

Offerpad

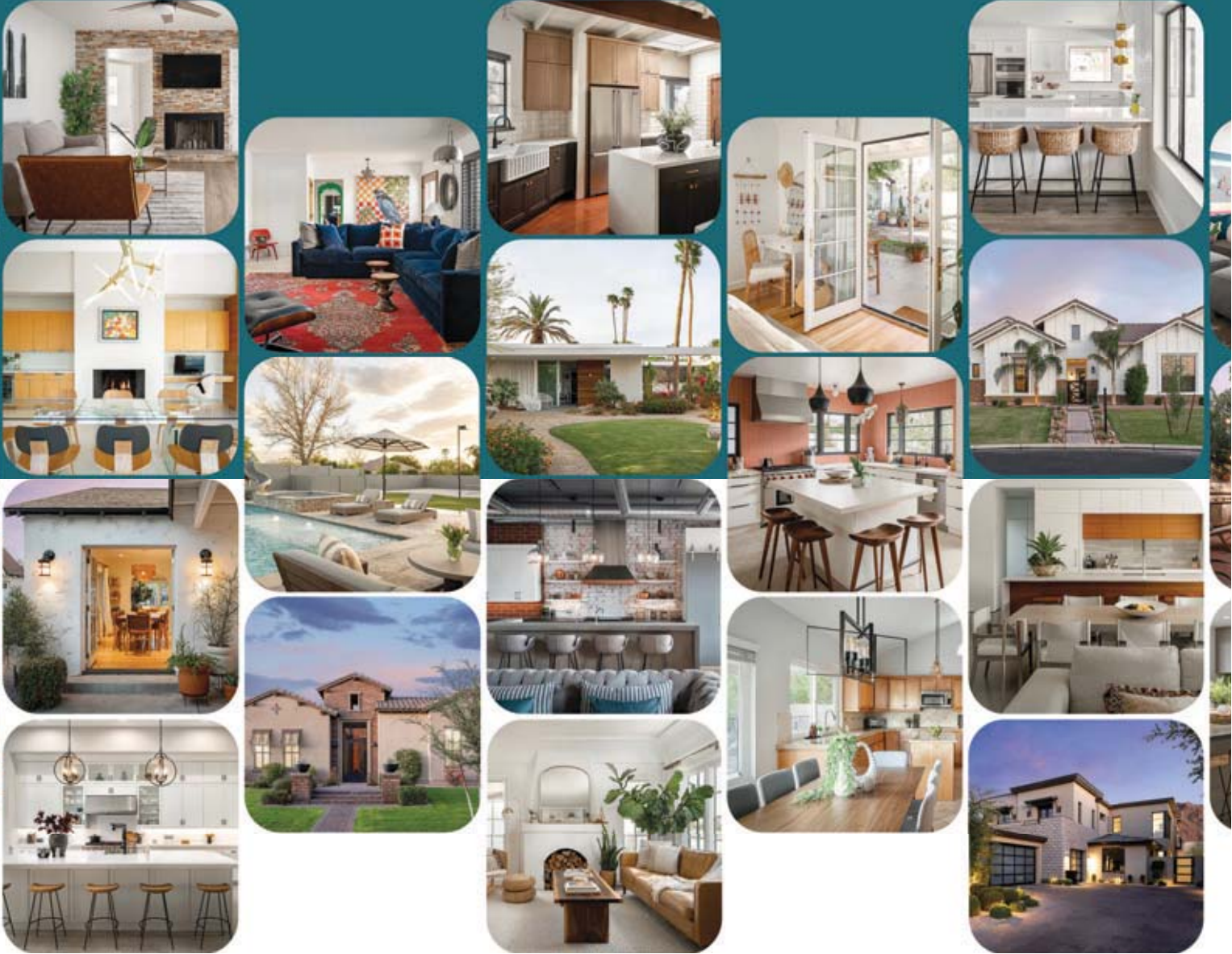


2023

ANNUAL REPORT



Offerpad is a technology-enabled real estate platform revolutionizing the single-family housing market. Our team of experienced real estate professionals, advanced technology and dedicated customer service all support Offerpad's mission to simplify the homeownership experience.



DEAR VALUED SHAREHOLDERS,

Thank you for your support of Offerpad throughout 2023. It was a year in which we grew our product portfolio, honed our go-to-market strategy, and thoughtfully managed our cost structure, while investing in growth. During the year we executed well against our strategic imperatives of taking the friction out of real estate; expanding our asset-light revenue streams; and growing our partner ecosystem. To touch on just a few 2023 highlights:

- Adjusted EBITDA improved in each consecutive quarter of the year, demonstrating our path towards profitability.
- Nearly half of closed transactions in the year came from our asset-light product lines, including Listings, Direct+, and Renovate, showcasing the diversity and strength of our revenue streams.
- Our Renovate business, in particular, saw significant growth, achieving more than \$12 million in revenue in its inaugural year, building a strong base for future growth.
- We expanded our partner network -- including our Agent Partnership Program, with new tiers to include Offerpad Pro and Offerpad Max, to better serve our partner agents and customers, and extend our market presence even further.
- We steadily rebuilt our buy box and began to march back to growth in our foundational cash offer business.

During 2023, we gained traction across the business and looking ahead to the balance of 2024, we are excited to continue to build upon the steps we have taken to strengthen our market position, while continuing down the path to profitability that we have put in place.

Our market opportunity is huge and largely untapped, and we truly believe that the future of real estate is Offerpad. In 2024, we will continue to take the friction out of real estate and transform the way people buy, sell, and maintain their homes. I look forward to updating you on our progress as we do. As always, we are grateful for the continued support of our shareholders, customers, employees, and partners.

Thank you for your trust in Offerpad. We look forward to a thriving 2024!

Sincerely,



Brian Bair

Chairman & Chief Executive Officer



“ Offerpad simplifies real estate by providing solutions for homeowners throughout their buying and selling process, empowering them with choice.

The real estate industry has predominantly operated the same way for decades, but now is seeing growth and evolution with solutions like Offerpad. We see an opportunity to further enhance the value we provide, and we look forward to continuing to deliver innovative solutions that empower consumers with more choice and control over their real estate transactions. We are here to serve consumers and will

continue to lead with them in mind.”

BRIAN BAIR

Chairman and Chief Executive Officer

WHO WE ARE

Offerpad was founded in 2015 to create a better residential real estate experience by combining advanced, data-driven technology solutions with fundamental industry expertise. The Company's overarching objective is to serve as a comprehensive real estate "Solutions Center" for everyone – sellers, buyers and real estate agents alike. Our on-demand digital platform gives users a holistic, customer-centric experience, enabling them to sell and buy homes online with access to a suite of available products including mortgage, listing and home renovation services.

OUR COMMITMENT TO CORPORATE RESPONSIBILITY

Offerpad is committed to acting responsibly and in accordance with the highest ethical standards. We believe our commitment to environmentally and socially responsible strategies provides benefits to all our stakeholders, including our customers, shareholders, team members and communities.

To learn more please visit the ESG tab on our website at investor.offerpad.com.

How we do things is as important as what we do. At Offerpad, our values guide our behavior toward each other and to our customers, partners and communities. The conditions around us may change but holding fast to these values keeps us on the right course.

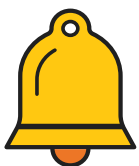


OUR VALUES



HOMES NOT HOUSES

A house is property but a home is uniquely personal – a place full of emotion and memories. We help people move freely so they can live their best lives, wherever “home” happens to be.



FREEDOM FIRST

Providing home buyers and sellers freedom is our passion. No one should ever feel stuck. We provide simplicity, peace of mind and freedom in everything we do.



RESULTS RULE

We get things done. We celebrate doers. We don't talk about what we're going to do, we just do it. When we see a problem, we solve it!



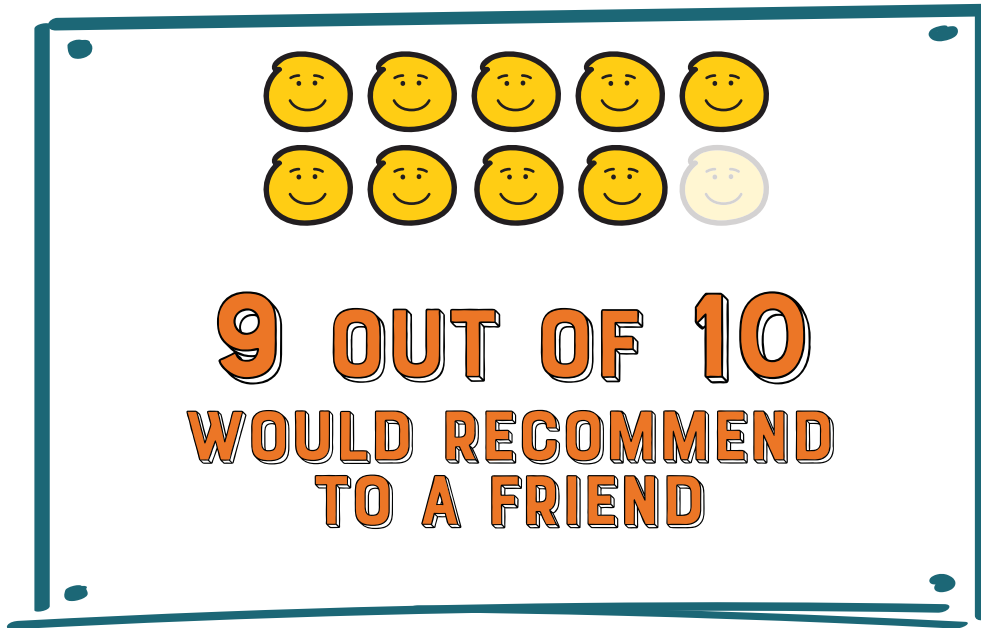
EMBRACE OUR ROOTS

Real estate is in our DNA. We know homes. We understand the people in those homes at a “living room” level and use that experience and expertise to provide the best way to buy and sell a home.



EVERY DAY MATTERS

We work with a sense of urgency to deliver the best customer experience in the industry. There's no room for hesitation. We count the days with the goal to use less, so you can spend less time 'real estat-ing.'



91%
CUSTOMER
SATISFACTION
RATING*

★★★★★
"QUICK &
PAINLESS"
Nicole in Houston, TX

+64
NET
PROMOTER
SCORE*

★★★★★
"PROFESSIONAL ...
PUNCTUAL ...
COURTEOUS"
Darlene in Eustis, FL

★★★★★
"WONDERFUL TO WORK
WITH EVERY STEP
OF THE WAY"
Wendy in Tampa, FL

*Based on a survey of 900 customers who sold their home to Offerpad in 2023.

2023 RESULTS

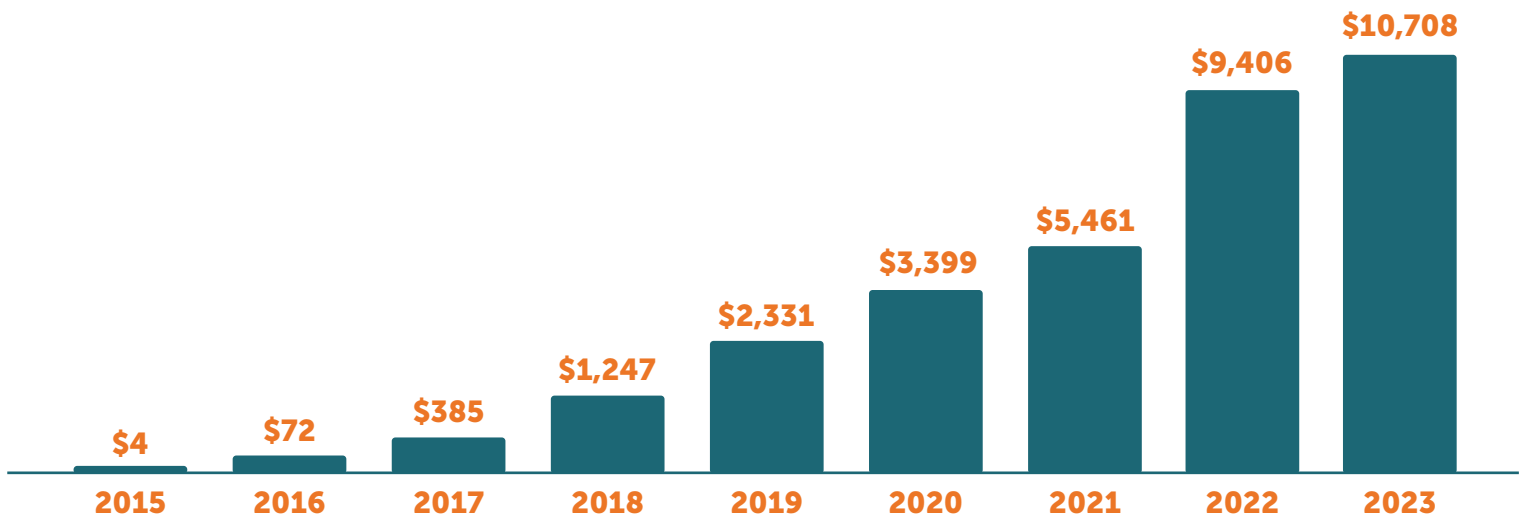
REVENUE **\$1.3B**

GROSS PROFIT **\$70.2M**

HOMES SOLD **3,674**

HOMES ACQUIRED **2,812**

CUMULATIVE VALUE OF HOMES SOLD SINCE 2015 (\$M)



OUR MISSION

PROVIDE

YOUR

BEST WAY

TO BUY AND
SELL A HOME.
PERIOD. 

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2023

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 001-39641



Offerpad Solutions Inc.

(Exact name of Registrant as specified in its Charter)

Delaware

(State or other jurisdiction of incorporation or organization)

85-2800538

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

2150 E. Germann Road, Suite 1, Chandler, Arizona

(Address of principal executive offices)

85286

(Zip Code)

Registrant's telephone number, including area code: (844) 388-4539

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, \$0.0001 par value per share	OPAD	The New York Stock Exchange

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

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES NO

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

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 has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

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

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

As of June 30, 2023, the aggregate market value of the registrant’s voting and non-voting Class A common stock held by non-affiliates of the registrant was approximately \$139.6 million.

As of February 20, 2024, there were 27,285,039 shares of Offerpad’s Class A common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive Proxy Statement relating to its 2024 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 2023 are incorporated by reference into Part III of this Annual Report on Form 10-K.

OFFERPAD SOLUTIONS INC.
FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2023
TABLE OF CONTENTS

	Page
<u>Cautionary Note Regarding Forward-Looking Statements</u>	4
<u>Summary Risk Factors</u>	5
 PART I	
Item 1. <u>Business</u>	6
Item 1A. <u>Risk Factors</u>	13
Item 1B. <u>Unresolved Staff Comments</u>	37
Item 1C. <u>Cybersecurity</u>	37
Item 2. <u>Properties</u>	38
Item 3. <u>Legal Proceedings</u>	38
Item 4. <u>Mine Safety Disclosures</u>	38
 PART II	
Item 5. <u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	39
Item 6. <u>[Reserved]</u>	40
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	41
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	56
Item 8. <u>Financial Statements and Supplementary Data</u>	57
Item 9. <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	87
Item 9A. <u>Controls and Procedures</u>	87
Item 9B. <u>Other Information</u>	89
Item 9C. <u>Disclosure Regarding Foreign Jurisdictions that Prevent Inspections</u>	89
 PART III	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	90
Item 11. <u>Executive Compensation</u>	92
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	92
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	92
Item 14. <u>Principal Accountant Fees and Services</u>	92
 PART IV	
Item 15. <u>Exhibits and Financial Statement Schedules</u>	93
Item 16. <u>Form 10-K Summary</u>	95
 <u>SIGNATURES</u>	 96

Unless the context otherwise requires, references in this Annual Report on Form 10-K to “Offerpad,” the “Company,” “we,” “us,” and “our,” and similar references refer to the business and operations of Offerpad Solutions Inc. and its consolidated subsidiaries following the consummation of the Business Combination (as defined herein) and to OfferPad, Inc. (“Old OfferPad”) and its consolidated subsidiaries prior to the Business Combination.

Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K includes statements that express Offerpad’s opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms “believes,” “estimates,” “anticipates,” “expects,” “seeks,” “projects,” “intends,” “plans,” “may” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They may appear in a number of places throughout this Annual Report on Form 10-K, including Part I, Item 1A, “Risk Factors,” and Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our future results of operations, financial condition and liquidity; our prospects, potential growth or expansion evaluations, strategies, macroeconomic trends, geopolitical concerns and the markets in which Offerpad operates.

The forward-looking statements in this Annual Report on Form 10-K are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to, the important factors discussed in Part I, Item 1A, “Risk Factors” in this Annual Report on Form 10-K for the fiscal year ended December 31, 2023. The forward-looking statements in this Annual Report on Form 10-K are based upon information available to us as of the date of this Annual Report on Form 10-K, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

You should read this Annual Report on Form 10-K and the documents that we reference in this Annual Report on Form 10-K and have filed as exhibits to this Annual Report on Form 10-K with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. These forward-looking statements speak only as of the date of this Annual Report on Form 10-K.

