015-11
HAL2016-4

PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT (this “Pledge Agreement”) is executed effective as of DECEMBER 21, 2016 (“Effective Date”), by REDFIN MORTGAGE, LLC, A DELAWARE LIMITED LIABILITY COMPANY (the foregoing are each individually and collectively referred to herein as “Seller”), and TEXAS CAPITAL BANK, NATIONAL ASSOCIATION (“Bank”).

RECITALS

A. Pursuant to that certain Mortgage Warehouse Agreement dated DECEMBER 21, 2016, executed by Bank and Seller, as may have been amended or modified from time to time (the “Warehouse Agreement”), Bank has agreed, on a discretionary basis, to purchase Participation Interests in various Mortgage Loans subject to the terms and conditions of the Warehouse Agreement.

B. As partial consideration for Bank entering into the Warehouse Agreement and/or for Bank to now or hereafter elect to purchase Participation Interests subject to the terms and conditions of the Warehouse Agreement, Seller has agreed, pursuant to the terms and conditions of this Pledge Agreement, to assign and pledge to Bank, and grant Bank a security interest in and to, the Collateral described herein.

AGREEMENT

NOW, THEREFORE, for and in consideration of the matters set forth above and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Capitalized terms used but not otherwise defined herein shall have the meanings given to such terms in the Warehouse Agreement. In addition, as used in this Pledge Agreement, the following terms shall have the meanings set forth below:

“Collateral” shall mean: (a) all rights, titles and interest of Seller in and to each depository and other account established by Seller at Bank, and all funds therein contained and all earnings thereon and proceeds thereof, including, without limitation, the Accounts more particularly described on Schedule 1 attached hereto (collectively, the “Accounts”); and (b) any and all other property included in the definition of “Collateral” as such term is defined in the Warehouse Agreement.

“Event of Default” shall mean any “Event of Default” as such term is defined in the Warehouse Agreement or any other Warehouse Document.

“Secured Obligations” shall mean the Repurchase/Sale Obligations and any and all other indebtedness, obligations and liabilities of Seller to Bank of any kind or character under the Warehouse Agreement or any other Warehouse Document, now existing or hereafter arising, whether direct, indirect, related, unrelated, fixed, contingent, liquidated, unliquidated, joint, several or joint and several.

2. Seller hereby pledges and assigns and grants to Bank a continuing security interest in and to the Collateral to secure the prompt and complete payment and performance of the Secured Obligations.

3. If any Event of Default should occur, then Bank may enforce this Pledge Agreement in any manner provided hereunder or at Law or in equity or otherwise. Without limiting the generality of the foregoing, if an Event of Default shall have occurred, then Bank may, at its discretion, apply or use any cash held in the Accounts (to the extent of the withdraw value of each Account), and any cash proceeds received by Bank in respect of any sale or other disposition of, collection from, or other realization upon all or any part of the Collateral, towards the satisfaction of the Secured Obligations (provided that Seller shall continue to be liable for any unsatisfied portion of the Secured Obligations). Should an Event of Default occur, Bank may proceed against the Collateral without exhausting its remedies against any Person liable under or with respect to the Warehouse Agreement or any other Warehouse Document or against any other security therefor, whether in court, by foreclosure, by private sale or otherwise, at which Bank may be a purchaser, and without making any election.

4. Except for Liens in favor of Bank: (a) as of the Effective Date, no Lien exists on any of the Collateral; and (b) at all times on and after the Effective Date, Seller will not create, incur or suffer to exist any Lien on any of the Collateral.

5. Nothing in this Pledge Agreement shall be construed as requiring Bank to enforce this Pledge Agreement. Bank's failure to do so on one or more occasions shall not affect Bank's right so to do; nor will enforcement of this Pledge Agreement for less than the full value of any Account impair the effectiveness of this Pledge Agreement as to the remaining value thereof. Bank may elect to enforce its rights under the Warehouse Agreement or any other Warehouse Document without resort to the remedies provided in this Pledge Agreement.

6. From and after the occurrence of an Event of Default, Seller authorizes Bank, at Bank's option, to collect and receive any and all sums becoming due upon the Collateral, such sums to be held by Bank without liability for interest thereon and applied toward the Secured Obligations. Subject to the terms hereof and the Warehouse Agreement, Bank shall have the full control of each Account until it is released in accordance herewith. All interest, if any, earned on the Accounts prior to an Event of Default shall be paid to Seller.

7. Included within Bank's rights and remedies provided for herein is the right of Bank to sell the Collateral at public or private sale to the highest bidder for cash pursuant to the requirements of the UCC. Notice of each such sale shall be provided, and such sale shall be conducted, by Bank in accordance with the requirements of the UCC. Bank shall transfer to the purchaser at such sale said Collateral, and the recitals in such transfer shall be prima facie evidence of the truth of the matters therein stated, and all prerequisites to such sale required hereunder and under the Laws of Texas shall be presumed to have been performed. The proceeds of the sale shall be applied as follows: (a) first, to Bank's reasonable expenses of the sale; (b) then, towards the satisfaction of the Secured Obligations and/or any other amounts secured hereby; and (c) the balance, if any, including any surplus, to Seller. Bank shall have the right to purchase at such public sale, being the highest bidder thereof.

8. Bank, in addition to the rights and remedies provided for in the preceding paragraphs, shall have all other rights and remedies of a secured party under the UCC, and shall have the common law rights of set off and banker's lien, and Bank shall be entitled to avail itself of all such other rights and remedies as may be now or hereafter existing at Law or in equity for the performance of the Secured Obligations, and the foreclosure of the security interest created hereby and the resort to any remedy provided hereunder or provided by the UCC, or by any other Law of the State of Texas, shall not prevent the concurrent exercise or enforcement of any other appropriate remedy or remedies.

9. The requirement of reasonable notice to Seller of the time and place of any public sale of the Collateral, or of the time after which any private sale or any other intended disposition thereof is to be made, shall be met if such notice is mailed, postage prepaid, to Seller at the notice address set forth in the Warehouse Agreement, at least ten (10) days before the date of any public sale or at least ten (10) days before the time after which any private sale or other disposition is to be made.

10. Nothing in the foregoing shall be construed as requiring Bank to enforce this security or to resort to the security hereof in any particular manner excluding other rights or remedies. Bank's failure to enforce this security in any fashion on one or more occasions shall not affect its right so to do; nor will enforcement hereof for less than the full extent or value of the Account impair the effectiveness of the security hereof as to any remaining value or interest thereof. Bank may proceed first to enforce the Secured Obligations without resort to the remedies provided in this Pledge Agreement; in such event the terms of the Warehouse Agreement and the other Warehouse Documents alone shall be controlling and no provisions hereof shall be construed as requiring Bank to perform any condition precedent to the enforcement of such duties and obligations and the security therefor against any and all Persons liable therefor nor prevent the continued holding of the Accounts or other Collateral and the collection of sums thereunder for proper application to the duties and obligations of the Warehouse Agreement.

11. Bank may remedy any Event of Default, without waiving the same, or may waive any Event of Default without waiving any prior or subsequent Event of Default.

12. The security interest herein created shall not be affected by or affect any other security taken for the performance of the duties or obligations under the Warehouse Agreement hereby secured, or any part thereof, and any extensions may be made for the performance of such duties and obligations without affecting the priority of this Pledge Agreement or the validity thereof. Bank and its successors shall not be limited by any election of remedies if it chooses to foreclose this security interest by suit. The right to sell under the terms hereof shall also exist cumulative with said suit and one method shall not bar the other, but both may be exercised at the same or different times; provided; however that one shall not be a defense to the other.

13. Seller represents to and covenants and agrees with Bank that Seller will at any time or from time to time, upon the written request of Bank, execute and deliver such further documents and do such other acts and things as Bank may specify for the purpose of further assurance and of effecting the purposes of this Pledge Agreement, and otherwise do any and all things and acts whatsoever which Bank may request in order to perfect this Pledge Agreement and the security interests created thereby.

14. The Law governing this Pledge Agreement shall be the UCC and other applicable Laws of the State of Texas, and this Pledge Agreement shall be performable in Collin County, Texas. Except as otherwise provided herein, all terms used herein which, are defined in the Texas Business and Commerce Code shall have the same meaning herein as in said Code.

15. If any clause or provision of this Pledge Agreement is illegal, invalid, or unenforceable, under present or future Laws effective during the term hereof, then it is the intention of the parties hereto that the remainder of this Pledge Agreement shall not be affected thereby. It is also the intention of the parties hereto that in lieu of each clause or provision that is illegal, invalid or unenforceable, there be added as a part of this Pledge Agreement a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

16. The Accounts are delivered herewith or are authorized to be held by Bank.

17. The term of this Pledge Agreement shall begin on the Effective Date and shall expire upon the date on which: (a) the Warehouse Agreement has terminated in accordance with its terms; and (b) all of the Secured Obligations, and all other indebtedness, obligations and liabilities (if any) secured hereby, have been fully satisfied, paid and performed, as confirmed in writing by Bank on or after the termination date of the Warehouse Agreement. This Pledge Agreement shall be binding upon Seller and inure to the benefit of Bank and its successors and assigns. Seller may not transfer or assign its duties or obligations hereunder without the prior written consent of Bank.

18. The liability of all Persons obligated to Bank in any manner under this Pledge Agreement shall be joint and several. If more than one Person shall execute this Pledge Agreement as "Seller", then the term "Seller" as used herein shall refer both to each such Person individually and to all such Persons collectively.

19. THIS WRITTEN AGREEMENT AND THE OTHER WAREHOUSE DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[Signature Page Follows]

Page 4

Mortgage Warehouse Agreement: Exhibit B
Version: 2015-11
HAL2016-4

EXECUTED by Seller to be effective as of the Effective Date.

