UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ___ to ___

Commission file number 001-38160

Redfin Corporation

(Exact name of registrant as specified in its charter)

Delaware	**74-3064240**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1099 Stewart Street Suite 600 **Seattle WA**	**98101**
(Address of Principal Executive Offices)	(Zip Code)

(206) 576-8333
Registrant's telephone number, including area code

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.001 par value per share	RDFN	The Nasdaq Global Select Market

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

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

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

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

The registrant had 98,481,863 shares of common stock outstanding as of April 30, 2020.

Redfin Corporation

Quarterly Report on Form 10-Q
For the Quarter Ended March 31, 2020

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As used in this quarterly report, the terms "Redfin," "we," "us," and "our" refer to Redfin Corporation and its subsidiaries taken as a whole, unless otherwise noted or unless the context indicates otherwise.

Note Regarding Forward-Looking Statements

This quarterly report contains forward-looking statements. All statements contained in this report other than statements of historical fact, including statements regarding COVID-19's anticipated impacts on our business, our future operating results and financial position, our business strategy and plans, our 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,” “preliminary,” “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 Item 1A of our annual report for the year ended December 31, 2019, as supplemented by Part II, Item 1A of this report. 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 report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Accordingly, you should not rely on forward-looking statements as predictions of future events. 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 report or to conform these statements to actual results or revised expectations.

Note Regarding Industry and Market Data

This quarterly report contains information using industry publications that 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. While we are not aware of any misstatements regarding the information from these industry publications, we have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied on therein.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Redfin Corporation and Subsidiaries
Consolidated Balance Sheets
(in thousands, except share and per share amounts, unaudited)

	March 31, 2020	December 31, 2019
Assets		
Current assets		
Cash and cash equivalents	$ 213,940	$ 234,679
Restricted cash	16,772	12,769
Short-term investments	75,049	70,029
Accounts receivable, net	21,821	19,223
Inventory	70,649	74,590
Loans held for sale	44,321	21,985
Prepaid expenses	9,555	14,822
Other current assets	5,243	3,496
Total current assets	457,350	451,593
Property and equipment, net	40,496	39,577
Right-of-use assets, net	49,972	52,004
Long-term investments	26,711	30,978
Goodwill and intangibles, net	11,382	11,504
Other non-current assets	8,923	10,557
Total assets	$ 594,834	$ 596,213
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 2,909	$ 2,122
Accrued liabilities	58,456	38,022
Other payables	11,717	7,884
Warehouse credit facilities	42,586	21,302
Secured revolving credit facility	8,901	4,444
Current lease liabilities	11,533	11,408
Total current liabilities	136,102	85,182
Non-current lease liabilities	57,254	59,869
Convertible senior notes, net	121,292	119,716
Total liabilities	314,648	264,767
Commitments and contingencies (Note 7)		
Stockholders' equity		
Common stock—par value $0.001 per share; 500,000,000 shares authorized; 93,957,774 and 93,001,597 shares issued and outstanding, respectively	94	93
Additional paid-in capital	591,421	583,097
Accumulated other comprehensive income	575	42
Accumulated deficit	(311,904)	(251,786)
Total stockholders' equity	280,186	331,446
Total liabilities and stockholders' equity	$ 594,834	$ 596,213

See Notes to the consolidated financial statements.

Redfin Corporation and Subsidiaries
Consolidated Statements of Comprehensive Loss
(in thousands, except share and per share amounts, unaudited)

	Three Months Ended March 31,	
	2020	**2019**
Revenue		
Service	$ 111,478	$ 88,768
Product	79,517	21,373
Total revenue	190,995	110,141
Cost of revenue		
Service	98,368	84,395
Product	79,748	22,993
Total cost of revenue	178,116	107,388
Gross profit	12,879	2,753
Operating expenses		
Technology and development	20,274	15,556
Marketing	25,708	33,201
General and administrative	24,327	21,448
Total operating expenses	70,309	70,205
Loss from operations	(57,430)	(67,452)
Interest income	1,103	2,316
Interest expense	(2,444)	(2,136)
Other income (expense), net	(1,346)	92
Net loss	$ (60,117)	$ (67,180)
Net loss per share attributable to common stock—basic and diluted	$ (0.64)	$ (0.74)
Weighted average shares of common stock—basic and diluted	93,442,706	90,610,416
Other comprehensive income		
Net loss	$ (60,117)	$ (67,180)
Foreign currency translation adjustments	(25)	1
Unrealized gain on available-for-sale securities	559	—
Total comprehensive loss	$ (59,583)	$ (67,179)

See Notes to the consolidated financial statements.

Redfin Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands, unaudited)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Operating Activities		
Net loss	$ (60,117)	$ (67,180)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,307	1,637
Stock-based compensation	7,211	6,406
Amortization of debt discount and issuance costs	1,730	1,507
Non-cash lease expense	2,254	1,216
Impairment costs	1,420	—
Other	(989)	—
Change in assets and liabilities:		
Accounts receivable, net	(2,598)	(890)
Inventory	3,941	(15,612)
Prepaid expenses and other assets	3,409	1,441
Accounts payable	514	14,848
Accrued liabilities and other payables	20,626	21,764
Lease liabilities	(2,693)	(1,459)
Origination of loans held for sale	(132,697)	(49,850)
Proceeds from sale of loans originated as held for sale	111,233	39,015
Net cash used in operating activities	(43,449)	(47,157)
Investing activities		
Purchases of property and equipment	(3,406)	(3,151)
Purchases of investments	(33,267)	—
Sales of investments	31,608	—
Maturities of investments	1,597	—
Net cash used in investing activities	(3,468)	(3,151)
Financing activities		
Proceeds from the issuance of shares resulting from employee equity plans	4,103	3,732
Tax payments related to net share settlements on restricted stock units	(3,307)	(818)
Borrowings from warehouse credit facilities	131,310	48,557
Repayments to warehouse credit facilities	(110,025)	(38,097)
Borrowings from secured revolving credit facility	11,854	—
Repayments to secured revolving credit facility	(7,398)	—
Other payables—deposits held in escrow	3,684	3,968
Principal payments for finance lease obligations	(15)	—
Net cash provided by financing activities	30,206	17,342
Effect of exchange rate changes on cash and cash equivalents	(25)	—
Net change in cash, cash equivalents, and restricted cash	(16,736)	(32,966)
Cash, cash equivalents, and restricted cash:		
Beginning of period	247,448	439,055
End of period	$ 230,712	$ 406,089
Supplemental disclosure of cash flow information		
Cash paid for interest	1,582	1,202
Non-cash transactions		
Stock-based compensation capitalized in property and equipment	504	270
Property and equipment additions in accounts payable and accrued liabilities	451	1,370
Leasehold improvements paid directly by lessor	—	1,963

See Notes to the consolidated financial statements.

Redfin Corporation and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
(in thousands, except share amounts, unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance, December 31, 2018	90,151,341	$ 90	$ 542,829	$ (170,981)	$ —	$ 371,938
Issuance of common stock pursuant to exercise of stock options	679,495	1	3,731	—		3,732
Issuance of common stock pursuant to settlement of restricted stock units	139,889		—	—		—
Common stock surrendered for employees' tax liability upon settlement of restricted stock units	(44,476)		(818)	—		(818)
Stock-based compensation	—	—	6,676	—		6,676
Other comprehensive income					1	1
Net loss	—	—	—	(67,180)		(67,180)
Balance, March 31, 2019	90,926,249	$ 91	$ 552,418	$ (238,160)	$ 1	$ 314,349
Balance, December 31, 2019	93,001,597	$ 93	$ 583,097	$ (251,786)	$ 42	$ 331,446
Issuance of common stock pursuant to exercise of stock options	738,398	1	3,915			3,916
Issuance of common stock pursuant to settlement of restricted stock units	320,440	—	—			—
Common stock surrendered for employees' tax liability upon settlement of restricted stock units	(102,661)	—	(3,307)			(3,307)
Stock-based compensation			7,715			7,715
Other comprehensive income					533	533
Net loss				(60,117)		(60,117)
Balance, March 31, 2020	93,957,774	$ 94	$ 591,420	$ (311,903)	$ 575	$ 280,186

See Notes to the consolidated financial statements.

Index to Notes to Consolidated Financial Statements

Redfin Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(in thousands, except share and per share amounts, unaudited)

Note 1: Summary of Accounting Policies

Basis of Presentation—The consolidated financial statements and accompanying notes have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP").

The financial information as of December 31, 2019 that is included in this quarterly report is derived from the audited consolidated financial statements and notes for the year ended December 31, 2019 included in Item 8 in our annual report for the year ended December 31, 2019. Such financial information should be read in conjunction with the notes and management's discussion and analysis of the consolidated financial statements included in our annual report.

The unaudited consolidated interim financial statements, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our financial position as of March 31, 2020, the statements of comprehensive loss and stockholders' equity for the three months ended March 31, 2020 and 2019, and the statement of cash flows for the three months ended March 31, 2020 and 2019. The results for the three months ended March 31, 2020 are not necessarily indicative of the results to be expected for the year ending December 31, 2020 or for any interim period or for any other future year.

Principles of Consolidation—The unaudited consolidated interim financial statements include the accounts of Redfin and its wholly owned subsidiaries, including those entities in which we have a variable interest and of which we are the primary beneficiary. Intercompany transactions and balances have been eliminated.

COVID-19 Risks, Impacts and Uncertainties—We are subject to the risks arising from COVID-19's social and economic impacts on the residential real estate industry. Our management believes that these social and economic impacts, which include but are not limited to the following, could have a significant negative impact on our future financial position, results of operations, and cash flows: (i) restrictions on in-person activities associated with residential real estate transactions arising from shelter-in-place, or similar isolation orders; (ii) decline in consumers' desire for in-person interactions and physical home tours; and (iii) deteriorating economic conditions, such as increased unemployment rates, recessionary conditions, lower yields on individuals' investment portfolios, and more stringent mortgage financing conditions. In addition, we have considered the impacts and uncertainties of COVID-19 in our use of estimates in preparation of our consolidated financial statements. These estimates include, but are not limited to, likelihood of achieving performance conditions under performance-based equity awards, net realizable value of inventory, and the fair value of reporting units and goodwill for impairment.

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. We evaluate our estimates on an ongoing basis. In January 2020 we adopted ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326),* which modifies the measurement of credit losses on financial instruments. As part of the adoption we estimated the current expected credit losses for certain classes of relevant assets. The amounts realized from the affected assets will depend on, among other factors, general business conditions, including the impacts from COVID-19, and could differ in the near term from carrying amounts reflected in the consolidated financial statements. Further description of the impact of this pronouncement is included in Recently Adopted Accounting Pronouncements.

Accounts Receivable and Allowance for Credit Losses—We have two material classes of receivables: (i) real estate services receivables and (ii) receivables from the sale of homes. Accounts receivable related to these classes represent closed transactions for which cash has not yet been received.

We establish an allowance for expected credit losses based on historical experience of collectibility, current external economic conditions that may affect collectibility, and current or expected changes to the regulatory environment in which we operate our real estate services business. As the majority of our transactions are processed through escrow, collectibility is not a significant risk, and we have determined the nature of our receivables to have similar credit quality indicators. We evaluate for changes in credit quality indicators on an annual basis or in the event of a material economic event or material change in the regulatory environment in which we operate, with the most recent assessment being performed in March 2020.

Investments—We have two types of investments: (i) available-for-sale investments that are available to support our operational needs, which are reported on the balance sheets as short-term and long-term investments, and (ii) long-term equity investments accounted for under the cost method, which are reported in other non-current assets.

Available-for-sale

Our short-term and long-term investments consist primarily of U.S. treasury securities and other federal or local government issued securities, all of which are classified as available-for-sale. Available-for-sale debt securities are recorded at fair value, and unrealized holding gains and losses are recorded as a component of accumulated other comprehensive income. Available-for-sale securities with maturities of one year or less and those identified by management at the time of purchase to be used to fund operations within one year are classified as short-term. All other available-for-sale securities are classified as long-term. We evaluate our available-for-sale securities, both ones classified as cash equivalents and as investments, for expected credit losses on a quarterly basis. An expected credit loss reserve is charged against the fair value of an available-for-sale debt security when it is identified, with a credit loss charged against net earnings. We review factors to determine whether an expected credit loss exists based on credit quality indicators, such as the extent to which the fair value as of the reporting date is less than the amortized cost basis, present value of cash flows expected to be collected, the financial condition and prospects of the issuer, adverse conditions specifically related to the security and any changes to the credit rating of the security by a rating agency. Realized gains and losses are accounted for using the specific identification method. Purchases and sales are recorded on a trade date basis.

Cost Method Investments

In December 2018, we purchased an equity interest in a privately held company for approximately $2,000, which is classified as long-term. The investment is an equity security without a readily determinable fair value that is accounted for at cost minus any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. We perform a qualitative assessment considering impairment indicators to evaluate whether the investment is impaired as of the end of each reporting period. See Note 3 for information on our assessment.

Advertising and Advertising Production Costs—We expense advertising costs as they are incurred and production costs as of the first date the advertisement takes place. Advertising costs totaled $22,529 and $30,234 for the three months ended March 31, 2020 and 2019, respectively, and are included in marketing expenses. Advertising production costs totaled $174 and $48 for the three months ended March 31, 2020 and 2019, respectively, and are included in marketing expenses.

Recently Adopted Accounting Pronouncements—In January 2020, we adopted ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326),* using a modified-retrospective approach. The adoption of this guidance requires a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The pronouncement, along with the related subsequent pronouncements that include clarifications, modifies the measurement of credit losses on financial instruments. This guidance requires the use of an expected loss impairment model for instruments measured at amortized cost based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount. The adoption of this pronouncement did not have a material impact on our consolidated financial statements. See specific accounting policies for accounts receivable and available-for-sale debt securities previously discussed in this Note 1, and see Note 2 and Note 3 for additional impacts from the adoption.

Recently Issued Accounting Pronouncements—Recent accounting pronouncements issued by the Financial Accounting Standards Board (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not have, or are not expected to have, a material impact on our present or future consolidated financial statements.

Note 2: Segment Reporting and Revenue

In operation of the business, our management, including our chief operating decision maker, who is also our chief executive officer, evaluates the performance of our operating segments based on revenue and gross profit. We do 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. We have five operating segments and two reportable segments, real estate services and properties.

We generate revenue primarily from commissions and fees charged on real estate services transactions closed by our lead agents or partner agents, and from the sale of homes. Our key revenue components are brokerage revenue, partner revenue, properties revenue, and other revenue.

Information on each of the reportable and other segments and reconciliation to consolidated net loss is as follows:

	Three Months Ended March 31,	
	2020	2019
Real estate services		
Brokerage revenue	$ 102,351	$ 81,314
Partner revenue	6,285	4,576
Total real estate services revenue	108,636	85,890
Cost of revenue	93,562	80,784
Gross profit	15,074	5,106
Properties		
Revenue	79,098	21,373
Cost of revenue	79,299	22,993
Gross profit	(201)	(1,620)
Other		
Revenue	4,250	3,047
Cost of revenue	6,244	3,780
Gross profit	(1,994)	(733)
Intercompany eliminations		
Revenue	(989)	(169)
Cost of revenue	(989)	$ (169)
Gross profit	—	—
Consolidated		
Revenue	190,995	110,141
Cost of revenue	178,116	107,388
Gross profit	12,879	2,753
Operating expenses	70,309	70,205
Interest income	1,103	2,316
Interest expense	(2,444)	(2,136)
Other income (expense), net	(1,346)	92
Net loss	$ (60,117)	$ (67,180)

Revenue earned but not received is recorded as accounts receivable on our consolidated balance sheets, net of an allowance for expected credit losses. Accounts receivable consists primarily of commission revenue and proceeds from the sale of homes in-transit through the escrow process, and therefore it is not estimated. Based on the regulated environment in which we operate and the nature of our receivables, we do not expect material credit losses, and write-offs were immaterial in the periods presented.

Note 3: Financial Instruments

Derivatives

Our primary market exposure is to interest rate risk, specifically U.S. treasury and mortgage interest rates, due to their impact on mortgage-related assets and commitments. We use forward sales commitments on whole loans and mortgage-backed securities to manage and reduce this risk. We do not have any derivative instruments designated as hedging instruments.

Interest Rate Lock Commitments—Interest rate lock commitments ("IRLCs") represent an agreement to extend credit to a mortgage loan applicant. We commit (subject to loan approval) to fund the loan at the specified rate, regardless of changes in market interest rates between the commitment date and the funding date. Outstanding IRLCs are subject to interest rate risk and related price risk during the period from the date of commitment through the loan funding date or expiration date. Loan commitments generally range between 30 and 90 days and the borrower is not obligated to obtain the loan. Therefore, IRLCs are subject to fallout risk, which occurs when approved borrowers choose not to close on the underlying loans. We review our commitment-to-closing ratio (pull-through rate) as part of an estimate of the number of mortgage loans that will fund according to the IRLCs.

Forward Sales Commitments—We are exposed to interest rate and price risk on loans held for sale from the funding date until the date the loan is sold. Forward sales commitments on whole loans and mortgage-backed securities are used to fix the forward sales price that will be realized at the sale of each loan.

Notional Amounts	March 31, 2020	December 31, 2019
Interest rate lock commitments	$ 73,382	$ 37,453
Forward sales commitments	66,448	39,447

The locations and amounts of gains (losses) recognized in income related to our derivatives are as follows:

		March 31,	
Instrument	Classification	2020	2019
Interest rate lock commitments	Service revenue	$ 1,195	$ 446
Forward sales commitments	Service revenue	(1,571)	(244)

Fair Value of Financial Instruments

A summary of assets and liabilities related to our financial instruments, measured at fair value on a recurring basis and as reflected in our consolidated balance sheets, is set forth below:

	Balance at March 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash equivalents				
Money market funds	$ 194,530	$ 194,530	$ —	$ —
Short-term investments				
U.S. treasury securities	75,049	75,049	—	—
Loans held for sale	44,321	—	44,321	—
Prepaid expenses and other current assets				
Interest rate lock commitments	1,825	—	—	1,825
Forward sales commitments	200	—	200	—
Total prepaid expenses and other current assets	2,025	—	200	1,825
Long-term investments				
U.S. treasury securities	24,717	24,717	—	—
Agency bonds	1,994	1,994	—	—
Total long-term investments	26,711	26,711	—	—
Total assets	$ 342,636	$ 296,290	$ 44,521	$ 1,825
Liabilities				
Accrued liabilities				
Interest rate lock commitments	$ 200	$ —	$ —	$ 200
Forward sales commitments	1,816	—	1,816	—
Total liabilities	$ 2,016	$ —	$ 1,816	$ 200

	Balance at December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash equivalents				
Money market funds	$ 221,442	$ 221,442	$ —	$ —
Short-term investments				
U.S. treasury securities	70,029	70,029	—	—
Loans held for sale	21,985	—	21,985	—
Prepaid expenses and other current assets				
Interest rate lock commitments	496	—	—	496
Forward sales commitments	4	—	4	—
Total prepaid expenses and other current assets	500	—	4	496
Long-term investments				
U.S. treasury securities	30,978	30,978	—	—
Total assets	$ 344,934	$ 322,449	$ 21,989	$ 496
Liabilities				
Accrued liabilities				
Interest rate lock commitments	$ 58	$ —	$ —	$ 58
Forward sales commitments	57	—	57	—
Total liabilities	$ 115	$ —	$ 57	$ 58

The significant unobservable input used in the fair value measurement of IRLCs is the pull-through rate. Significant changes in the input could result in a significant change in fair value measurement.

The following is a quantitative summary of key unobservable inputs used in the valuation of IRLCs:

Key Inputs	Valuation Technique	March 31, 2020	December 31, 2019
Weighted-average pull-through rate	Market pricing	75.1%	78.2%

The following is a summary of changes in the fair value of IRLCs for the period ended March 31, 2020:

Balance, net—December 31, 2019	$ 430
Issuances of interest rate lock commitments	3,318
Settlements of interest rate lock commitments	(2,494)
Net gain recognized in earnings	371
Balance, net—March 31, 2020	$ 1,625
Changes in fair value recognized during the period relating to assets still held at March 31, 2020	$ 1,195

There were no transfers into or out of Level 3 financial instruments during the period.

See Note 14 for the carrying amount and estimated fair value of our convertible senior notes.