Summary Risk Factors

Our business is subject to numerous risks and uncertainties, including those described in Part I, Item 1A, “Risk Factors” in this Annual Report on Form 10-K. You should carefully consider these risks and uncertainties when investing in our securities. The principal risks and uncertainties affecting our business include the following:

- Our business and operating results may be significantly impacted by a number of factors, including general economic conditions, the health of the U.S. residential real estate industry, risks associated with our real estate inventory, local or regional conditions in the markets in which we operate, mortgage interest rates, down payment requirements or restrictions on mortgage financing availability, and governmental actions that impact us;
- Our limited operating history makes it difficult to evaluate our current business and future prospects and the risk of your investment;
- We operate in a competitive and fragmented industry, and we may not be successful in attracting customers for our products and services or in competing effectively through management of our products or services, including home renovations, which could harm our business, results of operations and financial condition;
- While we experienced rapid growth from inception through the first half of 2022, our business has more recently been negatively impacted by the dislocated residential real estate market conditions. If we are unable to effectively manage these conditions, we may experience difficulties in growing effectively and expanding our operations and service offerings in the future;
- We have had a history of losses since our inception, and we may not achieve or maintain profitability in the future;
- Our business is dependent upon our ability to acquire, accurately value and manage real estate inventory and any decrease in availability of real estate inventory, an ineffective pricing or portfolio management strategy, inaccurate information from prospective sellers or buyers with respect to their homes or ineffective home inspections may adversely affect our business, sales and results of operations;
- Prospective sellers and buyers of homes may choose not to transact online, which could harm our growth prospects;
- Our business model and growth strategy depend on our marketing and partner channel efforts and ability to maintain our brand and attract customers to our platform in a cost-effective manner;
- We may be unsuccessful in launching or marketing new products or services, or launching existing products and services into new markets, or may be unable to successfully integrate new offerings into our existing platform, which would result in significant expense and may not achieve desired results;
- We operate in a highly regulated industry and are subject to a wide range of federal, state and local laws, rules and regulations, including licensing and conduct requirements relating to our real estate brokers and brokerage-related businesses and mortgage products;
- Our IT Systems and IT Systems of third parties we rely on may fail or suffer security breaches, loss or leakage of data, and other disruptions, which could disrupt our business or result in the loss of confidential information, litigation, government actions, reputational damage and other harms;
- We collect, process, store and use personal information and other data, which subjects us to governmental regulation and other legal obligations related to privacy, and any actual or perceived violation of these privacy obligations could result in a claim for damages, regulatory action, loss of business, or unfavorable publicity;
- Our ability to compete depends in part on protecting our intellectual property and other proprietary information and on maintaining necessary intellectual property licenses;
- We utilize a significant amount of indebtedness in the operation of our business, and so our cash flows and operating results could be adversely affected by required payments of debt or related interest and other risks of our debt financing; and
- We rely on agreements with third parties to finance our business.

PART I

Item 1. Business.

Our Mission

Offerpad's mission is to deliver the best home buying and selling experience. By using technology-enabled solutions across our digital platform, we strive to be the leading on-demand real estate solutions provider that offers customers the simplicity, peace of mind and freedom to solve their housing needs.

Who We Are

Offerpad was founded to create a better residential real estate experience by combining advanced technology solutions with fundamental industry expertise. From cash offers and flexible listing options to mortgages and buyer services, we have been helping homeowners since 2015.

We provide streamlined, data driven iBuying and real estate solutions for the on-demand customer. We pair our local expertise in residential real estate with proprietary technology to put customers in control of the process and help find the right solution that fits their needs. Our digital Solutions Center platform gives users a holistic, customer-centric experience, enabling them to efficiently sell and buy their homes online with streamlined access to ancillary products and services.

Our platform provides a unique dual approach to helping home sellers. In our cash offer service, sellers can access our website or mobile application to receive a competitive cash offer for their home within 24 hours and quickly close without the major inconveniences associated with traditional real estate selling. In our listing service offering, we leverage our technology, scale and logistical expertise to renovate and list a seller's home for sale while also sometimes providing a backup cash offer to the seller, thereby providing optionality of process and certainty of outcome. Our platform provides home buyers the opportunity to browse and tour homes online and submit purchase offers online in a simple process on their own time, with or without an agent. We also offer seamless, integrated access to partner agents to advise on the purchase of a home as well as access to mortgage services through our in-house mortgage solution, Offerpad Home Loans, or through a third-party lending partner. We believe by offering both cash offer and listing services to sellers, and a guided yet flexible and customizable experience to buyers, we have reinvented the home selling and buying experience to meet the digital and on-demand needs of modern consumers.

Prior to the launch of Offerpad, our team had collectively spent many years buying, selling, renting, and renovating tens of thousands of homes. We created the Solutions Center because we learned through experience all the challenges people face when selling and buying a home the traditional way. Sellers are often overwhelmed by the stress of selling – making repairs, determining an appropriate listing price for their home, preparing and then vacating their home for showings, negotiating a deal, finding movers and waiting for a closing date. This process is stressful, expensive, time consuming, antiquated and inconsistent with modern consumer expectations. Buyers also experience significant friction for one of the most important purchase decisions in their lives – they often cannot access and tour homes on their own schedule, are dependent on intermediaries and have to endure lengthy offer submission and closing processes.

Since our founding in 2015, we have transacted on homes representing approximately \$10.7 billion of aggregate revenue through December 31, 2023. We believe that this revenue generation is a testament to how the simplicity and ease of iBuying and digital home sales resonates with our customers. We combine an innovative end-to-end technology platform with the expertise of local market teams to efficiently scale our operations while maintaining a physical presence in our markets that enables us to establish and maintain better relationships with our customers. This allows us to provide a fast and simple real estate experience that our customers value. For example, during the year ended December 31, 2023, we achieved a 91% Customer Satisfaction Rating and a net promoter score of 64% based on a survey of approximately 900 customers who sold their home to Offerpad during 2023.

As of December 31, 2023, Offerpad operated in over 1,700 cities and towns in 25 metropolitan markets across 15 states. As we expand further into our existing markets, launch new markets, and develop a wide range of new ancillary products and services, we look forward to bringing our mission of delivering the best home buying and selling experience to even more homeowners and prospective home purchasers across the country.

We are continuously focused on providing a differentiated approach to our customers through various selling, buying and ancillary products and services in our Solutions Center.

Offerpad selling services

We offer two distinct selling services to our customers. Through our Offerpad cash offer service, customers complete a few simple steps and receive a competitive cash offer on their home within 24 hours. Customers choosing an Offerpad cash offer avoid the disruption of showing their homes, select their own closing date with the benefit of extended stay in case their new home is not ready, and enjoy complimentary free local moving. If the customer is represented by a third-party agent, we work

directly with such agent in addition to paying the agent's fee. Through our Offerpad listing service offering, our customers essentially dual track a sale by utilizing both our personalized listing services while also sometimes having a backup cash offer. Customers opting to list with us typically enjoy the benefits of complimentary list-ready home services to prepare their home for market, such as carpet cleaning, landscape and pool maintenance, along with home improvement advances, customized marketing, and dedicated support from our Offerpad Solutions Experts or partner agents, while listing with confidence knowing they can pivot to our competitive cash offer. When a customer chooses to list their home with our Offerpad listing service, our Solutions Experts or a partner agent represent the customer throughout the process. The customer will either sell their home directly to a buyer or we will purchase the home under our initial cash offer. If a customer sells a home directly to a buyer using our listing service, we earn a service fee, typically as a percent of the sales price of the home. Our listing service offering generates higher margins than our cash offer service, but accounted for approximately 1% of our total revenue in both 2023 and 2022, although we intend to drive greater evolution of the offering and roll-out of listing service offerings across our platform.

Offerpad buying services

We are also committed to removing the stress and inconvenience associated with purchasing a home. In connection with our listing service offering and through our Solutions Center, prospective buyers have access to our Offerpad Solutions Experts, partner agents who can advise on the purchase of their home, and our ability to provide access to mortgage services through our in-house mortgage solution or through a third-party lending partner, which streamlines the home loan process for our customers. Buyers are able to visit homes on their own time and utilize digital tools to complete the inspection and closing process. Our customers benefit from a home buying process designed around them, enjoying exclusive buyer benefits including early access to Offerpad homes, savings when bundling multiple Offerpad services, local experts to guide the purchasing process, a dedicated solutions coordinator, and flexibility around their move-in date.

Renovation services

We have extended our renovation services to other businesses allowing other companies and homeowners to utilize our renovations team to update their portfolio of homes for rent or to sell. Through this offering, we are able to leverage our existing logistics, operation and skill-sets to provide renovation services that we believe could be a more significant component of our business over time. In addition to the renovation project fee, we are also typically compensated for these renovation services with a service fee that is based on a percentage of the overall renovation project fee. Our renovation services represented less than 1% of our total revenue in both 2023 and 2022.

Expand relationships with home buyers

We continue to pursue opportunities that enable us to grow our service offerings, and offer a program that allows investors and single-family rental companies an opportunity to purchase homes from homeowners, matching investors with sellers. These transactions occur in several forms, including assigning the original purchase contract to the end buyer and collecting a fee at closing. We expect this program will allow us to help more homeowners sell their home and expand our ability to reach more customers, while also providing customers with the benefit of receiving an optimized offer for their home. These services represented less than 1% of our total revenue in both 2023 and 2022.

Ancillary products and services

We also offer seamless access to ancillary products and services through our preferred providers, which currently includes title and escrow services, mortgage solutions to make it easy for buyers to finance their next home, and complimentary free local moving for sellers. The frictionless experience our customers encounter when buying and selling their homes drives customer interest in ancillary products and services, which provides significant further opportunities for bundling services and enhances our ability to capture additional market share.

Below is a summary of our current ancillary products and services:

- *Title and Escrow:* We have a national relationship with a leading title and escrow company through which we are able to leverage our size and scale to provide exceptional title and escrow closing services with favorable economics.
- *Offerpad Home Loans ("OPHL"):* We provide access to mortgage services through our in-house mortgage solution, OPHL, or through a third-party lending partner.
- *Bundle Rewards:* The Offerpad Bundle Rewards program allows customers to receive multiple discounts when selling and buying a home with Offerpad, and by obtaining their home loan with OPHL.

Our primary goal is to be able to offer multiple services tied to the core real estate transaction, which may in the future include services such as energy efficiency solutions, smart home technology, insurance and home warranty services, all with the goal of becoming a singular solution for real estate transactions. Generally, the revenue and margin profiles of our ancillary products and services are different from our cash offer service that accounts for the vast majority of our revenues, with most

ancillary products and services having a smaller average revenue per transaction than our cash offer service, but a higher margin.

Our ancillary products and services represented less than 1% of our total revenue in both 2023 and 2022.

Our Market Opportunity

In 2023, roughly \$1.9 trillion in value of homes were sold in the U.S. with approximately 4.7 million homes sold for an average home value of approximately \$400,000. Despite the large market size, the vast majority of U.S. residential real estate transactions are conducted offline. As digital transactions are transforming every industry, consumers turn to technology for new and improved experiences in their daily lives. Interactions in industries such as commerce, restaurants, healthcare, automotive, and insurance have been drastically altered by digital experiences that offer new levels of convenience, efficiency, and reliability. We believe that the real estate industry is primed for a similar digital transformation as buyers and sellers of homes desire the same type of digital experience they are accustomed to from other industries. Further, we believe that the vast number of real estate brokerages, combined with the fragmentation of market share, contributes to an inconsistent experience for home buyers and sellers, offering opportunities for consolidation and integration. As of 2023, there were approximately 1.6 million licensed real estate agents and more than 100,000 U.S. real estate brokerages, with a single brokerage rarely holding more than 10% in a given market. Today, we typically purchase homes with a price of up to \$750,000, which represented a potential addressable market opportunity of approximately \$1.0 trillion during 2023.

Separately, through a variety of ancillary product and service opportunities, we believe we will be able to further expand our total addressable market. Vertical integration and product innovation will provide future potential opportunities including expansion of our mortgage and title solutions, as well as entry into other transaction services such as home warranty, homeowners insurance, or remodeling services.

Our Competitive Strengths

We believe the following strengths will allow us to maintain and extend our position as a leading technology-enabled real estate solutions platform.

Proprietary technology platform

The success of our business is built on the combination of our data collection capabilities, proprietary technology, and team of real estate experts. We utilize machine learning and artificial intelligence to analyze data at various stages throughout our process. Our in-house proprietary data analytics technology continuously collects and synthesizes market data with performance history from our real estate operations, forming a knowledge distillation and feedback loop along the process and enabling us to adjust to the latest market conditions and operate a highly intelligent and automated workflow.

We collect hundreds of data points per home from an array of sources including public records, real estate brokerage transaction histories, private third-party data, and internally developed proprietary data sources. Our proprietary automated valuation and renovation-modeling engine “Offercomp” uses this information to automatically value more than 100,000 properties each year and generate our cash offers based on these data points. Our real estate experts work in tandem with and enhance our technology by providing a final review of the offer. Our proprietary and purpose-built “Helix Go” technology streamlines the renovation process for a purchased home by automating logistics and workflows. This combination of technology, automation and machine learning paired with real estate expertise enhances the accuracy in our underwriting to actual sales prices and improves our unit-level economic performance.

Operational expertise

We know how to efficiently manage the logistical challenge of buying, renovating and selling thousands of homes across 25 differentiated markets. Since our inception to December 31, 2023, we have executed in aggregate over 77,000 buy and sale transactions and have completed nearly 34,000 home renovations. We optimize our workforce through a mix of internal employees and external contractors and have local project managers that manage the renovation in its entirety. We maintain market-by-market standards to ensure quality, cost, and time efficiency, deploying our own field automation software to enable accurate progress reporting as well as labor and material tracking.

Scalable platform, with proven economics and capital efficiency

We have a leading, scalable and low-cost transaction platform. We have created a pioneering iBuying company and leading on-demand real estate marketplace. Our significant growth relative to our limited capital invested is testament to our efficiency and results driven culture. Since inception, we have focused on improving the unit economics of our model across our markets, with the added benefit of maximizing operational leverage as we scale. A foundation of our strategic approach to growth has been to prove out our business model first, control costs and refine our valuation automation and logistical operations before we scale into additional markets.

Maximizing real estate inventory turnover and increasing returns on invested capital

In order to effectively mitigate risk and maximize efficiency of the business, we aim to turn inventory quickly while maintaining our underwritten to actual sales price accuracy. We strive to minimize the number of homes we own for a long period of time, as the holding period of the home is typically a key factor of unit level performance because increased holding costs result in a direct decrease in contribution margin. As we increased our scale and improved our workflow optimization in prior years, our average real estate inventory holding period of homes sold improved from 138 days in 2016 to 101 days during 2022 and 97 days during the fourth quarter of 2023, which is consistent with our expected average real estate inventory holding period and our historical norm.

Customer satisfaction

Our Solutions Center was designed with the commitment to providing the best possible real estate experience. The flexibility of our offerings has enabled us to build a strong, well-respected brand in the eyes of our customers.

Proven management team with extensive digital, real-estate and finance experience

Our founder and management team have decades of experience in transactional real estate operations and property valuation, digital marketplaces, business intelligence and analytics and finance. We believe our operating success is a result of combining our detailed market-to-market real estate expertise with strong technology and data analytics experience and a keen awareness of the evolving digital demands of our customers.

Our Growth Strategies

We believe we have significant untapped growth potential and intend to achieve our goals through the following strategies:

Grow share in existing markets

We plan to expand our share in our existing markets. As of December 31, 2023, we offer our services in 25 markets in the United States, which tend to share median price points of less than \$550,000 and are among the top 100 metropolitan statistical areas (MSAs) in terms of annual residential real estate transactions. In 2023 and 2022, the median prices of the homes we sold were approximately \$340,000 and \$350,000, respectively. We intend to further increase our market penetration in these markets through additional brand marketing, strengthening local partnerships and improving customer awareness of our offerings, which we anticipate will increase our market share. Additionally, we intend to continue to evaluate adding to our catalog of offerings in order to better support our customers and capture additional share.

Opportunistic expansion into new markets

Since our founding, we have been strategic in our approach to growing our market footprint. We have historically focused on geographic diversification across high population growth cities with affordable median sales prices and increasing employment characteristics. However, given the dislocated residential real estate market conditions during the second half of 2022 and the first quarter of 2023, we did not expand into any new markets during 2023. Further, given the uncertainty regarding the near-term macroeconomic conditions, including the path of ongoing inflation in the broader economy, the impact of geopolitical conflicts and the direction of mortgage interest rates, we currently do not anticipate expanding into any new markets in the first half of 2024 and expect to re-evaluate expansion plans in the second half of the year.

Looking forward, we intend to apply rigorous criteria to identify which additional MSAs we plan to expand into in the future. As part of our planned expansion, we have given strategic consideration to which markets we would plan to open first and what the resource requirements for establishing a presence in those markets would be. We assess each MSA on several factors including historical housing transactions, employment and population growth, median home sales price, housing supply and demand characteristics, seasonality, market risk rating, and competitor presence. We believe geographic proximity to our existing markets will allow us to leverage our in place physical presence and applicable local expertise, though we intend to also evaluate MSAs without geographic proximity to our existing markets. While we intend to be flexible in assessing the overall timing of our expansion plan and appropriate market entry points over the coming years, we have historically looked to expand into new markets with qualities similar to our existing markets, including median price point, annual transaction count, as well as strong presence of new homebuilders and institutional buyers. We believe the scale and versatility of our platform should allow us to continue to expand into new markets, with our barriers to entry primarily being access to adequate capital needed to expand our operations, the tendency of consumers in a given market to adopt our digital real estate offerings and macroeconomic conditions.

As our product and service offerings continue to evolve, our new market expansion strategies will as well. For instance, we may enter into new markets to offer our renovation services, but may not offer buying and selling services in such markets.

Increase advertising and drive brand awareness

Even though historically our ability to invest in advertising has been limited due to our focus on capital efficiency we have a proven history of effective local advertising to drive inbound seller inquiries as well as local and national distribution of our active listings for resale. Going forward we intend to focus on increasing our local advertising efforts through a variety of channels as well as establish a broader national advertising presence to grow brand awareness and brand affinity as we scale.

Grow Offerpad listing service offering

While our listing service offering has already enabled many customers to conveniently list with us with the confidence that they can typically take advantage of a backup cash offer, we plan to further increase awareness of this service through more product centric marketing. Our goal is to expand the number of our customers selecting this service in both our existing and our future markets, enabling us to capture more customers that want the best of both iBuying and traditional real estate.

Increase renovation services

We have extended our renovation services to other businesses allowing other companies and homeowners to utilize our renovations team to update their portfolio of homes for rent or to sell. We believe renovation services could be a more significant component of our business over time and plan to increase focus on such services in the future.

Expand relationships with home buyers

We continue to pursue opportunities that enable us to grow our service offerings, and offer a program that allows investors and single-family rental companies an opportunity to purchase homes from homeowners, matching investors with sellers. We expect this program will allow us to help more homeowners sell their home and expand our ability to reach more customers, while also providing customers with the benefit of receiving an optimized offer for their home.