SELLER:

REDFIN MORTGAGE, LLC, A DELAWARE LIMITED
LIABILITY COMPANY

By: /s/ Glenn Kelman
Name: GLENN KELMAN
Title: PRESIDENT AND CHIEF EXECUTIVE OFFICER

* * *

STATE OF Washington §
 §
COUNTY OF King §

This document was acknowledged before me on the 14 day of February, 2017, by GLENN KELMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER of REDFIN MORTGAGE, LLC, A DELAWARE LIMITED LIABILITY COMPANY, known to me to be the person who executed this document in the capacity and for the purposes therein stated.

/s/ Illegible
Notary Public, State of Washington

[NOTARY STAMP]

**AGREED TO AND ACCEPTED BY BANK AT RICHARDSON,
COLLIN COUNTY, TEXAS, AS OF THE EFFECTIVE DATE:**

TEXAS CAPITAL BANK,
NATIONAL ASSOCIATION

By: /s/ Heather Crawford
Name: Heather Crawford
Title: Vice President

SCHEDULE 1
(TO PLEDGE AGREEMENT)

LIST OF ACCOUNTS

Account Name	Account Number
Pledged Account	[omitted]
Participation Account	[omitted]
Remittance Account	[omitted]

EXHIBIT C
(TO MORTGAGE WAREHOUSE AGREEMENT)

GUARANTY AGREEMENT

[Follows This Cover Page]

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (this "Guaranty") is made as of DECEMBER 21, 2016 ("Effective Date"), by the undersigned Guarantor (whose address for notice purposes is set forth on the signature page of this Guaranty), for the benefit of Bank.

1. **Definitions.** Capitalized terms used in this Guaranty, but not otherwise defined herein, shall have the meanings given to such terms in the Warehouse Agreement. As used in this Guaranty, the following terms have the meanings indicated below:

"Affiliate" means, as to any Person, any other Person: (a) that directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, such Person; (b) that directly or indirectly beneficially owns or holds ten percent (10.0%) or more of any class of voting stock of such Person; or (c) that controls ten percent (10.0%) or more of the voting stock of which is directly or indirectly beneficially owned or held by the Person in question. As used herein, the term "control" means the possession, directly or indirectly, of the power to direct or cause direction of the management and policies of a Person, whether through the ownership of voting securities, by control, or otherwise; provided, however, in no event shall Bank be deemed an Affiliate of Seller.

"Bank" means TEXAS CAPITAL BANK, NATIONAL ASSOCIATION, and its successors and assigns, whose address for notice purposes is the following:

TEXAS CAPITAL BANK, N.A.
2350 Lakeside Boulevard, Suite 310
Richardson, Texas 75082
Attention: Bruce Karda
E-mail: bruce.karda@texascapitalbank.com

"Debtor Relief Laws" means Title 11 of the United States Code, as now or hereafter in effect, or any other applicable law, domestic or foreign, as now or hereafter in effect, relating to bankruptcy, insolvency, liquidation, receivership, reorganization, arrangement or composition, extension or adjustment of debts, or similar laws affecting the rights of creditors.

"Guaranteed Obligations" means: (a) any and all indebtedness, obligations and liabilities of Seller to Bank to repurchase any Participated Mortgage Loans under Section 4.8 of the Warehouse Agreement; (b) any and all accrued but unpaid interest on any of the indebtedness, obligations and liabilities described in (a) above, and including any and all pre-and post-maturity interest thereon, including, without limitation, post-petition interest and expenses (including attorneys' fees), if Seller is the debtor in a bankruptcy proceeding under the Debtor Relief Laws, whether or not allowed under any Debtor Relief Law; (c) any and all obligations of Seller and other Persons to Bank under any documents evidencing, securing, governing and/or pertaining to all or any part of the indebtedness, obligations and liabilities described in (a) and (b) above; (d) any and all costs and expenses incurred by Bank in connection with the collection and administration of all or any part of the indebtedness, obligations, and liabilities described in (a), (b) and (c) above or the protection or preservation of, or realization upon, the collateral securing all or any part of such indebtedness, obligations and liabilities, including, without limitation, all reasonable attorneys' fees; and (e) any and all renewals, extensions, increases, decreases, modifications and rearrangements of the indebtedness, obligations, and liabilities described in (a), (b), (c) and (d) above.

“**Guarantor**” means the undersigned Person executing this Guaranty as Guarantor, and such Person’s heirs, personal representatives, successors and assigns. If the term “Guarantor” includes more than one Person, then the term “Guarantor” as used herein and all riders hereto shall refer both to each such Person individually and to all such Persons collectively.

“**Person**” means any individual, corporation, partnership, joint venture, limited liability company or partnership (general or limited), association, trust, unincorporated association, joint stock company, government, municipality, political subdivision or agency, or other entity.

“**Seller**” means REDFIN MORTGAGE, LLC, A DELAWARE LIMITED LIABILITY COMPANY and each such Person’s heirs, personal representatives, successors and assigns. If the term “Seller” includes more than one Person, then the term “Seller” as used herein shall refer both to each such Person individually and to all such Persons collectively.

“**Warehouse Agreement**” means that certain Mortgage Warehouse Agreement dated DECEMBER 21, 2016, executed by Seller and Bank, as amended or modified from time to time.

2. **Payment.** Guarantor is a beneficial owner of Seller and/or an Affiliate of Seller and the execution of the Warehouse Agreement and/or the discretionary purchase by Bank of Participation Interests in Mortgage Loans subject to the terms and conditions of the Warehouse Agreement is a substantial and direct benefit to Guarantor. As an inducement to Bank to extend financial accommodations to Seller, Guarantor, for value received, jointly and severally, does hereby unconditionally and absolutely guarantee the prompt and full payment and performance of the Guaranteed Obligations when due or declared to be due and at all times thereafter. Guarantor shall promptly pay the amount due thereon to Bank without notice or demand, of any kind or nature, in lawful money of the United States of America.

3. **Character of Obligations.** This is an absolute, continuing and unconditional guaranty of payment and not of collection and if at any time or from time to time there are no outstanding Guaranteed Obligations, the obligations of Guarantor with respect to any and all Guaranteed Obligations incurred thereafter shall not be affected. All Guaranteed Obligations heretofore, concurrently herewith or hereafter made by Bank to Seller shall be conclusively presumed to have been made or acquired in acceptance hereof. Guarantor shall be liable, jointly and severally, with Seller and any other guarantor of all or any part of the Guaranteed Obligations. Bank shall be under no obligation to notify Guarantor of any advances made, credit extended, or discretionary purchase of any Participation Interest by Bank under the Warehouse Agreement or any other Warehouse Document.

4. **No Right of Revocation.** Guarantor understands and agrees that Guarantor may not revoke Guarantor’s future obligations under this Guaranty at any time prior to the date (the “**Guaranty Termination Date**”) on which: (a) the Warehouse Agreement has terminated in accordance with its terms; and (b) all duties and obligations of Seller and any other Person to Bank under the Warehouse Agreement and any other Warehouse Document (including Guarantor’s obligations to Bank under this Guaranty) have been fully satisfied, paid and performed, as confirmed in writing by Bank on or after the termination date of the Warehouse Agreement. If Guarantor is an individual and dies, Guarantor’s obligations under this Guaranty shall be binding on Guarantor’s estate.

5. **Representations and Warranties.** Guarantor hereby represents and warrants the following to Bank:

(a) This Guaranty may reasonably be expected to benefit, directly or indirectly, Guarantor, and (i) if Guarantor is a partnership, the requisite number of its partners have determined that this Guaranty may reasonably be expected to benefit, directly or indirectly, Guarantor, or (ii) if Guarantor is a corporation, limited liability company or other entity, the Board of Directors or other governing body of Guarantor has determined that this Guaranty may reasonably be expected to benefit, directly or indirectly, Guarantor, and (iii) the value of the consideration received and to be received by Guarantor is reasonably worth at least as much as the liability and obligation of Guarantor hereunder, and such liability and obligation may reasonably be expected to benefit Guarantor directly or indirectly; and

(b) Guarantor has adequate means to obtain from Seller on a continuing basis information concerning the financial condition of Seller and Guarantor is not relying on Bank to provide such information to Guarantor either now or in the future; and

(c) Guarantor has the power and authority to execute, deliver and perform this Guaranty and any other agreements executed by Guarantor contemporaneously herewith, and the execution, delivery and performance of this Guaranty and any other agreements executed by Guarantor contemporaneously herewith do not and will not violate: (i) any agreement or instrument to which Guarantor is a party; (ii) any Law to which Guarantor is subject; or (iii) Guarantor's organizational documents; and

(d) Neither Bank nor any other Person has made any representation or warranty to Guarantor in order to induce Guarantor to execute this Guaranty; and

(e) The financial statements and other financial information regarding Guarantor heretofore and hereafter delivered to Bank are and shall be true and correct in all material respects and fairly present the financial position of Guarantor as of the dates thereof, and no material adverse change has occurred in the financial condition of Guarantor reflected in the financial statements and other financial information regarding Guarantor heretofore delivered to Bank since the date of the last statement thereof; and

(f) As of the date hereof, and after giving effect to this Guaranty and the obligations and liabilities evidenced hereby: (i) Guarantor is and will be solvent; (ii) the fair saleable value of Guarantor's assets exceeds and will continue to exceed its liabilities (both fixed and contingent); (iii) Guarantor is and will continue to be able to pay Guarantor's debts as they mature; and (iv) if Guarantor is not an individual, Guarantor has and will continue to have sufficient capital to carry on its business and all businesses in which it is about to engage; and

(g) Guarantor has received and reviewed a copy of the Warehouse Agreement and each other Warehouse Document.