Assets and liabilities recognized or disclosed at fair value on a nonrecurring basis include items such as property and equipment, goodwill and other intangible assets, cost method investments, and other assets. These assets are measured at fair value if determined to be impaired. During the period ended March 31, 2020, we determined that the fair value of our cost method investment in a privately-held company was less than the carrying value of $2,000 based on a variety of impairment indicators including the historical performance and future prospects of the company; therefore, we recognized a non-cash impairment charge of $1,420 related to this investment. The impairment charge is included in Impairment costs within our consolidated statement of cash flows and is included in Other income (expense), net within our consolidated statements of operations. We did not record any other significant nonrecurring fair value measurements after initial recognition for the period ended March 31, 2020.

The following table summarizes the cost or amortized cost, gross unrealized gains and losses, and estimated fair market value of our cash, money market funds, restricted cash, and available-for-sale investments.

	March 31, 2020						
	Fair Value Hierarchy	Cost or Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	Short-term Investments	Long-term Investments
Cash	N/A	$ 18,831	$ —	$ —	$ 18,831	$ —	$ —
Money markets funds	Level 1	194,530	—	—	194,530	—	—
Restricted cash	N/A	16,772	—	—	16,772	—	—
U.S. treasury securities	Level 1	99,192	574	—	99,766	75,049	24,717
Agency bonds	Level 1	2,000	—	(6)	1,994	—	1,994
Total		$ 331,325	$ 574	$ (6)	$ 331,893	$ 75,049	$ 26,711

	December 31, 2019						
	Fair Value Hierarchy	Cost or Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	Short-term Investments	Long-term Investments
Cash	N/A	$ 13,237	$ —	$ —	$ 13,237	$ —	$ —
Money markets funds	Level 1	221,442	—	—	221,442	—	—
Restricted cash	N/A	12,769	—	—	12,769	—	—
U.S. treasury securities	Level 1	100,998	31	(22)	101,007	70,029	30,978
Total		$ 348,446	$ 31	$ (22)	$ 348,455	$ 70,029	$ 30,978

As of March 31, 2020 and December 31, 2019, the aggregate fair value of available-for-sale debt securities in an unrealized loss position totaled $2,094 and $46,550, with aggregate unrealized losses of $6 and $22, respectively. We have evaluated our portfolio of available-for-sale debt securities based on credit quality indicators for expected credit losses and do not believe there are any expected credit losses. Our portfolio consists of U.S. treasury securities, all with high quality credit ratings issued by various credit agencies.

As of March 31, 2020 and December 31, 2019, we had accrued interest of $164 and $183, respectively, on our available-for-sale investments, of which we have recorded no expected credit losses. Accrued interest receivable is presented within other current assets in our consolidated balance sheets.

Note 4: Inventory

The following is a summary of inventory as of the dates presented:

	March 31, 2020	December 31, 2019
Homes for sale	$ 47,887	$ 36,982
Homes not available for sale	3,667	3,163
Homes under improvement	19,095	34,445
Inventory	$ 70,649	$ 74,590

Inventory costs include direct home acquisition costs and any capitalized improvements, net of lower of cost or net realizable value write-downs applied on a specific home basis. As of March 31, 2020 and December 31, 2019, lower of cost or net realizable value write-downs were $818 and $143, respectively.

The following is the inventory activity for the three months ended March 31, 2020:

Inventory as of January 1, 2020	$ 74,590
Purchases and capitalized improvements to inventory	68,384
Relief of inventory to cost of revenue	(71,650)
Lower of cost or net realizable value write-downs, net	(675)
Inventory as of March 31, 2020	$ 70,649

Note 5: Property and Equipment

The following is a summary of property and equipment as of the dates presented:

	Useful Lives (Years)	March 31, 2020	December 31, 2019
Leasehold improvements	Shorter of lease term or economic life	$ 28,178	$ 28,141
Website and software development costs	2-3	30,141	27,602
Computer and office equipment	3	5,627	4,846
Software	3	1,126	595
Furniture	7	7,083	6,965
Construction in progress	N/A	428	475
Property and equipment, gross		72,583	68,624
Accumulated depreciation and amortization		(32,087)	(29,047)
Property and equipment, net		$ 40,496	$ 39,577

Depreciation and amortization expense for property and equipment amounted to $3,186 and $1,515 for the three months ended March 31, 2020 and 2019, respectively. We capitalized software development costs, including stock-based compensation, of $2,677 and $1,911 during the three months ended March 31, 2020 and 2019, respectively.

Note 6: Leases

The following are the components of lease activity as of the dates presented:

Lease Cost	Classification	Three Months Ended March 31, 2020	2019
Operating lease cost:			
Operating lease cost[1]	Cost of revenue	$ 2,138	$ 1,693
Operating lease cost[1]	Operating expenses	1,094	855
Total operating lease cost		$ 3,232	$ 2,548
Finance lease cost:			
Amortization of right-of-use assets	Cost of revenue	$ 17	$ —
Interest on lease liabilities	Cost of revenue	3	—
Total finance lease cost		$ 20	$ —

(1) Includes lease expense with initial terms of twelve months or less of $226 and $821 for the three months ended March 31, 2020 and March 31, 2019, respectively.

Maturity of Lease Liabilities	Operating Leases	Finance Leases
2020, excluding the three months ended March 31, 2020	11,461	45
2021	14,289	60
2022	13,589	60
2023	12,612	46
2024	10,931	—
Thereafter	16,915	—
Total lease payments	$ 79,797	$ 211
Less: Interest and other[1]	11,203	18
Present value of lease liabilities	$ 68,594	$ 193

(1) Interest and other consists of interest expense related to capitalized right of use operating lease liabilities of $9,402, interest expense related to capitalized right of use financing lease liabilities of $18, commitments related to operating leases that have not yet commenced, and operating leases with initial terms of twelve months or less.

There were no leases entered into during the three months ended March 31, 2020 that provided a readily determinable implicit rate; therefore, we used our estimated incremental borrowing rate for each type of lease to discount the lease payments based on information available at lease commencement. Additionally, we evaluated the performance of existing leases in relation to our leasing strategy and have determined that most renewal options would not be reasonably certain to be exercised.

Lease Term and Discount Rate	March 31, 2020	December 31, 2019
Weighted average remaining operating lease term (years)	5.9	6.1
Weighted average remaining finance lease term (years)	3.5	3.8
Weighted average discount rate for operating leases	4.4 %	4.4 %
Weighted average discount rate for finance leases	5.4 %	5.4 %

Supplemental Cash Flow Information	Three Months Ended March 31, 2020	2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 3,464	$ 1,975
Operating cash flows from finance leases	3	—
Financing cash flows from finance leases	12	—
Right of use assets obtained in exchange for lease liabilities		
Operating leases	$ 223	$ 33,953
Finance leases	—	—

Note 7: Commitments and Contingencies

Legal Proceedings—On August 28, 2019, one of our former independent contractor licensed sales associates filed a complaint against us in the Superior Court of California, County of San Francisco alleging that we misclassified her as an independent contractor instead of an employee. Given the preliminary stage of this case and the claims and issues presented, we cannot estimate a range of reasonably possible losses.

In addition to the matter discussed above, from time to time, we are involved in litigation, claims, and other proceedings arising in the ordinary course of our business. Except for the matter discussed above, we do not believe that any of the pending litigation, claims, and other proceedings are material to our business.

Leases and Other Commitments—We lease office space under noncancelable operating leases with terms ranging from one to 11 years and vehicles under noncancelable finance leases with terms of four years. Generally, the operating leases require a fixed minimum rent with contractual minimum rent increases over the lease term. Other commitments relate to homes that are under contract to purchase through our properties business but that have not closed, and network infrastructure for our data operations.

The following are future minimum payments due under these agreements as of March 31, 2020:

	Leases	Other Commitments
2020, excluding the three months ended March 31, 2020	$ 11,506	$ 8,716
2021	14,349	4,780
2022	13,649	5,439
2023	12,658	—
2024 and thereafter	27,846	—
Total future minimum payments	$ 80,008	$ 18,935

Note 8: Acquired Intangible Assets

The following are the details of our intangible assets subject to amortization as of the dates presented:

		March 31, 2020			December 31, 2019		
	Useful Lives (Years)	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Trade names	10	$ 1,040	$ (572)	$ 468	$ 1,040	$ (546)	$ 494
Developed technology	10	2,980	(1,639)	1,341	2,980	(1,564)	1,416
Customer relationships	10	860	(473)	387	860	(452)	408
		$ 4,880	$ (2,684)	$ 2,196	$ 4,880	$ (2,562)	$ 2,318

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 for each of the three months ended March 31, 2020 and 2019. We will recognize the remaining amortization expense of $2,196 over a five-year period, with the first four years recognizing expense of $488 per year and the fifth year recognizing expense of $244.

Note 9: Accrued Liabilities

The following are details of accrued liabilities as of the dates presented:

	March 31, 2020	December 31, 2019
Accrued compensation and benefits	$ 37,300	$ 30,462
Miscellaneous accrued liabilities	21,156	7,560
Total accrued liabilities	$ 58,456	$ 38,022

The increase in miscellaneous accrued liabilities since December 31, 2019 was driven primarily by an increase in marketing activity during the quarter ended March 31, 2020, which was a result of increased marketing spend and timing of those expenses.

Note 10: Other Payables

Other payables consists primarily of customer deposits for cash held in escrow on behalf of real estate buyers using our title and settlement services. Since we do not have rights to the cash, the customer deposits are recorded as a liability with a corresponding asset in the same amount recorded within restricted cash.

The following are details of other payables as of the dates presented:

	March 31, 2020	December 31, 2019
Customer deposits	$ 10,793	$ 7,109
Miscellaneous payables	924	775
Total other payables	$ 11,717	$ 7,884

Note 11: Equity and Equity Compensation Plans

Common Stock—As of March 31, 2020 and December 31, 2019, our amended and restated certificate of incorporation authorized us to issue 500,000,000 shares of common stock with a par value of $0.001 per share.

Preferred Stock—As of March 31, 2020 and December 31, 2019, our amended and restated certificate of incorporation authorized us to issue 10,000,000 shares of preferred stock with a par value of $0.001, of which no shares were issued or outstanding.

Amended and Restated 2004 Equity Incentive Plan—We granted options under our 2004 Equity Incentive Plan, as amended ("2004 Plan"), until July 26, 2017, when we terminated it in connection with our initial public offering. Accordingly, no shares are available for future issuance under our 2004 Plan. Our 2004 Plan continues to govern outstanding equity awards granted thereunder. The term of each stock option under the plan is no more than 10 years, and each stock option generally vests over a four-year period.

2017 Equity Incentive Plan—Our 2017 Equity Incentive Plan ("2017 EIP") became effective on July 26, 2017, and provides for the issuance of incentive and nonqualified common stock options and restricted stock units to employees, directors, officers, and consultants. The number of shares of common stock initially reserved for issuance under our 2017 EIP was 7,898,159. The number of shares reserved for issuance under the 2017 EIP will increase automatically on January 1 of each calendar year beginning on January 1, 2018, and continuing through January 1, 2028, by the number of shares equal to the lesser of 5% of the total outstanding shares of our common stock as of the immediately preceding December 31 or an amount determined by our board of directors. The term of each stock option and restricted stock unit under the plan will not exceed 10 years, and each award generally vests over a four-year period

We have reserved shares of common stock for future issuance under our 2017 EIP as follows:

	March 31, 2020	December 31, 2019
Stock options issued and outstanding	7,028,719	7,792,181
Restricted stock units issued and outstanding	4,681,875	5,023,412
Shares available for future equity grants	11,899,400	7,100,499
Total shares reserved for future issuance	23,609,994	19,916,092

2017 Employee Stock Purchase Plan—Our 2017 Employee Stock Purchase Plan ("ESPP") was approved by our board of directors on July 27, 2017 and enables eligible employees to purchase shares of our common stock at a discount. Purchases will be accomplished through participation in discrete offering periods. We initially reserved 1,600,000 shares of common stock for issuance under our ESPP. The number of shares reserved for issuance under our ESPP will increase automatically on January 1 of each calendar year beginning after the first offering date and continuing through January 1, 2028, by the number of shares equal to the lesser of 1% of the total outstanding shares of our common stock as of the immediately preceding December 31 or an amount determined by our board of directors. On each purchase date, eligible employees will purchase our common stock at a price per share equal to 85% of the lesser of (i) the fair market value of our common stock on the first trading day of the offering period and (ii) the fair market value of our common stock on the purchase date.

We have reserved shares of common stock for future issuance under our ESPP as follows:

	Three Months Ended March 31, 2020	Year Ended December 31, 2019
Shares available for issuance at beginning of period	3,330,271	2,890,973
Shares issued during the period	—	490,717
Total shares available for future issuance at end of period	3,330,271	2,400,256

Stock Options—The following table summarizes activity for stock options for the three months ended March 31, 2020 :

	Number of Options	Weighted- Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2020	7,792,181	$ 7.00	5.28	$ 111,122
Options exercised	(738,398)	5.30		
Options forfeited	(20,798)	9.01		
Options canceled	(4,266)	10.80		
Outstanding as of March 31, 2020	7,028,719	$ 7.17	5.12	$ 59,786
Options exercisable as of March 31, 2020	6,472,555	$ 6.54	4.93	$ 57,443

The grant date fair value of options to purchase common stock is recorded as stock-based compensation over the vesting period. As of March 31, 2020, there was $2,255 of total unrecognized compensation cost related to stock options. These costs are expected to be recognized over a weighted-average period of 1.01 years. The total fair value of stock options vested during the three months ended March 31, 2020 and 2019 was $739 and $1,449, respectively. The total intrinsic value of stock options exercised during the three months ended March 31, 2020 and 2019 was $15,251 and $8,682, respectively.

On June 1, 2019, we granted stock options subject to performance conditions, with a target of 150,000 shares and a maximum 300,000 shares, to our chief executive officer. The options have an exercise price of $27.50 per share and have the same performance and vesting conditions as the restricted stock units subject to performance conditions that we granted in 2019 (the "2019 PSUs"). None of the options vested in the three months ended March 31, 2020 .

Restricted Stock Units—The following table summarizes activity for restricted stock units for the three months ended March 31, 2020 :

	Restricted Stock Units	Weighted Average Grant-Date Fair Value
Outstanding as of January 1, 2020	5,023,412	$ 18.69
Granted	141,413	27.06
Vested	(320,440)	19.36
Forfeited or canceled	(162,510)	19.29
Outstanding as of March 31, 2020	4,681,875	$ 18.87

The grant date fair value of restricted stock units is recorded as stock-based compensation over the vesting period. As of March 31, 2020, there was $77,435 of total unrecognized compensation cost related to restricted stock units, which is expected to be recognized over a weighted-average period of 2.86 years years.

As of March 31, 2020, there were outstanding 314,999 restricted stock units subject to performance conditions (the "PSUs") at 100% of the target level. Depending on our achievement of the performance conditions, the actual number of shares of common stock issuable upon vesting of PSUs will range from 0% to 200% of the target amount. For each PSU recipient, the award will vest, subject to the recipient continuing to provide service to us, upon our board of directors, or its compensation committee, certifying that we have achieved the PSU's related performance conditions. Stock-based compensation expense for PSUs will be recognized when it is probable that the performance conditions will be achieved. During the three months ended March 31, 2020, we recognized $(464), which includes (i) an adjustment of $(617) for the reversal of expense from the year ended December 31, 2019 related to the 2019 PSUs as the probability of achieving the performance conditions was adjusted downward and (ii) a charge of $153 related to the 2019 PSUs expense for the three months ended March 31, 2020. For the three months ended March 31, 2019, we recognized $278 for share-based compensation expense related to the PSUs we granted during 2018, which was later reversed as the probability of achieving the performance conditions was determined to be not probable.

Compensation Cost—The following table details, for each period indicated, (i) our stock-based compensation, net of forfeitures, and the amount capitalized in internally developed software and (ii) changes to the probability of achieving outstanding performance-based equity awards, each as included in our consolidated statements of operations:

	Three Months Ended March 31,	
	2020	2019
Cost of revenue	$ 1,638	$ 1,465
Technology and development	3,648	2,656
Marketing	375	286
General and administrative	1,550	1,999
Total stock-based compensation	$ 7,211	$ 6,406

We capitalize stock-based compensation related to work performed on internally developed software. There was $504 and $270 of stock-based compensation that was capitalized in the three months ended March 31, 2020 and 2019, respectively. All capitalized stock-based compensation is related to employees in technology and development.

Note 12: Net Loss per Share Attributable to Common Stock

Net loss per share attributable to common stock is computed by dividing the net loss attributable to common stock by the weighted-average number of common shares outstanding. We have outstanding stock options, restricted stock units, options to purchase shares under our ESPP, and convertible senior notes, which are considered in the calculation of diluted net income per share whenever doing so would be dilutive.

The following table sets forth the calculation of basic and diluted net loss per share attributable to common stock during the periods presented:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Numerator:		
Net loss attributable to common stock—basic and diluted	$ (60,117)	$ (67,180)
Denominator:		
Weighted average shares—basic and diluted	93,442,706	90,610,416
Net loss per share:		
Net loss per share attributable to common stock—basic and diluted	$ (0.64)	$ (0.74)

The following outstanding shares of common stock equivalents as of March 31, 2020 and 2019 were excluded from the computation of the diluted net loss per share for the periods presented because their effect would have been anti-dilutive:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Stock options outstanding	7,028,719	8,713,162
Restricted stock units outstanding	4,681,875	3,588,275
Employee stock purchase plan	233,416	290,647
Total	11,944,010	12,592,084

We are required to consider the impact of our convertible senior notes on our diluted net income per share based on the treasury stock method as we have the ability, and intent, to settle any conversions of the notes solely in cash. The treasury stock method requires that the dilutive effect of common stock issuable upon conversion of the notes be computed in the periods in which we report net income. For the three months ended March 31, 2020 there was no dilutive impact from the notes.

Note 13: Income Taxes

Our effective tax rate for the three months ended March 31, 2020 and 2019 was 0% as a result of our recording a full valuation allowance against the deferred tax assets.

In determining the realizability of the net U.S. federal and state deferred tax assets, we consider numerous factors including historical profitability, estimated future taxable income, prudent and feasible tax planning strategies, and the industry in which we operate. Management reassesses the realization of the deferred tax assets each reporting period, which resulted in a valuation allowance against the full amount of our U.S. deferred tax assets for the three months ended March 31, 2020 and 2019. To the extent that the financial results of our U.S. operations improve in the future and the deferred tax assets become realizable, we will reduce the valuation allowance through earnings.

Under Section 382 of the Internal Revenue Code of 1986, as amended, substantial changes in our ownership may limit the amount of net operating loss ("NOL") carryforwards that could be utilized annually in the future to offset taxable income. Any such annual limitation may significantly reduce the utilization of the NOLs before they expire. A Section 382 limitation study performed as of March 31, 2017 determined there was an ownership change in 2006 and $1,538 of the 2006 net operating loss is unavailable.

As of December 31, 2019, we had accumulated approximately $195,133 of federal tax losses and approximately $10,421 (tax effected) of state tax losses. Federal net operating losses are available to offset federal taxable income and begin to expire in 2025. Federal net operating loss carryforwards of $109,484 generated during 2018 and 2019 are available to offset future U.S. federal taxable income over an indefinite period.

Our material income tax jurisdiction is the United States (federal). As a result of NOL carryforwards, we are subject to audit for all tax years for federal purposes. All tax years remain subject to examination in various other jurisdictions that are not material to our consolidated financial statements.

Note 14: Debt

Warehouse Credit Facilities—To provide capital for the mortgage loans that it originates, Redfin Mortgage, our wholly owned mortgage origination subsidiary, utilizes warehouse credit facilities that are classified as current liabilities in our consolidated balance sheets. Borrowings under each warehouse credit facility are secured by the related mortgage loan and rights and income related to the loans. The following table summarizes borrowings under these facilities as of the periods presented:

Lender	Borrowing Capacity as of March 31, 2020	Borrowings as of March 31, 2020	Borrowings as of December 31, 2019
Western Alliance Bank	$ 24,500	$ 13,613	$ 8,489
Texas Capital Bank, N.A.	24,500	17,552	10,210
Flagstar Bank	20,000	11,421	2,603
Total	$ 69,000	$ 42,586	$ 21,302

Borrowings under the facility with Western Alliance Bank ("Western Alliance") mature on June 15, 2020 and generally bear interest at a rate equal to the greater of (i) one-month LIBOR plus 2.00% or (ii) 3.50%. The weighted average interest rate on outstanding borrowings as of March 31, 2020 and December 31, 2019 was 3.52% and 3.79%, respectively. The agreement governing the facility requires Redfin Mortgage to maintain certain financial covenants. Additionally, Redfin Corporation has agreed to make capital contributions in an amount necessary for Redfin Mortgage to satisfy its adjusted tangible net worth financial covenant under the agreement. Redfin Mortgage is in default of this facility because it failed to satisfy a financial covenant as of March 31, 2020, but Western Alliance has not enforced its remedy under the agreement of requiring Redfin Mortgage to repurchase all outstanding loans held by the lender.