Add ancillary products and services

Our product expansion strategy focuses on capitalizing on ancillary product and service opportunities beyond our current mortgage and title service offerings in order to offer multiple services tied to the core real estate transaction, allowing our customers to bundle and save. In the mid-term, we anticipate offering additional transaction services, including home warranty and insurance. Finally, in the long-term, we intend to seek to provide a personal, efficient, and hassle-free full home ownership partnership with offerings such as energy efficiency and smart home capabilities.

Marketing

Our sales and marketing efforts utilize a multichannel approach, including paid advertising, earned media and partnerships, with a focus on efficiency and low-cost growth. As our market footprint has expanded, we have optimized our marketing strategy with advanced audience segmentation methodologies, improved targeting, and attribution modeling. Going forward we will focus on increasing our local advertising efforts through a variety of channels as well as establishing a broader national advertising presence to grow brand awareness and brand affinity. Additionally, we may leverage broad reach channels that allow us to responsibly scale brand awareness.

Our Competition

The U.S. residential real estate market is highly fragmented and non-integrated. As of 2023, there were over 100,000 U.S. real estate brokerages in the United States, with a single brokerage rarely holding more than 10% share in any market. Additionally, we believe the vast majority of U.S. real estate sales are still being conducted through traditional analog methods, with only a small portion of the real estate market having transitioned to the technology driven, digital method that we offer. We compete with other instant buyers, cash offer providers and online real estate platforms, as well as institutional purchasers of residential real estate; however, we primarily compete with local real estate brokerages and the traditional way of conducting home sales.

We believe that companies in our industry compete primarily on the basis of customer experience, available offerings, and price. Although we face competition through both traditional and non-traditional forms of buying and selling residential real estate, we believe our technology-enabled solutions combined with our extensive real estate expertise allows us to provide a complete solution and positive experience to one of life's most significant transactions.

Human Capital Resources

Overview

We believe that we have a talented, motivated and dedicated team, and are committed to supporting the development of all of our team members. As of December 31, 2023, we employed approximately 350 people, nearly all on a full-time basis. None of our employees are represented by a labor union or covered by collective bargaining agreements. We believe we have strong and positive relations with our employees. We also engage numerous consultants and contractors to supplement our permanent workforce, primarily to assist with renovating our homes, and real estate agent partners as part of our listing service offering.

Our Culture and Core Values

Maintaining a strong company culture is critical to our team and is supported through various employee engagement activities. Our culture and passion for what we are building is reflected in the following core values:

- *Homes not houses.* A house is property, but a home is uniquely personal – a place full of emotion and memories. We help people move freely so they can live their best lives, wherever “home” happens to be.
- *Freedom first.* Providing home buyers and sellers freedom is our passion. No one should ever feel stuck. We provide simplicity, peace of mind and freedom in everything we do.
- *Every day matters.* We work with a sense of urgency to deliver the best customer experience in the industry. There’s no room for hesitation. We count the days with the goal to use less, so customers can spend less time ‘real estat-ing’.
- *Results rule.* We get things done. We celebrate doers. We don’t talk about what we’re going to do, we just do it. When we see a problem, we solve it.
- *Embrace our roots.* Real estate is in our DNA. We know homes. We understand the people in those homes at a “living room” level and use that experience and expertise to provide the best way to buy and sell a home.

Workplace Practices and Policies

We are committed to providing a workplace free of harassment or discrimination based on race, color, religion, sex, sexual orientation, gender identity, national origin, disability, veteran status, caste or other legally protected characteristic. We are an equal opportunity employer committed to inclusion and diversity.

Diversity, Equity, Inclusion and Belonging

We believe that each employee’s uniqueness and individuality strengthen our collective whole. By seeking out diverse perspectives and valuing individual input, we create a sense of belonging.

In fostering a diverse, equitable and inclusive environment, we are committed to hiring inclusively, providing training and development opportunities, and ensuring equitable pay for employees, and are continuing to focus on increasing diverse representation at every level of the Company. In furtherance of this, we launched a women’s employee resource group during 2023, which provides opportunities for support, networking, and community-building for employees.

Compensation and Employee Benefits

To attract and retain top talent, we offer our employees a broad range of company-paid benefits and highly competitive compensation packages. Our employees are eligible for medical, dental and vision insurance, a savings/retirement plan, life and disability insurance, various wellness programs and tuition reimbursement, along with other optional benefits designed to meet individual employee needs.

Well-being and Hybrid Work

We are committed to supporting our employees’ well-being and safety while they are at work and in their personal lives. As part of our benefits package, we offer many physical, emotional, and financial wellness programs, mental well-being support, disability accommodations, and savings and investment tools. We also offer an optional hybrid work schedule program to better support leaders, managers, and employees in hybrid work scenarios.

Training and Talent Development

To support our strong company culture, we offer a wide range of training and development opportunities, including new employee orientation through our onboarding training sessions, which cover a range of topics including company values and culture, and other training programs that support employee growth and development.

Intellectual Property

We rely on a variety of federal, state and common law rights to protect our intellectual property. We also rely on a combination of trademarks, domain names, patents, copyrights, trade secrets, contractual provisions and restrictions on access and use to establish and protect our proprietary rights.

As of December 31, 2023, our registered IP portfolio includes: nine registered U.S. trademarks, three foreign registered trademarks, four pending U.S. trademark applications and two U.S. copyright registrations. Our trademarks registrations include “Offerpad” and the Offerpad logo, and our pending applications include taglines and trademarks for services in development by Offerpad.

We are the registered holder of a variety of domain name registrations, including “offerpad.com”.

In addition to the protection provided by our intellectual property rights, we enter into confidentiality and proprietary rights agreements with certain of our employees, consultants, contractors and business partners. Certain of our employees and

contractors are also subject to invention assignment agreements. We further restrict the use of our proprietary technology and intellectual property through provisions in both our general and product-specific terms of use on our website.

Government Regulation

We operate in highly regulated businesses through a number of different channels across the United States. As a result, we are currently subject to a variety of, and may in the future become subject to additional, federal, state and local statutes and regulations in various jurisdictions (as well as judicial and administrative decisions and state common law), which are subject to change at any time, including laws regarding the real estate and mortgage industries, settlement services, insurance, mobile and internet based businesses and other businesses that rely on advertising, as well as data privacy and consumer protection laws, and employment laws.

In particular, the advertising, sale, and financing of homes is highly regulated by states in which we do business, as well as the U.S. federal government. Regulatory bodies include the Consumer Financial Protection Bureau (“CFPB”), the Federal Trade Commission (“FTC”), the Department of Justice (“DOJ”), the Department of Housing and Urban Development (“HUD”), and various state licensing authorities, various state consumer protection agencies, and various state financial regulatory agencies. We are subject to compliance audits of our operations by many of these authorities. For a discussion of the various risks we face from regulation and compliance matters, see *“Risk Factors—Risks Related to Our Business and Industry”*.

Additionally, laws, regulations, and standards covering marketing and advertising activities conducted by telephone, email, mobile devices, and the internet, may be applicable to our business, such as the Telephone Consumer Protection Act (“TCPA”), the Telemarketing Sales Rule, the CAN-SPAM Act, and similar state consumer protection laws. Through our various subsidiaries, we buy and sell homes, provide real estate brokerage services, and provide other product offerings, which results in us receiving or facilitating transmission of personally identifiable information. This information is increasingly subject to legislation and regulation in the United States, such as the California Consumer Privacy Act. These laws, and other similar privacy laws and regulations, are generally intended to protect the privacy and security of personal information, including customer Social Security Numbers and credit card information that is collected, processed and transmitted. These laws also can restrict our use of this personal information for other commercial purposes. For a more detailed discussion of the risks we face in connection with privacy regulations, see *“Risk Factors—Risks Related to Our Intellectual Property and Technology—We collect, process, store and use personal information and other data, which subjects us to governmental regulation and other legal obligations related to privacy, and any actual or perceived violation of these privacy obligations could result in a claim for damages, regulatory action, loss of business, or unfavorable publicity.”*

In order to provide the broad range of products and services that we offer customers, certain of our subsidiaries maintain real estate brokerage licenses, and we may in the future apply for additional licenses as our business grows and develops. These entities are subject to stringent state and federal laws and regulations, including, but not limited to, the Real Estate Settlement Procedures Act (“RESPA”) and those administered by applicable state departments of real estate, banking, and consumer services, and to the scrutiny of state and federal government agencies as licensed businesses as noted above. We may be subject to additional local, state and federal laws and regulations governing residential real estate transactions, including those administered by HUD, and the states and municipalities in which we transact. For certain licenses, we are required to designate individual licensed brokers of record, qualified individuals and control persons. Certain licensed entities also are subject to routine examination and monitoring by the CFPB (for mortgages) and/or state licensing authorities. As of December 31, 2023, OfferPad Brokerage, LLC, OfferPad Brokerage “FL”, LLC, and OfferPad Brokerage CA, Inc. hold real estate brokerage licenses in certain of our markets and certain other states.

We plan to continue providing mortgage services in the future, either through our in-house mortgage solution, or through a third-party lender. Mortgage products are regulated at the state level by licensing authorities and administrative agencies, with additional oversight from the CFPB and other federal agencies. These laws generally regulate the manner in which lending and lending-related activities are marketed or made available to consumers, including, but not limited to, advertising, finding and qualifying applicants, the provision of consumer disclosures, payments for services, and record keeping requirements. These laws include, at the federal level, the RESPA, the Fair Credit Reporting Act (as amended by the Fair and Accurate Credit Transactions Act), the Truth in Lending Act (including the Home Ownership and Equity Protection Act of 1994), the Equal Credit Opportunity Act, the Fair Housing Act, the Gramm-Leach-Bliley Act, the Electronic Fund Transfer Act, the Servicemembers Civil Relief Act, the Military Lending Act, the Homeowners Protection Act, the Home Mortgage Disclosure Act, the Secure and Fair Enforcement for Mortgage Licensing Act of 2008, the Federal Trade Commission Act, the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010, the Bank Secrecy Act (including the Office of Foreign Assets Control and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act), the TCPA, the Mortgage Acts and Practices Advertising Rule (Regulation N), the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), all implementing regulations, and various other federal, state and local laws. The CFPB also has broad authority to enforce prohibitions on practices that it deems to be unfair, deceptive or abusive. Additionally, state and local laws may restrict the amount and nature of interest and fees that may be charged by a lender or

mortgage broker, impose more stringent privacy requirements and protections for servicemembers, and/or otherwise regulate the manner in which lenders or mortgage brokers operate or advertise.

Seasonality

The residential real estate market is seasonal and varies from market to market. Typically, the greatest number of transactions occur in the spring and summer, with fewer transactions occurring in the fall and winter. Our financial results, including revenue, margins, real estate inventory, and financing costs, have historically had seasonal characteristics generally consistent with the residential real estate market, a trend we expect to continue in the future.

Corporate History and Background

Offerpad Solutions Inc. was formed on September 1, 2021 through a business combination (the “Business Combination”) with Supernova Partners Acquisition Company, Inc. (“Supernova”). In connection with the closing of the Business Combination, Supernova changed its name to Offerpad Solutions Inc. The Business Combination was accounted for as a reverse recapitalization.

Available Information

We file our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements and other information electronically with the Securities and Exchange Commission (“SEC”). Our SEC filings are available to the public on the SEC’s website at www.sec.gov. At our corporate website, www.offerpad.com, and our investor relations website, investor.offerpad.com, we make available free of charge a variety of information for investors, including copies of these reports, and any amendments to these reports, as soon as reasonably practicable after we electronically file that material with or furnish it to the SEC. The information found on our website is not part of this or any other report we file with, or furnish to, the SEC.

Item 1A. Risk Factors.

Investing in our securities involves risks and uncertainties. Before you make a decision to buy our securities, you should carefully consider the specific risks described below. If any of these risks actually occur, it may materially harm our business, financial condition, liquidity and results of operations. As a result, the market price of our securities could decline, and you could lose all or part of your investment. Additionally, the risks and uncertainties described in this Annual Report on Form 10-K are not the only risks and uncertainties that we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may become material and adversely affect our business. The following discussion should be read in conjunction with other information set forth in this Annual Report, including Part II, Item 7, *Management’s Discussion and Analysis of Financial Condition and Results of Operations* and Part II, Item 8, *Financial Statements and Supplementary Data*.

Risks Related to Our Business and Industry

Our business and operating results may be significantly impacted by general economic conditions, the health of the U.S. residential real estate industry and risks associated with our real estate inventory.

Our success depends, directly and indirectly, on general economic conditions, the health of the U.S. residential real estate industry, particularly the single-family home resale market, and risks relating to the ownership of residential real estate, many of which are beyond our control. A number of factors have in the past, and could in the future adversely affect our business, including the following:

- downturns in the U.S. residential real estate market — both seasonal and cyclical — in particular with respect to the single-family home resale market and the markets in which we operate;
- changes in national, regional, or local economic, demographic or real estate market conditions;
- slow economic growth or recessionary or inflationary conditions;
- increased levels of unemployment or declining wages;
- declines in the value of residential real estate or the pace of home appreciation, or the lack thereof;
- illiquidity in residential real estate;
- overall conditions in the housing market, including macroeconomic shifts in demand, and increases in costs for homeowners such as property taxes, homeowners’ association fees and insurance costs;
- low levels of consumer confidence in the economy in general or the U.S. residential real estate industry in particular;
- low home inventory levels or lack of affordably priced homes;
- increased mortgage interest rates or down payment requirements or restrictions on mortgage financing availability;

- increases in household debt levels;
- volatility and general declines in the stock market;
- federal, state, or local legislative or regulatory changes that would negatively impact owners or potential purchasers of single-family homes or the residential real estate industry in general, such as the Tax Cuts and Jobs Act of 2017 (the “Tax Act”), which limited deductions of certain mortgage interest expenses and property taxes; or
- natural disasters, such as hurricanes, windstorms, tornadoes, earthquakes, wildfires, floods, hailstorms, pandemics and other events that disrupt local, regional, or national real estate markets.

Our limited operating history makes it difficult to evaluate our current business and future prospects and the risk of your investment.

Our business model and the technology used in support thereof is still early in its adoption and is difficult to compare to the business models of other market participants in the U.S. residential real estate industry. We launched our first market in 2015 and do not have a long history operating as a commercial company. Our operating results are not predictable and our historical results may not be indicative of our future results. It may be difficult for you to evaluate our potential future performance without the benefit of established long-term track records from companies implementing a similar business model. Few peer companies exist and none have yet established long-term track records that might assist us in predicting whether our business model and strategy can be implemented and sustained over an extended period of time. We may encounter unanticipated problems as we continue to refine our business model and may be forced to make significant changes to our anticipated sales and revenue models to compete with our competitors’ offerings, which may adversely affect our results of operations and profitability.

We operate in a competitive and fragmented industry, and we may not be successful in attracting customers for our products and services, which could harm our business, results of operations and financial condition.

We operate in a competitive and fragmented industry, and we expect competition to continue to increase. We believe that our ability to compete depends upon many factors both within and beyond our control, including the following:

- the financial competitiveness of our products for customers;
- the volume of our customers;
- the timing and market acceptance of our products, including iBuying, and new products offered by us or our competitors;
- our selling and marketing efforts;
- our customer service and support efforts;
- our continued ability to develop and improve our technology to support our business model;
- customer adoption of our platform as an alternative to traditional methods of buying and selling residential real estate; and
- our brand strength relative to our competitors.

Our business model depends on our ability to continue to attract customers to our digital platform and the products and services we offer, and enhance their engagement with our products in a cost-effective manner. New entrants continue to join our market categories. Our existing and potential competitors include companies that operate, or could develop, national or local real estate businesses offering services, including real estate brokerage services, mortgage, and title insurance and escrow services, to home buyers or sellers.

Many of our competitors have well-established national reputations and may market similar products and services. Several of these companies are larger than us and have significant competitive advantages, including better name recognition, higher financial ratings, greater resources, lower cost of funds and additional access to capital, and more types of offerings than we currently do. These companies may also have higher risk tolerances or different risk assessments than we do. In addition, these competitors could devote greater financial, technical and other resources than we have available to develop, grow or improve their businesses. If we are not able to continue to attract customers to our platform, products and services and achieve greater scale in operations, our business, results of operations and financial condition will be harmed.

Economic conditions, including inflation and high mortgage rates, have historically impacted, and may continue to adversely affect, the residential real estate business and our business and financial results.

In response to inflationary pressures, the Federal Reserve Board implemented a series of increases to its benchmark interest rate during 2022 and 2023. As a result, long-term mortgage interest rates rose during the year, with the average thirty-year fixed mortgage rate peaking at over 7% in late 2022 and over 8% in late 2023, the highest level since the early 2000s. When

interest rates increase, the cost of owning a home increases, which in turn reduces the number of potential home buyers who can obtain mortgage financing and affects the prices home buyers may be willing to pay for homes.

During the first quarter of 2023, the dislocated residential real estate market conditions that persisted throughout the second half of 2022 continued to negatively impact consumer demand for residential real estate, due to the combination of the rapid rise in mortgage interest rates, increased inflation in the broader economy, volatility in the stock market, and various other macroeconomic and geopolitical concerns.

Although the residential real estate market conditions started showing signs of stabilization and some improvement beginning in the second quarter of 2023, persistent challenges in mortgage financing—stemming from sustained high interest rates, potential further rate hikes, or a tightening of credit conditions—could lead to a continued decrease in demand for our homes and the services our platform provides. Such conditions could, in turn, negatively impact our business and financial performance.

While we experienced rapid growth from inception through the first half of 2022, our business has more recently been negatively impacted by the dislocated residential real estate market conditions. If we are unable to effectively manage these conditions, we may experience difficulties in growing effectively and expanding our operations and service offerings in the future.

While we experienced rapid growth and demand for our products and service offerings from inception through the first half of 2022, our business has more recently been negatively impacted by the dislocated residential real estate market conditions. We may not be able to effectively manage these conditions and grow our business if we do not, among other things:

- continue to increase the number of customers using our platform;
- acquire sufficient real estate inventory at an attractive cost and quality to meet the demand for our homes;
- successfully turnover real estate inventory in an efficient manner;
- increase customer conversion;
- increase our market share within existing markets and expand into new markets;
- manage operating expenses;
- increase our brand awareness;
- retain adequate availability of financing sources; and
- obtain necessary capital to meet our business objectives.