6. **Covenants.** Guarantor hereby covenants and agrees with Bank as follows:

(a) Guarantor shall not, so long as Guarantor's obligations under this Guaranty continue, transfer or pledge any material portion of Guarantor's assets for less than full and adequate consideration; and

(b) Guarantor shall promptly furnish to Bank from time to time such financial statements and other financial information of Guarantor as Bank may reasonably require, in form and content satisfactory to Bank; provided, however, if, pursuant to any other Warehouse Document or any rider to this Guaranty, Guarantor is obligated to provide financial statements to Bank at specific times and in a specific format, those provisions shall control over this Section; and

(c) Guarantor shall promptly furnish to Bank such additional information concerning Guarantor as Bank may reasonably request; and

(d) Guarantor shall comply with all terms and provisions of the Warehouse Documents that apply to Guarantor; and

(e) Guarantor shall promptly inform Bank of: (i) any litigation or governmental investigation against Guarantor or affecting any security for all or any part of the Guaranteed Obligations or this Guaranty which, if determined adversely, might reasonably be expected to have a material adverse effect upon the financial condition of Guarantor or upon such security or might reasonably be expected to cause a default under any Warehouse Document; (ii) any claim or controversy which might reasonably be expected to become the subject of such litigation or governmental investigation; and (iii) any material adverse change in the financial condition of Guarantor.

7. Consent and Waiver.

(a) Guarantor waives: (i) promptness, diligence and notice of acceptance of this Guaranty and notice of the incurring of any obligation, indebtedness or liability to which this Guaranty applies or may apply and, except as expressly required by this Guaranty or any other Warehouse Document, waives presentment for payment, notice of nonpayment, protest, demand, notice of protest, notice of intent to accelerate, notice of acceleration, notice of dishonor, diligence in enforcement and indulgences of every kind; and (ii) the taking of any other action by Bank, including, without limitation, giving any notice of default or any other notice to, or making any demand on, Seller, any other guarantor of all or any part of the Guaranteed Obligations or any other Person.

(b) Guarantor waives any rights Guarantor has or may hereafter acquire under, or any requirements imposed by: (i) Chapter 43 of the Texas Civil Practice and Remedies Code, as amended (except rights under Section 43.04); (ii) Section 17.001 of the Texas Civil Practice and Remedies Code, as amended; (iii) Rule 31 of the Texas Rules of Civil Procedure, as amended; and (iv) any and all rights under Sections 51.003, 51.004 and 51.005 of the Texas Property Code, as amended.

(c) Bank may at any time, without the consent of or notice to Guarantor, without incurring liability to Guarantor and without impairing, releasing, reducing or affecting the obligations of Guarantor hereunder: (i) change the manner, place or terms of payment or performance of all or any part of the Guaranteed Obligations, or renew, extend, modify, rearrange or alter all or any part of the Guaranteed Obligations; (ii) change the interest rate, if any, accruing on all or any part of the Guaranteed Obligations (including, without limitation, any periodic change in such interest rate that occurs because such Guaranteed Obligations accrues interest at a variable rate which may fluctuate from time to time); (iii) sell, exchange, release, surrender, subordinate, realize upon or otherwise deal with in any manner and in any order any collateral for all or any part of the Guaranteed Obligations or this Guaranty or setoff against all or any part of the Guaranteed Obligations; (iv) neglect, delay, omit, fail or refuse to take or prosecute any action for the collection of all or any part of the Guaranteed Obligations or this Guaranty or to take or prosecute any action in connection with any of the Warehouse Documents; (v) exercise or refrain from exercising any rights against Seller or others, or otherwise act or refrain from acting; (vi) settle or compromise all or any part of the Guaranteed Obligations and subordinate the payment of all or any part of the Guaranteed Obligations to the payment of any obligations, indebtedness or liabilities which may be due or become due to Bank or others; (vii) apply any deposit balance,

fund, payment, collections through process of Law or otherwise or other collateral of Seller to the satisfaction and liquidation of the indebtedness, duties or obligations of Seller to Bank, if any, not guaranteed under this Guaranty; and (viii) apply any sums paid to Bank by Guarantor, Seller or others to the Guaranteed Obligations in such order and manner as Bank, in its sole discretion, may determine.

(d) Should Bank seek to enforce the obligations of Guarantor hereunder by action in any court or otherwise, Guarantor waives any requirement, substantive or procedural, that: (i) Bank first enforce any rights or remedies against Seller or any other Person liable to Bank for all or any part of the Guaranteed Obligations, including, without limitation, that a judgment first be rendered against Seller or any other Person, or that Seller or any other Person should be joined in such cause; or (ii) Bank shall first enforce rights against any collateral which shall ever have been given to secure all or any part of the Guaranteed Obligations or this Guaranty. Such waiver shall be without prejudice to Bank's right, at its option, to proceed against Seller or any other Person, whether by separate action or by joinder.

(e) In addition to any other waivers, agreements and covenants of Guarantor set forth herein, Guarantor hereby further waives and releases all claims, causes of action, defenses and offsets for any act or omission of Bank, its directors, officers, employees, representatives or agents in connection with Bank's administration of the Guaranteed Obligations or any Participation Interests, except for Bank's willful misconduct and gross negligence.

(f) Guarantor waives any benefit of, and any right to participate in, any security now or hereafter held by Bank.

8. Obligations Not Impaired.

(a) Guarantor agrees that Guarantor's obligations under this Guaranty shall not be released, diminished, impaired, reduced or affected by the occurrence of any one or more of the following events: (i) the death, disability or lack of corporate power of Seller, Guarantor or any other guarantor of all or any part of the Guaranteed Obligations; (ii) any receivership, insolvency bankruptcy, disability or other proceedings affecting Seller, Guarantor or any other guarantor of all or any part of the Guaranteed Obligations, or any of their respective property; (iii) the partial or total release or discharge of Seller or any other guarantor of all or any part of the Guaranteed Obligations, or any other Person from the performance of any obligation contained in any instrument or agreement evidencing, governing or securing all or any part of the Guaranteed Obligations, whether occurring by reason of law or otherwise; (iv) the taking or accepting of any collateral for all or any part of the Guaranteed Obligations or this Guaranty; (v) the taking or accepting of any other guaranty for all or any part of the Guaranteed Obligations; (vi) any failure by Bank to acquire, perfect or continue any lien or security interest on collateral securing all or any part of the Guaranteed Obligations or this Guaranty; (vii) the impairment of any collateral securing all or any part of the Guaranteed Obligations or this Guaranty; (viii) any failure by Bank to sell any collateral securing all or any part of the Guaranteed Obligations or this Guaranty in a commercially reasonable manner or as otherwise required by Law; (ix) any invalidity or unenforceability of or defect or deficiency in any Warehouse Document; (x) any other circumstance which might otherwise constitute a defense available to, or discharge of, Seller, Guarantor or any other guarantor of all or any part of the Guaranteed Obligations; (xi) the discretionary purchase by Bank of any Participation Interests pursuant to the Warehouse Agreement, thus increasing the Guaranteed Obligations; or (xii) the sale, transfer, assignment or conveyance by Seller of all or any portion of the Mortgage Loans as contemplated by the Warehouse Agreement.

(b) This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of all or any part of the Guaranteed Obligations is rescinded or must otherwise be returned by Bank upon the insolvency, bankruptcy or reorganization of Seller, Guarantor, any other guarantor of all or any part of the Guaranteed Obligations, or otherwise, all as though such payment had not been made.

(c) None of the following shall affect Guarantor's liability hereunder: (i) the unenforceability of all or any part of the Guaranteed Obligations against Seller by reason of the fact that the Guaranteed Obligations exceed the amount permitted by Law; (ii) the act of creating all or any part of the Guaranteed Obligations are ultra vires; or (iii) the officers, partners, members, managers or other Persons creating all or any part of the Guaranteed Obligations acted in excess of their authority. Guarantor hereby acknowledges that withdrawal from, or termination of, any ownership interest in Seller now or hereafter owned or held by Guarantor shall not alter, affect or in any way limit the obligations of Guarantor hereunder.

9. **Insolvency.** Should Guarantor become insolvent, or fail to pay Guarantor's debts generally as they become due, or voluntarily seek, consent to, or acquiesce in the benefit or benefits of any Debtor Relief Law, or become a party to (or be made the subject of) any proceeding provided for by any Debtor Relief Law (other than as a creditor or claimant) that could reasonably be expected to suspend or otherwise adversely affect the rights and remedies of Bank granted hereunder, then, in any such event, the Guaranteed Obligations shall be, as between Guarantor and Bank, a fully matured, due, and payable obligation of Guarantor to Bank (without regard to whether Seller is then in default under any Warehouse Documents or whether the Guaranteed Obligations, or any part thereof is then due and owing by Seller to Bank), payable in full by Guarantor to Bank upon demand, which shall be the estimated amount owing in respect of the contingent claim created hereunder.

10. **Subrogation.** Until the Guaranty Termination Date, Guarantor hereby covenants and agrees that Guarantor shall not assert, enforce, or otherwise exercise: (a) any right of subrogation to any of the rights or Liens of Bank against Seller or any other guarantor of the Guaranteed Obligations or any collateral or other security; or (b) unless such rights are expressly made subordinate to the Guaranteed Obligations (in form and upon terms acceptable to Bank) and the rights of Bank under this Guaranty and the Warehouse Documents, any right of recourse, reimbursement, contribution, indemnification, or similar right against Seller or any other guarantor of all or any part of the Guaranteed Obligations.

11. **Subordinate Debt.** All principal of and interest on all indebtedness, liabilities, and obligations of Seller to Guarantor (the "**Subordinated Debt**") now or hereafter existing, due or to become due to Guarantor, or held or to be held by Guarantor, whether created directly or acquired by assignment or otherwise, and whether evidenced by written instrument or not, shall be expressly subordinated to the Guaranteed Obligations. Until the Guaranty Termination Date, Guarantor agrees not to receive or accept any payment from Seller with respect to the Subordinated Debt at any time an Event of Default or default under any Warehouse Document has occurred and is continuing; and, in the event Guarantor receives any payment on the Subordinated Debt in violation of the foregoing, Guarantor will hold any such payment in trust for Bank and forthwith turn it over to Bank in the form received, to be applied to the Guaranteed Obligations. If Guarantor has executed a separate subordination agreement approved by Bank ("**Subordination Agreement**") applicable to the Subordinated Debt, the Subordination Agreement shall control over any inconsistent provision in this Section.