Borrowings under the facility with Texas Capital Bank, N.A. ("Texas Capital") mature on May 6, 2020 and generally bear interest at a rate equal to the greater of (i) the rate of interest accruing on the outstanding principal balance of the loan minus 0.50% or (ii) 3.50%. The weighted average interest rate on outstanding borrowings as of March 31, 2020 and December 31, 2019 was 3.50% and 3.51%, respectively. The agreement governing the facility requires Redfin Mortgage to maintain certain financial covenants. Additionally, Redfin Corporation has guaranteed Redfin Mortgage's obligations under the agreement. Redfin Mortgage is in default of this facility because it failed to satisfy a financial covenant as of March 31, 2020, but Texas Capital has not enforced its remedies under the agreement of (i) requiring Redfin Mortgage to repurchase Texas Capital's interest in all outstanding loans subject to the agreement or (ii) selling all outstanding loans subject to the agreement.

Borrowings under the facility with Flagstar Bank, FSB ("Flagstar") generally bear interest at a rate equal to the greater of (i) one-month LIBOR plus 2.00% or (ii) 3.00%. The weighted average interest rate on outstanding borrowings as of March 31, 2020 and December 31, 2019 was 3.36% and 3.69%, respectively. This facility does not have a stated maturity date, but Flagstar may terminate the facility upon 30 days prior notice. Redfin Mortgage would be required to pay all amounts owed to Flagstar upon the facility's termination.

Secured Revolving Credit Facility—To provide capital for the homes that it purchases, RedfinNow has, through a special purpose entity called RedfinNow Borrower, entered into a secured revolving credit facility with Goldman Sachs. Borrowings under the facility are secured by RedfinNow Borrower's assets, including the financed homes, as well as the equity interests in RedfinNow Borrower. The following table summarizes borrowings under this facility as of the periods presented:

Lender	Borrowing Capacity as of March 31, 2020	Borrowings as of March 31, 2020	Borrowings as of December 31, 2019
Goldman Sachs Bank USA	$ 100,000	$ 8,901	$ 4,444

The facility matures on January 26, 2021, but we may extend the maturity date for an additional six months to repay outstanding borrowings. Goldman Sachs may, at its sole option, finance a portion of RedfinNow Borrower's acquisition costs of qualified homes that have been purchased. The portion financed is based, in part, on how long the qualifying home has been owned by a Redfin entity. Borrowings under the facility prior to March 24, 2020 generally bore interest at a rate of one-month LIBOR (subject to a floor of 0.50%) plus 2.65%. For borrowings under the facility on and after March 24, 2020, each new borrowing generally bears interest at a rate of one-month LIBOR (subject to a floor of 0.50%) plus an additional rate agreed upon between RedfinNow Borrower and Goldman Sachs. The weighted average interest rate on outstanding borrowings as of March 31, 2020 and December 31, 2019 was 3.77% and 4.45%, respectively.

RedfinNow Borrower must repay all borrowings and accrued interest upon the termination of the facility, and it has the option to repay the borrowings, and the related interest, with respect to a specific financed home upon the sale of such home. In certain situations involving a financed home remaining unsold after a certain time period or becoming ineligible for financing under the facility, RedfinNow Borrower may be obligated to repay all or a portion of the borrowings, and related interest, with respect to such home prior to the sale of such home. In instances involving "bad acts," Redfin Corporation has guaranteed repayment of amounts owed under the facility, in some situations, and indemnification of certain expenses incurred, in other situations.

As of March 31, 2020, RedfinNow Borrower had $53,445 of total assets, of which $44,455 related to inventory and $5,648 in cash and cash equivalents. As of December 31, 2019, RedfinNow Borrower had $16,200 of total assets, of which $7,456 related to inventory and $5,663 in cash and equivalents.

For the three months ended March 31, 2020 , we amortized $154 of the debt issuance costs and recognized $80 of interest expense.

Convertible Senior Notes—On July 23, 2018, we issued $143,750 aggregate principal amount of convertible senior notes. The notes are senior, unsecured obligations of Redfin Corporation, and bear interest at a fixed rate of 1.75% per year, payable semi-annually in arrears on January 15 and July 15. The effective interest rate of the liability portion of the debt is 7.25%. The notes mature on July 15, 2023, unless earlier repurchased, redeemed or converted. As of March 31, 2020, no conversion events have occurred. We will settle conversions of the notes by paying or delivering, as the case may be, cash, shares of our common stock, or a combination of cash and shares of our common stock, at our election. We have the ability, and intend, to settle any conversions solely in cash.

The following details the carrying value of the convertible senior notes as of the dates presented:

	March 31, 2020	December 31, 2019
Principal	$ 143,750	$ 143,750
Less: debt discount, net of amortization	(19,840)	(21,231)
Less: debt issuance costs, net of amortization	(2,618)	(2,803)
Net carrying amount of the convertible senior notes	$ 121,292	$ 119,716

The total estimated fair value of the convertible senior notes as of March 31, 2020 and December 31, 2019 was approximately $130,801 and $142,672, respectively, based on the closing trading price of the notes on last day of trading for the period. The fair value has been classified as Level 2 within the fair value hierarchy given the limited trading activity of the notes.

The following table sets forth total interest expense recognized related to the convertible senior notes for the periods presented:

	Three Months Ended March 31,	
	2020	2019
Amortization of debt discount	$ 1,390	$ 1,329
Amortization of debt issuance costs	186	178
Total amortization of debt issuance costs and accretion of equity portion	1,576	1,507
Contractual interest expense	629	629
Total interest expense related to the notes	$ 2,205	$ 2,136

Note 15: Subsequent Events

Private Placement—On April 1, 2020, we issued 4,484,305 shares of our common stock, at a price of $15.61 per share, and 40,000 shares of our preferred stock, at a price of $1,000 per share, for aggregate gross proceeds of $110,000. We designated this preferred stock as Series A Convertible Preferred Stock, which we refer to as our convertible preferred stock.

Workforce Reduction—In April 2020, we reduced our number of employees by approximately 400 people, which represented approximately ten percent of our employees. As a result of this workforce reduction, we incurred a pre-tax charge for one-time termination costs, which consisted of severance and related costs, of $4,400 in April 2020. We additionally placed approximately 1,000 employees on furlough, of which approximately 135 were invited to return in early May. As of the effective date of any furlough, we provided transition pay to each employee, resulting in a pre-tax charge of approximately $1,000. In addition, for any furloughed employee enrolled in our health-care benefit plans, we will continue to provide benefits through the duration of the furlough.

Flagstar Warehouse Credit Facility—On April 20, 2020, Redfin Mortgage temporarily increased the borrowing capacity under its warehouse credit facility with Flagstar to $24,500 through May 31, 2020.

Texas Capital Warehouse Credit Facility—On May 4, 2020, Redfin Mortgage extended the expiration date of its warehouse credit facility with Texas Capital to June 5, 2020.

Item 2. 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 together with our consolidated financial statements, the accompanying notes, and other information included in this quarterly report and our annual report for the year ended December 31, 2019. In particular, the disclosure contained in Item 1A in our annual report, as updated by Part II, Item 1A in this quarterly report, may reflect trends, demands, commitments, events, or uncertainties that could materially impact our results of operations and liquidity and capital resources.

The following discussion contains forward-looking statements, such as statements regarding *COVID-19's anticipated impacts on our business, our future operating results and financial position, our business strategy and plans, our market growth and trends, and our objectives for future operations. Please see "Note Regarding Forward-Looking Statements" for more information about relying on these forward-looking statements. The following discussion also contains information using industry publications. Please see "Note Regarding Industry and Market Data" for more information about relying on these industry publications.*

When we use the term "basis points" in the following discussion, we refer to units of one-hundredth of one percent.

Overview

We help people buy and sell homes. Our primary business is a residential real estate brokerage, representing customers in over 90 markets throughout the United States and Canada. We pair 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.

We use the same combination of technology and local service to originate mortgage loans and offer title and settlement services; we also buy homes directly from homeowners who want an immediate sale, taking responsibility for selling the home while the original owner moves on.

Our mission is to redefine real estate in the consumer’s favor.

COVID-19 Impact and Associated Actions

Impact on Customer Demand and Housing Inventory

Since the beginning of March 2020, COVID-19 has had a negative effect on our customer demand and the number of homes available for sale throughout our markets. Together, these factors affect our real estate services transaction volume, and in turn our revenue growth and cash flow from operations.

One way that we assess our customer demand is growth in our monthly average visitors. In January and February 2020, our monthly average visitors increased 20% as compared with the same period in 2019. In March and April 2020, our monthly average visitors increased only 0.5% as compared with the same period in 2019.

One way that we have assessed COVID-19's impact on our homebuying demand is by comparing the average daily number of inquiries our lead agents or our partner agents received during a particular week to that average daily number in January and February 2020, which we refer to as the threshold level, adjusted for seasonality. We count each of the following as an inquiry: (i) requesting to tour a home; (ii) requesting to speak to an agent about buying a home; and (iii) submitting an offer to buy a home. At its lowest level, since the beginning of March, the average daily number of inquiries for the week ended April 5, 2020 decreased 32% from the threshold level. For the week ended May 3, 2020, the daily number of inquiries decreased 4% from the threshold level.

One way that we assess home inventory levels is growth in the number of homes for sale from all sellers in our markets. For the month of February, the number of homes for sale was down 6% in 2020 compared to the same period in 2019, on a seasonally-adjusted basis. For the month of April, this decline had accelerated to 25%. At the end of April 2020, the number of homes for sale in our markets was at its lowest levels since we began tracking the metric in 2015.

Impact on First Quarter Financial Results

In addition to the above adverse impacts from COVID-19 that we experienced in March 2020, we believe that COVID-19 also negatively affected our first quarter financial results by causing a higher percentage of real estate services transactions to fail to close as scheduled. Historically, approximately 10% of transactions in which we represent a homebuyer fail to close, but this figure rose to nearly 15% in late March 2020. Among other changes, our consolidated financial statements reflect the following impacts that were attributed, in part, to COVID-19: (i) $1.4 million impairment charge related to our cost-method investment (see Note 3), (ii) $0.7 million net write-down in the value of our inventory (see Note 4), and (iii) $0.5 million credit to stock-based compensation related to restricted stock units subject to performance conditions (see Note 11).

Our Response

We have taken the following actions in response to COVID-19 and the associated impact on our business:

- to protect and inform our customers and employees, we:
    - tracked and published the impact of shelter-in-place, stay-at-home, and similar isolation orders on the U.S. residential real estate industry, and updated our services in real time;
    - ceased offering open houses and limited in-person home tours to a maximum of two potential buyers;
    - published weekly updates discussing COVID-19's impact on the U.S. residential real estate industry, including on our homebuying demand and home inventory in our markets;
- to adjust our business strategy, we:
    - built and enhanced technology to allow our agents to virtually tour customers through homes, instead of touring homes in person, and during April 2020, 31% of our tours were virtual, compared to 8% during March 2020;
    - shifted demand across our markets to our lead agents, instead of having our partner agents serve some of the demand;
    - ceased most mass media and performance advertising campaigns to the extent possible;
    - with respect to RedfinNow:
        - temporarily paused making new offers on homes on March 17, 2020 and terminated contracts to purchase homes with an aggregate purchase price of $37 million;
        - as of April 30, 2020, we held approximately $56 million of RedfinNow homes in inventory, of which approximately $37 million are under contract to be sold to consumers;
- to maintain sufficient liquidity for both the short-term and the long-term, we:
    - sold $110 million in capital stock, consisting of $70 million of our common stock and $40 million of our convertible preferred stock, which we closed on April 1, 2020;

- elected to defer payment of federal payroll taxes beginning in April 2020, pursuant to relief provided by the CARES Act;

- to ensure that our workforce numbers and compensation levels reflected declining demand, we
  - reduced, in April, our number of employees by approximately 400 people, which represented approximately ten percent of our employees, and placed approximately an additional 1,000 employees on furlough; as a result of these actions, as of April 30, 2020, we had 1,123 lead agents; and
  - moved to further reduce compensation expenses by (i) reducing our chief executive officer's salary for 2020 to $0, effective from March 17, 2020, (ii) temporarily reducing the salary of our employees earning above a certain threshold by 10% or 15% depending on their compensation structure, effective from April 12, 2020, (iii) canceling executive bonuses and bonuses for our technology and development, marketing, and general and administrative teams for 2020, and (iv) eliminating cash compensation for our board of directors for 2020.

Future Impact

We expect COVID-19 to significantly impact our financial condition, results of operations, and liquidity through at least our second quarter and likely much longer. The extent of the impact will depend, in part, on how long the negative trends in customer demand and home inventory levels described above will continue.

In response to strengthening homebuying demand in late April, we have begun to unwind some of the actions we took in March and early April, though those actions will likely further hinder our revenue growth, and related cash flows, in our second quarter and potentially beyond. RedfinNow will resume making offers on homes in select markets in May. We also plan to resume television advertising with new ads in select markets, and in early May, we asked approximately 135 employees to return from furlough to serve renewed homebuying demand. Nevertheless, we expect that overall customer demand will vary by market and be highly sensitive to COVID-19 developments and economic conditions in that market. We will monitor this demand closely as we make decisions about the number of homes RedfinNow purchases, the size of our marketing investments, and the number of lead agents we ask to return from furlough.

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.

	Three Months Ended								
	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sep. 30, 2018	Jun. 30, 2018	Mar. 31, 2018
Monthly average visitors (in thousands)	35,519	30,595	35,633	36,557	31,107	25,212	29,236	28,777	25,820
Real estate services transactions									
Brokerage	10,751	13,122	16,098	15,580	8,435	9,822	12,876	12,971	7,285
Partner	2,479	2,958	3,499	3,357	2,125	2,749	3,333	3,289	2,237
Total	13,230	16,080	19,597	18,937	10,560	12,571	16,209	16,260	9,522
Real estate services revenue per transaction									
Brokerage	$ 9,520	$ 9,425	$ 9,075	$ 9,332	$ 9,640	$ 9,569	$ 9,227	$ 9,510	$ 9,628
Partner	2,535	2,369	2,295	2,218	2,153	2,232	2,237	2,281	2,137
Aggregate	8,211	8,127	7,865	8,071	8,134	7,964	7,790	8,048	7,869
Aggregate home value of real estate services transactions (in millions)	$ 6,098	$ 7,588	$ 9,157	$ 8,986	$ 4,800	$ 5,825	$ 7,653	$ 7,910	$ 4,424
U.S. market share by value	0.93 %	0.94 %	0.96 %	0.94 %	0.83 %	0.81 %	0.85 %	0.83 %	0.73 %
Revenue from top-10 Redfin markets as a percentage of real estate services revenue	61 %	62 %	63 %	64 %	64 %	66 %	66 %	68 %	66 %
Average number of lead agents	1,826	1,526	1,579	1,603	1,503	1,419	1,397	1,415	1,327

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 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, among other things, market conditions that affect interest in buying or selling homes, the level and success of our marketing programs, seasonality, and how our website appears in search results. We believe we can continue to increase monthly visitors, which helps our growth.

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

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 our mobile applications for each of the months in that period, as measured by Google Analytics, a product that provides digital marketing intelligence. Google Analytics tracks visitors using cookies, with a unique cookie being assigned to each browser or mobile application on a device. For any given month, Google Analytics counts all of the unique cookies that visited our website and mobile applications during that month. Google Analytics considers each unique cookie as a unique visitor. Due to third-party technological limitations, user software settings, or user behavior, it is possible that Google Analytics may assign a unique cookie to different visits by the same person to our website or mobile application. In such instances, Google Analytics would count different visits by the same person as separate visits by unique visitors. Accordingly, reliance on the number of unique cookies counted by Google Analytics may overstate the actual number of unique persons who visit our website or our mobile applications for a given month.

Real Estate Services Transactions

We record a brokerage real estate services transaction when one of our lead agents represented the homebuyer or home seller in the purchase or sale, respectively, of a home. We record a partner real estate services transaction (i) when one of our partner agents represented the homebuyer or home seller in the purchase or sale, respectively, of a home or (ii) since the third quarter of 2019 after we commenced a referral partnership with Opendoor, when a Redfin customer sold his or her home to a third-party institutional buyer following our introduction of that customer to the buyer. We include a single transaction twice when our lead agents or our partner agents serve both the homebuyer and the home seller of the transaction. Additionally, when one of our lead agents represents RedfinNow in its sale of a home, we include that transaction as a brokerage real estate services transaction.

Increasing the number of real estate services transactions is critical to increasing our revenue and, in turn, to achieving profitability. Real estate services transaction volume is influenced by, among other things, the pricing and quality of our services as well as market conditions that affect home sales, such as local inventory levels and mortgage interest rates. Real estate services transaction volume is also affected by seasonality and macroeconomic factors.

Real Estate Services Revenue per Transaction

Real estate services revenue per transaction, together with the number of real estate services transactions, is a factor in evaluating revenue growth. We also use this metric to evaluate pricing changes. Changes in real estate services revenue per transaction can be affected by, among other things, our pricing, the mix of transactions from homebuyers and home sellers, changes in the value of homes in the markets we serve, the geographic mix of our transactions, and the transactions we refer to partner agents and third-party institutional buyer. We calculate real estate services revenue per transaction by dividing brokerage, partner, or aggregate revenue, as applicable, by the corresponding number of real estate services transactions in any period.

We generally generate more real estate services revenue per transaction from representing homebuyers than home sellers. However, we believe that representing home sellers has unique strategic value, including the marketing power of yard signs and digital marketing campaigns, and the market effect of controlling listing inventory. To keep revenue per brokerage transaction about the same from year to year, we expect to reduce our commission refund to homebuyers if more of our brokerage transactions come from home sellers.

Aggregate Home Value of Real Estate Services Transactions

The aggregate home value of brokerage and partner real estate services transactions is an important indicator of the health of our business, because our revenue is largely based on a percentage of each home's sale price. This metric is affected chiefly by the number of customers we serve, but also by changes in home values in the markets we serve. We compute this metric by summing the sale price of each home represented in a real estate services transaction. We include the value of a single transaction twice when our lead agents or our partner agents serve both the homebuyer and home seller of the transaction.

U.S. Market Share by Value

Increasing our U.S. market share by value 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.

We calculate the aggregate value of U.S. home sales by multiplying the total number of U.S. existing home sales by the mean sale price of these homes, each as reported by the National Association of REALTORS®. We calculate our market share by aggregating the home value of brokerage and partner real estate services transactions. 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.

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

Our top-10 markets by real estate services revenue are the metropolitan areas of Boston, Chicago, Denver (including Boulder and Colorado Springs), Los Angeles (including Santa Barbara), Maryland, Northern Virginia, Portland (including Bend), San Diego, San Francisco, and Seattle. This metric is an indicator of the geographic concentration of our real estate services segment. We expect our revenue from top-10 markets to decline as a percentage of our total real estate services 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 basis for calculating agent productivity and is one 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, helping determine when and where to hire 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.

Components of Our Results of Operations

Revenue

We generate revenue primarily from commissions and fees charged on each real estate services transaction closed by our lead agents or partner agents, and from the sale of homes .

Real Estate Services Revenue

Brokerage Revenue—Brokerage revenue includes our offer and listing services, where our lead agents represent homebuyers and home sellers. We recognize commission-based brokerage revenue upon closing of a brokerage transaction, less the amount of any commission refunds, closing-cost reductions, or promotional offers that may result in a material right. Brokerage revenue is affected by the number of brokerage 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 paid to us from partner agents or under other referral agreements, 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 refund to customers. If the portion of customers we introduce to our own lead agents increases, we expect the portion of revenue closed by partner agents to decrease.

Properties Revenue

Properties Revenue—Properties revenue consists of revenue earned when we sell homes that we previously bought directly from homeowners. Properties revenue is recorded at closing on a gross basis, representing the sales price of the home. RedfinNow is our primary properties offering.

Other Revenue

Other Revenue—Other services revenue includes fees earned from mortgage origination services, title settlement services, Walk Score data services, and advertising. Substantially all fees and revenue from other services are recognized when the service is provided.

Intercompany Eliminations

Intercompany Eliminations—Revenue earned from transactions between operating segments are eliminated in consolidating our financial statements. Intercompany transactions primarily consist of services performed from our real estate services segment for our properties segment.