Additionally, in order to expand our operations in the future, we may need to launch new products or services in existing or new markets and may have to expand into new markets more quickly than we would if we did not operate in such a highly competitive industry. Expanding into new markets has proved and may continue to prove to be challenging, as some markets may have very different characteristics than the markets we currently operate in, some of which may be unanticipated or unknown to us. These differences may result in greater pricing uncertainty, as well as higher capital requirements, real estate inventory hold times, repair costs and transaction costs that may result in those markets being less profitable for us than those in which we currently operate in.

Further, if the macroeconomic and residential real estate market conditions continue to be challenging in the future, we may need to further stall or moderate our expansion activities, which may include pausing real estate inventory acquisitions in certain existing markets.

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

With the exception of the year ended December 31, 2021, during which we generated net income, we have incurred net losses each year from inception, and may incur additional losses in the future. We had an accumulated deficit of \$397.9 million and \$280.7 million as of December 31, 2023 and 2022, respectively. We expect to continue to make future investments in developing and expanding our business, including technology, recruitment and training, marketing, and pursuing strategic opportunities. These investments may not result in increased revenue or growth in our business. Additionally, we may incur significant losses in the future for a number of reasons, including:

- our inability to grow market share in our existing markets or any new markets we may enter;
- our expansion into new markets;
- declines in U.S. residential real estate transaction volumes;
- increased competition in the U.S. residential real estate industry;
- changes in our fee structure or rates;

- our failure to accurately price homes we acquire or changes to resale prices during the time homes are in real estate inventory;
- our failure to realize anticipated efficiencies through our technology and business model;
- costs associated with enhancements, or new offerings of our products and services;
- failure to execute our growth strategies;
- increased marketing costs;
- lack of access to housing market data that is used in our pricing models at reasonable cost;
- hiring additional personnel to support our overall growth;
- loss in value of real estate or potential impairments in the value of our assets due to changes in market conditions in the area in which real estate or assets are located;
- increases in costs associated with holding our real estate inventories, including financing costs;
- the availability of debt financing and securitization funding to finance our real estate inventories; and
- unforeseen expenses, difficulties, complications and delays, and other unknown factors.

Accordingly, we may not be able to achieve or maintain profitability and we may continue to incur significant losses in the future. Moreover, as we continue to invest in our business, we expect expenses to continue to increase in the near term. These investments may not result in increased revenue or growth in our business. If we fail to manage our losses or to grow our revenue sufficiently to keep pace with our investments and other expenses, our business will be harmed and it may also impact our access to funding and liquidity sources.

Because we incur substantial costs and expenses from our growth efforts before we receive any incremental revenues with respect to those investments, we may find that these efforts are more expensive than we currently anticipate or that these efforts may not result in an increase in revenues to offset these expenses, which would further increase our losses, and which could have a material adverse effect on our business and financial condition.

Our business is dependent upon our ability to accurately value and manage real estate inventory and an ineffective pricing or portfolio management strategy may have an adverse effect on our business, sales and results of operations.

We appraise and price the homes we buy and sell using in-house proprietary data analytics technology, which continuously collects and synthesizes market data with performance history from our real estate operations, forming a knowledge distillation and feedback loop along the process and enabling us to operate a highly intelligent and automated workflow. This assessment includes estimates on time of possession, market conditions, renovation and holding costs, and anticipated resale proceeds. Conversion rates and customer satisfaction may be negatively impacted if valuations are too low and/or fees are too high. Additionally, following our acquisition of a home, we may need to decrease our anticipated resale price for that home if we discover defects or other conditions requiring remediation or impacting the value of the home that were unknown to us at the time of acquisition. Shortages in building supplies, supply chain disruptions, and shortages and disruptions in the availability of third-party labor can also significantly delay our ability to renovate and resell homes in a timely manner. Moreover, these risks may be heightened when we expand into new markets where we may not have similar levels of knowledge and experience as we do in the markets where we currently operate. As a result of these factors, we may be unable to acquire or sell real estate inventory at attractive prices or to finance and manage real estate inventory effectively, and accordingly our revenue, gross margins and results of operations would be affected, which could have a material adverse effect on our business, financial condition and results of operations.

Prospective sellers and buyers of homes may choose not to transact online, which could harm our growth prospects.

Our success depends on our ability to attract customers who have historically purchased homes through more traditional channels. The online market for homes is significantly less developed than the online market for other goods and services in industries such as commerce, healthcare, insurance, books, music, travel and other consumer products and accounts for a small percentage of total annual U.S. residential real estate transactions. If this market does not gain widespread acceptance, our business will suffer. Furthermore, we may have to incur significantly higher and more sustained advertising and promotional expenditures or offer more incentives than we currently anticipate in order to attract consumers to our platform and convert them into sellers or buyers. If the online market for residential real estate does not continue to develop and grow, our business will not grow and our business, financial condition and results of operations would be materially and adversely affected.

Declining real estate valuations have resulted in, and could continue to result in, real estate inventory valuation adjustments, and property values may decline between our offer to purchase a home and the closing of such home, which could adversely affect our financial condition and operating results.

We are subject to risks inherent to declines in real estate valuations. For example, home prices can be volatile, and the values of our real estate inventory may fluctuate significantly. As a result of such fluctuations, we have in the past, and may in the future, record real estate inventory valuation adjustments. We periodically review the value of our real estate inventory to determine whether the value, based on market factors and generally accepted accounting principles, has decreased such that it is necessary or appropriate to record a real estate valuation adjustment in the relevant accounting period. As a result of such reviews, we recorded \$8.9 million and \$93.8 million of real estate inventory valuation adjustments during the years ended December 31, 2023 and 2022, respectively. These adjustments caused an immediate reduction of net income and a corresponding decrease in real estate inventory our balance sheet in the respective periods. Even if we do not determine that it is necessary or appropriate to record an inventory valuation adjustment, a reduction in the estimated net realizable value of a property could manifest over time and would therefore affect our earnings and financial condition at that time.

Additionally, the time between an offer to purchase a home and the closing of such transaction can vary from weeks to several months, depending on the needs of our customers. In the interim period, there can be adverse impacts on the value or liquidity profile of the home. We may not be able to or wish to renegotiate or cancel a contract because doing so would negatively impact customer satisfaction and our brand, and potentially subject us to loss of our earnest money deposit or litigation. In the event the value of such homes declines significantly, we could experience losses, which in the aggregate could be detrimental to our business and results of operations.

Our business is dependent upon our ability to expeditiously sell real estate inventory. Failure to expeditiously sell our real estate inventory could have an adverse effect on our business, sales and results of operations. Holding homes in real estate inventory exposes us to risks, such as increased holding costs and the risks of declining real estate valuations.

Our purchases of homes are based in large part on our estimates of projected demand. If actual sales are materially less than our forecasts, we would experience an over-supply of real estate inventory. An over-supply of real estate inventory will generally cause downward pressure on our liquidity, sales prices and margins and increase our average days to sale. Our inventory of homes purchased has typically represented a significant portion of total assets. Having such a large portion of our total assets in the form of non-income producing real estate inventory for an extended period of time subjects us to significant holding costs, including financing expenses, maintenance and upkeep expenses, insurance expenses, property tax expenses, homeowners' association fees, utility fees and other expenses that accompany the ownership of residential real property and increased risk of depreciation of value, in addition to risks related to declining real estate valuations. If we have excess real estate inventory or our average days to sale increases, as occurred during the year ended December 31, 2022, our liquidity and the results of our operations will be adversely affected due to our inability to sell such real estate inventory at prices that allow us to meet margin targets or to recover our costs.

Our business is concentrated in certain geographic markets, and local or regional conditions, including economic downturns, severe weather, catastrophic occurrences or other disruptions or events may materially adversely affect our financial condition and results of operations.

While our business is spread across 25 metropolitan markets in the United States as of December 31, 2023, a substantial amount of our revenue is generated in certain geographic markets. For the years ended December 31, 2023 and 2022, approximately 51% and 49% of our revenue, respectively, was generated from our top five markets by revenue during 2023, which consisted of Phoenix, Tampa, Atlanta, Orlando, and Houston. As a result of this concentration, local and regional conditions in these markets may differ significantly from prevailing conditions in the United States or other parts of the country. Any unforeseen events or circumstances that negatively affect these areas could materially adversely affect our revenues and profitability. These risks include possible declines in the value of real estate; risks related to general and local economic conditions; demographic and population shifts and migration; possible lack of availability of mortgage funds; overbuilding; extended vacancies of properties; increases in competition, property taxes and operating expenses; changes in zoning laws; increased labor costs; unemployment; costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems; casualty or condemnation losses; and uninsured damages from floods, hurricanes, earthquakes or other natural disasters.

In addition, our top markets are primarily larger metropolitan areas, where home prices and transaction volumes are generally higher than other markets in the United States. To the extent people migrate outside of these markets due to lower home prices or other factors, 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 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 unsuccessful in launching new product and service offerings or pursuing expansion of existing product and service offerings into new markets, which could result in significant expense and may not achieve the desired results.

We regularly evaluate expanding our products into new markets or launching new service offerings in existing or new markets and plan to expand our markets significantly in the future. Any expansion or new offering requires significant expenses and the time of our key personnel, particularly at the outset of the process, and our new service offerings, and expansion of our listing service platform may not result in the customer conversion or profitability that we expect. We typically experience increased losses in new markets as we adjust to competitive environments with which we are unfamiliar and invest to build our brand presence within those markets. Our plans to expand and deepen our market share in our existing markets and expand into additional markets are subject to a variety of risks and challenges. These risks and challenges include the varying economic and demographic conditions of each market, competition from local and regional residential brokerage firms, variations in transaction dynamics, and pricing pressures. We cannot assure you that we will be able to increase revenues and create business model efficiencies in new markets in the manner we have in our more mature existing markets.

Housing markets and housing stock in different areas can vary widely and certain markets may be more adaptable to our current business model than others. As our business grows, we may launch our products or services in markets that prove to be more challenging for our business model. As we expand from markets with a relatively new and homogeneous housing stock to markets with older and more diverse housing stock, we will have to adapt our business and operations to local conditions. The valuation technologies and systems that we currently use may not be as effective at accurately valuing homes in markets with older and more diverse housing stock. In addition, homes that we purchase in markets with relatively older housing stock may require more capital expenditures on improvements and repairs. We may also expand into markets with higher average home prices and fewer available homes within our target price range. If we are unable to adapt to these new markets and scale effectively, our business and results of operations may be adversely affected.

New markets and new product or service offerings 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 expanding an existing product or service offering into a new market or launching a new product offering, we may fail to achieve the financial and market share goals associated with the expansion. If we cannot manage our expansion efforts efficiently, our market share gains could take longer than planned and our related costs could exceed our expectations. In addition, we could incur significant costs to seek to expand our market share, and still not succeed in attracting sufficient customers to offset such costs.

Our business model and growth strategy depend on our marketing and partner channel efforts and ability to maintain our brand and attract customers to our platform in a cost-effective manner.

Our long-term success depends in part on our ability to continue to attract more buyers and sellers to our platform in each of our markets. We believe that an important component of our growth will be increased traffic to, and use of, our website and mobile application by potential customers. Our marketing and partner channel efforts may not succeed for a variety of reasons, including changes to search engine algorithms, ineffective campaigns across marketing channels, limited experience in new marketing channels and any technical difficulties customers may experience using our applications. External factors beyond our control may also affect the success of our marketing initiatives, such as filtering of our targeted communications by email servers, buyers and sellers failing to respond to our marketing initiatives, and competition from third parties. Any of these factors could reduce the number of customers coming to our platform. Our business model relies on our ability to scale rapidly and to decrease incremental customer acquisition costs as we grow. If we are unable to recover our marketing costs through increases in customer traffic and in the number of transactions by users of our platform, or if our broad marketing campaigns are not successful or are terminated, it could have a material adverse effect on our growth, results of operations and financial condition.

We also believe that the brand identity that we have developed is a significant factor in the success of our business, and maintaining and enhancing the “Offerpad” brand is critical to maintaining and expanding our customer base and current and future partners. Failure to promote or maintain our brand, or incurring excessive costs in this effort, could adversely affect our business, operating results and financial condition.

Reductions in the availability of mortgage financing provided by government agencies and changes in government financing programs have decreased and could continue to decrease our customers’ ability or desire to obtain financing and adversely affect our business or financial results.

The secondary market for mortgage loans continues to primarily desire securities backed by Fannie Mae, Freddie Mac or Ginnie Mae, and we believe the liquidity these agencies provide to the mortgage industry is important to the housing market. Any significant change regarding the long-term structure and viability of Fannie Mae and Freddie Mac could result in adjustments to the size of their loan portfolios and to guidelines for their loan products. Moreover, as we expand into higher cost markets or target higher-priced homes, home buyers, and accordingly demand for our homes and services, may be more

acutely affected by these factors. Additionally, a reduction in the availability of financing provided by these institutions could adversely affect interest rates, mortgage availability and sales of new homes and mortgage loans.

The residential real estate market is subject to seasonality, and our operating results are likely to fluctuate on a quarterly and annual basis.

We expect our revenue and results of operations to vary significantly from period to period in the future, based in part on, among other things, consumers' home buying patterns. The residential real estate market is seasonal, with greater demand from home buyers in the spring and summer, and typically weaker demand in late fall and winter, resulting in fluctuations in the quantity, speed and price of transactions on our platform. We expect our financial results and working capital requirements to reflect seasonal variations over time, although our growth and market expansion have obscured the impact of seasonality in our historical financials to date.

If we do not innovate or provide customers with an efficient and seamless transaction experience, our business could be harmed.

The industry for residential real estate transaction services, technology, information marketplaces and advertising is dynamic, and the expectations and behaviors of customers and professionals shift constantly and rapidly. Our success depends on our continued innovation to provide new, and improve upon existing, products and services that make real estate transactions faster, easier and less stressful for our customers. The success of our business may also depend on our ability to successfully integrate additional ancillary products and services into our platform, including renovation, insurance and home warranty services. As a result, we must continually invest significant resources in research and development to improve the attractiveness and comprehensiveness of our products or services, enable smoother and more efficient real estate transactions, adapt to changes in technology and support new devices and operating systems. Changes or additions to our products or services may not attract or engage our customers, and may reduce confidence in our products or services, negatively impact the quality of our brand, upset other industry participants, expose us to increased market or legal risks, subject us to new laws and regulations or otherwise harm our business. Furthermore, if we are unable to successfully anticipate or keep pace with industry changes and provide products or services that our customers want to use, on the devices they prefer, then those customers may become dissatisfied and use our competitors instead. If we are unable to continue offering high-quality, innovative products, we may be unable to attract additional customers and real estate partners or retain our current customers and real estate partners, which could harm our business, results of operations and financial condition.

A significant portion of our costs and expenses are fixed, and we may not be able to adapt or optimize our cost structure to offset declines in our revenue.

A significant portion of our expenses are fixed and do not vary proportionately with fluctuations in revenues. We need to maintain and continue to increase our transaction volumes to benefit from operating efficiencies and continue to optimize our cost structure. When we operate at less than expected capacity, fixed costs are inflated and represent a larger percentage of overall cost basis and percentage of revenue. Certain services we use, subscriptions and fees have fixed costs and are necessary for operation of the business. The other portion of fixed costs are necessary in order to invest in future growth. Given the early stage of our business, we cannot assure you that we will be able to rationalize our fixed costs. If we are unable to effectively adapt or optimize our cost structure to offset declines in our revenue, we may experience negative effects to our business, results of operations and financial condition.

Our growth depends in part on the success of our strategic relationships with third parties.

In order to grow our business, we anticipate that we will continue to depend on relationships with third parties, such as settlement service providers, lenders, real estate agents, valuation companies, vendors we use to renovate, service or repair our homes, third-party partners we rely on for referrals, such as homebuilders and online real estate websites or institutional buyers of our real estate inventory. Identifying partners, and negotiating and documenting agreements with them, and establishing and maintaining good relationships requires significant time and resources.

In addition, we rely on our relationships with multiple-listing services providers ("MLS") in all our markets both as key data sources for our pricing and for listing our real estate inventory for resale. Many of our competitors and other real estate websites have similar access to MLSs and listing data and may be able to source real estate information faster or more efficiently than we can. If we lose existing relationships with MLSs and other listing providers, whether due to termination of agreements or otherwise, changes to our rights to use or timely access listing data, an inability to continue to add new listing providers or changes to the way real estate information is shared, our ability to price or list our real estate inventory for resale could be impaired and our operating results may suffer.

If we are unsuccessful in establishing or maintaining successful relationships with third parties, our ability to compete in the marketplace or to grow our revenues could be impaired and our operating results may suffer. Even if we are successful, we cannot assure you that these relationships will result in increased customer usage of our product or increased revenues.

If the methodologies we use to assess the value and condition of homes are inaccurate, including because of the information supplied to us by prospective sellers or due to the physical inspections being ineffective, it could result in unforeseen costs and risks.

We make offers based in part on our assessment of offer requests completed by the prospective seller. While we may seek to confirm or supplement the information provided in such an offer request through our own due diligence, including physical inspections, we may rely on the information supplied to us by prospective sellers to make offer decisions, and we cannot be certain that this information is accurate. If owner-supplied information is inaccurate, we may make poor or imperfect pricing decisions and our portfolio may contain more risk than we believe. We also may conduct physical inspections of homes remotely through videos submitted to us by the sellers. It is possible that these video inspections may not be effective in identifying undisclosed issues, conditions or defects that an in-person inspection might otherwise reveal, which could result in us incurring unforeseen costs during the resale process.

Our business is dependent upon an adequate and desirable supply of real estate inventory, which is impacted by many factors. Any inability to acquire sufficient or desirable real estate inventory may adversely affect our business, sales and results of operations.

We primarily acquire homes directly from consumers and there can be no assurance of an adequate or desirable supply of such homes on terms that are attractive to us. A reduction in the availability of or access to real estate inventory could adversely affect our business, sales and results of operations. Additionally, we evaluate thousands of potential homes daily using our proprietary pricing model. If we fail to adjust our pricing to stay in line with broader market trends, or fail to recognize those trends, it could adversely affect our ability to acquire real estate inventory. We remain dependent on customers to sell us homes.