12. **No Fraudulent Transfer.** It is the intention of Guarantor and Bank that the amount of the Guaranteed Obligations guaranteed by Guarantor by this Guaranty shall be in, but not in excess of, the maximum amount permitted by fraudulent conveyance, fraudulent transfer, or similar Laws applicable to Guarantor. Accordingly, notwithstanding anything to the contrary contained in this Guaranty or any other

agreement or instrument executed in connection with the payment or performance of any of the Guaranteed Obligations, the amount of the Guaranteed Obligations guaranteed by Guarantor by this Guaranty shall be limited to that amount which after giving effect thereto would not: (a) render Guarantor insolvent; (b) result in the fair saleable value of the assets of Guarantor being less than the amount required to pay Guarantor's debts and other liabilities (including contingent liabilities) as they mature; or (c) leave Guarantor with unreasonably small capital to carry out Guarantor's business as now conducted and as proposed to be conducted, including its capital needs, as such concepts described in clauses (a), (b) and (c) of this Section, are determined under applicable Law, if the obligations of Guarantor hereunder would otherwise be set aside, terminated, annulled or avoided for such reason by a court of competent jurisdiction in a proceeding actually pending before such court.

13. **Actions against Guarantor.** In the event of a default in the payment or performance of all or any part of the Guaranteed Obligations, or if an Event of Default occurs under any Warehouse Document, when all or any portion of the Guaranteed Obligations becomes due, whether by its terms, by acceleration or otherwise, Guarantor shall, upon demand, promptly pay the amount due thereon to Bank, in lawful money of the United States, at Bank's address set forth above. One or more successive or concurrent actions may be brought against Guarantor, either in the same action in which Seller is sued or in separate actions, as often as Bank deems advisable. The exercise by Bank of any right or remedy under this Guaranty or under any other agreement or instrument, at law, in equity otherwise, shall not preclude concurrent or subsequent exercise of any other right or remedy. The books and records of Bank shall be admissible in evidence in any action or proceeding involving this Guaranty and shall be prima facie evidence of the payments made on, and the outstanding balance of, the Guaranteed Obligations.

14. **Notice of Sale.** Except as otherwise required by applicable Law, in the event that Guarantor is entitled to receive any notice under the UCC of the sale or other disposition of any collateral securing all or any part of the Guaranteed Obligations or this Guaranty, reasonable notice shall be deemed given when such notice is deposited in the United States mail, postage prepaid, at the address for Guarantor set forth above, ten (10) days prior to the date any public sale, or after which any private sale, of any such collateral is to be held; provided, however, that notice given in any other reasonable manner or at any other reasonable time shall be sufficient.

15. **Waiver by Bank.** No delay on the part of Bank in exercising any right hereunder or failure to exercise the same shall operate as a waiver of such right. In no event shall any waiver of the provisions of this Guaranty be effective unless the same be in writing and signed by an officer of Bank, and then only in the specific instance and for the purpose given.

16. **Successors and Assigns.** This Guaranty is for the benefit of Bank, its successors and assigns. This Guaranty is binding upon Guarantor and Guarantor's heirs, executors, administrators, personal representatives and successors, including, without limitation, any Person obligated by operation of Law upon the reorganization, merger, consolidation or other change in the organizational structure of Guarantor.

17. **Setoff Rights.** Bank shall have the right to set off and apply against the Guaranteed Obligations, any and all deposits owing from Bank to Guarantor if Guarantor's obligation to remit all or any portion of the Guaranteed Obligations has matured under this Guaranty irrespective of whether or not Bank shall have made any demand under this Guaranty. The rights and remedies of Bank hereunder are in addition to other rights and remedies (including, without limitation, other rights of setoff) which Bank may have.

18. **Costs and Expenses.** Guarantor shall pay on demand by Bank all costs and expenses, including, without limitation, all reasonable attorneys' fees incurred by Bank in connection with the enforcement and/or collection of this Guaranty. This covenant shall survive the payment of the Guaranteed Obligations.

19. **Severability.** If any provision of this Guaranty is held by a court of competent jurisdiction to be illegal, invalid or unenforceable under present or future laws, such provision shall be fully severable, shall not impair or invalidate the remainder of this Guaranty and the effect thereof shall be confined to the provision held to be illegal, invalid or unenforceable.

20. **No Obligation.** Nothing contained herein shall be construed as an obligation on the part of Bank to extend or continue to extend credit or other financial accommodations to Seller. Without limiting the generality of the foregoing, nothing contained herein shall obligate Bank to purchase any Participation Interests pursuant to the Warehouse Agreement, unless Bank elects, in its sole and absolute discretion, to purchase any such Participation Interests pursuant to the terms and conditions of the Warehouse Agreement.

21. **Amendment.** No modification or amendment of any provision of this Guaranty, nor consent to any departure by Guarantor therefrom, shall be effective unless the same shall be in writing and signed by an officer of Bank, and then shall be effective only in the specific instance and for the purpose for which given.

22. **Cumulative Rights.** All rights and remedies of Bank hereunder are cumulative of each other and of every other right or remedy which Bank may otherwise have at law or in equity or under any instrument or agreement, and the exercise of one or more of such rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of any other rights or remedies.

23. **Compliance with Applicable Usury Laws.** Notwithstanding any other provision of this Guaranty or of any instrument or agreement evidencing, governing or securing all or any part of the Guaranteed Obligations, Guarantor and Bank by its acceptance hereof agree that Guarantor shall never be required or obligated to pay interest in excess of the maximum nonusurious interest rate as may be authorized by applicable Law for the written contracts which constitute the Guaranteed Obligations. It is the intention of Guarantor and Bank to conform strictly to the applicable Laws which limit interest rates, and any of the aforesaid contracts for interest, if and to the extent payable by Guarantor, shall be held to be subject to reduction to the maximum nonusurious interest rate allowed under said Law.

24. **Descriptive Headings.** The headings in this Guaranty are for convenience only and shall not define or limit the provisions hereof.

25. **Gender.** Within this Guaranty, words of any gender shall be held and construed to include the other gender.

26. **Exhibits.** All exhibits, addenda, and riders which are attached hereto and executed by Guarantor and Bank are incorporated into this Guaranty and made a part hereof for all purposes, the same as if set forth herein verbatim.

27. **Entire Agreement.** This Guaranty contains the entire agreement between Guarantor and Bank regarding the subject matter hereof and supersedes all prior written and oral agreements and understandings, if any, regarding same; provided, however, this Guaranty is in addition to and does not replace, cancel, modify or affect any other guaranty of Guarantor now or hereafter held by Bank that relates to Seller and different liabilities or indebtedness.

28. **GOVERNING LAW AND VENUE.** GUARANTOR HAS SIGNED THIS GUARANTY AND SUBMITS IT TO BANK FOR ACCEPTANCE AT BANK'S OFFICE IN RICHARDSON, COLLIN COUNTY, TEXAS. GUARANTOR SHALL MAKE ALL PAYMENTS AND PERFORM ALL OTHER OBLIGATIONS ARISING HEREUNDER AT COLLIN COUNTY, TEXAS, AND THIS AGREEMENT IS MADE AND ENTERED INTO AT COLLIN COUNTY, TEXAS. THIS AGREEMENT AND ALL OF THE TERMS AND CONDITIONS HEREOF AND THE RIGHTS OF THE PARTIES HERETO SHALL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND VENUE FOR ANY LEGAL ACTION BROUGHT HEREUNDER SHALL LIE IN COLLIN COUNTY, TEXAS OR DALLAS COUNTY, TEXAS.

29. **WAIVER OF RIGHT TO JURY.** GUARANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING, OR COUNTERCLAIM THAT RELATES TO OR ARISES OUT OF ANY OF THE WAREHOUSE DOCUMENTS OR THE ACTS OR FAILURE TO ACT OF OR BY SELLER IN THE ENFORCEMENT OF ANY OF THE TERMS OR PROVISIONS OF THIS GUARANTY OR THE OTHER WAREHOUSE DOCUMENTS.

30. **NO ORAL AGREEMENTS.** THIS GUARANTY AND THE OTHER WAREHOUSE DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BY THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

31. **Joint and Several Liability.** The liability of all Persons obligated to Bank in any manner under this Guaranty and any and all riders hereto shall be joint and several.

[Signature Page Follows]

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2015-11
HAL2016-4

GUARANTOR:

REDFIN CORPORATION, A DELAWARE CORPORATION

By: /s/ Glenn Kelman
Name: GLENN KELMAN
Title: CHIEF EXECUTIVE OFFICER

Guarantor's Address for Notices:

GLENN KELMAN
1099 STEWART STREET, SUITE 600
SEATTLE, WA 98101
Attention: GLENN KELMAN
Phone: (206) 859-2838
E-mail: GLENN.KELMAN@REDFIN.COM

With a copy to:

REDFIN CORPORATION
1099 STEWART STREET, SUITE 600
SEATTLE, WA 98101
ATTENTION: GENERAL COUNSEL

* * *

STATE OF Washington §
 §
COUNTY OF King §

This document was acknowledged before me on the 14 day of February, 2017, by GLENN KELMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER of REDFIN MORTGAGE, LLC, A DELAWARE LIMITED LIABILITY COMPANY, known to me to be the person who executed this document in the capacity and for the purposes therein stated.

/s/ Illegible
Notary Public, State of Washington

[NOTARY STAMP]

FINANCIAL COVENANTS RIDER
(TO GUARANTY AGREEMENT)

THIS FINANCIAL COVENANTS RIDER ("Rider") is entered into as of December 21, 2016 (the "Effective Date"), by TEXAS CAPITAL BANK, NATIONAL ASSOCIATION ("Bank"), and the undersigned executing this Rider as "Guarantor". This Rider is attached to and made a part of that certain Guaranty Agreement (the "Guaranty") dated the Effective Date, executed by Guarantor for the benefit of Bank. Capitalized terms used in this Rider, but not otherwise defined herein, shall have the meanings given to such terms in the Guaranty. Guarantor and Bank agree that the following provisions supersede, govern and control any contrary provisions in the Guaranty:

1. **Financial Covenants.** Guarantor covenants and agrees that, until the Guaranty Termination Date, Guarantor will, at all times, observe, perform and comply with each of the following covenant(s):

(a) **Minimum Tangible Net Worth.** Guarantor shall maintain Tangible Net Worth of not less than \$60,000,000.00. "**Tangible Net Worth**" means, at any particular time, all amounts which, in conformity with GAAP (as defined in the Warehouse Agreement), would be properly included as owner's equity on Guarantor's balance sheet, but **excluding** (i) all assets which are properly classified as intangible assets, and (ii) loans or advances to, or receivables from, any owner, officer or employee of Guarantor.