Cost of Revenue and Gross Margin

Cost of revenue consists primarily of personnel costs (including base pay, benefits, and stock-based compensation), transaction bonuses, home-touring and field expenses, listing expenses, home costs related to our properties segment, office and occupancy expenses, and depreciation and amortization related to fixed assets and acquired intangible assets. Home costs related to our properties segment include home purchase costs, capitalized improvements, selling expenses directly attributable to the transaction, and home maintenance expenses.

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, but the most important are the mix of revenue from our relatively higher-gross-margin real estate services segment and our relatively lower-gross-margin properties segment, real estate services revenue per transaction, agent and support-staff productivity, personnel costs and transaction bonuses, and, for properties, the home purchase costs.

Operating Expenses

Technology and Development

Our primary technology and development expenses are building software for our customers, lead agents, and support staff to work together on a transaction, and building a website and mobile application to meet customers looking to move. These expenses primarily include personnel costs (including base pay, benefits, and stock-based compensation), data licenses, software and equipment, and infrastructure such as for data centers and hosted services. The expenses also include amortization of capitalized internal-use software and website and mobile application development costs. We expense research and development costs as incurred and record them in technology and development expenses. Our technology and development expense grew 30% year-over-year for the three months ended March 31, 2020, but we expect much slower growth in this expense for the three months ending June 30, 2020 due to our actions taken in response to COVID-19, as discussed in "COVID-19 Impact and Associated Actions.".

Marketing

Marketing expenses consist primarily of media costs for online and offline advertising, as well as personnel costs (including base pay, benefits, and stock-based compensation).

General and Administrative

General and administrative expenses consist primarily of personnel costs (including base pay, benefits, and stock-based compensation), facilities costs and related expenses for our executive, finance, human resources, and legal organizations, depreciation related to our fixed assets, and fees for outside services. Outside services are principally comprised of external legal, audit, and tax services.

Interest Income

Interest income consists primarily of interest earned on our cash, cash equivalents and investments.

Interest Expense

Interest expense consists primarily of interest payable and the amortization of debt discounts and issuance cost related to our convertible senior notes, which we issued in July 2018. Interest is payable on the notes at the rate of 1.75% semiannually in arrears on January 15 and July 15.

For the three months ended March 31, 2020 , interest expense also includes interest on borrowings and the amortization of debt issuance costs related to our secured revolving credit facility. Borrowings under the facility prior to March 24, 2020 generally bore interest at a rate of one-month LIBOR (subject to a floor of 0.50%) plus 2.65%. For borrowings under the facility on and after March 24, 2020, each new borrowing generally bears interest at a rate of one-month LIBOR (subject to a floor of 0.50%) plus an agreed upon additional rate.

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.

	Three Months Ended March 31,	
	2020	2019
	(in thousands)	
Revenue	$ 190,995	$ 110,141
Cost of revenue[(1)]	178,116	107,388
Gross profit	12,879	2,753
Operating expenses		
Technology and development[(1)]	20,274	15,556
Marketing[(1)]	25,708	33,201
General and administrative[(1)]	24,327	21,448
Total operating expenses	70,309	70,205
Loss from operations	(57,430)	(67,452)
Interest income	1,103	2,316
Interest expense	(2,444)	(2,136)
Other income (expense), net	(1,346)	92
Net loss	$ (60,117)	$ (67,180)

(1) Includes stock-based compensation as follows:

	Three Months Ended March 31,	
	2020	2019
	(in thousands)	
Cost of revenue	$ 1,638	$ 1,465
Technology and development	3,648	2,656
Marketing	375	286
General and administrative	1,550	1,999
Total	$ 7,211	$ 6,406

	Three Months Ended March 31,	
	2020	2019
	(as a percentage of revenue)	
Revenue	100.0 %	100.0 %
Cost of revenue(1)	93.3	97.5
Gross profit	6.7	2.5
Operating expenses		
Technology and development(1)	10.6	14.1
Marketing(1)	13.5	30.1
General and administrative(1)	12.7	19.5
Total operating expenses	36.8	63.7
Loss from operations	(30.1)	(61.2)
Interest income	0.6	2.1
Interest expense	(1.3)	(1.9)
Other income (expense), net	(0.7)	0.1
Net loss	(31.5)%	(60.9)%

(1) Includes stock-based compensation as follows:

	Three Months Ended March 31,	
	2020	2019
	(as a percentage of revenue)	
Cost of revenue	0.9 %	1.3 %
Technology and development	1.9	2.4
Marketing	0.2	0.3
General and administrative	0.8	1.8
Total	3.8 %	5.8 %

Comparison of the Three Months Ended March 31, 2020 and 2019

Revenue

	Three Months Ended March 31,		Change	
	2020	2019	Dollars	Percentage
	(in thousands, except percentages)			
Real estate services revenue				
Brokerage revenue	$ 102,351	$ 81,314	$ 21,037	26 %
Partner revenue	6,285	4,576	1,709	37
Total real estate services revenue	108,636	85,890	22,746	26
Properties revenue	79,098	21,373	57,725	270
Other revenue	4,250	3,047	1,203	39
Intercompany elimination	(989)	(169)	(820)	485
Total revenue	$ 190,995	$ 110,141	$ 80,854	73
Percentage of revenue				
Real estate services revenue				
Brokerage	53.6 %	73.8 %		
Partner revenue	3.3	4.2		
Total real estate services revenue	56.9	78.0		
Properties revenue	41.4	19.4		
Other revenue	2.2	2.8		
Intercompany elimination	(0.5)	(0.2)		
Total revenue	100.0 %	100.0 %		

In the three months ended March 31, 2020, revenue increased by $80.9 million, or 73%, as compared with the same period in 2019. Brokerage revenue represented $21.0 million, or 26%, of the increase. Brokerage revenue grew 26% as compared with 2019, driven by a 27% increase in brokerage transactions and a 1% decrease in real estate services revenue per transaction. We believe this increase in brokerage transactions was attributable to higher levels of customer awareness of Redfin and increasing customer demand. Properties revenue represented $57.7 million, or 71%, of the increase. Properties revenue grew 270% as compared with 2019, driven by a greater market presence and consumer awareness of RedfinNow, which resulted in a 298% increase in the number of properties sold.

Cost of Revenue and Gross Margin

	Three Months Ended March 31,		Change	
	2020	2019	Dollars	Percentage
	(in thousands, except percentages)			
Cost of revenue				
Real estate services	$ 93,562	$ 80,784	$ 12,778	16 %
Properties	79,299	22,993	56,306	245
Other	6,244	3,780	2,464	65
Intercompany elimination	(989)	(169)	(820)	485
Total cost of revenue	$ 178,116	$ 107,388	$ 70,728	66
Gross profit (loss)				
Real estate services	$ 15,074	$ 5,106	$ 9,968	195 %
Properties	(201)	(1,620)	1,419	(88)
Other	(1,994)	(733)	(1,261)	172
Total gross profit	$ 12,879	$ 2,753	$ 10,126	368
Gross margin (percentage of revenue)				
Real estate services	13.9 %	5.9 %		
Properties	(0.3)	(7.6)		
Other	(46.9)	(24.1)		
Total gross margin	6.7	2.5		

In the three months ended March 31, 2020, total cost of revenue increased by $70.7 million, or 66%, as compared with the same period in 2019. This increase in cost of revenue was primarily attributable to a $51.9 million increase in home purchase costs and related capitalized improvements, due to selling more homes by our properties business, and a $11.2 million increase in personnel costs and transaction bonuses due to increased headcount and increased brokerage transactions, respectively.

For the three months ended March 31, 2020, total gross margin increased 420 basis points as compared with the same period in 2019, driven primarily by improvements in real estate services and properties gross margin, partially offset by a decrease in other gross margin.

For the three months ended March 31, 2020, real estate services gross margin increased 800 basis points as compared with the same period in 2019. This was primarily attributable to a 540 basis-point decrease in personnel costs and transaction bonuses, and a 200 basis-point decrease in home-touring and field costs, each as a percentage of revenue.

For the three months ended March 31, 2020, properties gross margin increased 730 basis points as compared with the same period in 2019. This was primarily attributable to a 370 basis-point decrease in personnel costs and transaction bonuses, and a 310 basis-point decrease in home purchase costs and related capitalized improvements, each as a percentage of revenue.

For the three months ended March 31, 2020, other gross margin decreased 2,280 basis points as compared with the same period in 2019. This was primarily attributable to a 2,360 basis-point increase in personnel costs and transaction bonuses as a percentage of revenue.

Operating Expenses

	Three Months Ended March 31,		Change	
	2020	**2019**	**Dollars**	**Percentage**
	(in thousands, except percentages)			
Technology and development	$ 20,274	$ 15,556	$ 4,718	30 %
Marketing	25,708	33,201	(7,493)	(23)
General and administrative	24,327	21,448	2,879	13
Total operating expenses	$ 70,309	$ 70,205	$ 104	0
Percentage of revenue				
Technology and development	10.6 %	14.1 %		
Marketing	13.5	30.1		
General and administrative	12.7	19.5		
Total operating expenses	36.8 %	63.7 %		

For the three months ended March 31, 2020, technology and development expenses increased by $4.7 million, or 30%, as compared with the same period in 2019. The increase was primarily attributable to a $3.9 million increase in personnel costs and a $0.3 million increase in occupancy and office expenses, each due to increased headcount.

For the three months ended March 31, 2020, marketing expenses decreased by $7.5 million, or 23%, as compared with the same period in 2019. The decrease was attributable to a $6.1 million decrease in mass media advertising including digital channels, and a $1.7 million decrease in performance advertising, in each case due, in part, to our suspension of advertising campaigns in March as a result of COVID-19. This was partially offset by a $0.2 million increase in marketing production costs.

For the three months ended March 31, 2020, general and administrative expenses increased by $2.9 million, or 13%, as compared with the same period in 2019. The increase was primarily attributable to a $1.6 million increase in outside services expenses, primarily Internet-based software services and training programs, a $0.6 million increase in personnel costs, largely the result of increases in headcount to support continued growth, and a $0.4 million increase in corporate events costs.

Liquidity and Capital Resources

As of March 31, 2020, we had cash and cash equivalents of $213.9 million and investments of $101.8 million, which consist primarily of operating cash on deposit with financial institutions, money market instruments, and U.S. treasury securities.

Also as of March 31, 2020, we had $143.8 million aggregate principal amount of convertible senior notes outstanding. The notes mature on July 15, 2023, unless earlier repurchased, redeemed or converted, and interest is payable in arrears on January 15 and July 15 of each year.

On April 1, 2020, we issued (i) 4,484,305 shares of our common stock, at a price of $15.61 per share, and (ii) 40,000 shares of our convertible preferred stock, at a price of $1,000 per share, for aggregate gross proceeds of $110.0 million. Unless earlier redeemed or converted, on November 30, 2024, we will be required to redeem any outstanding shares of the preferred stock, and each holder may elect to receive cash, shares of our common stock, or a combination of cash and shares, as payment for the preferred stock that it holds. Dividends will accrue on each $1,000 of the preferred stock at a rate of 5.5% per year and are payable quarterly in arrears on the first day following the end of each calendar quarter, with the first dividend payable on July 1, 2020. Assuming we satisfy certain conditions, we will pay dividends in shares of our common stock, but if we fail to satisfy those conditions, we will be required to pay dividends in cash.

With respect to the cash outlay for our RedfinNow business, for the three months ended March 31, 2020, we relied (i) on a combination of our cash on hand and borrowings from a secured revolving credit facility to fund home purchase prices and (ii) solely on our cash on hand to fund capitalized improvement costs and home maintenance expenses. See Note 4 to our consolidated financial statements for more information on changes to inventory related to home purchases, additions to inventory from capitalized improvements, and relief of inventory from the sales of homes for our properties business. See Note 14 to our consolidated financial statements for more information regarding the secured revolving credit facility.

As discussed in "COVID-19 Impact and Associated Actions," our RedfinNow business temporarily paused making offers on homes on March 17, 2020 and resumed making offers in select markets in May. Even with its resumption of making offers, we expect that our cash outlay for costs related to our RedfinNow business will significantly decrease for the three months ending June 30, 2020, compared to the three months ended March 31, 2020. Additionally, since March 31, 2020, RedfinNow has made additional borrowings under the secured revolving credit facility to fund the home purchase price for homes that it purchased prior to March 17, 2020 or that it was under contract to purchase on that date. As of April 30, 2020, outstanding borrowings under the facility was $32 million.

Our mortgage business has significant cash requirements due to the period of time between its origination of a mortgage loan and the sale of that loan. Historically, it has relied on warehouse credit facilities with different lenders to fund substantially the entire portion of the mortgage loans that it originates. Once our mortgage business sells a loan in the secondary mortgage market, it uses the proceeds to reduce the outstanding balance under the related facility. See Note 14 to our consolidated financial statements and the discussion under "Risks Related to Our Indebtedness" in Part II, Item 1A for more information regarding these warehouse credit facilities, including our mortgage business's failure to satisfy a financial covenant under two facilities.

We believe that our existing cash and cash equivalents (including the $110 million in gross proceeds from our April 1, 2020 capital stock issuances) and investments, together with cash we expect to generate from future operations, borrowings from our properties business's secured revolving credit facility and our mortgage business's warehouse credit facilities, and the cost savings resulting from the actions we have taken in response to COVID-19, will provide sufficient liquidity to meet our operational needs, satisfy payments required by our convertible preferred stock, and fulfill our debt obligations. However, our liquidity assumptions may change or prove to be incorrect, and we could exhaust our available financial resources sooner than we currently expect. As a result, we may seek new sources of credit financing or elect to raise additional funds through equity, equity-linked, or debt financing arrangements. 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 presented:

	Three Months Ended March 31,	
	2020	2019
	(in thousands)	
Net cash used in operating activities	$ (43,449)	$ (47,157)
Net cash used in investing activities	(3,468)	(3,151)
Net cash provided by financing activities	30,206	17,342

Net Cash Used In Operating Activities

Our operating cash flows result primarily from cash generated by commissions paid from our real estate services business and sales of homes from our properties business. Our primary uses of cash from operating activities include payments for personnel-related costs, including employee benefits and bonus programs, marketing and advertising activities, purchases of homes for our properties business, and outside services costs. Additionally, our mortgage business generates a significant amount of operating cash flow activity from the origination and sale of loans held for sale.

Net cash used in operating activities was $43.4 million for the three months ended March 31, 2020 , primarily attributable to a net loss of $60.1 million, offset by $14.9 million of non-cash items related to stock based compensation, depreciation and amortization, amortization of debt discounts and issuance costs, lease expense related to right-of-use assets, impairment charge on our cost method investment, and other non-cash items. Changes in assets and liabilities decreased cash used in operating activities by $1.7 million driven primarily by a $20.4 million increase in accrued liabilities, primarily related to timing of payments, a $5.3 million decrease in prepaid expenses. This was partially offset by an increase of $21.5 million in net loans held for sale related to our mortgage business. A majority of the loans held for sale as of March 31, 2020 have been subsequently sold.

Net cash used in operating activities was $47.2 million for the three months ended March 31, 2019 , primarily attributable to a net loss of $67.2 million, offset by $10.8 million of non-cash items related to stock based compensation, depreciation and amortization, and amortization of debt discounts and issuance costs. Changes in assets and liabilities decreased cash used in operating activities by $9.3 million driven primarily by a $36.7 million increase in accounts payable and accrued liabilities related to timing of marketing payments. This was partially offset by an increase of $15.6 million in inventory related to our properties business and a $10.8 million increase in net loans held for sale related to our mortgage business.

Net Cash Used In Investing Activities

Our primary investing activities include the purchase of investments and property and equipment, primarily related to capitalized software development expenses and leasehold improvements.

Net cash used in investing activities was $3.5 million for the three months ended March 31, 2020 , primarily attributable to $2.5 million of capitalized software development expenses. Additionally, we had $33.2 million of maturities and sales of investments that was offset by $33.3 million of purchases of similar type investments.

Net cash used in investing activities was $3.2 million for the three months ended March 31, 2019 , primarily attributable to $1.5 million of capitalized software development expenses and $1.0 million related to equipment, furnishings, and leasehold improvements for new or expansion of existing office spaces.

Net Cash Provided By Financing Activities

Our primary financing activities have come from our initial public offering in August 2017, our follow-on offerings of common stock and convertible senior notes in July 2018, and the sale of shares pursuant to stock option exercises and ESPP. Additionally, our mortgage business generates a significant amount of financing cash flow activity due to borrowings from and repayments to its warehouse credit facilities. Furthermore, in July 2019, a special purpose entity for our properties business entered in to a secured revolving credit facility to support financing home purchases in our properties segment.

Net cash provided by financing activities was $30.2 million for the three months ended March 31, 2020 , primarily attributable to a $21.3 million increase in our net borrowings under warehouse credit facilities and $4.5 million in net borrowings under the secured revolving credit facility.

Net cash provided by financing activities was $17.3 million for the three months ended March 31, 2019 , primarily attributable to $10.5 million increase in our net borrowings under warehouse credit facilities and $3.7 million in proceeds from the sale of shares under our equity compensation plans.

Critical Accounting Policies and Estimates

Discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which we 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 are described in Note 1 of our annual report for the year ended December 31, 2019, and there have been no material changes to those critical accounting policies and estimates.

Recent Accounting Standards

See Note 1 to our consolidated financial statements for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted.

Item 3. Qualitative and Quantitative Disclosures About Market Risk.

Our primary operations are within the United States and in the first quarter of 2019 we launched limited operations in Canada. We are exposed to market risks in the ordinary course of our business. These risks primarily consist of fluctuations in interest rates.

Interest Rate Risk

Our investment policy allows us to maintain a portfolio of cash equivalents and investments in a variety of securities, including U.S. treasury and agency issues, bank certificates of deposit that are 100% insured by the Federal Deposit Insurance Corporation, and SEC-registered money market funds that consist of a minimum of $1 billion in assets and meet the above requirements. The goals of our investment policy are liquidity and capital preservation. We do not enter into investments for trading or speculative purposes.

As of March 31, 2020, we had cash and cash equivalents of $213.9 million and investments of $101.8 million. Our investments are comprised of available-for-sale securities that consist primarily of U.S. treasury securities with maturities of two years or less. 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 relatively short-term nature and risk profile of our portfolio. Declines in interest rates, however, would reduce future investment income. We estimate a 100 basis-point decline in interest rates, occurring throughout the second quarter of 2020, will not have a material impact on our financial results for that quarter.

We are exposed to interest rate risk on our mortgage loans held for sale and IRLCs associated with our mortgage loan origination services. We manage this interest rate risk through the use of forward sales commitments on both a best effort whole loans basis and on a mandatory basis. Forward sales commitments entered into on a mandatory basis are done through the use of commitments to sell mortgage-backed securities. If the value of the loans held for sale and mortgage-backed securities do not correlate as expected, then our hedging activity will be less effective and there will be an impact on the profitability of the loans we originate. We do not enter into or hold derivatives for trading or speculative purposes. The fair value of our IRLCs and forward sales commitments are reflected in other current assets and accrued liabilities, as applicable, with changes in the fair value of these commitments recognized as revenue. The net fair value change for the periods presented were not material. See Note 3 to our consolidated financial statements for a summary of the fair value of our IRLCs and forward sales commitments.

We are subject to interest rate risk on borrowings under the secured revolving credit facility used to support the financing of home purchases by our properties business. As of March 31, 2020, outstanding borrowings under the facility were $8.9 million. Borrowings under the facility generally bear interest at a rate of one-month LIBOR (subject to a floor of 0.50%) plus an applicable margin. See Note 14 to our consolidated financial statements for a description of the facility. Changes in the market interest rate will increase or decrease our interest expense. Assuming no change in the outstanding borrowings under the facility during the second quarter of 2020, we estimate a 100 basis-point increase in the interest rate applicable to outstanding borrowings will not have a material impact on our financial results for that quarter.

Foreign Currency Exchange Risk

As our operations in Canada have been limited, and we do not maintain a significant balance of foreign currency, we do not currently face significant risk with respect to foreign currency exchange rates.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive and principal financial officers, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934), as of the end of the period covered by this quarterly report. Based on such evaluation, our principal executive and principal financial officers have concluded that as of such date, our disclosure controls and procedures were effective at the reasonable assurance level described below.