Our ongoing ability to acquire homes is critical to our business model. A lack of available or desirable homes that meet our purchase criteria may affect our ability to scale. Reductions in our acquisitions of homes may have adverse effects on our ability to reach our desired real estate inventory levels, our desired portfolio diversification and our results of operations.

During 2023, the average holding period of homes sold had a high degree of variability as a result of the mixed residential real estate market conditions that occurred during the year. During the first quarter of 2023, the average holding period of homes sold increased to 185 days as we sold through our aged real estate inventory. However, beginning in the second quarter of 2023, the residential real estate market conditions started showing signs of stabilization and improvement compared to the conditions in the first quarter of 2023 and the second half of 2022. As a result, we increased our home acquisition pace and our overall real estate inventory mix shifted to include a greater composition of newer acquired homes. This resulted in a decrease in the average real estate inventory holding period to 97 days during the fourth quarter of 2023, which is consistent with our expected average real estate inventory holding period and our historical norm.

Based on current residential real estate market conditions, combined with the impact of seasonality, we anticipate our average real estate inventory holding period in the first quarter of 2024 will reflect a slight normal seasonal increase, causing an increase in holding costs and downward pressure on sales prices and margins.

In addition, increases in transaction costs to acquire properties, including costs of evaluating homes and making offers, title insurance and escrow service costs, changes in transfer taxes, and any other new or increased acquisition costs, would have an adverse impact on our home acquisitions and our business.

Our ability to compete effectively and execute on our strategic plan depends in part on our ability to manage home renovations.

Our business depends, in part, upon our ability to effectively manage home renovations. We typically renovate or repair homes prior to listing them for resale. We use internal employees and use third parties to renovate and repair homes before we resell them.

We or these third-party providers may not be able to complete the required renovations or repairs within the expected timeline or proposed budget. Furthermore, if the work quality of our employees or third-party providers does not meet our expectations, then we may need to engage another third-party contractor or subcontractor, which may also adversely affect the timeline or budget for completing renovations or repairs.

A longer than expected period for completing renovations or repairs could negatively impact our ability to sell a home within our anticipated timeline. This prolonged timing exposes us to factors that adversely affect the home's resale value and may result in selling the home for a lower price than anticipated or not being able to sell the home at all. Meanwhile, incurring more than budgeted costs would adversely affect our investment return on purchased homes. Additionally, any undetected issues with a third-party provider's work may adversely affect our reputation as a home seller.

There are risks related to our ownership of vacant homes and the listing of those homes for resale that are not possible to fully eliminate.

The homes in our real estate inventory generally are not occupied during the time we own them prior to resale. When a home is listed for resale, prospective buyers or their agents typically can access our homes instantly through our technology without the need for an appointment or one of our representatives being present. In certain circumstances, we also allow sellers to continue to occupy a home after we have purchased the home for a short period of time. Having visitors or short-term occupants in our homes entails risks of damage to the homes, personal injury, unauthorized activities on the properties, theft, rental scams, squatters and trespassers and other situations that may have adverse impacts on us or the homes, including potential adverse reputational impacts. Additionally, all of these circumstances may involve significant costs to resolve that may not be fully covered by insurance, including legal costs associated with removing unauthorized visitors and occupants and additional holding and repair costs. If these increased costs are significant across our real estate inventory, both in terms of costs per home and numbers of homes impacted, this could have an adverse impact on our results of operations that is material.

Our ability to recruit and retain a sufficient number of productive independent real estate agents is critical to maintaining and growing our business and providing an adequate level of service to our customers.

We partner with independent contractor real estate agents for our brokerage business. If we are unable to successfully grow a sufficient base of productive independent real estate agents, we may be unable to maintain or grow revenues. A variety of factors impact our ability to attract and retain independent real estate agents, including but not limited to: intense competition from other brokerages; our ability to develop and deliver compelling products and services to independent real estate agents; our ability to generate high-quality leads to independent real estate agents; and our ability to adopt and implement commission plans (or pricing model structures) that are attractive to such agents.

If we are unable to successfully recruit and retain a sufficient number of productive independent real estate agents we may be unable to maximize our revenue and market share growth.

We are subject to the requirements governing the licensing and conduct of real estate brokerage and brokerage-related businesses in the jurisdictions in which we do business.

Due to our brokerage business, we and our agents must comply with the requirements governing the licensing and conduct of real estate brokerage and brokerage-related businesses in the markets in which we operate. Due to the geographic scope of our operations, we and our real estate agents may not be in compliance with all of the required licenses at all times. Additionally, if we enter into new markets, we may become subject to additional licensing requirements. If we or our real estate agents fail to obtain or maintain the required licenses for conducting our brokerage operations or fail to strictly adhere to associated regulations, the relevant government authorities may order us to suspend relevant operations or impose fines or other penalties.

A health and safety incident relating to our operations could be costly in terms of potential liability and reputational damage.

Customers will visit homes on a regular basis through our mobile application or with a real estate agent. Due to the number of homes we own, the safety of our homes is critical to the success of our business. A failure to keep our homes safe that results in a major or significant health and safety incident could expose us to liability that could be costly. Such an incident could generate significant negative publicity and have a corresponding impact on our reputation, our relationships with relevant regulatory agencies or governmental authorities, and our ability to attract customers and employees, which in turn could have a material adverse effect on our financial results and liquidity.

Our risk management efforts may not be effective.

We could incur substantial losses and our business operations could be disrupted if we are unable to effectively identify, manage, monitor and mitigate financial risks, such as pricing risk, interest rate risk, liquidity risk, and other market-related risks, as well as operational and legal risks related to our business, assets and liabilities. We also are subject to various laws, regulations and rules that are not industry specific, including employment laws related to employee hiring and termination practices, health and safety laws, environmental laws and other federal, state and local laws, regulations and rules in the jurisdictions in which we operate. Our risk management policies, procedures, and techniques may not be sufficient to identify all of the risks to which we are exposed, mitigate the risks we have identified, or identify additional risks to which we may become subject in the future. Expansion of our business activities may also result in our being exposed to risks to which we have not previously been exposed or may increase our exposure to certain types of risks, and we may not effectively identify, manage, monitor, and mitigate these risks as our business activities change or increase.

We are from time to time involved in, or may in the future be subject to, claims, suits, government investigations, and other proceedings that may result in adverse outcomes.

We are from time to time involved in, or may in the future be subject to, claims, suits, government investigations, and proceedings arising from our business, including actions with respect to intellectual property, privacy, consumer protection,

information security, mortgage lending, real estate, environmental, data protection or law enforcement matters, tax matters, labor and employment, and commercial claims, as well as actions involving content generated by our customers, shareholder derivative actions, purported class action lawsuits, and other matters. Such claims, suits, government investigations, and proceedings are inherently uncertain, and their results cannot be predicted with certainty. Regardless of the outcome, any such legal proceedings can have an adverse impact on us because of legal costs, diversion of management and other personnel, negative publicity and other factors. In addition, it is possible that a resolution of one or more such proceedings could result in reputational harm, liability, penalties, or sanctions, as well as judgments, consent decrees, or orders preventing us from offering certain features, functionalities, products, or services, or requiring a change in our business practices, products, services or technologies, which could in the future materially and adversely affect our business, operating results and financial condition.

We operate in a highly regulated industry and are subject to a wide range of federal, state and local laws, rules and regulations. Failure to comply with these laws, rules and regulations or to obtain and maintain required licenses, could adversely affect our business, financial condition and results of operations.

We operate in highly regulated businesses through a number of different channels across the United States. As a result, we are currently subject to a variety of, and may in the future become subject to additional, federal, state and local statutes and regulations in various jurisdictions (as well as judicial and administrative decisions and state common law), which are subject to change at any time, including laws regarding the real estate and mortgage industries, settlement services, insurance, mobile and internet-based businesses and other businesses that rely on advertising, as well as data privacy and consumer protection laws, and employment laws. These laws are complex and sometimes ambiguous, and can be costly to comply with, require significant management time and effort, require a substantial investment in technology, and subject us to claims, government enforcement actions, civil and criminal liability or other remedies, including suspension of business operations.

Buying and selling homes, providing real estate brokerage services, and providing other product offerings, such as mortgage brokerage services, results in us receiving or facilitating transmission of personally identifiable information. Further, in the future we may offer additional products and services, which could increase the amount of personally identifiable information we receive and transmit. This information is increasingly subject to legislation and regulation in the United States. These laws and regulations are generally intended to protect the privacy and security of personal information, including Social Security Numbers that is collected, processed and transmitted. These laws also can restrict our use of this personal information for other commercial purposes. We could be adversely affected if government regulations require us to significantly change our business practices with respect to this type of information, if penetration of network security or misuse of personal information occurs, or if the third parties that we engage with to provide processing and screening services violate applicable laws and regulations, misuse information, or experience network security breaches.

In order to provide the broad range of products and services that we offer or plan to offer customers, certain of our subsidiaries are or will be required to maintain real estate brokerage and mortgage licenses in certain states in which we operate. These entities are subject to stringent state and federal laws and regulations and to the scrutiny of state and federal government agencies as licensed businesses.

Mortgage products are regulated at the state level by licensing authorities and administrative agencies, with additional oversight from the Consumer Financial Protection Bureau and other federal agencies. These laws generally regulate the manner in which lending and lending-related activities are marketed or made available to consumers, including, but not limited to, advertising, finding and qualifying applicants, the provision of consumer disclosures, payments for services, and record keeping requirements; these laws include, at the federal level, the Real Estate Settlement Procedures Act, the Fair Credit Reporting Act (as amended by the Fair and Accurate Credit Transactions Act), the Truth in Lending Act (including the Home Ownership and Equity Protection Act of 1994), the Equal Credit Opportunity Act, the Fair Housing Act, the Gramm-Leach-Bliley Act, the Electronic Fund Transfer Act, the Servicemembers Civil Relief Act, the Military Lending Act, the Homeowners Protection Act, the Home Mortgage Disclosure Act, the Secure and Fair Enforcement for Mortgage Licensing Act of 2008, the Federal Trade Commission Act, the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010, the Bank Secrecy Act (including the Office of Foreign Assets Control and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act), the Telephone Consumer Protection Act, the Mortgage Acts and Practices Advertising Rule (Regulation N), the Coronavirus Aid, Relief, and Economic Security Act, all implementing regulations, and various other federal laws. The Consumer Financial Protection Bureau also has broad authority to enforce prohibitions on practices that it deems to be unfair, deceptive or abusive. Additionally, state and local laws may restrict the amount and nature of interest and fees that may be charged by a lender or mortgage broker, impose more stringent privacy requirements and protections for service members, and/or otherwise regulate the manner in which lenders or mortgage brokers operate or advertise.

As a provider of real estate brokerage services, we hold real estate brokerage licenses in multiple states and may apply for additional real estate brokerage licenses as our business grows. To maintain these licenses, we must comply with the requirements governing the licensing and conduct of real estate brokerage services and brokerage-related businesses in the markets where we operate. We may be subject to additional local, state and federal laws and regulations governing residential

real estate transactions, including those administered by the U.S. Department of Housing and Urban Development, and the states and municipalities in which we transact. Further, due to the geographic scope of our operations and the nature of the products and services we provide, certain of our other subsidiaries maintain real estate brokerage licenses in certain states in which we operate. Each of these licenses subjects our subsidiaries to different federal, state, and local laws and the scrutiny of different licensing authorities, including state insurance departments. Each subsidiary must comply with different licensing statutes and regulations, as well as varied laws that govern the offering of compliant products and services.

For certain licenses, we are required to designate individual licensed brokers of record, qualified individuals and control persons. Certain licensed entities also are subject to routine examination and monitoring by the federal Consumer Financial Protection Bureau (for mortgage) and/or state licensing authorities. We cannot assure you that we, or our licensed personnel, are and will remain at all times, in full compliance with state and federal real estate, title insurance and escrow, property and casualty insurance, and mortgage licensing and consumer protection laws and regulations, and we may be subject to litigation, government investigations and enforcement actions, fines or other penalties in the event of any non-compliance. As a result of findings from examinations, we also may be required to take a number of corrective actions, including modifying business practices and making refunds of fees or money earned. In addition, adverse findings in one state may be relied on by another state to conduct investigations and impose remedies. If we apply for new licenses, we will become subject to additional licensing requirements, which we may not be in compliance with at all times. If in the future a state agency were to determine that we are required to obtain additional licenses in that state in order to operate our business, or if we lose or do not renew an existing license or are otherwise found to be in violation of a law or regulation, we may be subject to fines or legal penalties, lawsuits, enforcement actions, void contracts, or our business operations in that state may be suspended or prohibited. Our business reputation with consumers and third parties also could be damaged. Compliance with, and monitoring of, these laws and regulations is complicated and costly and may inhibit our ability to innovate or grow.

If we are unable to comply with these laws or regulations in a cost-effective manner, it may require us to modify certain products and services, which could require a substantial investment and result in a loss of revenue, limit our ability to offer additional products and services, or expand existing products and services into new markets, or cease providing the impacted product or service altogether. Furthermore, laws and regulations and their interpretation and application may also change from time to time and those changes could have a material adverse effect on our products and business.

Catastrophic events may disrupt our business.

Natural disasters or other catastrophic events such as pandemics may cause damage or disruption to our operations, real estate commerce, and the global economy, and thus could harm our business. Properties located in the markets in which we operate in Florida and certain portions of North Carolina and Texas are more susceptible to certain hazards (such as floods, hurricanes or hail) than properties in other parts of the country.

In the event of a major earthquake, hurricane, windstorm, tornado, flood or catastrophic event such as pandemic, fire, flood, power loss, telecommunications failure, cyber-attack, war, or terrorist attack, we may be unable to continue our operations and may endure reputational harm, delays in developing our platform and solutions, breaches of data security and loss of critical data, all of which could harm our business, results of operations and financial condition. Furthermore, these sorts of catastrophic events may cause disruption on both the resale and acquisition side as we may not be able to transact on real estate. For example, homes that we own may be damaged and disruptions to infrastructure may mean our contractors are unable to perform the necessary home repairs in a timely manner. Closures of local recording offices or other governmental offices in charge of real property records, including tax or lien-related records, would adversely affect our ability to conduct operations in the affected geographies. Any of these delays will likely result in extended hold times, increased costs and inventory valuation adjustments. Also, the insurance we maintain would likely not be adequate to cover our losses resulting from disasters or other business interruptions.

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

Environmentally hazardous conditions may adversely affect us.

Under various federal, state and local environmental laws, a current or previous owner or operator of real property may be liable for the cost of removing or remediating hazardous or toxic substances on such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Even if more than one person may have been responsible for the contamination, each person covered by applicable environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages based on personal injury, natural resources or property damage or other costs, including investigation and clean-up costs, resulting from the environmental contamination. The presence of hazardous or toxic substances on one of our properties, or the failure to properly remediate a contaminated property, could give rise to a lien in favor of the government for costs it may incur to address the contamination or otherwise adversely affect our ability to sell the property. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated. A property owner who violates environmental laws may be subject to sanctions which may be enforced by governmental agencies or, in certain circumstances, private parties. In connection with the acquisition and ownership of our properties, we may be exposed to such costs. The cost of defending against environmental claims, of compliance with environmental regulatory requirements or of remediating any contaminated property could materially and adversely affect us.

Compliance with new or more stringent environmental laws or regulations or stricter interpretation of existing laws may require material expenditures by us. We may be subject to environmental laws or regulations relating to our properties, such as those concerning lead-based paint, mold, asbestos, radon, pesticides, proximity to power lines or other issues. We cannot assure you that future laws, ordinances or regulations will not impose any material environmental liability or that the current environmental condition of our properties will not be affected by existing conditions of the land, operations in the vicinity of the properties or the activities of unrelated third parties. In addition, we may be required to comply with various local, state and federal fire, health, life-safety and similar regulations. Failure to comply with applicable laws and regulations could result in fines and/or damages, suspension of personnel, civil liability or other sanctions.

Risks Related to Our Intellectual Property and Technology

Our IT Systems and IT Systems of third parties we rely on may fail or suffer security breaches, loss or leakage of data, and other disruptions, which could disrupt our business or result in the loss of confidential information, litigation, government actions, reputational damage and other harms.

We rely on computer systems, hardware, software, technology infrastructure and online sites and networks for both internal and external operations that are critical to our business (collectively, “IT Systems”). We own and manage some of these IT Systems, but also rely on third parties for a range of IT Systems and related products and services. We and certain of our third-party providers collect, maintain and process data about customers, employees, business partners and others, including personal information, as well as proprietary business information, intellectual property, and other critical information belonging to our business, customers, and employees (collectively, “Confidential Information”). We face numerous evolving cybersecurity risks that threaten the confidentiality, integrity, and availability of our IT Systems and Confidential Information.

The evolution of technology systems introduces ever more complex security risks that are difficult to predict and defend against. An increasing number of companies, including those with significant online operations, have recently disclosed breaches of their security, some of which involved sophisticated tactics and techniques allegedly attributable to criminal enterprises or nation-state actors. Successful breaches, employee malfeasance, or human or technological error, and various other circumstances could result in, for example, unauthorized access to, disclosure, modification, misuse, loss, or destruction of IT Systems and Confidential Information; theft of Confidential Information; the loss of access to Confidential Information or IT Systems through ransomware, destructive attacks or other means; and business delays, service or system disruptions or denials of service.

We experience cyber incidents and other security incidents of varying degrees from time to time. We have implemented controls and taken other preventative actions designated to strengthen our IT Systems against security incidents. However, we cannot guarantee that our cybersecurity risk management program and processes, including our policies, controls or procedures, will be fully implemented, complied with, or effective in protecting our IT Systems and Confidential Information, that we will be able to react in a timely manner, or that our remediation efforts following a cybersecurity incident will be successful.