(b) **Minimum Liquid Assets.** Guarantor shall maintain Total Eligible Liquidity of not less than \$40,000,000.00. "**Total Eligible Liquidity**" means, at any particular time, the sum of Guarantor's cash, cash equivalents (certificates of deposit and other depository accounts established at FDIC-insured banks), United States government-issued securities and other registered, unrestricted equity or debt securities which are publicly traded on a recognized United States exchange and have been approved by Bank, in its sole and absolute discretion and which, in all events, are held in Guarantor's name and are free and clear of all Liens (as defined in the Warehouse Agreement) (except Liens in favor of Bank), as calculated and determined as set forth in Exhibit A attached hereto.

(c) **Consecutive Quarterly Net Losses.** Guarantor shall not incur pre-tax net losses for two consecutive quarters, excluding any markup or markdown of mortgage servicing rights.

After the Effective Date, Guarantor and Bank may, in their sole discretion, enter into certain written agreements executed by Guarantor and Bank guaranteeing, evidencing or otherwise governing one or more credit facilities extended by Bank in addition to the financial accommodations evidenced and governed by the Warehouse Agreement (collectively, "**Credit Agreements**"), which Credit Agreements may include (a) certain financial covenants pertaining to Guarantor in addition to those contained in this Rider (each a "**New Financial Covenant**") and (b) one or more of the same financial contained in this Rider, but with certain modified terms covenants pertaining to Guarantor with respect to each such financial covenant (each a "**Modified Financial Covenant**"). In such event, unless otherwise agreed to by Bank, the financial covenants contained in this Rider shall automatically be modified and amended from time to time (a) to include each New Financial Covenant and (b) to include the most recent terms of each Modified Financial Covenant to the extent inconsistent with those contained in this Rider. Except as modified and amended in accordance with the terms of the previous sentence, this Rider shall continue in full force and effect as originally executed and delivered. The modifications and amendments contemplated hereby shall not be affected by the termination of any Credit Agreement, and shall survive the termination of each Credit Agreement.

2. **Compliance Certificates.** Guarantor acknowledges Bank has requested, and Guarantor shall timely prepare and furnish to Bank, the financial statements and reports described in the Warehouse Agreement which pertain to Guarantor, plus such additional financial reports and information as Bank may from time to time request. In addition, Guarantor shall prepare and submit to Bank, on a quarterly basis and no later than thirty (30) days after the end of each calendar quarter, a compliance certificate executed by Guarantor, demonstrating Guarantor's compliance with the covenants set forth in Section 1 of this Rider and such substantiation thereof as may be required by Bank, all in such form and content required by Bank from time to time. A copy of Bank's current required form of compliance certificate is attached hereto as Exhibit A. Although compliance certificates are to be delivered to Bank on a quarterly basis, Guarantor shall at all times comply with all covenants set forth in Section 1 of this Rider and Bank may test Guarantor's compliance with such covenants at any time.

3. **Miscellaneous.** The liability of all Persons obligated to Bank in any manner under this Rider shall be joint and several. If more than one Person shall execute this Rider as "Guarantor", then the term "Guarantor" as used herein shall refer both to each such Person individually and to all such Persons collectively. Except as hereby modified or supplemented, the Guaranty shall remain in full force and effect.

[Signature Page Follows]

EXECUTED by Guarantor to be effective as of the Effective Date.

GUARANTOR:

REDFIN CORPORATION, A DELAWARE CORPORATION

By: /s/ Glenn Kelman
Name: GLENN KELMAN
Title: CHIEF EXECUTIVE OFFICER

* * *

STATE OF Washington §
 §
COUNTY OF King §

This document was acknowledged before me on the 14 day of February, 2017, by GLENN KELMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER of REDFIN MORTGAGE, LLC, A DELAWARE LIMITED LIABILITY COMPANY, known to me to be the person who executed this document in the capacity and for the purposes therein stated.

/s/ Illegible
Notary Public, State of Washington

[NOTARY STAMP]

**AGREED TO AND ACCEPTED BY BANK AT RICHARDSON,
COLLIN COUNTY, TEXAS, AS OF THE EFFECTIVE DATE:**

TEXAS CAPITAL BANK,
NATIONAL ASSOCIATION

By: /s/ Heather Crawford
Name: Heather Crawford
Title: Vice President

EXHIBIT A
(TO FINANCIAL COVENANTS RIDER)

COMPLIANCE CERTIFICATE [Follows

This Cover Page]

Page 14

Mortgage Warehouse Agreement: Exhibit C Version:
2015-11
HAL2016-4

COMPLIANCE CERTIFICATE

REPORTING PERIOD: _____, 20____ through _____, 20____

This Compliance Certificate (this "Certificate") is being delivered in connection with that certain Guaranty Agreement (as amended and modified from time to time, and including all addenda, riders and exhibits thereto, the "Guaranty") dated _____, 20____, executed for the benefit of TEXAS CAPITAL BANK, NATIONAL ASSOCIATION ("Bank") by the undersigned executing this Certificate as "Guarantor". Capitalized terms used in this Certificate shall, unless otherwise indicated herein, have the meanings set forth in the Guaranty. On behalf of Guarantor, the undersigned certifies to Bank as of the last day of the reporting period indicated above (the "Determination Date") that: (a) no default has occurred and is continuing under the Guaranty; (b) all representations and warranties of Guarantor contained in the Guaranty and in the other Warehouse Documents are true and correct in all material respects; and (c) the information set forth below and all documents provided to Bank to substantiate the same are true, correct and complete.

Minimum Tangible Net Worth:

<i>Actual Tangible Net Worth (as of the Determination Date)</i>		<i>Required minimum Tangible Net Worth (pursuant to the Guaranty)</i>
GAAP Net Worth	\$ _____	
Less:		
Goodwill, Patents, etc. Related	(\$ _____)	
Party Receivables	(\$ _____)	
Officer/Employee Receivables	(\$ _____)	
Goodwill, Other Intangibles, etc.	(\$ _____)	
TOTAL TANGIBLE NET WORTH:	\$ _____	\$60,000,000.00

Minimum Liquid Assets:

<i>Actual Liquid Assets (as of the Determination Date)</i>		<i>Required minimum Liquid Assets (pursuant to the Guaranty)</i>
Total Liquidity	\$ _____	
Less:		
Pledged Liquid Assets	(\$ _____)	
Other Encumbered/Ineligible		
Liquidity Assets	(\$ _____)	
Plus:		
Liquidity Pledged to Bank (If Deducted Above)	\$ _____	
TOTAL ELIGIBLE LIQUIDITY:	\$ _____	\$40,000,000.00

Consecutive Quarterly Net Losses:

		<i>Actual Quarterly Net Income (Loss)</i> <i>(as of the Determination Date)</i>		
		<i>Current QTR</i>	<i>Prior QTR</i>	
Pre-Tax Net Income (Loss)		\$ _____	\$ _____	
Less:				
MSR Fair Value Increase (Decrease)		(\$ _____)	(\$ _____)	<i>No Two Consecutive Quarterly Pre-Tax Net Losses, Excluding Any Markup or Markdown of Mortgage Servicing Rights (pursuant to the Agreement)</i>
ACTUAL PRE-TAX NET INCOME EXCLUDING MSR FAIR VALUE ADJUSTMENT:		\$ _____	\$ _____	

GUARANTOR:
REDFIN CORPORATION, A DELAWARE CORPORATION

By: _____
Name: _____
Title: _____

EXHIBIT D
(TO MORTGAGE WAREHOUSE AGREEMENT)

UCC-1 FINANCING STATEMENT

[Follows This Cover Page]

Mortgage Warehouse Agreement: Exhibit D
Version: 2015-11
HAL2016-4

UCC-1 FINANCING STATEMENT
SCHEDULE OF COLLATERAL

DEBTOR: REDFIN MORTGAGE, LLC, A DELAWARE LIMITED LIABILITY COMPANY
SECURED PARTY: TEXAS CAPITAL BANK, NATIONAL ASSOCIATION

Capitalized terms used but not otherwise defined in this UCC-1 Financing Statement Schedule of Collateral shall have the meanings given to such terms in the UCC-1 Financing Statement Schedule of Defined Terms attached hereto and made a part hereof for all purposes. Unless otherwise defined in the UCC-1 Financing Statement Schedule of Defined Terms or in this UCC-1 Financing Statement Schedule of Collateral, all capitalized terms used herein shall have the meanings given to such terms in the UCC.