Changes in Internal Control

In connection with the evaluation required by Rule 13a-15(d) under the Securities Exchange Act of 1934, there were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

On August 28, 2019, one of our former independent contractor licensed sales associates, which we call associate agents, filed a complaint against us in the Superior Court of California, County of San Francisco. The plaintiff initially pled the complaint as a class action and alleged that we misclassified her as an independent contractor instead of an employee. The plaintiff also sought representative claims under California's Private Attorney General Act ("PAGA"). On December 6, 2019, we filed a motion to compel arbitration and asserted that the plaintiff had agreed to arbitrate her claims and had waived all class claims. Following that filing, we and the plaintiff stipulated to allow the plaintiff to amend her complaint to dismiss the class action claim and assert only claims under PAGA. On January 14, 2020, pursuant to the parties' stipulation, the court granted the plaintiff leave to file a first amended complaint, and she filed her first amended complaint on January 30, 2020. Following this stipulation, only the plaintiff's claims under PAGA will proceed. The plaintiff continues to seek unspecified penalties for alleged violations of PAGA.

Item 1A. Risk Factors.

Except as discussed below, there have not been any material changes from the risk factors included in Item 1A of our annual report for the year ended December 31, 2019*. You should carefully consider the risks described below, together with all other information in this quarterly report, before investing in any of our securities. The occurrence of any single risk or any combination of risks could materially and adversely affect our business, operating results, financial condition, liquidity, or competitive position, and consequently, the value of our securities. The material adverse effects include, but are not limited to, not growing our revenue or market share at the pace that they have grown historically or at all, our revenue and market share fluctuating on a quarterly and annual basis, an extension of our history of losses and a failure to become profitable, not achieving the revenue and net income (loss) guidance that we provide, and harm to our reputation and brand.*

Risks Related to Our Business and Industry

COVID-19's social and economic impacts have significantly and adversely affected our business and, for at least the foreseeable future, will continue to significantly and adversely affect our business.

Our success depends on a high volume of residential real estate transactions throughout the markets in which we operate. This transaction volume affects all of the ways that we generate revenue, including our number of real estate services transaction, RedfinNow's ability to sell homes that it owns, the number of loans our mortgage business originates and potentially resells, and the number of deals our title and settlement business closes. COVID-19's social and economic impacts have significantly and adversely affected, and for at least the foreseeable future, will continue to significantly and adversely affected, residential real estate transaction volume.

The public health risks posed by COVID-19 have prompted city, county, and state governments in most of the markets where we operate to implement shelter-in-place, stay-at-home, or similar isolation orders. Some of these orders do not permit or severely restrict in-person activities associated with residential real estate transactions. In markets subject to those orders, we have ceased our in-person operations and are conducting business only virtually and electronically. Even in markets where we have continued in-person operations, COVID-19 has had the practical effect of limiting residential real estate transactions in those markets. For example, to protect the health of our customers, agents, and communities, we are currently not hosting open houses for listings where we represent the home seller, and this decision may adversely affect our number of real estate services transactions and any related mortgage loan originations and title and settlement deals. Furthermore, we believe that, as a result of COVID-19, there has been a significant decline in a desire for in-person interactions and physical home tours that have historically been important aspects of the homebuying and home selling process. For example, we believe that potential home sellers may not be listing their homes for sale due to health concerns resulting from physical home tours by homebuyers unknown to them. Likewise, potential homebuyers may not physically tour homes listed for sale by home sellers unknown to them. These changes in social behavior have resulted, and will likely continue to result, in fewer people seeking to buy homes and fewer people listing homes for sale, thereby reducing the volume of residential real estate transactions throughout the markets in which we operate. This reduced volume may continue at least until the time that the health concerns and social behavioral changes stemming from COVID-19 substantially subsides and reverses, respectively.

In addition to its social impacts, COVID-19 has also adversely affected, and will continue to adversely affect, our business due to its economic impacts, which include the following:

- increased unemployment rates and stagnant or declining wages;
- decreased consumer confidence in the economy and recessionary conditions;
- volatility and declines in the stock market and lower yields on individuals' investment portfolios; and
- more stringent mortgage financing conditions, including increased down payment requirements.

We believe that these economic impacts have resulted in, and expect that they will continue to result in, a lower volume of residential real estate transactions by reducing the potential number of homebuyers. We expect that COVID-19's economic impacts will continue to adversely affect transaction volume even following the time when its health concerns and social impacts have subsided.

In addition to the volume of residential real estate transactions, our success also depends on the U.S. residential real estate industry not experiencing a significant decline in the prices at which homes are bought and sold. If home transaction prices decline, and especially if the decline occurs at an accelerated rate, our business will be adversely effected.

Our business is concentrated in certain geographic markets. Disruptions in these markets or events that disproportionately affect these markets could harm our business. Furthermore, our failure to adapt to any substantial shift in the relative percentage of residential housing transactions from these markets to other markets in the United States could adversely affect our financial performance.

For the quarter ended March 31, 2020, our top-10 markets by real estate services revenue consisted of the metropolitan areas of Boston, Chicago, Denver (including Boulder and Colorado Springs), Los Angeles (including Santa Barbara), Maryland, Northern Virginia, Portland (including Bend), San Diego, San Francisco, and Seattle.

Local and regional conditions, including those arising from COVID-19's social and economic impacts discussed elsewhere in this Item 1A, in these markets may differ significantly from prevailing conditions in the United States or other parts of the country. Accordingly, events, such as COVID-19, may adversely and disproportionately affect demand for and sales prices of homes in these markets. Any overall or disproportionate downturn in demand or home prices in any of our largest markets, particularly if we are unable to increase revenue from our other markets, could result in a decline in our revenue and harm our business.

Our top markets are primarily major metropolitan areas, where home prices and transaction volumes are generally higher than other markets. As a result, our real estate services revenue and gross margin are generally higher in these markets than in our smaller markets. To the extent people migrate to cities outside of these markets due to lower home prices or other factors, such as COVID-19, and this migration continues to take place over the long-term, then the relative percentage of residential housing transactions may shift away from our historical top markets where we have historically generated most of our revenue. If we are unable to effectively adapt to any shift, including failing to increase revenue from other markets, then our financial performance may be harmed.

We may be unable to maintain or improve our current technology offerings at a competitive level or develop new technology offerings that meet customer or agent expectations. Our technology offerings may also contain undetected errors or vulnerabilities.

Our technology offerings, including tools, features, and products, are key to our competitive plan for attracting potential customers and hiring and retaining lead agents. Maintaining or improving our current technology to meet evolving industry standards and customer and agent expectations, as well as developing commercially successful and innovative new technology, is challenging and expensive. For example, the nature of development cycles may result in delays between the time we incur expenses and the time we introduce new technology and generate revenue, if any, from those investments. Anticipated customer demand for a technology offering could also decrease after the development cycle has commenced, and we would not be able to recoup costs, which may be substantial, we incurred.

As standards and expectations evolve and new technology becomes available, we may be unable to identify, design, develop, and implement, in a timely and cost-effective manner, new technology offerings to meet those standards and expectations. As a result, we may be unable to compete effectively, and to the extent our competitors develop new technology offerings faster than us, they may render our offerings noncompetitive or obsolete. Additionally, even if we implemented new technology offerings in a timely manner, our customers and agents may not accept or be satisfied by the offerings.

For example, COVID-19 has, for at least the short-term, affected the way that customers tour homes and interact with their real estate agent, as more tours and interactions have shifted towards electronic or virtual mediums. While we have updated our technology offerings in an attempt to respond to this change, there is no assurance that customers will adopt our updated technology offerings over those of our competitors. To the extent that the shift in customer touring and interaction develop into a long-term trend and we fail to update our technology offerings to respond to this shift, then we may be unable to attract potential customers. Furthermore, it is also possible that customers will revert to more traditional ways of touring homes and interacting with their agents when COVID-19's social impacts have subsided. In that scenario, our updated technology offerings focused on electronic or virtual mediums may become obsolete or less frequently used than we anticipated, and we will be unable to recoup the costs that we have incurred and are currently incurring in developing these offerings.

Furthermore, our development and testing processes may not detect errors and vulnerabilities in our technology offerings prior to their implementation. Any inefficiencies, errors, technical problems, or vulnerabilities arising in our technology offerings after their release could reduce the quality of our services or interfere with our customers' and agents' access to and use of our technology and offerings.

RedfinNow may overestimate the amount it should pay to purchase a home, and homes owned by it may significantly decline in value prior to being sold.

RedfinNow uses automated valuations and forecasts in concert with our real estate knowledge to assess what a home is worth and how much to pay for its purchase. This assessment includes estimates on time of possession, market conditions and proceeds on resale, renovation costs, and holding costs. The assessment may not be accurate, and RedfinNow may pay too much for the home to realize our desired investment return. Additionally, following its acquisition of a home, RedfinNow may need to decrease its anticipated resale price for the home if it discovers a defect in the home that was unknown at the time of acquisition. This adjustment to the price may also affect our investment return on the home.

Homes that RedfinNow owns may also rapidly lose in value or become more difficult to sell for an acceptable price due to changing market conditions, natural disasters, or other forces outside of our control, including COVID-19's social and economic impacts discussed elsewhere in this Item 1A. RedfinNow's geographic concentration in four states - California, Colorado, Nevada, and Texas - particularly exposes it to the factors affecting home value and saleability in those states that may not apply to the United States generally. As a result, we may be required to significantly write down the inventory value of homes and, to the extent we are able to resell homes at all, resell them at a price that is substantially less than our costs of acquiring and renovating the homes. For the three months ended March 31, 2020, we recorded a net write-down of $ 0.7 million of RedfinNow inventory.

The net proceeds that Redfin Mortgage receives from its sale of mortgage loans that it originates may not exceed the loan amount. Additionally, Redfin Mortgage may also be unable to sell its originated loans at all. In that situation, Redfin Mortgage will need to service the loans and potentially foreclose

on the home by itself or through a third party, and either option could impose significant costs, time, and resources on Redfin Mortgage. Redfin Mortgage's inability to sell its originated loans could also expose us to adverse market conditions affecting mortgage loans.

Redfin Mortgage intends to sell the mortgage loans that it originates to investors in the secondary mortgage market. Redfin Mortgage's ability to sell its originated loans in the secondary market, and receive net proceeds from the sale that exceed the loan amount, depends largely on there being sufficient liquidity in the secondary market and its compliance with contracts with investors who have purchased the loans.

COVID-19 has adversely affected, and will likely continue to adversely affect, Redfin Mortgage's ability to receive net proceeds from the sale of originated loans that exceed the loan amount. COVID-19 has also increased the risk that Redfin Mortgage (i) may be unable to sell originated loans at all or (ii) will be required to repurchase an originated loan that it had previously sold to an investor. We expect that investors will be less likely to purchase certain loans due to the (i) ability of borrowers of qualified mortgage loans to seek forbearance of loan payments for up to 12 months under the CARES Act or similar legislation and (ii) potentially increased financial hardship faced by some borrowers as a result of COVID-19's economic impacts discussed elsewhere in this Item 1A. Furthermore, with respect to originated loans that Redfin Mortgage has already sold to investors, Redfin Mortgage may be obligated to repurchase the loan from, or pay additional fees to, the investor if the borrower seeks forbearance for a monthly loan payment before the investor has sold the loan to a government-sponsored enterprise, such as Fannie Mae and Freddie Mac.

If Redfin Mortgage were unable to sell its originated loans, either initially or following a repurchase, then it may need to establish a servicing platform or hire a third party to service the loans. Redfin Mortgage does not currently have a robust servicing platform and establishing such a platform may result in significant costs and require substantial time and resources from its management. Additionally, Redfin Mortgage may be unable to retain a third-party servicer on economically feasible terms.

To the extent that Redfin Mortgage is unable to sell its originated loans, either initially or following a repurchase, we would be exposed to adverse market conditions, including those stemming from COVID-19, affecting mortgage loans. For example, we may be required to write down the value of the loan, which reduces the amount of our current assets. Additionally, if Redfin Mortgage borrowed under one of its warehouse credit facilities for the loan, then it will be required to repay the borrowed amount, which reduces our cash on hand that is available for other corporate uses. Finally, if a homeowner were unable to make his or her mortgage payments, then we may be required to foreclose on the home securing the loan. Redfin Mortgage does not currently have processes to foreclose a home, and it may be unable to establish such processes or retain a third party on economically feasible terms to foreclose the home. Furthermore, any proceeds from selling a foreclosed home may be significantly less than the remaining amount of the loan due to Redfin Mortgage.

Our decision to launch new service offerings or expand existing service offerings into new markets may consume significant financial and other resources and may not achieve the desired results.

We regularly evaluate launching new service offerings or expanding our brokerage and non-brokerage services into new markets. Any launch or expansion may require significant expenses and the time of our key personnel, particularly at the outset of the process. New service offerings or markets may also subject us to new regulatory environments, which could increase our costs as we evaluate compliance with the new regulatory regime. Notwithstanding the expenses and time devoted to launching a new service offering or expanding an existing service offering into a new market, we may fail to achieve the financial and market share goals associated with the expansion.

For example, in response to COVID-19, we recently launched several new offerings that have historically not been frequently used in the residential real estate industry. These include: (i) video-chat tours of a home led by one of our lead agents; (ii) an option for potential homebuyers to use our mobile application to unlock the door and tour certain vacant homes where we represent the home seller; and (iii) live-video open houses in some of our markets. Furthermore, use of our virtual walkthrough feature for some Redfin-listed homes and electronic closing through our mortgage and title and settlement businesses have both increased since the beginning of March 2020. These methods for homebuyers to tour a home, and for home sellers to make their homes available for tour, and for both parties to close a residential real estate transaction have not been widely adopted in the residential real estate industry. Accordingly, there is uncertainty regarding regulatory issues associated with these methods, and we may be subject to government enforcement actions or third-party claims due to our new offerings or increased use of existing offerings.

Our website is hosted at a single facility, the failure of which could interrupt our website and mobile application.

Our website and mobile application are hosted at a single facility in Seattle, Washington. If this facility experiences outages or downtimes for any reason, including human error, natural disaster, power loss, telecommunications failure, physical or electronic break-ins, terrorist attack, act of war, or other forces outside of our control, we could suffer a significant interruption of our website and mobile application while we implement the disaster recovery procedures we have developed to restore the function of our website and mobile application on a cloud-based hosting service. This service interruption may be extended if we discover previously unknown errors in our disaster recovery procedures.

We are subject to costs associated with defending and resolving proceedings brought by government entities and claims brought by private parties.

We are from time to time involved in, and may in the future be subject to, government investigations or enforcement actions and private third-party claims arising from the laws to which we are subject or the contracts to which we are a party. Such investigations, actions, and claims include, but are not limited to, matters relating to employment law (including misclassification), intellectual property, privacy and consumer protection, the Real Estate Settlement Procedures Act of 1974, the Fair Housing Act of 1968 or other fair housing statutes, cybersecurity incidents, data breaches, and commercial or contractual disputes. They may also relate to ordinary-course brokerage disputes, including, but not limited to, failure to disclose property defects, failure to meet client legal obligations, commission disputes, personal injury or property damage claims, and vicarious liability based upon conduct of individuals or entities outside of our control, including partner agents and third-party contractor agents.

Additionally, given the relative frequency of in-person interactions our employees and associate agents have with homebuyers and home sellers, as well as our role in representing a homebuyer or home seller in a residential real estate transaction, we may become subject to third-party or employee claims arising from individuals who contract COVID-19 following in-person real estate services that we provide. Any such claims may raise novel legal issues for which little or no jurisprudence exists.

Any such investigations, actions, or claims can be costly to defend or resolve, require significant time from management, or result in negative publicity. Furthermore, to the extent we are unsuccessful in defending an action or claim, we may be subject to civil or criminal penalties, including significant fines or damages, the loss of ability to operate in a jurisdiction, or the need to change certain business practices (including redesigning, or obtaining a license for, our technology or modifying or ceasing to offer certain services).

As described in Part II, Item 1, we are currently the subject of a claim alleging that we had misclassified our associate agents as independent contractors instead of employees. While we have previously settled similar complaints, there is no assurance that we will be able to settle this claim on similar terms or at all. Accordingly, this complaint may be costly to resolve, require significant time from management, result in negative publicity, or require us to change certain business practices related to our associate agents. Furthermore, we may be subject to additional lawsuits or administrative proceedings for similar claims, which may have similar negative effects on us.

We have also, in the past, been the subject of complaints alleging that we had improperly classified certain of our employees as exempt from minimum wage and overtime laws. The legal tests for determining overtime exemptions consider many factors that vary from state to state and have evolved based on case law, regulations, and legislative changes, as well as complicated factual analysis. We may be subject to additional complaints or administrative proceedings regarding our employee classification.

We may fail to maintain an effective system of disclosure controls or internal control over financial reporting as our employees work in a remote environment or as we grow our business.

We have established, and intend to maintain, effective disclosure controls and internal control over financial reporting. However, we may fail to maintain effective control systems due to our employees continuing to work in a remote environment or as we grow our business.

As a result of COVID-19, most of our employees - including those critical to maintaining an effective system of disclosure controls and internal control over financial reporting - are working, and may continue to work for the near term, in a remote environment and not in the office environment from which they have historically performed their duties. We have limited experience maintaining effective control systems with our employees working in remote environments, and risks that we have not contemplated may arise and result in our failure to maintain effective disclosure controls or internal control over financial reporting.

Additionally, as our current lines of business grow or if we enter into new lines business, we may need to develop new, or revise existing, controls. Any failure to develop new, or revise existing, controls could result in our failure to maintain effective disclosure controls or internal control over financial reporting.

Any failure to maintain effective control systems could cause us to not meet our financial reporting obligations, require us to restate previously issued financial statements, or cause investors to lose confidence in our reported financial statements, even after we remedy the failure.

Some of our potential losses may not be covered by insurance. We may not be able to obtain or maintain adequate insurance coverage.

We maintain insurance to cover costs and losses from certain risk exposures in the ordinary course of our operations, but our insurance may not cover one hundred percent of the costs and losses from all events, including those arising from litigation or other actions related directly or indirectly to COVID-19. We are responsible for certain retentions and deductibles that vary by policy, and we may suffer losses that exceed our insurance coverage limits by a material amount. We may also incur costs or suffer losses arising from events against which we have no insurance coverage. In addition, large-scale market trends or the occurrence of adverse events in our business may raise our cost of procuring insurance or limit the amount or type of insurance we are able to secure. We may not be able to maintain our current coverage, or obtain new coverage, in the future on commercially reasonable terms or at all. Incurring uninsured or underinsured costs or losses could harm our business.

Risks Related to Our Indebtedness

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

Redfin Mortgage relies on borrowings from its warehouse credit facilities to fund substantially all of the mortgage loans that it originates. See Note 14 to our consolidated financial statements for the current terms of Redfin Mortgage's warehouse credit facilities. To grow its business, Redfin Mortgage depends, in part, on having sufficient borrowing capacity under its current facilities or obtaining additional borrowing capacity under new facilities. If it were unable to receive the necessary capacity on acceptable terms, and did not have sufficient liquidity or established operations to fund originations itself, then Redfin Mortgage may be unable to maintain or increase the amount of mortgage loans that it originates, which will adversely affect its growth.

Redfin Mortgage has historically been unable to meet certain financial covenants contained in its warehouse credit facilities. While each lender has historically waived these breaches of the financial covenants, there is no assurance that every lender will continue to do so in the event of future covenant breaches, especially in light of the economic environment that has resulted from COVID-19. If a lender were to enforce its remedies for a future breach, which may include the right to seize pledged mortgage loans and obtain rights and income related to the loans, then Redfin Mortgage may lose a portion of its assets and will be unable to rely on the facility to fund its mortgage originations, which may adversely affect Redfin Mortgage's business.

Risks Related to Our Convertible Preferred Stock

We may be required to make cash payments to our preferred stockholders before our preferred stock's final redemption date of November 30, 2024, and any cash payments may materially reduce our net working capital.

On November 30, 2024, we will be required to redeem all shares of our convertible preferred stock then outstanding and pay accrued dividends on those shares. A preferred stockholder has the option of receiving cash, shares of our common stock, or a combination of cash and shares for this redemption. However, before this redemption, we may be required to make cash payments to our preferred stockholders in the two situations described below, and any such cash payments will reduce our cash available for other corporate uses and may materially reduce our net working capital.

Dividends accrue on each $1,000 of our outstanding convertible preferred stock at a rate of 5.5% per year and are payable quarterly. Assuming we satisfy the "equity conditions" (as defined in the certificate of designation governing our preferred stock), we will pay dividends in shares of our common stock. However, if we fail to satisfy these conditions, then we must pay cash dividends in amount equal to (i) the number of shares of our common stock that we would have issued as dividends, assuming we satisfied the conditions, multiplied by (ii) the volume-weighted average closing price of our common stock for the ten trading days preceding the date the dividends are payable.