In addition, we do not know whether our current practices will be deemed sufficient under applicable laws or whether new regulatory requirements might require us to make significant changes to our current practices. If there is a breach of our IT Systems, and we know or suspect that certain personal information has been accessed, or used inappropriately, we may need to inform the affected individual (and regulatory body) and may be subject to significant fines and penalties. Further, under certain regulatory schemes, we may be liable for statutory damages on a per breached record basis, irrespective of any actual damages or harm to the individual. In the event of a breach we could face government actions resulting in penalties or

consumer class actions alleging statutory damages amounting to hundreds of millions, and possibly billions of dollars, as well as reputational and other harms.

The risk of cybersecurity incidents directed at us or our third-party partners and vendors includes threats directed through diverse attack vectors, such as social engineering/phishing, malware (including ransomware), malfeasance by insiders, human or technological error, and as a result of bugs, misconfigurations or exploited vulnerabilities in software or hardware. Cybersecurity incidents may occur through uncoordinated individual attempts to gain unauthorized access to information technology systems, as well as sophisticated and targeted measures known as advanced persistent threats. In addition, we face the risk of Confidential Information inadvertently leaking through human or technological errors. Cybersecurity threats are expected to accelerate on a global basis in frequency and magnitude as threat actors are becoming increasingly sophisticated in using techniques and tools – including artificial intelligence – that circumvent security controls, evade detection and remove forensic evidence. As a result, we may be unable to detect, investigate, remediate or recover from future attacks or incidents, or to avoid a material adverse impact to our IT Systems, Confidential Information, as well as our proprietary business information and intellectual property and that of our customers and employees.

Additionally, we rely on third-parties and their security procedures for the secure storage, processing, maintenance, and transmission of information that is critical to our operations, such as cloud services that support our internal and customer-facing operations. Despite measures designed to prevent, detect, address, and mitigate cybersecurity incidents, such incidents may occur to us or our third-party providers and, depending on their nature and scope, could potentially materially impact our Confidential Information (our own or that of third parties, including personal information of our customers and employees) and result in the disruption of business operations. Any such compromises to our security, or that of our third-party partners or vendors, could cause customers to lose trust and confidence in us and stop using our website and mobile applications. In addition, we may incur significant costs for remediation that may include liability for stolen assets or information, repair of system damage, and compensation to customers, employees, and business partners. We may also be subject to government enforcement proceedings and legal claims by private parties. Actual or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees and engage third-party experts and consultants.

Any actual or alleged security breaches or alleged violations of federal or state laws or regulations relating to privacy and data security could result in mandated user notifications, litigation, government investigations, significant fines, and expenditures; divert management's attention from operations; deter people from using our platform; damage our brand and reputation; and materially adversely affect our business, results of operations, and financial condition. Defending against claims or litigation based on any security breach or incident, regardless of their merit, will be costly and may cause reputation harm. The successful assertion of one or more large claims against us that exceed available insurance coverage, denial of coverage as to any specific claim, or any change or cessation in our insurance policies and coverages, including premium increases or the imposition of large deductible requirements, could have a material adverse effect on our business, results of operations, and financial condition.

We collect, process, store and use personal information and other data, which subjects us to governmental regulation and other legal obligations related to privacy, and any actual or perceived violation of these privacy obligations could result in a claim for damages, regulatory action, loss of business, or unfavorable publicity.

We collect, store, disclose and process personal information and other data. There are numerous federal and state laws, as well as regulations and industry guidelines and standards, regarding privacy and the collection, storing, use, processing, disclosure, and protection of personal information, the scope of which are continually changing, subject to differing interpretations, and may be inconsistent among countries and states or conflict with other laws, regulations, guidelines, and standards. Additionally, laws, regulations, guidelines and standards covering marketing and advertising activities conducted by telephone, email, mobile devices, and the internet, may be applicable to our business, such as the Telephone Consumer Protection Act (the "TCPA") (as implemented by the Telemarketing Sales Rule), the CAN-SPAM Act, and similar state consumer protection laws. We are also subject to the terms of our own privacy policies and certain privacy-related obligations to third parties. We strive to comply with all applicable laws, regulations, policies, legal obligations and industry guidelines and standards relating to privacy, data protection and marketing and advertising activities to the extent possible. However, it is possible that these laws, regulations, policies, legal obligations, and industry guidelines and standards may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other laws, regulations, policies, legal obligations, and industry guidelines and standards, making enforcement, and thus compliance requirements, ambiguous, uncertain, and potentially inconsistent. It is possible we may not be in full compliance with certain laws, regulations, policies, legal obligations, industry guidelines and standards, and any failure or perceived failure by us to comply with these requirements may result in governmental investigations or enforcement actions, litigation, loss of business and unfavorable publicity. Any of these events could cause us to incur significant costs in investigating and defending such claims and, if found liable, pay significant damages. Further, these proceedings and any subsequent adverse outcomes may cause significant reputational harm to our brand and our customers to lose trust in us, which could have an adverse effect on our reputation and business.

Any significant change to applicable laws, regulations or industry guidelines and standards regarding the collection, use, processing or disclosure of personal information, could require us to modify our products and features, possibly in a material manner and subject to increased compliance costs, which may limit our ability to develop new products and features that make use of the personal information that we collect, use, process, and disclose. For example, the California Consumer Privacy Act (the “CCPA”), which took effect on January 1, 2020, imposes obligations and restrictions on companies regarding their collection, use, processing and disclosure of personal information and provides new and enhanced data privacy rights to California residents. The CCPA imposes a severe statutory damages framework that could result in significant costs if a business violates the law. Since the enactment of the CCPA, new privacy and data security laws have been proposed in more than half of the states in the U.S. In California, voters approved a ballot initiative from privacy rights advocates that augments and expands the CCPA, the California Privacy Rights Act (the “CPRA”), on November 3, 2020, which took effect on January 1, 2023 (with a look back to data collected, on or after January 1, 2022). The CPRA significantly modifies the CCPA, including by creating a new state agency that vested with the authority to implement and enforce California’s privacy laws, the California Privacy Protection Agency. Additionally, Nevada enacted a law that requires companies to honor consumers’ requests to no longer sell their data. Violators may be subject to injunctions and civil penalties of up to \$5,000 per violation. Numerous other states have already enacted, and are actively considering enacting privacy laws, which may impose substantial penalties for violations, impose significant costs for investigations and compliance, allow private class-action litigation, carry significant potential liability for our business, and could result in reputational harm. This existing and future legislation may add additional complexity, variation in requirements, restrictions and potential legal risk, require additional investment in resources to compliance programs, could impact strategies and availability of previously useful data and could result in increased compliance costs and/or changes in business practices and policies, all of which we may not be able to expend resources toward. We expect that there will continue to be new proposed laws, regulations, and industry standards and guidelines concerning privacy, data protection, and information security and we cannot determine the impact such future laws, regulations, and standards may have on our business. We could be subject to legal claims, government investigations or actions, or harm to our reputation or incur significant remediation costs if we experience a security breach or our practices fail, or are seen as failing, to comply with our policies or with applicable laws concerning personal information.

Further, if the trend of new data privacy laws and increasing enforcement by regulators continues, this could lead to substantial costs, require significant systems changes, divert the attention of our personnel, increase costs and subject us to additional liabilities. Any of the foregoing could materially adversely affect our brand, reputation, business, results of operations, and financial condition.

The U.S. Federal Trade Commission and many state attorneys general are also interpreting federal and state consumer protection laws to impose standards for the collection, use, processing, dissemination, and security of data. Amongst other requirements, such standards may require us to publish statements that describe how we handle personal information and choices individuals may have about the way we handle their personal information. If, for example, such information that we publish is considered untrue or inaccurate, we may be subject to government claims of unfair or deceptive trade practices, which could lead to significant liabilities and consequences, including penalties and reputational harm.

Any significant disruption in service in our computer systems and third-party networks and mobile infrastructure that we depend on could result in a loss of customers and we may be unable to maintain and scale the technology underlying our offerings.

Customers and potential customers access our products primarily through our website and mobile application. Our ability to attract, retain and serve customers depends on the reliable performance and availability of our website, mobile application, and technology infrastructure. Furthermore, we depend on the reliable performance of third-party networks and mobile infrastructure to provide our technology offerings to our customers and potential customers. The proper operation of these networks and infrastructure is beyond our control, and service interruptions or website unavailability could impact our ability to service our customers in a timely manner, and may have an adverse effect on existing and potential customer relationships.

Our information systems and technology may not be able to continue to accommodate our growth and may be subject to security risks. The cost of maintaining such systems may increase. Such a failure to accommodate growth, or an increase in costs related to such information systems, could have a material adverse effect on our business and results of operations and could result in a loss of customers.

Failure to protect our trade secrets, know-how, proprietary applications, business processes and other proprietary information, could adversely affect the value of our technology and products.

Our success and ability to compete depends in part on our intellectual property and our other proprietary business information. We seek to control access to our proprietary information by entering into a combination of confidentiality and proprietary rights agreements, invention assignment agreements and nondisclosure agreements with our employees, consultants and third parties with whom we have relationships. While these agreements will give us contractual remedies upon any unauthorized use or disclosure of our proprietary information, we cannot guarantee that we will be able to detect such unauthorized activity, or if detected, that our rights under these agreements will be effective in controlling access to, or use and distribution of, our proprietary information, intellectual property or technology.

We have filed trademark and copyright applications to protect certain aspects of our intellectual property. However, we cannot guarantee that we will be successful in registering our trademarks or copyrights. We may be unable to secure intellectual property protection for all of our technology and methodologies, or the steps we take to enforce our intellectual property rights may be inadequate. Furthermore, monitoring unauthorized use of our intellectual property is difficult and costly, and we cannot guarantee that the steps we have taken to protect our proprietary technologies will be effective to enforce our rights against third parties. Third parties may knowingly or unknowingly infringe our proprietary rights or challenge proprietary rights held by us, and we may not be able to prevent infringement or misappropriation of our proprietary rights without incurring substantial expense. If our intellectual property rights are used or misappropriated by third parties, the value of our brand and other intangible assets may be diminished and competitors may be able to more effectively mimic our products and methods of operations. Any of these events would have a material adverse effect on our business, financial condition and results of operations.

In the future we may be party to intellectual property rights claims and other litigation which are expensive to support, and if resolved adversely, could have a significant impact on us.

Our competitors and other third parties may own or claim to own intellectual property relating to the real estate industry. In the future, third parties may claim that we are infringing on their intellectual property rights, and we may be found to be infringing such rights. Any claims or litigation, regardless of merit, could cause us to incur significant expenses. If any such claims are successfully asserted against us, it could require us to pay significant damages or ongoing licensing payments, prevent us from offering our products or services, or require us to comply with unfavorable terms. Even if we were to prevail, the time and resources necessary to resolve such disputes could be costly, time-consuming, and divert the attention of management and key personnel from our business operations. If we are not successful in defending ourselves against any potential future claims, we may be required to pay damages and may be subject to injunctions, each of which could harm our business, results of operations, financial condition and reputation.

Our services utilize third-party open source software components, which may pose particular risks to our proprietary software, technologies, products and services in a manner that could negatively affect our business.

We use open source software in our services and will continue to use open source software in the future. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide support, warranties, indemnification or other contractual protections regarding infringement claims or the quality of the code, and such open source software may not be regularly maintained and updated in order to contain and patch possible security vulnerabilities. To the extent that our services depend upon the successful operation of open source software, any undetected errors or defects in this open source software could prevent the deployment or impair the functionality of our platform, delay new solutions introductions, result in a failure of our platform, and injure our reputation.

Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the type of open source software we use, or grant other licenses to our intellectual property. If we combine our proprietary software with such open source software in a certain manner, we could, under certain open source licenses, be required to release or license the source code of our proprietary software to the public. Although we monitor our use of open-source software to avoid subjecting our platform to conditions we do not intend, we cannot assure that our processes for controlling our use of open-source software in our platform will be effective. From time to time, we may be subject to claims asserting ownership of, or demanding release of, our source code, the open source software or derivative works that were developed using such software, or requiring us to provide attributions of any open source software incorporated into our distributed software, or otherwise seeking to enforce the terms of the applicable open source license. These claims could also result in litigation, require us to purchase a commercial license or require us to devote additional research and development resources to re-engineer our software or change our products or services, any of which would have a negative effect on our business and results of operations. Additionally, the terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts. There is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market or provide our products.

We rely on licenses to use the intellectual property rights of third parties which are incorporated into our products and services. Failure to renew or expand existing licenses may require us to modify, limit or discontinue certain offerings, which could materially affect our business, financial condition and results of operations.

We rely on products, technologies and intellectual property that we license from third parties for use in our services. We cannot assure that these third-party licenses, or support for such licensed products and technologies, will continue to be available to us on commercially reasonable terms, if at all. In the event that we cannot renew or expand existing licenses, we may be required to discontinue or limit our use of the products that include or incorporate the licensed intellectual property.

We cannot be certain that our licensors are not infringing the intellectual property rights of others or that our suppliers and licensors have sufficient rights to the technology in all jurisdictions in which we may operate. Some of our license agreements may be terminated by our licensors for convenience. If we are unable to obtain or maintain rights to any of this technology because of intellectual property infringement claims brought by third parties against our suppliers and licensors or against us, or if we are unable to continue to obtain the technology or enter into new agreements on commercially reasonable terms, our ability to develop our services containing that technology could be severely limited and our business could be harmed. Additionally, if we are unable to obtain necessary technology from third parties, we may be forced to acquire or develop alternate technology, which may require significant time and effort and may be of lower quality or performance standards. This would limit and delay our ability to provide new or competitive offerings and increase our costs. If alternate technology cannot be obtained or developed, we may not be able to offer certain functionality as part of our offerings, which could adversely affect our business, financial condition and results of operations.

Our software is highly complex and may contain undetected errors.

The software and code underlying our platform is highly interconnected and complex and may contain undetected bugs, errors, malicious code, vulnerabilities, or other defects, some of which may remain undetected or may only be discovered after the code has been released. We release or update our software code regularly and this practice may result in the more frequent introduction of errors or vulnerabilities into the software underlying our platform, which can impact the customer experience on our platform. Additionally, due to the interconnected nature of the software underlying our platform, updates to certain parts of our code, including changes to our mobile application or website or third-party application programming interfaces on which our mobile application or website rely, could have an unintended impact on other sections of our code, which may result in errors or vulnerabilities to our platform. Any errors or vulnerabilities discovered in our code after release could impact the security of our systems or result in the inadvertent disclosure of sensitive or other regulated information, cause damage to our reputation, loss of our customers, loss of revenue or liability for damages, any of which could adversely affect our growth prospects and our business.

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 products or interfere with our customers' access to and use of our technology and offerings.

Our fraud detection processes and information security systems may not successfully detect all fraudulent activity by third parties aimed at our employees or customers, which could result in litigation or government action, and adversely affect our reputation and business results.

Third-party actors have attempted in the past, and may attempt in the future, to conduct fraudulent activity by engaging with our customers, particularly in our title insurance and escrow business. We make a large number of wire transfers in connection with loan and real estate closings and process certain personal data in connection with these transactions that may be considered sensitive. Our detection processes may not be able to detect and prevent fraudulent activity on our mobile applications, websites and internal systems. Similarly, the third parties we use to effectuate these transactions may fail to maintain adequate controls or systems to detect and prevent fraudulent activity. Fraudulent activity may result in litigation or government actions, for example, if individuals or regulators deem our fraud detection processes inadequate. Additionally, fraudulent activity may harm our reputation, causing customers and real estate partners to lose trust in us and decrease or terminate their usage of our products, or could result in financial loss, thereby harming our business and results of operations.

Risks Related to Our Liquidity and Capital Resources

We utilize a significant amount of indebtedness in the operation of our business, and so our cash flows and operating results could be adversely affected by required payments of debt or related interest and other risks of our debt financing.

As of December 31, 2023, we had \$259.5 million aggregate principal amount of indebtedness outstanding, all of which is outstanding under asset-backed senior and mezzanine secured credit facilities. Our leverage could have meaningful consequences to us, including increasing our vulnerability to economic downturns, limiting our ability to withstand competitive pressures, or reducing our flexibility to respond to changing business and economic conditions. We are also subject to general risks associated with debt financing, including (1) our cash flow may not be sufficient to satisfy required payments of principal and interest; (2) we may not be able to refinance our existing indebtedness or refinancing terms may be less favorable to us than the terms of our existing debt; (3) debt service obligations could reduce funds available for capital investment and general corporate purposes; (4) any default on our indebtedness could result in acceleration of the indebtedness and foreclosure on the homes collateralizing that indebtedness, with our attendant loss of any prospective income and equity value from such property; and (5) aged real estate may be ineligible for financing on our debt facilities potentially forcing the sale of aged real estate for prices that do not allow us to meet our margin targets or cover our costs to repay those facilities. Any of these risks could place strains on our cash flows, reduce our ability to grow and adversely affect our results of operations.

We rely on agreements with third parties to finance our business.

We have entered into debt agreements with a limited number of counterparties to provide capital for the growth and operation of our businesses, including to finance our purchase and renovation of homes. If we fail to maintain adequate relationships with potential financial sources, or if we are unable to renew, refinance or extend our existing debt arrangements on favorable terms or at all, we may be unable to maintain sufficient real estate inventory, which would adversely affect our business and results of operations. In addition, each of our secured credit facilities are not fully committed, meaning the applicable lender may not be obligated to advance new loan funds if they choose not to do so. Obtaining new or replacement funding arrangements may not be possible or may be at higher interest rates or other less favorable terms.

Our financing sources are not required to extend the maturities of our financing arrangements, and if a financing source is unable or unwilling to extend financing, and other financing sources are unable or unwilling to make or increase their financing commitments, then we will be required to repay the outstanding balance of the financing on the related maturity date. If we are unable to pay the outstanding balance of our debt obligations at maturity, the financing sources generally have the right to foreclose on the homes and other collateral securing that debt and to charge higher “default rates” of interest until the outstanding obligations are paid in full. If we are unable to renew or extend the terms of our existing senior and mezzanine secured credit facilities, we may not be able to terminate or prepay the secured credit facilities without incurring significant financial costs. If realized, any of these financing risks could negatively impact our results of operations and financial condition.

We intend to rely on proceeds from the sale of financed homes to repay amounts owed under our property financing facilities, but such proceeds may not be available or may be insufficient to repay the amounts when they become due.