This Financing Statement covers any and all rights, titles and interests of Debtor in and to any and all Participated Mortgage Loans, wherever the foregoing is located, in which Debtor now has or at any time hereafter has or acquires any right, title or interest, and all Product and Proceeds thereof (collectively, the "Collateral"). Without limiting the generality of the foregoing, the term Collateral shall include all rights, titles and interests of Debtor in and to the following, wherever the following is located, in which Debtor now has or at any time hereafter has or acquires any right, title or interest, and all Products and Proceeds thereof:

1. (a) the Mortgage Notes evidencing the Participated Mortgage Loans; (b) the Security Instruments securing the Participated Mortgage Loans and the other Mortgage Loan Documents related to the Participated Mortgage Loans; and (c) any and all other documents relating to the Participated Mortgage Loans (including, without limitation, any and all surveys, appraisals and title insurance commitments and policies);
2. (a) all of the rights of Debtor to the payment of money (including, without limitation, tax refund, insurance proceeds and condemnation proceeds) relating to the Participated Mortgage Loans or the Residential Real Properties securing same; and (b) any other rights ancillary to or securing or relating to the Participated Mortgage Loans;
3. all guaranties, bonds, insurance policies and commitments relating to the Participated Mortgage Loans;
4. all agreements entered into by Debtor relating to the Participated Mortgage Loans;
5. (a) all Take-Out Purchase Agreements related to the Participated Mortgage Loans; and (b) all rights to sell and deliver Participated Mortgage Loans to purchasers thereof;
6. all proceeds from the sale, financing or other disposition of the Participated Mortgage Loans;
7. all Mortgage Backed Securities secured by, created from or representing any interest in the Participated Mortgage Loans;

-
8. (a) all rights to service, administer or collect the Participated Mortgage Loans; and (b) (i) all agreements pursuant to which Debtor undertakes to service, administer or collect the Participated Mortgage Loans and (ii) all rights to the payment of money on account of such servicing, administration or collection activities;
 9. all purchase agreements, credit agreement or other agreements pursuant to which Debtor acquired the Participated Mortgage Loans and all other agreements, documents or instruments executed in connection therewith;
 10. the Deposit Accounts and any and all funds now or hereafter deposited in or otherwise contained in the Deposit Accounts, including, without limitation, any and all interest and other earnings thereon;
 11. all data, files (including, without limitation, credit files), books, records (including, without limitation, servicing records), correspondence and accounting records, whether in electronic or written form, and software, computer files, computer programs, printouts and other electronic materials or records related to the Participated Mortgage Loans (including, without limitation, all of the foregoing items necessary to administer, service and collect the Participated Mortgage Loans); and
 12. all Accounts, Chattel Paper, Commercial Tort Claims, Deposit Accounts, Documents, Financial Assets, General Intangibles, Instruments, Investment Property, Securities, Securities Accounts and other personal property of Debtor of any kind or type, in each case related to the Participated Mortgage Loans.

UCC-1 FINANCING STATEMENT
SCHEDULE OF DEFINED TERMS

“Borrower” shall mean any Person who is an obligor on or under a Mortgage Loan.

“Debtor” (whether one or more) shall mean each Person identified as “Debtor” in the UCC-1

Financing Statement Schedule of Collateral to which this UCC-1 Financing Statement Schedule of Defined Terms is attached. If the term “Debtor” includes more than one Person, then the term “Debtor” as used herein shall refer both to each such Person individually and to all such Persons collectively.

“Deposit Accounts” shall mean those certain deposit accounts established by Debtor and maintained at Secured Party pursuant to the Warehouse Agreement.

“Laws” shall mean all statutes, laws, ordinances, regulations, rules, orders, writs, injunctions or decrees of the United States, any city or municipality, state, commonwealth, nation, country, territory, possession, or any Tribunal.

“Mortgage Backed Security” shall mean a mortgage pass-through security, collateralized mortgage obligation, real estate mortgage investment conduit or other security that: (a) is based on and backed by an underlying pool of mortgage loans; and (b) provides for payment by its issuer to its holder of a specified principal installments and/or fixed or floating rate of interest on the unpaid balance and for all prepayments to be passed through to its holder.

“Mortgage Loan” shall mean a residential mortgage loan evidenced by a Mortgage Note and secured by a Security Instrument.

“Mortgage Loan Documents” shall mean, with respect to any Mortgage Loan, the Mortgage Note evidencing such Mortgage Loan, the Security Instrument securing such Mortgage Loan and all other agreements, instruments and documents governing, evidencing, guaranteeing or relating to such Mortgage Loan, Mortgage Note or Security Instrument.

“Mortgage Note” shall mean, with respect to any Mortgage Loan, a full recourse promissory note evidencing such Mortgage Loan and secured by a Security Instrument.

“Participated Mortgage Loan” shall mean any Mortgage Loan in which Secured Party has elected to purchase a Participation Interest from Debtor pursuant to the terms and conditions of the Warehouse Agreement. A Mortgage Loan in which Secured Party has purchased a Participation Interest shall cease to be a Participated Mortgage Loan under the Warehouse Agreement (and shall cease to be a Participated Mortgage Loan for purposes of the UCC-1 Financing Statement Schedule of Collateral to which this UCC-1 Financing Statement Schedule of Defined Terms is attached) at such time as such Mortgage Loan is a Retired Participated Mortgage Loan.

“Person” shall mean any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof, or any other form of entity.

“Products and Proceeds” shall mean: (a) any and all “proceeds,” as such term is defined in Chapter 9 of the UCC and, in any event, shall include, but not be limited to (i) any and all proceeds of any insurance, indemnity, warranty, or guaranty payable to Debtor from time to time with respect to any of the Collateral, (ii) any and all payments (in any form whatsoever) made or due and payable to Debtor from time to time in connection with any requisition, confiscation, condemnation, seizure, or forfeiture of

all or any part of the Collateral by any Tribunal (or any person acting under color of Tribunal) and (iii) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral; and (b) any and all additions, substitutions, replacements and products of any of the Collateral.

“Residential Real Property” shall mean a single platted lot of land improved with a one-to-four family residence.

“Retired Participated Mortgage Loan” shall mean any Mortgage Loan in which Secured Party has purchased a Participation Interest: (a) which has been subsequently sold in its entirety to a Take-Out Purchaser and the full amount of the purchase price for such sale has been received and applied by Secured Party (as reflected on the Secured Party’s books and records), all pursuant to the terms of the Warehouse Agreement; (b) for which the Participation Interest in such Mortgage Loan has been subsequently repurchased in its entirety by Debtor from Secured Party and the full amount of the repurchase price for such repurchase has been received and applied by Secured Party (as reflected on the Secured Party’s books and records), all pursuant to the terms of the Warehouse Agreement; or (c) for which the entire principal balance and all accrued interest for such Mortgage Loan has been subsequently paid in full by the related Borrower (as reflected on the Secured Party’s books and records), and Secured Party’s pro rata share of such amounts have been received and applied by Secured Party, all pursuant to the terms of the Warehouse Agreement.

“Secured Party” shall mean Texas Capital Bank, National Association.

“Security Instrument” shall mean, with respect to any Mortgage Loan, a full recourse mortgage or deed of trust securing such Mortgage Loan and granting a perfected first priority lien on the Residential Real Property related thereto.

“Take-Out Purchase Agreement” shall mean, with respect to any Participated Mortgage Loan, any and all agreements, commitments or other arrangements for Debtor to sell such Participated Mortgage Loan to any Take-Out Purchaser.

“Take-Out Purchaser” shall mean any Person approved by Secured Party (pursuant to the Warehouse Agreement) for the purchase of any Participated Mortgage Loan.

“Tribunal” shall mean any state, commonwealth, federal, foreign, territorial or other court or governmental department, commission, board, bureau, agency or instrumentality.

“UCC” shall mean the Uniform Commercial Code of the State of Texas, or other applicable jurisdiction, as it may be amended from time to time.

“Warehouse Agreement” shall mean that certain Mortgage Warehouse Agreement most recently executed by Debtor and Secured Party on or before the date of the filing of this UCC-1 Financing Statement, as the same may from time to time be modified, amended, supplemented, renewed, extended or replaced.

EXHIBIT E
(TO MORTGAGE WAREHOUSE AGREEMENT)

FINANCIAL COVENANTS ADDENDUM

[Follows This Cover Page (If Applicable¹)]

¹ If an Additional Warehouse Facility Covenants Addendum does not follow this cover page, then this addendum is not applicable unless such an addendum is subsequently executed by Bank and Seller.

Mortgage Warehouse Agreement: Exhibit E
Version: 2015-11
HAL2016-4

FINANCIAL COVENANTS ADDENDUM

THIS FINANCIAL COVENANTS ADDENDUM (this "Addendum") is effective as of DECEMBER 21, 2016 (the "Effective Date"), and is entered into by the undersigned executing this Addendum as "Seller" and TEXAS CAPITAL BANK, NATIONAL ASSOCIATION ("Bank") concurrently with, and as a condition to the effectiveness of, that certain Mortgage Warehouse Agreement (as amended and modified from time to time, the "Warehouse Agreement") dated the Effective Date, executed by Bank and Seller. Accordingly, Bank and Seller agree as follows:

1. **Financial Covenants.** Seller covenants and agrees that, until the Agreement Termination Date, Seller will, at all times, observe, perform and comply with each of the following covenant(s):

(a) Minimum Tangible Net Worth. Seller shall maintain Tangible Net Worth of not less than \$4,000,000.00. "Tangible Net Worth" means, at any particular time, all amounts which, in conformity with GAAP, would be properly included as owner's equity on Seller's balance sheet, but excluding (i) all assets which are properly classified as intangible assets, and (ii) loans or advances to, or receivables from, any owner, officer or employee of Seller.

(b) Minimum Liquid Assets. Seller shall maintain Total Eligible Liquidity of not less than \$1,000,000.00. "Total Eligible Liquidity" means, at any particular time, the sum of Seller's cash, cash equivalents (certificates of deposit and other depository accounts established at FDIC-insured banks), United States government-issued securities and other registered, unrestricted equity or debt securities which are publicly traded on a recognized United States exchange and have been approved by Bank, in its sole and absolute discretion and which, in all events, are held in Seller's name and are free and clear of all Liens (except Liens in favor of Bank), as calculated and determined as set forth in Exhibit E-1 attached hereto.

(c) Consecutive Quarterly Net Losses. Seller shall not incur pre-tax net losses for two consecutive quarters, excluding any markup or markdown of mortgage servicing rights.

If Seller is required or permitted under the Warehouse Agreement to deliver to Bank quarterly consolidated financial statements, then the above-described financial covenants will be tested and calculated by Bank based on the consolidated financial information of Seller and each other entity whose financial information is required or permitted by Bank to be set forth on such consolidated financial statements.