A preferred stockholder has the right to require us to redeem its preferred stock for cash following the occurrence of a "triggering event" (as defined in the certificate of designation governing our preferred stock). The cash payment, for each share of preferred stock, would equal the sum of (i) $1,000, (ii) any accrued dividends on the preferred stock, and (iii) an amount equal to all scheduled dividend payments (excluding any accrued dividends) on the preferred stock for all remaining dividend periods from the date the preferred stockholder requests redemption through November 29, 2024.

The dividends payable upon, and any conversion or redemption of, our convertible preferred stock will dilute the ownership interest of our common stockholders and may depress the price of our common stock.

Assuming we satisfy certain conditions, we will pay dividends that have accrued on our convertible preferred stock in shares of our common stock. We may also issue shares of our common stock upon (i) a preferred stockholder's conversion of its shares of preferred stock or (ii) the automatic conversion of our preferred stock upon the satisfaction of certain conditions. Furthermore, a preferred stockholder may request to receive shares of our common stock upon our redemption of the preferred stock (i) on November 30, 2024 and (ii) following the occurrence of certain events and the preferred stockholder requests redemption. The issuance of our common stock in these situations will dilute the ownership interests of our common stockholders and may depress the trading price of our common stock.

Risks Relating to Ownership of Our Common Stock

Our restated certificate of incorporation designates the Court of Chancery of the State of Delaware and the U.S. federal district courts as the exclusive forums for certain types of actions that may be initiated by our stockholders. These provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or employees, which may discourage lawsuits with respect to such claims.

Our restated certificate of incorporation provides that, unless we consent in writing to an alternative forum, the Court of Chancery of the State of Delaware (the "Court of Chancery") will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or employees to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL, our restated certificate of incorporation, or our restated bylaws, (iv) any action to interpret, apply, enforce or determine the validity of our restated certificate of incorporation or our restated bylaws, or (iv) any action asserting a claim that is governed by the internal affairs doctrine. This exclusive forum provision does not apply to actions arising under the Securities Exchange Act of 1934, or, as described below, the Securities Act of 1933.

Our restated certificate of incorporation further provides that, unless we consent in writing to an alternative forum, the U.S. federal district courts will be the exclusive forum for any complaint asserting a cause of action arising under the Securities Act of 1933. Notwithstanding this provision, stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder.

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

On July 27, 2017, the U.S. Securities and Exchange Commission declared effective the Registration Statement on Form S-1 (file number 333-219093) for our initial public offering. There has been no change to the information provided under "Use of Proceeds" in Part II, Item 2 of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017.

Item 6. Exhibits.

The exhibits required to be filed or furnished as part of this Quarterly Report are listed below. Notwithstanding any language to the contrary, exhibits 32.1, 32.2, 101, and 104 shall not be deemed to be filed as part of this Quarterly Report for purposes of Section 18 of the Securities Exchange Act of 1934.

		Incorporated by Reference			
Exhibit Number	**Exhibit Description**	**Form**	**Exhibit**	**Filing Date**	**Filed or Furnished Herewith**
3.1	Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock	8-K	3.1	April 1, 2020	
10.1	Amendment No. 2 to Loan and Security Agreement, made as of March 27, 2020, by and among RedfinNow Borrower LLC, RedfinNow Pledgor LLC, Redfin Corporation, the Lenders party hereto, and Goldman Sachs Bank USA, as Administrative Agent				X
10.2	Securities Purchase Agreement, dated as of March 29, 2020, by and between Redfin Corporation and Durable Capital Master Fund LP				X
31.1	Certification of Principal Executive Officer, pursuant to Rule 13a-14(a)				X
31.2	Certification of Principal Financial Officer, pursuant to Rule 13a-14(a)				X
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350				X
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350				X
101	Interactive data files				X
104	Cover page interactive data file, submitted using inline XBRL (contained in Exhibit 101)				X

SIGNATURES

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

Redfin Corporation
(Registrant)

May 7, 2020	/s/ Glenn Kelman
(Date)	Glenn Kelman President and Chief Executive Officer *(Duly Authorized Officer)*
May 7, 2020	/s/ Chris Nielsen
(Date)	Chris Nielsen Chief Financial Officer *(Principal Financial Officer)*

EXECUTION VERSION

AMENDMENT NO. 2 TO LOAN AND SECURITY AGREEMENT

This AMENDMENT NO. 2 TO LOAN AGREEMENT AND SECURITY AGREEMENT (this "Amendment") is made as of March 27, 2020, by and among REDFINNOW BORROWER LLC (the "Borrower"), REDFINNOW PLEDGOR LLC (solely with respect to Sections 3(e) and 3(f) below) (the "Pledgor" and collectively with the Borrower, the "Loan Parties"), REDFIN CORPORATION (solely with respect to Section 3(f) below), ("Guarantor", and together with the Loan Parties, the "Relevant Parties"), the Lenders (as defined below) party hereto and GOLDMAN SACHS BANK USA, as Administrative Agent (the "Administrative Agent"), under that certain Loan and Security Agreement dated as of July 26, 2019, by and among the Borrower, the Lenders party thereto from time to time (collectively, the "Lenders") and the Administrative Agent (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement.

RECITALS

WHEREAS, the parties hereto wish that certain amendments be made to the Loan Agreement and the parties hereto have agreed to make such amendments to the Loan Agreement, on the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the continued performance by the Loan Parties of their respective promises and obligations under the Loan Agreement and the other Facility Documents, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower, the Pledgor (solely with respect to Sections 3(e) and 3(f) below), the Guarantor (solely with respect to Section 3(f) below), the Lenders party hereto and the Administrative Agent hereby agree as follows:

AGREEMENT

1. Amendments to Loan Agreement. Subject to the satisfaction of the conditions precedent set forth in Section 2 below, the Loan Agreement shall be and hereby is amended as set forth in the changes attached as Exhibit A to this Agreement, with text marked in **blue double underline** indicating additions to the Loan Agreement and with text marked in ~~**red strikethrough**~~ indicating deletions to the Loan Agreement.

2. Effectiveness of this Amendment; Conditions Precedent. The provisions of this Amendment shall be effective as of the date first written above upon the satisfaction of the conditions precedent set forth below:

(a) Loan Documents. The Administrative Agent shall have received fully executed copies of this Amendment.

(b) Representations and Warranties. Each representation or warranty by the Borrowers and their respective Affiliates contained in this Amendment and in the Loan Agreement as modified hereby or in any other Loan Document shall be true and correct in all material respects (without duplication of any materiality qualifier contained herein or therein) as of the date of such Borrower's execution and delivery hereof or thereof as though made on and as of such date, unless any such representation or warranty expressly relates to an earlier date in which case such representation or warranty shall be true and correct in all material respects as of such earlier date.

(c) No Default. No Default or Event of Default shall have occurred and be continuing.

(d) Other Documents and Information. The Borrowers shall have delivered to the Agent such other documents, certificates, resolutions, instruments and agreements as the Agent deems reasonably necessary in connection with the transactions contemplated hereby.

3. Miscellaneous.

(a) Headings. The various headings of this Amendment are inserted for convenience of reference only and shall not affect the meaning or interpretation of this Amendment or any provisions hereof.

(b) Counterparts. This Amendment may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by telecopy, e-mailed .pdf or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Amendment.

(c) Interpretation. No provision of this Amendment shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party's having or being deemed to have structured, drafted or dictated such provision.

(d) Complete Agreement; Conflict of Terms. This Amendment constitutes the complete agreement between the parties with respect to the subject matter hereof, and supersedes any prior written or oral agreements, writings, communications or understandings of the parties with respect thereto. In the event of any inconsistency between the provisions of this Amendment and any provision of the Loan Agreement, the terms and provisions of this Amendment shall govern and control.

(e) Representations, Warranties and Covenants.

(i) The Borrower hereby represents and warrants that this Amendment and the Loan Agreement as modified by this Amendment constitute the legal, valid and binding obligations of the Borrower, enforceable against it in accordance with their respective terms, subject only to applicable bankruptcy, insolvency and similar laws affecting rights of creditors generally and to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law) and requirements of reasonableness, good-faith and fair dealing.

(ii) The Borrower hereby represents and warrants that its execution, delivery and performance of this Amendment and its performance under the Loan Agreement as modified by this Amendment, have been duly authorized by all necessary action and: (i) will not contravene the Borrower's Governing Documents, (ii) will not result in any violation of the provisions of any statute or any order, rule or regulation of any Governmental Authority having jurisdiction over the Borrower or any of the Borrower's properties or assets, (iii) will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under the terms of any indenture, mortgage, deed of trust, deed to secure debt, loan agreement, management agreement or other agreement or instrument to which the Borrower is a party or to, which the Borrower's property or assets is subject, that could, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect and (iv) except for Liens permitted under the Facility Documents, will not result in or require the creation or imposition of any Lien upon or with respect to any of the assets of the Borrower.

(iii) The Borrower hereby represents and warrants that as of the date hereof, (a) no event has occurred and is continuing which constitutes an Event of Default under the Loan Agreement or an event that but for notice or lapse of time or both would constitute an Event of Default and (b) no change, occurrence, or development exists that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(f) Reaffirmation, Ratification and Acknowledgment; Reservation. Each Relevant Party on behalf of itself and no other Person hereby (i) ratifies and reaffirms all of its payment and performance obligations, contingent or otherwise, and each grant of security interests and liens in favor of the Administrative Agent, under each Facility Document to which it is a party, (ii) agrees and acknowledges that such ratification and reaffirmation is not a condition to the continued effectiveness of such Facility Documents, and (iii) agrees that neither such ratification and reaffirmation, nor the Administrative Agent's or any Lender's solicitation of such ratification and reaffirmation, constitutes a course of dealing giving rise to any obligation or condition requiring a similar or any other ratification or reaffirmation from such Relevant Party with respect to any subsequent modifications to the Loan Agreement or the other Facility Documents. Each of the Loan Agreement (as amended hereby) and the other Facility Documents shall remain in full force and effect and is hereby ratified and confirmed. This Amendment shall constitute a Facility Document for purposes of the Loan Agreement.

(g) GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW BUT OTHERWISE WITHOUT REFERENCE TO PRINCIPLES OF CONFLICT OF LAWS).

(h) Effect. Upon the effectiveness of this Amendment, each reference in the Loan Agreement to "this Agreement," "hereunder," "hereof" or words of like import shall mean and be a reference to the Loan Agreement as modified hereby and each reference in the other Facility Documents to the Loan Agreement, "thereunder," "thereof," or words of like import shall mean and be a reference to the Loan Agreement as modified hereby. Except as expressly provided in this Amendment, all of the terms, conditions and provisions of the Loan Agreement shall remain the same.

(i) No Novation or Amendment. Except as specifically set forth in this Amendment, the execution, delivery and effectiveness of this Amendment shall not (i) limit, impair, constitute a waiver by, or otherwise affect any right, power or remedy of, the Administrative Agent or any Lender under the Loan Agreement or any other Facility Document, (ii) constitute a waiver of any provision in the Loan Agreement or in any of the other Facility Documents or of any Default or Event of Default that may have occurred and be continuing or (iii) alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Loan Agreement or in any of the other Facility Documents, all of which are ratified and affirmed in all respects and shall continue in full force and effect.

(j) Lender and Administrative Agent Representations. Each of the Lender and the Administrative Agent hereby represents and warrants that it has the full power and authority to enter into and perform its obligations under this Amendment, has duly authorized the execution, delivery and performance of this Amendment and has duly executed and delivered this Amendment.

*****

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first above written.

BORROWER:

REDFINNOW BORROWER LLC, a
Delaware limited liability company

By: /s/ Chris Nielsen
Name: Chris Nielsen
Title: Authorized Signatory

PLEDGOR:

REDFINNOW PLEDGOR LLC, a
Delaware limited liability company

By: /s/ Chris Nielsen
Name: Chris Nielsen
Title: Authorized Signatory

GUARANTOR:

REDFIN CORPORATION, a Delaware corporation

By: /s/ Chris Nielsen
Name: Chris Nielsen
Title: Chief Financial Officer

GOLDMAN SACHS BANK USA, as Lender and Administrative Agent

By: /s/ Bryan Holt
Name: Bryan Holt
Title: Authorized Person

EXHIBIT A

Changes to Loan Agreement

[Please see attached.]

Section 1. Definitions. As used herein, the following terms shall have the following meanings.

"Advance Confirmation" shall have the meaning set forth in Section 2(f)(iv).

"Pricing Margin" shall, with respect to any Advance, have the meaning set forth (i) in the Pricing Side Letter or (ii) if different, in the Advance Confirmation relating to such Advance.

Section 2. Facility.

(a) Conditions Precedent to Each Advance.

(v) Advance Request. (1) The Borrower shall have delivered to the Administrative Agent (a) an Advance Request with respect to such Advance and (b) an Asset Schedule with respect to such Advance, in each case in accordance with the procedures set forth in Section 2(f) (including all deliverables required to be included therewith as specified in Section 2(f)), and (2) the Borrower shall have confirmed in writing (which may be via email) its agreement to the Pricing Margin specified in the related Advance Confirmation;

(b) Initiation.

(ii) Each (A) Advance Request shall be delivered to the Administrative Agent and Diligence Agent at least five (5) Business Days prior to the requested Funding Date (or such other date as is mutually agreed to in writing by the Borrower and the Administrative Agent) and shall include a Property Valuation Report with respect to each Property identified in such Advance Request and (B) Advance Confirmation shall be delivered or issued by the Administrative Agent no later than 11:00 a.m. (New York time) on the requested Funding Date for such Advance

(iv) With respect to any Advance, subject to the satisfaction or waiver by the Administrative Agent on behalf of the Lenders of the conditions set forth in Section 2(e), the Administrative Agent, on behalf of the Lenders, shall confirm ~~(which~~ the terms of the proposed Advance prior to the requested Funding Date and such confirmation by the Administrative Agent of the proposed Advance shall be deemed to be the Administrative Agent's and the Lenders' acceptance of the terms of the proposed Advance set forth in the applicable Advance Request, including the Pricing Margin set forth in any Advance Confirmation (as defined below). Such confirmation may ~~be~~(i) be in writing, including via email ~~or~~(each such confirmation, an "Advance Confirmation") or (ii) evidenced by the applicable Lender's funding (if any) of the proposed Advance, which ~~funding~~, in either case, shall be deemed to be such Lender's and the Administrative Agent's (A) confirmation of the terms of the proposed Advance set forth in the applicable Advance Request and (B) waiver of the representations and warranties contained in Schedule 1 with respect to the applicable Property described in the related Advance Request, solely to the extent Appendix II attached to the applicable Advance Request expressly requests such waiver and identifies the specific representations and warranties with respect to which such waiver applies~~)~~ ~~the terms of the proposed Advance prior to the requested Funding Date and such~~

~~confirmation by the Administrative Agent of the proposed Advance shall be deemed to be the Administrative Agent's and the Lenders' acceptance of the terms of the proposed Advance set forth in the applicable Advance Request~~~~;~~. In the case of any Advance Confirmation, such Advance Confirmation shall specify the Pricing Margin applicable to such Advance; provided that if no Pricing Margin is so specified, the Pricing Margin shall be as specified in clause (i) of the definition of "Pricing Margin");

(v) Lenders' approval of the funding of an Advance shall be evidenced only by the Administrative Agent's confirmation pursuant to this Section 2(f) of such Advance. For the avoidance of doubt, the Lenders shall not (A) be deemed to have approved a Property or Advance Request by virtue of any other agreement with respect to such Property or Advance Request, or (B) be obligated to make an Advance notwithstanding an Advance Request executed by the Borrower unless and until (x) all applicable conditions precedent in Section 2(e) have been satisfied or waived by the Administrative Agent on behalf of the Lenders and (y) the Borrower shall have responded in writing (which may be via email) to confirm its acceptance the Pricing Margin specified in any Advance Confirmation

(vi) Each (A) Advance Request and (B) Advance Confirmation, together with this Agreement, shall be conclusive evidence of the terms of the Advance covered thereby. If terms in an Advance Request are inconsistent with terms in this Agreement with respect to a particular Advance and the Administrative Agent has confirmed such Advance or the Lenders have made such Advance in accordance with the terms of this Agreement, the Advance Request shall control notwithstanding any such inconsistent terms in this Agreement; provided that notwithstanding anything to the contrary contained herein, any representation or warranty with respect to a Financed Property shall only be waived to the extent expressly set forth in the related Advance Request; and

SECURITIES PURCHASE AGREEMENT

This SECURITIES PURCHASE AGREEMENT (the "**Agreement**") is dated as of March 29, 2020, by and between Redfin Corporation, a Delaware corporation (the "**Company**"), and Durable Capital Master Fund LP, a limited partnership organized under the laws of the Cayman Islands (the "**Buyer**").

RECITALS

Subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(a)(2) of the Securities Act, the Company desires to issue and sell to the Buyer, and the Buyer desires to purchase from the Company, securities of the Company as more fully described in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual covenants of the parties hereinafter expressed and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, each intending to be legally bound, agree as follows:

ARTICLE I
RECITALS AND EXHIBITS

The foregoing recitals are true and correct and, together with the Exhibits referred to hereafter, are hereby incorporated into this Agreement by this reference.

ARTICLE II
DEFINITIONS

For purposes of this Agreement, except as otherwise expressly provided or otherwise defined elsewhere in this Agreement, or unless the context otherwise requires, the capitalized terms in this Agreement shall have the meanings assigned to them in this Article as follows:

2.1 "**Assets**" means all of the properties and assets of the Company and its subsidiaries, whether real, personal or mixed, tangible or intangible, wherever located, whether now owned or hereafter acquired.

2.2 "**Certificate of Designation**" means that Series A Convertible Preferred Stock Certificate of Designation to be filed by the Company with the Secretary of State of the State of Delaware in substantially the form attached hereto as Exhibit A.

2.3 "**Claims**" means any Proceedings, Judgments, Obligations, known threats, losses, damages, deficiencies, settlements, assessments, charges, costs and expenses of any nature or kind.

2.4 "**Common Shares**" means the 4,484,305 shares of Common Stock contemplated to be purchased by the Buyer hereunder.

2.5 "**Common Stock**" means the Company's common stock, $0.001 par value per share.

2.6 "**Consent**" means any consent, approval, order or authorization of, or any declaration, filing or registration with, or any application or report to, or any waiver by, or any other action (whether similar or dissimilar to any of the foregoing) of, by or with, any Person, which is necessary in order to take a specified action or actions, in a specified manner or to achieve a specific result.

2.7 "**Contract**" means any written contract, agreement, order or commitment of any nature whatsoever, including, any sales order, purchase order, lease, sublease, license agreement, services agreement, loan agreement, mortgage, security agreement, guarantee, management contract, employment agreement, consulting agreement, partnership agreement, shareholders agreement, buy-sell agreement, option, warrant, debenture, subscription, call or put.

2.8 "**Conversion Shares**" means the shares of Common Stock issuable upon conversion or redemption of the Preferred Stock as set forth in the Certificate of Designation.

2.9 "**Dividend Shares**" means the shares of Common Stock issuable as payment of dividends on the Preferred Stock as set forth in the Certificate of Designation.

2.10 "**Encumbrance**" means any lien, security interest, pledge, mortgage, easement, leasehold, assessment, tax, covenant, restriction, reservation, conditional sale, prior assignment, or any other encumbrance, claim, burden or charge of any nature whatsoever.

2.11 "**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

2.12 "**Form 10-K**" means the Company's Annual Report on Form 10-K filed with the SEC on February 12, 2020.

2.13 "**GAAP**" means generally accepted accounting principles, methods and practices set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants, and statements and pronouncements of the Financial Accounting Standards Board and the SEC, in each case as of the date or period at issue, and as applied in the United States to U.S. companies.

2.14 "**Governmental Authority**" means any foreign, federal, state or local government, or any political subdivision thereof, or any court, agency or other body, organization, group, stock market or exchange exercising any executive, legislative, judicial, quasi-judicial, regulatory or administrative function of government.

2.15 "**Judgment**" means any final order, writ, injunction, fine, citation, award, decree, or any other judgment of any nature whatsoever of any Governmental Authority.

2.16 "**Law**" means any provision of any law, statute, ordinance, code, constitution, charter, treaty, rule or regulation of any Governmental Authority applicable to the Company.

2.17 "**Leases**" means all leases for real or personal property.

2.18 "**Material Contract**" means any Contract to which the Company is a party or by which it is bound, and which has been filed as an exhibit to the Form 10-K pursuant to Item 601(b)(4) or Item 601(b)(10) of Regulation S-K promulgated by the SEC.