For our senior and mezzanine secured credit facilities, we typically are required to repay amounts owed with respect to a financed home upon the sale of that home. There is no assurance such sale proceeds will fully cover the amounts owed. Our senior and mezzanine secured credit facilities commonly have initial terms of 18 to 24 months or less. Additionally, the borrowing capacity under our senior secured and mezzanine secured credit facilities is generally available until the end of the applicable revolving period for each facility and outstanding amounts drawn under each facility are typically required to be repaid on the facility maturity date, which is generally three-to-six months after the end of the facility’s revolving period. It may be the case that not all homes securing these arrangements will be sold on or before the maturity dates of such financing arrangements, which would mean that sale proceeds would not be available to pay the amounts due at maturity. We may also be required to repay amounts owed with respect to a financed home prior to the sale of that home and prior to maturity of the related financing facility, typically due to the home having been held in our real estate inventory for an extended period of time or, less commonly, if other unforeseen issues with the home arise during our holding period. In these situations, we may use cash on hand to repay the amounts owed or contribute other homes as additional collateral. To the extent we do not have sufficient cash or substitute collateral or are unable to draw on other financing facilities to make the required repayments, which could occur if a significant amount of our debt were to become due suddenly and unexpectedly, we would be in default under the related facility.

Covenants in our debt agreements may restrict our borrowing capacity or operating activities and adversely affect our financial condition.

Certain of our existing debt agreements contain, and future debt agreements may contain, various affirmative, negative, financial and collateral performance covenants. Specifically, we need to maintain a certain tangible net worth and liquidity minimums, and leverage maximums under certain of these facilities. These covenants may limit our operational flexibility or

restrict our ability to engage in transactions that we believe would otherwise be in the best interests of our shareholders. If we breach these covenants, in certain cases, we could be required to repay all of the relevant debt immediately, even in the absence of a payment default. The occurrence of these events would have an adverse impact on our financial condition and results of operations and such impact could be material.

The borrowers and certain other loan parties under the debt facilities we use to finance the purchase and renovation of homes are special purpose entity (“SPE”) subsidiaries of Offerpad. While our SPEs’ lenders’ recourse in most situations following an event of default is only to the applicable SPE or its assets, we have provided limited non-recourse carve out guarantees under our senior and mezzanine secured credit facilities for certain of the SPEs’ obligations in situations involving “bad acts” by an Offerpad entity and certain other limited circumstances that are generally under our control. To the extent a guaranty obligation is triggered, we may become obligated to pay all or a portion of the amounts owed by our SPEs and other subsidiaries to their respective lenders.

Our debt facilities contain cross defaults and similar provisions that could cause us to be in default under multiple debt facilities or otherwise lose access to financing for new homes and excess proceeds from sales of homes in the event we default under a single facility.

If an event of default or similar event occurs under one of our senior or mezzanine secured credit facilities, this may trigger an event of default under another senior or mezzanine secured credit facility or result in us losing access to financing through our senior and mezzanine secured credit facilities or to excess proceeds from sales of homes that would otherwise be available to us. In addition, our senior and mezzanine secured credit facilities currently contain cross defaults to certain other indebtedness. The foregoing considerations significantly increase the likelihood that a default or similar event under one or more of our debt facilities would result in adverse consequences for our other debt facilities.

Failure to hedge effectively against interest rate changes may adversely affect our results of operations.

Borrowings under our senior and mezzanine secured credit facilities accrue interest at variable rates and expose us to interest rate risk. As interest rates increase, our debt service obligations on the variable rate indebtedness increase and our earnings and cash flows correspondingly decrease. Increased interest costs have also reduced the amount of debt financing that our real estate inventory can support. Assuming no change in the outstanding borrowings on our senior and mezzanine secured credit facilities, we estimate that a one percentage point increase in the Secured Overnight Financing Rate would have increased our annual interest expense by \$2.6 million during the year ended December 31, 2023.

In connection with our variable debt, we may seek to obtain interest rate protection in the form of swap agreements, interest rate cap contracts or similar derivatives or instruments to hedge against the possible negative effects of interest rate increases. There is no assurance that we will be able to obtain any such interest rate hedging arrangements on attractive terms or at all. Even if we are successful in obtaining interest rate hedges, we cannot assure you that any hedging will adequately relieve the adverse effects of interest rate increases or that counterparties under these agreements will honor their obligations thereunder.

We could be subject to additional tax liabilities and our ability to use net operating loss carryforwards and other tax attributes may be limited in connection with the Business Combination or other ownership changes.

We are subject to federal and state income and non-income taxes in the United States. Tax laws, regulations, and administrative practices in various jurisdictions may be subject to significant change, with or without notice, due to economic, political, and other conditions, and significant judgment is required in evaluating and estimating these taxes. Our effective tax rates could be affected by numerous factors, such as entry into new businesses and geographies, changes to our existing business and operations, acquisitions and investments and how they are financed, changes in our stock price, changes in our deferred tax assets and liabilities and their valuation, and changes in the relevant tax, accounting, and other laws, regulations, administrative practices, principles and interpretations (such as the United States Inflation Reduction Act of 2022 which, among other changes, introduced a 15% corporate minimum tax on certain United States corporations and a 1% excise tax on certain stock redemptions by United States corporations). We are required to take positions regarding the interpretation of complex statutory and regulatory tax rules and on valuation matters that are subject to uncertainty, and IRS or other tax authorities may challenge the positions that we take.

With the exception of the year ended December 31, 2021, during which we generated net income, we have incurred losses each year from inception, may not be profitable in the near future, and may never achieve long-term profitability. To the extent that we continue to generate taxable losses, unused losses will carry forward to offset future taxable income, if any, until such unused losses expire, if at all. As of December 31, 2023, the Company had federal and state net operating loss (“NOL”) carryforwards of \$735.0 million. Under the Tax Act, as modified by the CARES Act, U.S. federal net operating loss carryforwards generated in taxable periods beginning after December 31, 2017, may be carried forward indefinitely, but the deductibility of such net operating loss carryforwards in taxable years beginning after December 31, 2020, is limited to 80% of taxable income.

In addition, our net operating loss carryforwards are subject to review and possible adjustment by the IRS, and state tax authorities, and may be limited as a result of previous or future changes in our ownership. Under Sections 382 and 383 of the Code, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-ownership change net operating losses to offset future taxable income. An “ownership change” pursuant to Section 382 of the Code generally occurs if one or more stockholders or groups of stockholders who own at least 5% of a company’s stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws. Our existing net operating losses may be subject to limitations arising from previous ownership changes, and if there is a future change in our stock ownership (which may be outside of our control) that results in an ownership change, our ability to utilize net operating losses could be further limited by Section 382 of the Code.

We will need additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances, and we cannot be sure that additional financing will be available.

We will require additional capital and debt financing to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances, including to increase our marketing expenditures to improve our brand awareness, build and maintain our inventory of homes, develop new products or services or further improve existing products and services (including mortgage lending), enhance our operating infrastructure and acquire complementary businesses and technologies. During economic and housing downturns, including the recent downturn, credit markets have constricted and reduced sources of liquidity.

If cash on hand and cash generated from operations are not sufficient to meet our cash and liquidity needs, we may need to seek additional capital and engage in equity or debt financings to secure funds. However, additional funds may not be available when we need them on terms that are acceptable to us, or at all. In addition, any financing that we secure in the future could involve restrictive covenants which may make it more difficult for us to obtain additional capital and to pursue business opportunities.

Our ability to obtain financing will depend, among other things, on our product development efforts, business plans, operating performance and condition of the capital markets and housing markets at the time we seek financing. Volatility in the credit markets may also have an adverse effect on our ability to obtain debt financing. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of our common stock, or may require us to agree to unfavorable terms, and our existing stockholders may experience significant dilution.

If new financing sources are required, but are insufficient or unavailable, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, operating results, financial condition and prospects could be adversely affected.

We may use derivatives and other instruments to reduce our exposure to interest fluctuations and those derivatives and other instruments may not prove to be effective.

We may use derivatives or other instruments to reduce our exposure to adverse changes in interest rates. Hedging interest rate risk is a complex process, requiring sophisticated models and constant monitoring. Due to interest rate fluctuations, hedged assets and liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation will generally be offset by income or loss on the derivative instruments that are linked to the hedged assets and liabilities. If we engage in derivative transactions, we will be exposed to credit and market risk. If the counterparty fails to perform, credit risk exists to the extent of the fair value gain in the derivative. Market risk exists to the extent that interest rates change in ways that are significantly different from what we expected when we entered into the derivative transaction. Our hedging activity, if any, may fail to provide adequate coverage for interest rate exposure due to market volatility, hedging instruments that do not directly correlate with the interest rate risk exposure being hedged or counterparty defaults on obligations.

Failures at financial institutions at which we deposit funds could adversely affect us.

We deposit substantial funds in various financial institutions in excess of insured deposit limits. In the event that one or more of these financial institutions fail, there is no guarantee that we could recover the deposited funds in excess of federal deposit insurance. Under these circumstances, our losses could have a material adverse effect on our results of operations or financial condition.

Risks Related to Our Capital Structure and Ownership of Our Class A Common Stock

Future resales of common stock may cause the market price of our securities to drop significantly, even if our business is doing well.

Certain of our equityholders were in the past subject to lock-up restrictions that have expired. As a result, such equityholders are not restricted from selling shares of our Class A common stock held by them, other than by applicable securities laws. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the

market price of our securities. As restrictions on resale end, the sale or possibility of sale of these shares could have the effect of increasing the volatility in the market price of our Class A common stock, and the market price of our Class A common stock could decline if the holders of currently restricted shares or other stockholders sell their shares or are perceived by the market as intending to sell them.

The provisions of our certificate of incorporation requiring exclusive forum in the Court of Chancery of the State of Delaware and the federal district courts of the United States for certain types of lawsuits may have the effect of discouraging lawsuits against our directors and officers.

Our certificate of incorporation provides that, to the fullest extent permitted by law, and unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, in the event that the Chancery Court does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware) and any appellate court thereof will be the sole and exclusive forum for (i) any derivative action, suit or proceeding brought on our behalf, (ii) any action, suit or proceeding asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, officers, stockholders or employees to us or our stockholders, (iii) any action, suit or proceeding arising pursuant to any provision of the General Corporation Law of the State of Delaware (the “DGCL”) or our bylaws or certificate of incorporation (as each may be amended from time to time), (iv) any action, suit or proceeding as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware, or (v) any action, suit or proceeding asserting a claim against us or any current or former director, officer or stockholder governed by the internal affairs doctrine.

Notwithstanding the foregoing, our certificate of incorporation provides that the foregoing exclusive forum provision will not apply to suits brought to enforce any cause of action arising under the Securities Act, any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction.

Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, both state and federal courts have jurisdiction to entertain such Securities Act claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act

These provisions may have the effect of discouraging lawsuits against our directors and officers. The enforceability of similar choice of forum provisions in other companies’ certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with any applicable action brought against us, a court could find the choice of forum provisions contained in our certificate of incorporation to be inapplicable or unenforceable in such action.

Delaware law and our certificate of incorporation and bylaws contain certain provisions, including anti-takeover provisions, that limit the ability of stockholders to take certain actions and could delay or discourage takeover attempts that stockholders may consider favorable.

Our certificate of incorporation and bylaws and the DGCL contain provisions that could have the effect of rendering more difficult, delaying, or preventing an acquisition that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our Class A common stock, and therefore depress the trading price. These provisions could also make it difficult for stockholders to take certain actions, including electing directors who are not nominated by the incumbent members of our board of directors or taking other corporate actions, including effecting changes in our management. Among other things, our certificate of incorporation and bylaws include provisions that:

- provide for a classified board of directors with staggered, three-year terms;
- permit our board of directors to issue shares of preferred stock, including “blank check” preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- following the Sunset Date, require that any action of our stockholders be effected only at a meeting of stockholders and not by written consent;
- following the Sunset Date, provide that a director may be removed from office only for cause;
- following the Sunset Date, provide that vacancies on our board of directors can be filled only by the vote of directors then in office;
- prohibit cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- limit the liability of, and provide for the indemnification of, our directors and officers;

- permit our board of directors to amend the bylaws, which may allow our board of directors to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquirer to amend the bylaws to facilitate an unsolicited takeover attempt;
- require a supermajority vote of stockholders to amend certain provisions of our certificate of incorporation and, following the Sunset Date, a supermajority vote of stockholders in order to amend the bylaws;
- limit our ability to engage in business combinations with certain interested stockholders without certain approvals; and
- mandate advance notice procedures with which stockholders must comply in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which could preclude stockholders from bringing matters before annual or special meetings of stockholders and delay changes in our board of directors and also may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our board of directors or management.

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

We currently intend to retain our future earnings, if any, to finance the further development and expansion of our business and do not intend to pay cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, restrictions contained in agreements and financing instruments, business prospects and such other factors as our board of directors deems relevant.

Our reverse stock split may not increase our stock price for the long term and have the desired effect of maintaining compliance with the rules of the NYSE.

In June 2023, we effected a 1-for-15 reverse stock split of our Class A common stock (the "Reverse Stock Split"). We cannot predict whether the Reverse Stock Split will increase the market price for our Class A common stock for the long term. The market price of our Class A common stock will also be based on our performance and other factors, some of which are unrelated to the number of shares outstanding. Further, the Reverse Stock Split could be viewed negatively by the market and other factors may adversely affect the market price of the shares of our Class A common stock. Consequently, on a long-term basis, the market price per post-split share may not increase in proportion to the reduction of the number of shares of our Class A common stock outstanding before the implementation of the Reverse Stock Split. Accordingly, the total market capitalization of our shares of Class A common stock may be lower than the total market capitalization before the Reverse Stock Split.

General Risks Related to Offerpad

We have incurred, and expect to continue to incur, increased costs as a result of operating as a public company, and our management has devoted and will continue to devote substantial time to new compliance initiatives.

As a public company, we have incurred and expect to continue to incur significant legal, accounting and other expenses that we did not incur as a private company. As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as well as rules adopted, and to be adopted, by the SEC and the applicable stock exchange. Our management and other personnel, many of whom have limited experience managing a public company, have devoted and will continue to need to devote a substantial amount of time to these compliance initiatives and we expect these rules and regulations to substantially increase our legal and financial compliance costs and make some activities more time-consuming and costly. For instance, while we have already incurred substantial expenses in obtaining director and officer liability insurance, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance in the future and we may be forced to accept reduced policy limits or incur substantially higher costs to maintain the same or similar coverage. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

Our management has limited experience in operating a public company.

Certain of our executive officers have limited experience in the management of a publicly traded company. Limited experience in dealing with the increasingly complex laws pertaining to public companies could be a significant disadvantage in that it is likely that an increasing amount of our management's time may be devoted to these activities which will result in less time being devoted to our management and growth. We may not have adequate personnel with the appropriate level of knowledge, experience and training in the accounting policies, practices or internal control over financial reporting required of public companies in the U.S. Our management will need to continually assess our staffing and training procedures to improve our internal control over financial reporting. Further, the development, implementation, documentation and assessment of appropriate processes, in addition to the need to remediate any potential deficiencies, will require substantial time and attention from management. It is possible that we will be required to expand our employee base and hire additional employees to support our operations as a public company which will increase its operating costs in future periods.

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 all of the costs and losses from all events. 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.

Our results of operations and financial condition are subject to management's accounting judgments and estimates, as well as changes in accounting policies.

The preparation of our financial statements requires us to make estimates and assumptions affecting the reported amounts of our assets, liabilities, revenues and expenses. If these estimates or assumptions are incorrect, it could have a material adverse effect on our results of operations or financial condition. Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board, the American Institute of Certified Public Accountants, the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change.

Our management is required to evaluate the effectiveness of our internal control over financial reporting. If we are unable to maintain effective internal control over financial reporting, investors may lose confidence in the accuracy of our financial reports.

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. Pursuant to Section 404 of the Sarbanes-Oxley Act, we are required to evaluate and determine the effectiveness of our internal control over financial reporting, and our auditor is required to deliver an attestation report on the effectiveness of our internal control over financial reporting. An adverse report may be issued in the event our auditor is not satisfied with the level at which our controls are documented, designed or operating.

When evaluating our internal control over financial reporting, we may identify material weaknesses that we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404. If we identify any material weaknesses in our internal control over financial reporting or are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is ineffective, or if our auditor is unable to express an opinion as to the effectiveness of our internal control over financial reporting, we could fail to meet our reporting obligations or be required to restate our financial statements for prior periods.

In addition, our internal control over financial reporting will not prevent or detect all errors and fraud. Because of the inherent limitations in all control systems, no evaluation can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

If there are material weaknesses or failures in our ability to meet any of the requirements related to the maintenance and reporting of our internal control, investors may lose confidence in the accuracy and completeness of our financial reports and that could cause the price of our Class A common stock to decline. In addition, we could become subject to investigations by the applicable stock exchange, the SEC or other regulatory authorities, which could require additional management attention and which could adversely affect our business.

We may acquire other businesses which could require significant management attention, disrupt our business, dilute stockholder value and adversely affect our operating results.

As part of our business strategy, we may make investments in or acquire other companies, products or technologies. We may not realize benefits from any acquisition that we may make in the future. If we fail to integrate successfully such acquisitions, or the businesses and technologies associated with such acquisitions, into our company, the revenue and operating results of the combined company could be adversely affected. Any integration process will require significant time and resources, and we may not be able to manage the process successfully. We may not successfully evaluate or utilize the acquired business or technology and accurately forecast the financial impact of an acquisition transaction, including accounting charges. We may have to pay cash, incur debt or issue equity securities to pay for any such acquisition, each of which could affect our financial condition or the value of our capital stock. The sale of equity or issuance to finance any such acquisitions could result in dilution to our stockholders. The incurrence of indebtedness in connection with an acquisition would result in increased fixed obligations and could also include covenants or other restrictions that may impede our ability to manage our operations.

We are and will continue to be dependent on key personnel, and our failure to attract and retain other highly qualified personnel could harm our business.