After the Effective Date, Seller and Bank may, in their sole discretion, enter into certain written agreements executed by Seller and Bank evidencing or otherwise governing one or more credit facilities extended by Bank to Seller in addition to the financial accommodations evidenced and governed by the Warehouse Agreement (collectively, "Credit Agreements"), which Credit Agreements may include (a) certain financial covenants pertaining to Seller in addition to those contained in this Addendum (each a "New Financial Covenant") and (b) one or more of the same financial covenants contained in this Addendum, but with certain modified terms pertaining to Seller with respect to each such financial covenant (each a "Modified Financial Covenant"). In such event, unless otherwise agreed to by Bank, the financial covenants contained in this Addendum shall automatically be modified and amended from time to time (a) to include each New Financial Covenant and (b) to include the most recent terms of each Modified Financial Covenant to the extent inconsistent with those contained in this Addendum. Except as modified and amended in accordance with the terms of the previous sentence, this Addendum shall continue in full force and effect as originally executed and delivered. The modifications and amendments contemplated hereby shall not be affected by the termination of any Credit Agreement, and shall survive the termination of each Credit Agreement.

2. **Intentionally Omitted.**

3. **Compliance Certificates.** Seller acknowledges Bank has requested, and Seller shall timely prepare and furnish to Bank, the financial statements and reports described in the Warehouse Agreement, plus such additional financial reports and information as Bank may from time to time request. In addition, Seller shall prepare and submit to Bank, on a quarterly basis and no later than thirty (30) days after the close of each fiscal quarter, a compliance certificate executed by Seller, demonstrating Seller's compliance with the covenants set forth in Section 1 of this Addendum and the provisions of the Warehouse Agreement, and such substantiation thereof as may be required by Bank, all in such form and content required by Bank from time to time. A copy of Bank's current required form of compliance certificate is attached hereto as Exhibit E-1. Although compliance certificates are to be delivered to Bank on a quarterly basis, Seller shall at all times comply with all covenants set forth in Section 1 of this Addendum and the provisions of the Warehouse Agreement and Bank may test Seller's compliance with such covenants and provisions at any time.

4. **Miscellaneous.** This Addendum is made a part of and is incorporated into the Warehouse Agreement. The provisions of this Addendum supersede, modify and amend any and all inconsistent or conflicting provisions in the Warehouse Agreement. Except as hereby modified and amended, the Warehouse Agreement shall remain in full force and effect. Capitalized terms not otherwise defined in this Addendum shall have the meanings set forth in the Warehouse Agreement. The liability of all Persons obligated to Bank in any manner under this Addendum shall be joint and several. If more than one Person shall execute this Addendum as "Seller", then the term "Seller" as used herein shall refer both to each such Person individually and to all such Persons collectively.

[Signature Page Follows]

EXECUTED by Seller to be effective as of the Effective Date.

SELLER:

REDFIN MORTGAGE, LLC, A DELAWARE LIMITED
LIABILITY COMPANY

By: /s/ Glenn Kelman
Name: GLENN KELMAN
Title: PRESIDENT AND CHIEF EXECUTIVE OFFICER

* * *

STATE OF Washington §
 §
COUNTY OF King §

This document was acknowledged before me on the 14 day of February, 2017, by GLENN KELMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER of REDFIN MORTGAGE, LLC, A DELAWARE LIMITED LIABILITY COMPANY, known to me to be the person who executed this document in the capacity and for the purposes therein stated.

/s/ Illegible
Notary Public, State of Washington

[NOTARY STAMP]

**AGREED TO AND ACCEPTED BY BANK AT RICHARDSON,
COLLIN COUNTY, TEXAS, AS OF THE EFFECTIVE DATE:**

TEXAS CAPITAL BANK,
NATIONAL ASSOCIATION

By: /s/ Heather Crawford
Name: Heather Crawford
Title: Vice President

EXHIBIT E-1
(TO FINANCIAL COVENANTS ADDENDUM TO
MORTGAGE WAREHOUSE AGREEMENT)

COMPLIANCE CERTIFICATE

[Follows This Cover Page]

Page 4

Mortgage Warehouse Agreement: Exhibit E
Version: 2015-11
HAL2016-4

REDFIN MORTGAGE, LLC, A DELAWARE LIMITED LIABILITY COMPANY

COMPLIANCE CERTIFICATE

REPORTING PERIOD: _____, 20____ through _____, 20____

This Compliance Certificate (this "Certificate") is being delivered in connection with that certain Mortgage Warehouse Agreement (as amended and modified from time to time, and including all addenda and exhibits thereto, the "Agreement") dated DECEMBER 21, 2016 executed by TEXAS CAPITAL BANK, NATIONAL ASSOCIATION ("Bank") and the undersigned executing this Certificate as "Seller". Capitalized terms used in this Certificate shall, unless otherwise indicated herein, have the meanings set forth in the Agreement. On behalf of Seller, the undersigned certifies to Bank as of the last day of the reporting period indicated above (the "Determination Date") that: (a) no Event of Default has occurred and is continuing; (b) all representations and warranties of Seller contained in the Agreement and in the other Warehouse Documents are true and correct in all material respects; and (c) the information set forth below and all documents provided to Bank to substantiate the same are true, correct and complete.

Minimum Tangible Net Worth:

<i>Actual Tangible Net Worth (as of the Determination Date)</i>		<i>Required minimum Tangible Net Worth (pursuant to the Agreement)</i>
GAAP Net Worth	\$ _____	
Less:		
Investment in Affiliates	(\$ _____)	
Loan Receivable – Related Party	(\$ _____)	
Officer/Employee Receivables	(\$ _____)	
Goodwill, Other Intangibles, etc.	(\$ _____)	
TOTAL TANGIBLE NET WORTH:	\$ _____	\$4,000,000.00

[Additional Covenants Follow]

Minimum Liquid Assets:

<i>Actual Liquid Assets (as of the Determination Date)</i>		<i>Required minimum Liquid Assets (pursuant to the Agreement)</i>
Total Liquidity	\$ _____	
Less:		
Pledged Liquid Assets	(\$ _____)	
Other Restricted Liquidity Assets	(\$ _____)	
Plus:		
Liquidity Pledged to Bank (If Deducted Above)	(\$ _____)	
TOTAL ELIGIBLE LIQUIDITY	\$ _____	\$1,000,000.00

Consecutive Quarterly Net Losses:

	<i>Actual Quarterly Net Income (Loss) (as of the Determination Date)</i>		
	<i>Current QTR</i>	<i>Prior QTR</i>	
Pre-Tax Net Income (Loss)	\$ _____	\$ _____	
Less:			
MSR Fair Value Increase (Decrease)	(\$ _____)	(\$ _____)	<i>No Two Consecutive Quarterly Pre-Tax Net Losses, Excluding Any Markup or Markdown of Mortgage Servicing Rights (pursuant to the Agreement)</i>
ACTUAL PRE-TAX NET INCOME EXCLUDING MSR FAIR VALUE ADJUSTMENT:	\$ _____	\$ _____	

[Additional Covenants and Signature Page Follows]

Other Warehousing Facilities: Seller represents and warrants to Bank that any and all mortgage warehousing facilities of Seller (other than with Bank) in effect as of the date hereof are identified on the schedule appearing immediately below. Further, Seller represents and warrants to Bank that no default has occurred under any of the mortgage warehousing facilities of Seller identified in such schedule Pursuant to the Agreement, Seller covenants and agrees to: (a) notify Bank in writing prior to entering into any other mortgage warehousing facilities; and (b) promptly notify Bank in writing regarding any material change in any mortgage warehousing facility of Seller (including as to the maximum amount of any such facility and as to any termination, suspension or non-renewal of any such facility) or any default by Seller under any such mortgage warehousing facility.

<i>Warehouse Lender</i>	<i>Maximum Facility Amount</i>
Western Alliance	\$ 10,000,000.00

EXECUTED by Seller as of the Determination Date.

SELLER:

REDFIN MORTGAGE, LLC, A DELAWARE
LIMITED LIABILITY COMPANY

By: _____
Name: _____
Title: _____

EXHIBIT F
(TO MORTGAGE WAREHOUSE AGREEMENT)
SUPPLEMENTAL PROVISIONS ADDENDUM
[Follows This Cover Page]

Mortgage Warehouse Agreement: Exhibit F
Version: 2015-11
HAL2016-4

SUPPLEMENTAL PROVISIONS ADDENDUM

THIS SUPPLEMENTAL PROVISIONS ADDENDUM (this "Addendum") is effective as of DECEMBER 21, 2016 (the "Effective Date"), and is entered into by the undersigned executing this Addendum as "Seller" and TEXAS CAPITAL BANK, NATIONAL ASSOCIATION ("Bank") concurrently with, and as a condition to the effectiveness of, that certain Mortgage Warehouse Agreement (as amended and modified from time to time, the "Warehouse Agreement") dated the Effective Date, executed by Bank and Seller. Accordingly, Bank and Seller agree as follows:

1. **Delivery of Closing Documents by Seller.**

(a) Subject to Subsections (b) and (c) of this Section, within five (5) Business Days after the Purchase Date for any Participated Mortgage Loan, Seller shall deliver or cause to be delivered to the Document Custodian all of the Bank Document Deliverables for such Participated Mortgage Loan. Bank reserves the right to require copies of any of the Bank Document Deliverables for review prior to making any Advance for the purchase of a Participation Interest in any specific Mortgage Loan.