2.19 "**Obligation**" means any debt, liability or obligation of any nature whatsoever, whether secured, unsecured, recourse, nonrecourse, liquidated, unliquidated, accrued, absolute, fixed, contingent, ascertained, unascertained, known, unknown or obligations under executory Contracts.

2.20 "**Ordinary Course of Business**" means the ordinary course of business consistent with past custom and practice (including with respect to quantity, quality and frequency).

2.21 "**Permit**" means any license, permit, approval, waiver, order, authorization, right or privilege of any nature whatsoever, granted, issued, approved or allowed by any Governmental Authority.

2.22 "**Person**" means any individual, sole proprietorship, joint venture, partnership, company, corporation, association, cooperation, trust, estate, Governmental Authority, or any other entity of any nature whatsoever.

2.23 "**Preferred Stock**" means 40,000 shares of the Company's Series A Convertible Preferred Stock, par value $0.001 per share, issued at the Preferred Stock Issue Price, having the rights, preferences and privileges as set forth in the Certificate of Designation.

2.24 "**Preferred Stock Issue Price**" means $1,000 for each share of Preferred Stock.

2.25 "**Principal Trading Market**" shall mean the Nasdaq Global Select Market, the Nasdaq Global Market, the Nasdaq Capital Market, the NYSE Euronext or the New York Stock Exchange, whichever is at the time the principal trading exchange or market for the Common Stock.

2.26 "**Proceeding**" means any demand, claim, suit, action, litigation, investigation, audit, study, arbitration, administrative hearing, or any other proceeding of any nature whatsoever.

2.27 "**Real Property**" means any real estate, land, building, structure, improvement, fixture or other real property of any nature whatsoever, including, but not limited to, fee and leasehold interests.

2.28 "**Registration Rights Agreement**" means the Registration Rights Agreement, dated the date hereof, between the Company and the Buyer, in the form of Exhibit B attached hereto.

2.29 "**Rule 144**" means Rule 144 promulgated under the Securities Act, as may be amended or interpreted from time to time.

2.30 "**SEC**" means the U.S. Securities and Exchange Commission.

2.31 "**SEC Documents**" shall have meaning given to such term in Section 6.5 herein.

2.32 "**Securities**" means collectively, the Common Shares, Preferred Stock, Conversion Shares and Dividend Shares.

2.33 "**Securities Act**" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

2.34 "**Tax**" means (i) any foreign, federal, state or local income, profits, gross receipts, franchise, sales, use, occupancy, general property, Real Property, personal property, intangible property, transfer, fuel, excise, accumulated earnings, personal holding company, unemployment compensation, social security, withholding taxes, payroll taxes, or any other tax of any nature whatsoever; (ii) any foreign, federal, state or local organization fee, qualification fee, annual report fee, filing fee, occupation fee, assessment, rent, or any other fee or charge of any nature whatsoever; or (iii) any deficiency, interest or penalty imposed with respect to any of the foregoing.

2.35 "**Tax Return**" means any tax return, filing, declaration, information statement or other form or document required to be filed in connection with or with respect to any Tax.

2.36 "**Transaction Documents**" means this Agreement, the exhibits and schedules attached hereto, and the Registration Rights Agreement executed in connection with the transactions contemplated hereunder.

ARTICLE III
INTERPRETATION

In this Agreement, unless the express context otherwise requires: (i) the words "herein," "hereof" and "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular provision of this Agreement; (ii) references to the words "Article" or "Section" refer to the respective Articles and Sections of this Agreement, and references to "Exhibit" refer to the Exhibits annexed hereto; (iii) references to a "party" mean a party to this Agreement and include references to such party's permitted successors and permitted assigns; (iv) references to a "third party" mean a Person not a party to this Agreement; (v) the terms "dollars" and "$" means U.S. dollars; and (vi) wherever the word "include," "includes" or "including" is used in this Agreement, it will be deemed to be followed by the words "without limitation."

ARTICLE IV
PURCHASE AND SALE

4.1 Sale and Issuance of the Common Shares and Preferred Stock. Subject to the terms and conditions of this Agreement, the Buyer agrees to purchase, and the Company agrees to sell and issue to the Buyer, (i) the Common Shares at a per share purchase price of $15.61 for an aggregate purchase price of $70,000,001.05, and (ii) the Preferred Stock for at a per share purchase price of $1,000, for an aggregate purchase price of $40,000,000.00 (collectively, the "**Purchase Price**").

4.2 Closing. The purchase, sale and issuance of the shares of Common Shares and Preferred Stock hereunder (the "**Closing**") shall take place remotely via the exchange of documents and signatures, no later than the third business day following the execution of this Agreement, or such later date as mutually agreed to by the parties (the "**Closing Date**"), but in no event shall the Closing Date be later than the Termination Date. The Company and the Buyer agree that the Closing may occur via delivery of facsimiles, electronic copies (.pdf) or photocopies of the applicable documents.

4.3 Form of Payment; Delivery. At the Closing, the Buyer shall deliver to the Company the Purchase Price by wire transfer of immediately available funds, to a bank account designated by the Company. On the Closing Date, the Company shall irrevocably instruct American Stock Transfer & Trust Company, LLC to deliver to Buyer as soon as practicable evidence of the Buyer's book-entry statement evidencing the Common Shares and the Preferred Stock. Notwithstanding the foregoing, at the Closing upon payment of the Purchase Price, Buyer shall be deemed to own the Common Shares and Preferred Stock.

ARTICLE V
BUYER'S REPRESENTATIONS AND WARRANTIES

The Buyer represents and warrants to the Company as of the date hereof and as of the Closing Date, that:

5.1 Investment Purpose. The Buyer is acquiring the Securities for its own account for investment only and not with a view towards, or for resale in connection with, the public sale or distribution thereof, except pursuant to sales registered or exempted under the Securities Act.

5.2. Restrictions on Transfer. The Buyer understands that:

5.2.1. the offer and sale Securities have not been and, other than as contemplated by the Registration Rights Agreement, are not being registered under the Securities Act or any applicable state securities laws and, consequently, the Buyer may have to bear the risk of owning the Securities for an indefinite period of time because the Securities may not be transferred unless and until (i) the resale of the Securities is registered pursuant to an effective registration statement under the Securities Act, as contemplated by the Registration Rights Agreement; (ii) the Buyer has delivered to the Company an opinion of counsel (in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration; or (iii) the Securities are sold or transferred pursuant to Rule 144;

5.2.2. any sale of the Securities made in reliance on Rule 144 may be made only in accordance with the terms of Rule 144 and, if Rule 144 is not applicable, any resale of the Securities under circumstances in which the seller (or the Person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the Securities Act) may require compliance with some other exemption under the Securities Act or the rules and regulations of the SEC thereunder; and

5.2.3. except as contemplated in the Registration Rights Agreement, neither the Company nor any other Person is under any obligation to register the resale of the Securities under the Securities Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder.

5.3. The Buyer acknowledges that a legend will be placed on the certificates and book entries representing the Securities in the following form:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND ARE "RESTRICTED SECURITIES" AS THAT TERM IS DEFINED IN RULE 144 UNDER THE SECURITIES ACT. SUCH SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND THE APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION THEREUNDER, THE AVAILABILITY OF WHICH IS TO BE ESTABLISHED TO THE REASONABLE SATISFACTION OF COUNSEL TO THE ISSUER.

5.4. Accredited Investor Status. The Buyer is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D, as promulgated under the Securities Act.

5.5. Reliance on Exemptions. The Buyer understands that the Securities are being offered and sold to it in reliance on specific exemptions from the registration requirements of U.S. federal and state securities Laws and that the Company is relying in part upon the truth and accuracy of, and the Buyer's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Securities.

5.6. Information. The Buyer and its advisors, if any, have been furnished with all materials relating to the business, finances and operations of the Company and other information the Buyer deemed material to making an informed investment decision regarding its purchase of the Common Shares and Preferred Stock hereunder, which have been requested by the Buyer. The Buyer acknowledges that it may retrieve all SEC Documents from such website and the Buyer's access to such SEC Documents through such website shall constitute delivery of the SEC Documents to the Buyer. The Buyer and its advisors, if any, have been afforded the opportunity to ask questions of the Company and its management. The Buyer understands that its investment in the Securities involves a high degree of risk. The Buyer is in a position regarding the Company, which, based upon employment, family relationship or economic bargaining power, enabled and enables the Buyer to obtain information from the Company in order to evaluate the merits and risks of this investment. The Buyer has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision with respect to its acquisition of the Securities. Without limiting the foregoing, the Buyer has carefully considered the potential risks relating to the Company and a purchase of the Common Shares and Preferred Stock hereunder, and fully understands that the Securities are a speculative investment that involves a high degree of risk of loss of the Buyer's entire investment. Among other things, the Buyer has carefully considered each of the risks described under the heading "Risk Factors" in the Form 10-K.

5.7. No Governmental Review. The Buyer understands that no U.S. federal or state Governmental Authority has passed on or made any recommendation or endorsement of the Securities, or the fairness or suitability of the investment in the Securities, nor have such Governmental Authorities passed upon or endorsed the merits of the offering of the Securities.

5.8. Authorization, Enforcement. This Agreement has been duly and validly authorized, executed and delivered on behalf of the Buyer and is a valid and binding agreement of the Buyer, enforceable in accordance with its terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies.

5.9. No General Solicitation. The Buyer is not purchasing any Securities as a result of any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or meeting whose attendees have been invited by any general solicitation or general advertisement. The Buyer represents that it has a relationship with the Company preceding the offering of the Securities hereunder.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby makes the following representations and warranties to the Buyer as of the date hereof and as of the Closing Date.

6.1. Organization. The Company and its subsidiaries are entities duly organized, validly existing and in good standing under the Laws of the respective jurisdictions in which they are incorporated. The Company has the full corporate power and authority and all necessary certificates, licenses, approvals and Permits to: (i) enter into and execute this Agreement and each of the Transaction Documents and to perform all of its Obligations hereunder and thereunder; and (ii) own and operate its Assets and properties and to conduct and carry on its business as and to the extent now conducted. The Company is duly qualified to transact business and is in good standing as a foreign corporation or entity in each jurisdiction where the character of its business or the ownership or use and operation of its Assets or properties requires such qualification, except to the extent that failure to so qualify would not reasonably be expected to result in a material adverse effect.

6.2. Authority and Approval of Agreement; Binding Effect. The execution and delivery by the Company of this Agreement and the Transaction Documents to which it is a party, and the performance by the Company of all of its Obligations hereunder and thereunder, including the issuance of the Securities, have been duly and validly authorized and approved by the Company and its board of directors pursuant to all applicable Laws and no other corporate action or Consent on the part of the Company, its board of directors, stockholders or any other Person is necessary or required by the Company to execute this Agreement and the Transaction Documents, consummate the transactions contemplated herein and therein, perform all of Company's Obligations hereunder and thereunder, or to issue the Securities, except such as have been already obtained or as may be required under the Securities Act or the rules and regulations of the SEC thereunder, state securities or blue sky laws, the rules and regulations of the Financial Industry Regulatory Authority, Inc. ("**FINRA**") or The Nasdaq Stock Market LLC ("**Nasdaq**"). This Agreement and each of the Transaction Documents have been duly and validly executed by the Company (and the officer executing this Agreement and all such other Transaction Documents is duly authorized to act and execute same on behalf of the Company) and constitute the valid and legally binding agreements of the Company, enforceable against the Company in accordance with their respective terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies.

6.3. No Conflicts; Consents and Approvals. The execution, delivery and performance of this Agreement and the Transaction Documents, and the consummation of the transactions contemplated hereby and thereby, will not: (i) constitute a violation of or conflict with any provision of the Company's certificate or articles of incorporation, bylaws or other organizational or charter documents; (ii) constitute a violation of, or a default or breach under (either immediately, upon notice, upon lapse of time, or both), or conflict with, or give to any other Person any rights of termination, amendment, acceleration or cancellation of, any provision of any Material Contract; (iii) constitute a violation of, or a default or breach under (either immediately, upon notice, upon lapse of time, or both), or conflict with, any Judgment; (iv) assuming the accuracy of the representations and warranties of the Buyer set forth in Article V above, constitute a violation of, or conflict with, any Law (including U.S. federal and state securities Laws and the rules and regulations of the Principal Trading Market on which the Common Stock is quoted); or (v) result in the loss or adverse modification of, or the imposition of any fine, penalty or other Encumbrance with respect to, any Permit granted or issued to, or otherwise held by or for the use of, Company or any of Company's Assets. The Company is not in violation of its certificate of incorporation, bylaws or other organizational or governing documents and the Company is not in default or breach (and no event has occurred which with notice or lapse of time or both could put the Company in default or breach) under, and the Company has not taken any action or failed to take any action that would give to any other Person any rights of termination, amendment, acceleration or cancellation of, any Material Contract, except to the extent as would not be reasonably expected to have a material adverse effect. Except as specifically contemplated by this Agreement, the Company is not required to obtain any Consent of, from, or with any Governmental Authority, or any other Person, in order for it to execute, deliver or perform any of its Obligations under this Agreement or the Transaction Documents in accordance with the terms hereof or thereof, or to issue and sell the Common Shares and Preferred Stock in accordance with the terms hereof. Except with respect to Nasdaq's review of the Listing of Additional Shares application, all Consents which the Company is required to obtain pursuant to the immediately preceding sentence have been obtained or effected on or prior to the date hereof.

6.4. Issuance of Securities. The Securities have been duly authorized and, when legally issued and fully paid for in accordance with the terms hereof or the Certificate of Designation, as the case may be, shall be duly issued, fully paid and non-assessable, and free from all Encumbrances with respect to the issue thereof, and, assuming the accuracy of the representations and warranties of the Buyer set forth in Article V above, will be issued in compliance with all applicable U.S. federal and state securities Laws. Assuming the accuracy of the representations and warranties of the Buyer set forth in Article V above, the offer and sale by the Company of the Securities is exempt from: (i) the registration and prospectus delivery requirements of the Securities Act; and (ii) the registration or qualification provisions of all applicable state and provincial securities and "blue sky" laws.

6.5. Capitalization. At the close of business on March 27, 2020 (the "Capitalization Date"), (i) 93,874,976 shares of Common Stock were issued and outstanding, (ii) no shares of Common Stock were held by the Company in its treasury, and (iii) no shares of Preferred Stock were issued or outstanding. No Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents that have not been effectively waived as of the Closing Date.

6.6. SEC Documents; Financial Statements. The Common Stock is registered pursuant to Section 12 of the Exchange Act and the Company has timely filed or furnished all reports, schedules, forms, statements and other documents required to be filed or furnished by it with the SEC under the Exchange Act (all of the foregoing filed or furnished within the two (2) years preceding the date hereof or amended after the date hereof and all exhibits included therein and financial statements and schedules thereto and documents incorporated by reference therein, being hereinafter referred to as the "**SEC Documents**"). The Company is current with its filing obligations under the Exchange Act and all SEC Documents have been filed on a timely basis or the Company has received a valid extension of such time of filing and has filed any such SEC Document prior to the expiration of any such extension. The Company represents and warrants that true and complete copies of the SEC Documents are available on the SEC's website (www.sec.gov). As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Exchange Act, and none of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. As of their respective dates, the financial statements of the Company included in the SEC Documents ("**Financial Statements**") complied in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto (except as such Financial Statements have been amended or updated in subsequent filings prior to the date hereof, which amendments or updates are also part of the SEC Documents). All of the Financial Statements have been prepared in accordance with GAAP, consistently applied, during the periods involved (except: (i) as may be otherwise indicated in such Financial Statements or the notes thereto; or (ii) in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed or summary statements), and fairly present in all material respects the consolidated financial position of the Company as of the dates thereof and the consolidated results of its operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). None of the Financial Statements is, or has been, required to be amended or updated under applicable Law (except as such Financial Statements have been amended or updated in subsequent filings prior to the date hereof, which amendments or updates are also part of the SEC Documents).

6.7. Absence of Certain Changes. Since the date the last of the SEC Documents was filed with the SEC, there has been no event or circumstance of any nature whatsoever that has resulted in, or could reasonably be expected to result in, a material adverse effect on the business, financial condition or results of operations of the Company and its subsidiaries, taken as a whole, or the Company's ability to consummate the transactions contemplated by the Transaction Documents.

6.8. Absence of Litigation or Adverse Matters. Except as disclosed in the SEC Documents: (i) there is no material Proceeding before or by any Governmental Authority or any other Person, pending, or to the Company's knowledge, threatened or contemplated by, against or affecting the Company, its business or Assets; (ii) there is no material outstanding Judgment against or affecting the Company, its business or Assets; and (iii) the Company is not in material breach or violation of any Material Contract.

6.9. Liabilities of the Company. The Company does not have any Obligations of a nature required by GAAP to be disclosed on a consolidated balance sheet of the Company, except: (i) as disclosed in the Financial Statements; or (ii) incurred in the Ordinary Course of Business since the date of the last Financial Statements filed by the Company with the SEC that have not had, and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect.

6.10. Title to Assets. The Company has good and marketable title to, or a valid license or leasehold interest in, all of its Assets which are material to the business and operations of the Company as presently conducted, free and clear of all Encumbrances or restrictions on the transfer or use of same, other than restrictions on transfer or use arising under a license or Lease with respect to such Assets that, individually or in the aggregate, would not be reasonably expected to materially interfere with the purposes for which they are currently used and for the purposes for which they are proposed to be used. Except as would not have a material adverse effect, the Company's Assets are in good operating condition and repair, ordinary wear and tear excepted, and are free of any latent or patent defects which might impair their usefulness, and are suitable for the purposes for which they are currently used and for the purposes for which they are proposed to be used.

6.11. Material Contracts. An accurate, current and complete copy of each of the Material Contracts is readily available as part of the SEC Documents, and each of the Material Contracts constitutes the entire agreement of the respective parties thereto relating to the subject matter thereof, except for any amendments to the Material Contracts which are not yet required to be filed under applicable Laws and which are not material to the Company. Each of the Material Contracts is in full force and effect and is a valid and binding Obligation of the parties thereto in accordance with the terms and conditions thereof. To the knowledge of the Company, all Obligations required to be performed under the terms of each of the Material Contracts by any party thereto on or prior to the date hereof have been fully performed by all parties thereto, and no party to any Material Contracts is in default with respect to any term or condition thereof, nor has any event occurred which, through the passage of time or the giving of notice, or both, would constitute a default thereunder or would cause the acceleration or modification of any Obligation of any party thereto or the creation of any Encumbrance upon any of the Assets of the Company. Further, the Company has received no written notice, nor does the Company have any knowledge, of any pending or contemplated termination of any of the Material Contracts and, no such termination is proposed or has been threatened, whether in writing or orally.

6.12. Compliance with Laws. Except as would not have a material adverse effect, (i) the Company is and at all times has been in material compliance with all Laws, and (ii) the Company has not received any notice from a Governmental Authority that it is in violation of, has violated, or is under investigation with respect to, or has been threatened to be charged with, any violation of any Law.

6.13. Intellectual Property. To the Company's knowledge, the Company owns or possesses adequate and legally enforceable rights or licenses to use all material trademarks, trade names, service marks, service mark registrations, service names, patents, patent rights, copyrights, inventions, licenses, approvals, governmental authorizations, trade secrets and all other material intellectual property rights necessary to conduct its business as now conducted. Except as would not reasonably be expected to have material adverse effect, the Company does not have any knowledge of any infringement by the Company of trademark, trade name rights, patents, patent rights, copyrights, inventions, licenses, service names, service marks, service mark registrations, trade secret or other intellectual property rights of others, and, to the knowledge of the Company, there is no Claim being made or brought against, or to the Company's knowledge, being threatened against, the Company regarding trademark, trade name, patents, patent rights, invention, copyright, license, service names, service marks, service mark registrations, trade secret or other intellectual property infringement.

6.14. Labor and Employment Matters. The Company is not involved in any material labor dispute or, to the knowledge of the Company, is any such dispute threatened. To the knowledge of the Company, none of the Company's employees is a member of a union and the Company believes that its relations with its employees are good.

6.15. Tax Matters. The Company has made and timely filed all Tax Returns required by any jurisdiction to which it is subject or has requested extensions, and each such Tax Return has been prepared in compliance with all applicable Laws, and all such Tax Returns are true and accurate in all material respects (except where the failure to file such Tax Returns would not, individually or in the aggregate, reasonably be expected to have a material adverse effect). Except and only to the extent that the Company has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported Taxes or where the failure to pay such Taxes would not be reasonably expected have a material adverse effect, the Company has timely paid all Taxes shown or determined to be due on such Tax Returns or has requested extensions, except those being contested in good faith, and the Company has set aside on its books provision reasonably adequate for the payment of all Taxes for periods subsequent to the periods to which such Tax Returns apply. There are no unpaid Taxes in claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim except as would not have a material adverse effect.