(b) Seller shall cause the Bank Document Deliverables for each Participated Mortgage Loan to be: (i) delivered directly to Seller (and, in the event that the applicable Funding Recipient for such Participated Mortgage Loan is or is required hereunder to be an Escrow Agent, such Bank Document Deliverables shall be delivered directly to Seller from escrow by the Escrow Agent for such Participated Mortgage Loan); and (ii) thereafter, delivered directly to the Document Custodian by Seller within five (5) Business Days after the Purchase Date for such Participated Mortgage Loan, unless otherwise expressly provided by Bank in writing to Seller with respect to such Participated Mortgage Loan (it being understood that any such writing from Bank shall only apply to the specific Participated Mortgage Loan referenced therein). Seller acknowledges and agrees that the foregoing arrangement (which allows for Seller, subject to Subsection (c) of this Section, to directly deliver to the Document Custodian the Bank Document Deliverables within five (5) Business Days after the Purchase Date for the related Participated Mortgage Loan) is being made as an accommodation to Seller and that Bank may, in its sole discretion, by providing written notice to Seller: (i) terminate Seller's authorization to deliver directly to the Document Custodian any or all of the Bank Document Deliverables; and (ii) require that within (2) two Business Days after the Purchase Date for any Participated Mortgage Loan, any or all Bank Document Deliverables shall be delivered directly to the Document Custodian (and, in the event that the applicable Funding Recipient for such Participated Mortgage Loan is or is required hereunder to be an Escrow Agent, such Bank Document Deliverables shall be delivered directly to the Document Custodian from escrow by the Escrow Agent for such Participated Mortgage Loan).

(c) Without limiting the requirements set forth in Subsection (b) of this Section, Seller acknowledges and agrees that each and every Bank Document Deliverable for any Participated Mortgage Loan which is at any time in the custody, possession or control of Seller after Bank's purchase of a Participation Interest in such Participated Mortgage Loan shall be held and delivered to the Document Custodian pursuant to the terms and conditions of Section 5.11 of the Warehouse Agreement. Nothing contained in this Addendum authorizes or permits the delivery to Seller or any other Person (other than the Document Custodian) of any of the Bank Document Deliverables which are required to be delivered directly to the Document Custodian pursuant to the provisions of this Addendum.

2. **Miscellaneous.** This Addendum is made a part of and is incorporated into the Warehouse Agreement. The provisions of this Addendum supersede, modify and amend any and all inconsistent or conflicting provisions in the Warehouse Agreement. Except as hereby modified and amended, the Warehouse Agreement shall remain in full force and effect. Capitalized terms not otherwise defined in this Addendum shall have the meanings set forth in the Warehouse Agreement. The liability of all Persons obligated to Bank in any manner under this Addendum shall be joint and several. If more than one Person shall execute this Addendum as “Seller”, then the term “Seller” as used herein shall refer both to each such Person individually and to all such Persons collectively.

[Signature Page Follows]

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EXECUTED by Seller to be effective as of the Effective Date.

SELLER:

REDFIN MORTGAGE, LLC, A DELAWARE LIMITED
LIABILITY COMPANY

By: /s/ Glenn Kelman
Name: GLENN KELMAN
Title: PRESIDENT AND CHIEF EXECUTIVE OFFICER

* * *

STATE OF Washington §
 §
COUNTY OF King §

This document was acknowledged before me on the 14 day of February, 2017, by GLENN KELMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER of REDFIN MORTGAGE, LLC, A DELAWARE LIMITED LIABILITY COMPANY, known to me to be the person who executed this document in the capacity and for the purposes therein stated.

/s/ Illegible
Notary Public, State of Washington

[NOTARY STAMP]

**AGREED TO AND ACCEPTED BY BANK AT RICHARDSON,
COLLIN COUNTY, TEXAS, AS OF THE EFFECTIVE DATE:**

TEXAS CAPITAL BANK,
NATIONAL ASSOCIATION

By: /s/ Heather Crawford
Name: Heather Crawford
Title: Vice President

EXHIBIT G
(TO MORTGAGE WAREHOUSE AGREEMENT)

LIST OF CURRENT WAREHOUSE FACILITIES

<u>Warehouse Lender</u>	<u>Maximum Facility Amount</u>
Western Alliance	\$ 10,000,000.00

Mortgage Warehouse Agreement: Exhibit G
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EXHIBIT H
(TO MORTGAGE WAREHOUSE AGREEMENT)

LIST OF CURRENT AFFILIATE ESCROW AGENTS

Name of Affiliate Escrow Agent
(including any d/b/a)

Title Forward

Address

1628 John F. Kennedy Boulevard, 8 Penn Center, Suite
700, Philadelphia, PA 19103

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EXHIBIT I
(TO MORTGAGE WAREHOUSE AGREEMENT)

BLANKET ASSIGNMENT

[Follows This Cover Page]

Mortgage Warehouse Agreement: Exhibit I
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ASSIGNMENT OF INTERESTS IN MORTGAGE LOANS

THIS ASSIGNMENT OF INTERESTS IN MORTGAGE LOANS (this "Agreement") is made and entered into as of DECEMBER 21, 2016 (the "Effective Date") between REDFIN MORTGAGE, LLC, A DELAWARE LIMITED LIABILITY COMPANY (the foregoing are each individually and collectively referred to herein as "Seller") and TEXAS CAPITAL BANK, NATIONAL ASSOCIATION (together with its successors and assigns, "Bank").

RECITALS

A. Seller and Bank have entered into that certain Mortgage Warehouse Agreement (as amended or modified from time to time, the "Warehouse Agreement") dated as of DECEMBER 21, 2016, relating to Bank's discretionary purchase from time to time of Participation Interests from Seller in Mortgage Loans. Capitalized terms used and not otherwise defined herein shall have the respective meanings assigned to such terms in the Warehouse Agreement.

B. Pursuant to the terms and conditions of the Warehouse Agreement, Seller shall sell, transfer, assign and convey to Bank a Participation Interest in each Mortgage Loan and Mortgage Loan Document related thereto in which Bank elects to purchase a Participation Interest under the Warehouse Agreement.

AGREEMENT

NOW, THEREFORE, for and in consideration of the premises, recitals and the agreements contained in this Agreement and the Warehouse Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Seller and Bank agree as follows:

1. Seller does hereby irrevocably, absolutely and unconditionally sell, transfer, assign and convey to Bank any and all of Seller's rights, titles and interests in and to any and all Participation Interests in Mortgage Loans now or hereafter purchased by Bank from Seller pursuant to the terms of the Warehouse Agreement. With respect to any Participation Interest purchased by Bank from Seller under the Warehouse Agreement, the sale, transfer, assignment and conveyance by Seller to Bank of all of Seller's rights, titles and interests in and to such Participation Interest in such Mortgage Loan shall be automatically effective, and shall be deemed conclusively to have occurred as of the Purchase Date for such Participation Interest, without further action by either party hereto, by operation of the applicable terms and provisions of the Warehouse Agreement.

2. Bank may from time to time append and attach hereto as Schedule A (the "Participation Interest Schedule") information identifying each Participated Mortgage Loan and Bank's Participation Interest therein ("Participation Interest Information"), which Participation Interest Information may include with respect to each Participated Mortgage Loan: (a) the name of the related Borrower; (b) the principal amount of the Participated Mortgage Loan; (c) the related Purchase Date; (d) Bank's related Participation Percentage; (e) Seller's related Retained Percentage; (f) a description of the related Residential Real Property; and (g) the recording information for the related Security Instrument. Bank may from time to time attach hereto an updated Participation Interest Schedule which reflects the then- current Participation Interest Information.

3. Bank may at any time elect to record this Agreement (with a corresponding Participation Interest Schedule) in any real property records of any jurisdiction deemed appropriate from time to time by Bank. However, any failure by Bank to so record this Agreement shall not limit, impair or otherwise affect the provisions of the Warehouse Agreement or this Agreement. If Bank at any time requires additional executed originals of this Agreement in order to effect the recording of this Agreement (with any corresponding Participation Interest Schedule) in any jurisdiction deemed appropriate by Bank or for any other reason, Seller shall promptly upon request by Bank execute additional originals of this Agreement as and when required by Bank, and Bank may execute additional copies of this Agreement on Seller's behalf, as Seller's attorney-in-fact, pursuant to any power of attorney granted to Bank by Seller under the Warehouse Agreement or any other Warehouse Document.

4. The liability of all Persons obligated to Bank in any manner under this Agreement shall be joint and several. If more than one Person shall execute this Addendum as "Seller", then the term "Seller" as used herein shall refer both to each such Person individually and to all such Persons collectively.

5. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Seller and Bank. Neither party hereto may sell, assign or transfer any right, title or interest hereunder except in accordance with the Warehouse Agreement or with the prior written consent of the other party hereto. Further, Seller shall not sell, assign or transfer any right, title or interest in the Participated Mortgage Loans in violation of any applicable provisions of the Warehouse Agreement.

6. This Agreement may be executed in several identical counterparts, and by the parties hereto on separate counterparts, and each counterpart, when so executed and delivered, shall constitute an original instrument, and all such separate counterparts shall constitute but one and the same instrument.

7. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Texas, without regard to the principles of conflicts of laws thereof.

[Signature Pages Follow]

IN WITNESS WHEREOF, each of the parties hereto have duly executed and delivered this Agreement as of the date first written above.

SELLER:

REDFIN MORTGAGE, LLC, A DELAWARE LIMITED
LIABILITY COMPANY

By: /s/ Glenn Kelman
Name: GLENN KELMAN
Title: PRESIDENT AND CHIEF EXECUTIVE OFFICER

* * *

STATE OF Washington §
 §
COUNTY OF King §

This document was acknowledged before me on the 14 day of February, 2017, by GLENN KELMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER of REDFIN MORTGAGE, LLC, A DELAWARE LIMITED LIABILITY COMPANY, known to me to be the person who executed this document in the capacity and for the purposes therein stated.

/s/ Illegible
Notary Public, State of Washington

[NOTARY STAMP]

AGREED TO AND ACCEPTED by Bank at Richardson, Collin County, Texas, as of the Effective Date.

BANK:

TEXAS CAPITAL BANK, NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

* * *

STATE OF _____

§
§
§

COUNTY OF _____

This document was acknowledged before me on the ____ day of _____, 20____, by _____ of TEXAS CAPITAL BANK, NATIONAL ASSOCIATION, known to me to be the person who executed this document in the capacity and for the purposes therein stated.

Notary Public, State of _____

[NOTARY STAMP]

SCHEDULE A
(TO ASSIGNMENT OF INTERESTS IN MORTGAGE LOANS)

PARTICIPATION INTEREST SCHEDULE

[To Be Attached and Updated By Bank From Time to Time]

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