6.16. Permits. Except as would not be reasonably expected to have a material adverse effect, the Company possesses all Permits necessary to conduct its business as currently conducted, and the Company has not received any notice of, or is otherwise involved in any Proceedings relating to, the revocation or modification of any such Permits. All such Permits are valid and in full force and effect and the Company is in material compliance with the respective requirements of all such Permits.

6.17. Illegal Payments. Neither the Company, nor any director or officer, or, to the knowledge of the Company, any employee, agent or other Person acting on behalf of the Company has, in the course of his actions for, or on behalf of, the Company: (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended; or (iv) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

6.18. Related Party Transactions. Except as disclosed in the SEC Documents, and except for arm's length transactions pursuant to which the Company makes or receives payments in the Ordinary Course of Business upon terms no less favorable than the Company (i) could obtain from third parties or (ii) offers to all employees of the Company, none of the officers, directors or employees of the Company, nor any stockholders who own, legally or beneficially, five percent (5%) or more of the issued and outstanding shares of any class of the Company's capital stock (each a "**Material Shareholder**"), is presently a party to any transaction with the Company (other than for services as employees, officers and directors), including any Contract providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from, any officer, director or such employee or Material Shareholder or, to the best knowledge of the Company, any other Person in which any officer, director, or any such employee or Material Shareholder has a substantial or material interest in or of which any officer, director or employee of the Company or Material Shareholder is an officer, director, trustee or partner. There are no material Claims or disputes of any nature or kind between the Company and any officer, director or employee of the Company or any Material Shareholder, or, to the Company's knowledge, between any of them, relating to the Company and its business.

6.19. Internal Accounting Controls; Disclosure Controls. Except as set forth in the SEC Documents, the Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability; (iii) access to Assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for Assets is compared with the existing Assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company has established disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) for the Company and designed such disclosure controls and procedures intended to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. The Company's certifying officers have evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by the Company's most recently filed periodic report under the Exchange Act (such date, the "Evaluation Date"). The Company presented in its most recently filed periodic report under the Exchange Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date.

6.20. Acknowledgment Regarding Buyer's Purchase of the Common Shares and Preferred Stock. The Company acknowledges and agrees that the Buyer is acting solely in the capacity of an arm's length purchaser with respect to this Agreement and the transactions contemplated hereby. The Company further acknowledges that the Buyer is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby and any advice given by the Buyer or any of its representatives or agents in connection with this Agreement and the transactions contemplated hereby is merely incidental to the Buyer's purchase of the Securities.

6.21. Listing and Maintenance Requirements. The Common Stock is registered pursuant to Section 12 of the Exchange Act, and the Company has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act, nor has the Company received any notification that the SEC is contemplating terminating such registration. The Company has not, in the 12 months preceding the date hereof, received written notice from any Principal Trading Market on which the Common Stock is listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Principal Trading Market. The Company is in material compliance with all listing and maintenance requirements of the Principal Trading Market on the date hereof and the issuance of the Securities will not violate any such listing or maintenance requirements.

6.22. Regulation M Compliance. The Company has not, and, to the Company's knowledge, no Person acting on its behalf has taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities.

6.23. Form S-3ASR Eligibility. The Company is currently eligible to register the Securities for resale by the Purchasers as an automatic shelf offering under Instruction I.D. of Form S-3 promulgated under the Securities Act.

6.24. Certain Fees. Except for those amounts payable to Goldman Sachs & Co. LLC, no brokerage or finder's fees or commissions are or will be payable by the Company to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. The Buyer shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by the Transaction Documents.

ARTICLE VII
COVENANTS

7.1. Best Efforts. Each party shall use its best efforts to timely satisfy each of the conditions to be satisfied by it as provided in Articles VIII and IX of this Agreement.

7.2. Affirmative Covenants.

7.2.1. Reporting Status; Listing. Until the earlier of five (5) years from the date hereof or when any of the Securities are no longer held by the Buyer, the Company shall: (i) file in a timely manner all reports required to be filed under the Securities Act, the Exchange Act or any securities Laws and regulations thereof applicable to the Company of any state of the United States, or by the rules and regulations of the Principal Trading Market, and, if not otherwise publicly available, to provide a copy thereof to the Buyer upon request; (ii) not terminate its status as an issuer required to file reports under the Exchange Act even if the Exchange Act or the rules and regulations thereunder would otherwise permit such termination unless in connection with a Sale Event (as defined below); (iii) if required by the rules and regulations of the Principal Trading Market, promptly secure the listing of any of the Common Shares, Conversion Shares or Dividend Shares upon the Principal Trading Market (subject to official notice of issuance) and, take all reasonable action under its control to maintain the continued listing, quotation and trading of its Common Stock on the Principal Trading Market, and the Company shall comply in all respects with the Company's reporting, filing and other Obligations under the bylaws or rules of the Principal Trading Market, FINRA and such other Governmental Authorities, as applicable.

7.2.2. Rule 144. With a view to making available to the Buyer the benefits of Rule 144, or any similar rule or regulation of the SEC that may at any time permit the Buyer to sell any of the Common Shares, Conversion Shares and Dividend Shares to the public without registration, the Company represents and warrants that: (i) the Company is, and has been for a period of at least ninety (90) days immediately preceding the Closing Date, subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act; (ii) the Company has filed all required reports under Section 13 or 15(d) of the Exchange Act, as applicable, during the six (6) months preceding the Closing Date (or for such shorter period that the Company was required to file such reports) other than Form 8-K reports; (iii) the Company is not an issuer defined as a "Shell Company" (as hereinafter defined); and (iv) if the Company has, at any time, been an issuer defined as a Shell Company, the Company has: (A) not been an issuer defined as a Shell Company for at least six (6) months prior to the Closing Date; and (B) has satisfied the requirements of Rule 144(i) (including, without limitation, the proper filing of "Form 10 information" at least six (6) months prior to the Closing Date). For the purposes hereof, the term "**Shell Company**" shall mean an issuer that meets the description set forth under Rule 144(i)(1)(i). In addition, until the earliest of (x) five (5) years from the date hereof, (y) when the Common Shares, Conversion Shares and Dividend Shares are eligible for sale pursuant to Rule 144 without the requirement for the Company to be in compliance with the current public information requirement under Rule 144(c)(i), or (z) the sale of all or substantially all the assets of the Company; any merger, consolidation or acquisition involving the Company with, by or into another corporation, entity or person; or any change in the ownership of more than fifty percent (50%) of the voting capital stock of the Company in one or more related transactions (such transactions described in this clause (z), a "**Sale Event**"), the Company shall, at its sole expense:

7.2.2.1. make, keep and ensure that adequate current public information with respect to the Company, as required in accordance with Rule 144, is publicly available;

7.2.2.2. furnish to the Buyer, promptly upon reasonable request: (A) a written statement by the Company that it has complied with the reporting requirements of Rule 144 and the Exchange Act; and (B) such other information as may be reasonably requested by the Buyer to permit the Buyer to sell any Common Shares, Conversion Shares or Dividend Shares issued hereunder pursuant to Rule 144 without limitation or restriction; and

7.2.2.3. promptly at the request of the Buyer, upon the Buyer's providing customary supporting documentation, give the Company's transfer agent instructions to the effect that, upon the transfer agent's receipt from the Buyer of a certificate (a "**Rule 144 Certificate**") certifying that the Buyer's holding period (as determined in accordance with the provisions of Rule 144) for any portion of the Common Shares, Conversion Shares and Dividend Shares which the Buyer proposes to sell (the "**Securities Being Sold**") is not less than six (6) months and such sale otherwise complies with the requirements of Rule 144, and receipt by the transfer agent of the "Rule 144 Opinion" (as hereinafter defined) from the Company or its counsel, the transfer agent is to effect the transfer of the Securities Being Sold and issue to the Buyer or transferee(s) thereof one or more stock certificates representing the transferred Securities Being Sold without any restrictive legend and without recording any restrictions on the transferability of such Securities Being Sold on the transfer agent's books and records or, at the Buyer's option, the Securities Being Sold shall be transmitted by the transfer agent to the Buyer by crediting the account of the Buyer's or its designee's balance account with The Depository Trust Company through its Deposit or Withdrawal at Custodian system if the transfer agent is then a participant in such system. In this regard, upon the Buyer's request, the Company shall have an affirmative obligation at its expense to cause its counsel to promptly issue to the transfer agent a legal opinion providing that, based on the Rule 144 Certificate, the Securities Being Sold were or may be sold, as applicable, pursuant to the provisions of Rule 144, even in the absence of an effective registration statement (the "**Rule 144 Opinion**"). If the transfer agent requires any additional documentation in connection with any proposed transfer by the Buyer of any Securities Being Sold, the Company shall promptly deliver or cause to be delivered to the transfer agent or to any other Person, all such additional documentation as may be necessary to effectuate the transfer of the Securities Being Sold and the issuance of an unlegended certificate to any transferee thereof, all at the Company's expense.

7.3. Reservation of Common Stock. The Company shall reserve and keep available at all times during which the Preferred Stock remains outstanding, free of preemptive rights, a sufficient number of shares of Common Stock for the purpose of enabling the Company to issue the Conversion Shares and Dividend Shares as set forth in the Certificate of Designation.

7.4. Use of Proceeds. The Company shall use the net proceeds from the sale of the Common Shares and Preferred Stock for working capital and general corporate purposes.

7.5. Fees and Expenses. The Company and the Buyer shall each be liable for, and will pay, its own expenses incurred in connection with the negotiation, preparation, execution and delivery of the Transaction Documents, including, without limitation, legal and consultants' fees and expenses; provided that the Company will reimburse the Buyer for its reasonable and documented legal fees and expenses related hereto in an aggregate amount of up to $50,000.

ARTICLE VIII
CONDITIONS PRECEDENT TO THE COMPANY'S OBLIGATIONS TO SELL

The obligation of the Company hereunder to issue and sell the Common Shares and Preferred Stock to the Buyer at the Closing is subject to the satisfaction, at or before the Closing Date, of each of the following conditions, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion:

8.1. The Buyer shall have executed the Transaction Documents that require the Buyer's execution, and delivered them to the Company.

8.2. The Company shall have received the Purchase Price by wire transfer of immediately available funds.

8.3. The Company shall have received notice that Nasdaq has completed its review of the Company's Listing of Additional Shares application with respect to the offer and sale of the Securities.

8.4. The Buyer's representations and warranties shall be true and correct in all respects as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date), and the Buyer shall have performed, satisfied and complied in all respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Buyer at or prior to the Closing Date.

8.5. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction that prohibits the consummation of any of the transactions contemplated by the Transaction Documents.

ARTICLE IX
CONDITIONS PRECEDENT TO THE BUYER'S OBLIGATIONS TO PURCHASE

The obligation of the Buyer hereunder to purchase the Common Shares and Preferred Stock at the Closing is subject to the satisfaction, at or before the Closing Date, of each of the following conditions (in addition to any other conditions precedent elsewhere in this Agreement), provided that these conditions are for the Buyer's sole benefit and may be waived by the Buyer at any time in its sole discretion:

9.1 The Company shall have executed and delivered the Transaction Documents and delivered the same to the Buyer.

9.2. The representations and warranties of the Company shall be true and correct in all material respects (except to the extent that any of such representations and warranties are already qualified as to materiality in Article VI above, in which case, such representations and warranties shall be true and correct in all respects without further qualification) as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date) and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the Closing Date. The Buyer shall have received a certificate, executed by the Chief Executive Officer or Chief Financial Officer of the Company, dated as of the Closing Date, to the foregoing effect.

9.3. The Company shall have delivered to the Buyer a certificate evidencing the good standing of the Company in Delaware issued by the Secretary of State of the State of Delaware as of a date within ten (10) days of the Closing Date.

9.4. The Company shall have delivered to the Buyer a certificate or other reasonably acceptable evidence evidencing the Company's qualification as a foreign corporation and good standing issued by the Secretary of State of the State of Washington, as of a date within ten (10) days of the Closing Date.

9.5. The Company shall have filed the Certificate of Designation with the Secretary of State of the State of Delaware.

9.6. The Company shall have obtained all governmental, regulatory or third-party consents and approvals necessary for the sale of the Common Shares and Preferred Stock.

9.7. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction that prohibits the consummation of any of the transactions contemplated by the Transaction Documents.

9.8. Trading in the Common Stock shall not have been suspended by the SEC or any Principal Trading Market (except for any suspensions of trading of not more than one trading day solely to permit dissemination of material information regarding the Company or general suspensions of trading affecting all issuers listed on the Principal Trading Market) at any time since the date of execution of this Agreement; and the Principal Trading Mark shall have raised no objections to the consummation of the transactions contemplated by the Transaction Documents.

9.9. Since the date of execution of this Agreement, no event or series of events shall have occurred that resulted, or could reasonably be expected to result, in a material adverse effect.

ARTICLE X
TERMINATION

10.1 Termination. This Agreement may be terminated prior to Closing (i) by written agreement of the Buyer and the Company or (ii) by either the Company or the Buyer upon written notice to the other, if the Closing shall not have taken place by April 15, 2020 (the "**Termination Date**"); provided that the party terminating the Agreement under this Section 10.1(ii) may not be in breach of Section 7.1 at the time of delivering notice of such termination.

10.2 Consequences of Termination. No termination of this Agreement shall release any party from any liability for breach by such party of the terms and provisions of this Agreement or the other Transaction Documents.

ARTICLE XI
MISCELLANEOUS

11.1 Notices. All notices of request, demand and other communications hereunder shall be addressed to the parties as follows:

If to the Company:	Redfin Corporation Attn: General Counsel 1099 Stewart Street, Suite 600 Seattle, Washington 98101 Email: anthony.kappus@redfin.com
With a copy to:	Fenwick & West LLP 1191 Second Avenue, 10th Floor Seattle, Washington 98101 Attention: Alan Smith James Evans Email: acsmith@fenwick.com jevans@fenwick.com
If to the Buyer:	Durable Capital Master Fund LP c/o Durable Capital Partners LP 5425 Wisconsin Avenue Chevy Chase, MD 20815 Attn: Julie Jack, General Counsel
With a copy to:	Greenberg Traurig, LLP One International Place, Suite 2000 Boston, Massachusetts 02110 Attention: Bradley Jacobson Elizabeth Fraser Email: jacobsonb@gtlaw.com frasere@gtlaw.com

unless the address is changed by the party by like notice given to the other parties. Notice shall be in writing and shall be deemed delivered: (i) if mailed by certified mail, return receipt requested, postage prepaid and properly addressed to the address below, then three (3) business days after deposit of same in a regularly maintained U.S. Mail receptacle; or (ii) if mailed by Federal Express, UPS or other nationally recognized overnight courier service, next business morning delivery, then one (1) business day after deposit of same in a regularly maintained receptacle of such overnight courier; or (iii) if hand delivered, then upon hand delivery thereof to the address indicated on or prior to 5:00 p.m., New York time, on a business day. Any notice hand delivered after 5:00 p.m., New York time, shall be deemed delivered on the following business day. Notwithstanding the foregoing, notice, consents, waivers or other communications referred to in this Agreement may be sent by facsimile, e-mail, or other method of delivery, but shall be deemed to have been delivered only when the sending party has confirmed (by reply e-mail or some other form of written confirmation from the receiving party) that the notice has been received by the other party.

11.2 Entire Agreement. This Agreement, including the Exhibits attached hereto and the documents delivered pursuant hereto, including the Transaction Documents, set forth all the promises, covenants, agreements, conditions and understandings between the parties hereto with respect to the subject matter hereof and thereof, and supersede all prior and contemporaneous agreements, understandings, inducements or conditions, expressed or implied, oral or written, except as contained herein and in the Transaction Documents.

11.3 Successors and Assigns. This Agreement, and any and all rights, duties and obligations hereunder, shall not be assigned, transferred, delegated or sublicensed by the Company without the prior written consent of the Buyer. Subject to the foregoing and except as otherwise provided herein, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, assigns, heirs, executors and administrators of the parties hereto.

11.4 Binding Effect. This Agreement shall be binding upon the parties hereto, their respective successors and permitted assigns.

11.5 Amendment. Except as specifically set forth herein, neither the Company nor the Buyer makes any representation, warranty, covenant or undertaking with respect to such matters. For clarification purposes, the Recitals are part of this Agreement. No provision of this Agreement may be amended other than by an instrument in writing signed by the Company and the Buyer. Any amendment to any provision of this Agreement made in conformity with the provisions of this Section 11.5 shall be binding on the Buyer and holders of Securities. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party. The Company has not, directly or indirectly, made any agreements with the Buyer relating to the terms or conditions of the transactions contemplated by the Transaction Documents except as set forth in the Transaction Documents. Without limiting the foregoing, the Company confirms that, except as set forth in this Agreement, the Buyer has not made any commitment or promise or has any other obligation to provide any financing to the Company or otherwise.

11.6 Gender and Use of Singular and Plural. All pronouns shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the party or parties or their personal representatives, successors and assigns may require.

11.7 Execution. This Agreement may be executed in two or more counterparts, all of which taken together shall be deemed and considered one and the same Agreement, and same shall become effective when counterparts have been signed by each party and each party has delivered its signed counterpart to the other party. A digital or electronic reproduction, portable document format (".pdf") or other reproduction of this Agreement may be executed by one or more parties hereto and delivered by such party by electronic signature (including signature via *DocuSign* or similar services), electronic mail or any similar electronic transmission device pursuant to which the signature of or on behalf of such party can be seen. Such execution and delivery shall be considered valid, binding and effective for all purposes.

11.8 Headings. The article and section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of the Agreement.

11.9 Governing Law. This Agreement shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Agreement shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. The Company hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of this Agreement. Nothing contained herein shall be deemed or operate to preclude the Buyer from bringing suit or taking other legal action against the Company in any other jurisdiction to collect on the Company's obligations to the Buyer, to realize on any collateral or any other security for such obligations, or to enforce a judgment or other court ruling in favor of the Buyer. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

11.10 Further Assurances. The parties hereto will execute and deliver such further instruments and do such further acts and things as may be reasonably required to carry out the intent and purposes of this Agreement.

11.11 Survival. The representations, warranties and covenants contained herein shall survive the Closing.

11.12 Joint Preparation. The preparation of this Agreement has been a joint effort of the parties and the resulting documents shall not, solely as a matter of judicial construction, be construed more severely against one of the parties than the other.

11.13 Severability. If any one of the provisions contained in this Agreement, for any reason, shall be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall remain in full force and effect and be construed as if the invalid, illegal or unenforceable provision had never been contained herein.

11.14 No Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

11.15 WAIVER OF JURY TRIAL. THE BUYER AND THE COMPANY, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, EACH KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES, IRREVOCABLY, THE RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY LEGAL PROCEEDING BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT OR ANY OTHER AGREEMENT EXECUTED OR CONTEMPLATED TO BE EXECUTED IN CONJUNCTION WITH THIS AGREEMENT, OR ANY COURSE OF CONDUCT OR COURSE OF DEALING IN WHICH THE BUYER AND THE COMPANY ARE ADVERSE PARTIES. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE BUYER TO PURCHASE THE COMMON SHARES AND THE PREFERRED STOCK.

[SIGNATURES ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year set forth above.

COMPANY

REDFIN CORPORATION

By: /s/ Chris Nielsen
Name: Chris Nielsen
Title: Chief Financial Officer

[*Company's Signature Page to Securities Purchase Agreement*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year set forth above.

BUYER

DURABLE CAPITAL MASTER FUND LP

By: Durable Capital Partners LP, as investment manager

By: /s/ Michael Blandino

Name: Michael Blandino

Title: Authorized Representative

[*Buyer's Signature Page to Securities Purchase Agreement*]

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Glenn Kelman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Redfin Corporation;

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

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

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

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: May 7, 2020

/s/ Glenn Kelman

Glenn Kelman
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Chris Nielsen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Redfin Corporation;

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

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

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

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: May 7, 2020

/s/ Chris Nielsen

Chris Nielsen
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350

I, Glenn Kelman, Chief Executive Officer of Redfin Corporation (the “Company”), certify pursuant to 18 U.S.C. Section 1350 that, to my knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2020

/s/ Glenn Kelman

Glenn Kelman

Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350

I, Chris Nielsen, Chief Financial Officer of Redfin Corporation (the “Company”), certify pursuant to 18 U.S.C. Section 1350 that, to my knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2020 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2020

/s/ Chris Nielsen

Chris Nielsen

Chief Financial Officer