Our success depends upon the continued service of our senior management team and successful transitions when management team members pursue other opportunities. In addition, our business depends on our ability to continue to attract, motivate and retain a large number of skilled employees across all of our product and service lines. Furthermore, much of our key technology and processes are custom-made for our business by our personnel. The loss of key personnel, including key members of management, as well as our engineering, product development, home operations, marketing, sales and support, finance and legal personnel could materially and adversely affect our ability to build on the efforts they have undertaken and to execute our business plan, and we may not be able to find adequate replacements. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees in a cost-effective manner, our business could be harmed.

We may issue additional shares of common stock or other equity securities without your approval, which would dilute your ownership interests and may depress the market price of your shares.

We may issue additional shares of common stock or other equity securities of equal or senior rank in the future in connection with, among other things, future acquisitions, repayment of outstanding indebtedness or under our incentive plan or employee stock purchase plan, without stockholder approval, in a number of circumstances.

Our issuance of additional shares of common stock or other equity securities of equal or senior rank could have the following effects:

- your proportionate ownership interest in our company will decrease;
- the relative voting strength of each previously outstanding share of our common stock may be diminished; or
- the market price of our shares may decline.

A market for our securities may not continue, which would adversely affect the liquidity and price of our securities.

An active trading market for our securities may not be sustained. In addition, the price of our securities can vary due to general economic conditions and forecasts, our general business condition and the release of our financial reports.

In the absence of a liquid public trading market:

- you may not be able to liquidate your investment in our securities;
- you may not be able to resell your securities at or above the price at which you acquired them;
- the market price of shares of our securities may experience significant price volatility; and
- there may be less efficiency in carrying out your purchase and sale orders.

Additionally, if our securities become delisted from the NYSE for any reason, and are quoted on the OTC Bulletin Board, an inter-dealer automated quotation system for equity securities that is not a national securities exchange, the liquidity and price of our securities may be more limited than if our securities were quoted or listed on the NYSE or another national securities exchange. You may be unable to sell your securities unless a market can be established or sustained.

The market price of our securities may be volatile.

The trading price of our securities has fluctuated and may continue to fluctuate substantially and may be lower than the price at which you purchase such securities. This is especially true for companies like ours with a small public float. The trading price of our Class A common stock will depend on many factors, including those described in this “*Risk Factors*” section, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment.

Factors affecting the trading price of our securities may include:

- actual or anticipated fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to ours;
- changes in the market’s expectations about our operating results;
- the public’s reaction to our press releases, other public announcements and filings with the SEC;
- speculation in the press or investment community;
- actual or anticipated developments in our business, competitors’ businesses or the competitive landscape generally;
- the operating results failing to meet the expectation of securities analysts or investors in a particular period;
- changes in financial estimates and recommendations by securities analysts concerning us or the market in general;
- operating and stock price performance of other companies that investors deem comparable to ours;
- changes in laws and regulations affecting our business;
- commencement of, or involvement in, litigation involving us;
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- the volume of our Class A common stock available for public sale;
- any major change in our board of directors or management;
- sales of substantial amounts of our Class A common stock by our directors, officers or significant stockholders or the perception that such sales could occur;
- general economic and political conditions such as recessions, interest rate levels, “trade wars,” pandemics (such as COVID-19) and acts of war or terrorism; and
- other risk factors listed under “*Risk Factors*.”

Broad market and industry factors may materially harm the market price of our securities irrespective of our operating performance. The stock market in general and the NYSE have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks, and of our securities, may not be predictable. A loss of investor confidence in the market for the stocks of other companies which investors perceive to be similar to us could depress our stock price regardless of our business, prospects, financial conditions or results of operations. A decline in the market price of our securities also could adversely affect our ability to issue additional securities and our ability to obtain additional financing in the future, or could cause us to fall out of compliance with NYSE listing rules.

In addition, in the past, following periods of volatility in the overall market and the market prices of particular companies’ securities, securities class action litigations have often been instituted against these companies. Litigation of this type, if instituted against us, could result in substantial costs and a diversion of our management’s attention and resources. Any adverse determination in any such litigation or any amounts paid to settle any such actual or threatened litigation could require that we make significant payments.

Our quarterly operating results may fluctuate significantly and could fall below the expectations of securities analysts and investors due to a variety of factors, some of which are beyond our control, resulting in a decline in our stock price.

If securities or industry analysts cease publishing research or reports about us, our business or our market, or if they adversely change their recommendations regarding our Class A common stock, then the price and trading volume of our securities could decline.

The trading market for our securities will be influenced by the research and reports that industry or securities analysts may publish about us, our business and operations, our market, or our competitors. If any of the analysts who cover us adversely change their recommendation regarding our securities, or provide more favorable relative recommendations about our competitors, the price of our Class A common stock and warrants would likely decline. If any analyst who may cover us were

to cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.

The increasing focus on environmental sustainability and social initiatives could increase our costs, harm our reputation and adversely impact our financial results.

There has been increasing public focus by investors, customers environmental activists, the media and governmental and nongovernmental organizations on a variety of environmental, social and other sustainability matters. We may experience pressure to make commitments relating to sustainability matters that affect us, including the design and implementation of specific risk mitigation strategic initiatives relating to sustainability. If we are not effective in addressing environmental, social and other sustainability matters affecting our business, or setting and meeting relevant sustainability goals, our reputation and financial results may suffer. We may experience increased costs in order to execute upon our sustainability goals and measure achievement of those goals, which could have an adverse impact on our business and financial condition.

In addition, this emphasis on environmental, social and other sustainability matters has resulted and may result in the adoption of new laws and regulations, including new reporting requirements. If we fail to comply with new laws, regulations or reporting requirements, our reputation and business could be adversely impacted.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity.

Cybersecurity Risk Management and Strategy

We have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity, and availability of our critical systems and information. Our cybersecurity risk management program includes a cybersecurity incident response plan.

We design and assess our program based on the National Institute of Standards and Technology Cybersecurity Framework (“NIST CSF”). This does not imply that we meet any particular technical standards, specifications, or requirements, only that we use the NIST CSF as a guide to help us identify, assess, and manage cybersecurity risks relevant to our business.

Our cybersecurity risk management program is integrated into our overall enterprise risk management program, and shares common methodologies, reporting channels and governance processes that apply across the enterprise risk management program to other legal, compliance, strategic, operational, and financial risk areas.

Our cybersecurity risk management program includes:

- risk assessments designed to help identify material cybersecurity risks to our critical systems, information, products, services, and our broader enterprise information technology environment;
- a security team composed primarily of members of management, including our Director of IT Operations, that is principally responsible for managing (1) our cybersecurity risk assessment processes, (2) our security controls, and (3) our response to cybersecurity incidents;
- the use of external service providers, where appropriate, to maintain, assess, test or otherwise assist with aspects of our security controls;
- cybersecurity awareness training — including phishing and malware simulations — of all of our employees, incident response personnel, and senior management;
- a cybersecurity incident response plan that includes relevant procedures for evaluating the materiality of identified cybersecurity incidents, and reporting and responding to cybersecurity incidents; and
- a third-party risk management process for service providers, suppliers, and vendors.

We have not identified risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition. However, we cannot eliminate all risks from cybersecurity threats, or provide assurance that our operations, business strategy, results of operations, or financial condition will not be materially affected in the future by such risks or any future material cybersecurity incidents. For additional information about our cybersecurity related risks, see Part I, Item 1A, “Risk Factors” in this Annual Report on Form 10-K.

Cybersecurity Governance

Our board of directors considers cybersecurity risk as part of its risk oversight function and has delegated to the Audit Committee oversight of cybersecurity and other information technology risks. The Audit Committee oversees management's implementation of our cybersecurity risk management program.

The Audit Committee receives quarterly reports from our management-led Enterprise Risk Management Committee on our cybersecurity risks and mitigation initiatives. In addition, management updates the Audit Committee, as necessary, regarding any material cybersecurity incidents, as well as any incidents with lesser impact potential.

The Audit Committee reports to the full board of directors regarding its activities, including those related to cybersecurity. The board of directors also receives briefings from senior management on our cyber risk management program.

Our information technology management team, along with our externally managed security operations center, is responsible for assessing and managing our risks from cybersecurity threats. The team has primary responsibility for our overall cybersecurity risk management program and supervises both our internal cybersecurity personnel and our retained external cybersecurity consultants. Our management team's experience includes background in cybersecurity and information technology operations, with a focus on cybersecurity, data privacy, information technology governance, and risk management. The team is proficient in conducting vulnerability assessments, analyzing security logs, and implementing necessary security controls, with knowledge in cloud technologies and computing, database management, DevOps, and quality engineering.

Our management team supervises efforts to prevent, detect, mitigate, and remediate cybersecurity risks and incidents through various means, which may include briefings from internal security personnel; threat intelligence and other information obtained from governmental, public or private sources, including external consultants engaged by us; and alerts and reports produced by security tools deployed in the IT environment.

Item 2. Properties.

We lease our existing corporate headquarters in Chandler, Arizona, along with field office facilities in most of the metropolitan markets in which we operate in the United States.

Additionally, we have entered into a lease agreement for new corporate headquarters office space in Tempe, Arizona, which commenced during January 2024.

Item 3. Legal Proceedings.

From time to time, we may become involved in actions, claims, suits and other legal proceedings arising in the ordinary course of our business, including assertions by third parties relating to intellectual property infringement, breaches of contract or warranties or employment-related matters. We are not currently a party to any actions, claims, suits or other legal proceedings, the outcome of which, if determined adversely to us, would individually or in the aggregate have a material adverse effect on our business, financial condition, results of operations and cash flows.

The outcome of litigation is inherently uncertain. If one or more legal matters were resolved against us in a reporting period for amounts above management's expectations, our financial condition, results of operations or cash flows for that reporting period could be adversely impacted, perhaps materially.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Market Information for Common Stock

Class A Common Stock

Our Class A common stock is traded on the New York Stock Exchange (“NYSE”) under the symbol “OPAD.”

Prior to November 15, 2023, our warrants were traded on the NYSE under the symbol “OPAD WS.” On November 15, 2023, we received notice from the NYSE that our public warrants were no longer suitable for listing based on “abnormally low” price levels, pursuant to Section 802.01D of the NYSE Listed Company Manual, and that the NYSE Regulation has determined to commence proceedings to delist the warrants. The public warrants were later delisted from the NYSE and have subsequently been trading on the OTC Markets Group Pink Market under the symbol “OPADW.” Over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Class B Common Stock

Prior to our 2023 annual meeting of stockholders on June 8, 2023 (the “Annual Meeting”), there was no established public trading market for our outstanding shares of Class B common stock, all of which were owned by Brian Bair, our Chief Executive Officer and Founder, or entities controlled by Mr. Bair. Following the conclusion of the Annual Meeting, Mr. Bair effected a voluntary conversion of all shares of Class B common stock beneficially owned by him to an equivalent number of shares of Class A common stock (the “Voluntary Class B Conversion”). Following the Voluntary Class B Conversion, there were no issued and outstanding shares of our Class B common stock.

Holders of Record

Class A Common Stock

As of February 16, 2024, there were 50 registered holders of our Class A common stock, and four registered holders of our warrants that were issued in connection with the Business Combination. Because many of our shares of Class A common stock and warrants are held by banks, brokers and other financial institutions on behalf of shareholders, there are a greater number of shareholders represented by these registered holders.

Class B Common Stock and Class C Common Stock

In connection with the Voluntary Class B Conversion, our board of directors approved amendments to our Certificate of Incorporation to, among other things, eliminate the authorization of and references to Class B common stock and Class C common stock, and make related technical, non-substantive and conforming changes. Upon the recommendation of the board of directors, our stockholders approved the amendments at the Annual Meeting. As a result of the amendments, we are no longer authorized to issue any shares of Class B Common Stock or Class C Common Stock.

Dividends

Our Class A common stock is entitled to dividends if and when any dividend is declared by our board of directors, subject to the rights of all classes of stock outstanding having priority rights to dividends. We have not paid any cash dividends on common stock to date. We may retain future earnings, if any, for the further development and expansion of our business and have no current plans to pay cash dividends for the foreseeable future. Any future determination to pay dividends will be made at the discretion of our board of directors and will depend on, among other things, our financial condition, results of operations, capital requirements, restrictions contained in future agreements and financing instruments, business prospects and such other factors as our board of directors may deem relevant.

Sales of Unregistered Equity Securities

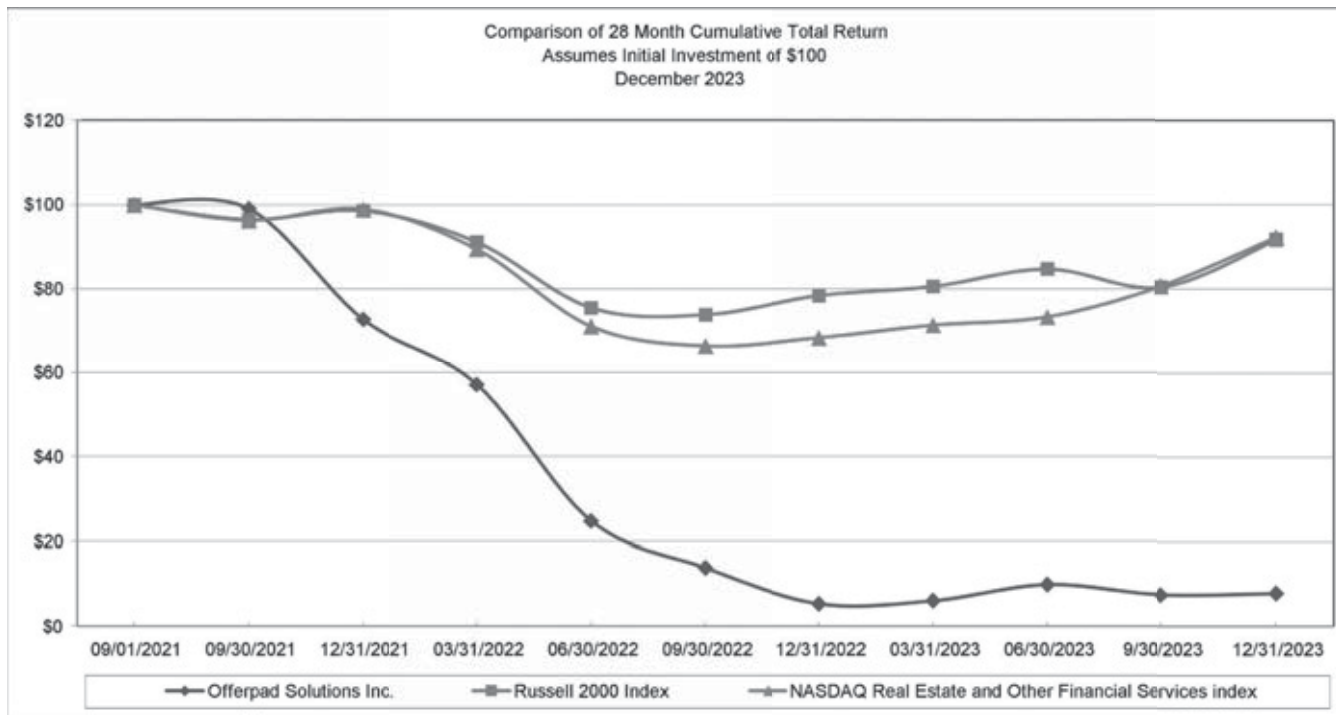
Except as previously disclosed in our Current Report on Form 8-K filed with the SEC on February 1, 2023, no unregistered sales of our equity securities were made during the year ended December 31, 2023.

Purchase of Equity Securities

We did not repurchase shares of our Class A common stock during the three months ended December 31, 2023.

Stock Performance Graph

The following graph illustrates the total return from September 1, 2021 through December 31, 2023, for (i) our Class A common stock, (ii) the Russell 2000 Index, and (iii) the NASDAQ Real Estate and Other Financial Services Index. The graph assumes that \$100 was invested on September 1, 2021 in each of our Class A common stock, the Russell 2000 Index, and the NASDAQ Real Estate and Other Financial Services Index, and that any dividends were reinvested. The comparisons reflected in the graph are not intended to forecast the future performance of our stock and may not be indicative of our future performance.



Item 6. [Reserved]

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

The following discussion and analysis provides information that Offerpad’s management believes is relevant to an assessment and understanding of Offerpad’s consolidated results of operations and financial condition. The discussion should be read together with the consolidated financial statements and accompanying notes included in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K. This section of this Form 10-K generally discusses 2023 items and the results of our operations for the year ended December 31, 2023 compared to the year ended December 31, 2022. A discussion of the year ended December 31, 2022 compared to the year ended December 31, 2021 has been reported previously in the 2022 Annual Report on Form 10-K, which was filed with the SEC on February 28, 2023, under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. See “Cautionary Note Regarding Forward-Looking Statements” in this Form 10-K. Offerpad’s actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” in Item 1A of this Form 10-K.

Overview

Our Business

Offerpad is a customer-centric, home buying and selling platform that provides customers with the ultimate home transaction experience, offering simplicity, peace of mind, freedom, and value. Since our founding in 2015, we have created a pioneering iBuying company and leading on-demand real estate marketplace that has transacted on homes representing approximately \$10.7 billion of aggregate revenue through December 31, 2023.

We are currently headquartered in Chandler, Arizona and operated in over 1,700 cities and towns in 25 metropolitan markets across 15 states as of December 31, 2023. As we expand further into our existing markets, launch new markets, and develop a wide range of new ancillary products and services, we look forward to bringing our mission of delivering the best home buying and selling experience to even more homeowners and prospective home purchasers across the country.

Current Economic Conditions and Health of the U.S. Residential Real Estate Industry

Our business and operating results are impacted by the general economic conditions and the health of the U.S. residential real estate industry, particularly the single-family home resale market. Our business model primarily depends on a high volume of residential real estate transactions throughout the markets in which we operate. This transaction volume affects substantially all of the ways that we generate revenue, including our ability to acquire new homes and generate associated fees, and our ability to sell homes that we own.

The residential real estate market conditions were mixed over the course of 2023. During the first quarter of 2023, the dislocated market conditions that persisted throughout the second half of 2022 continued to negatively impact consumer demand for residential real estate, due to the combination of the rapid rise in mortgage interest rates, increased inflation in the broader economy, volatility in the stock market, and various other macroeconomic and geopolitical concerns.

Beginning in the second quarter of 2023, the residential real estate market conditions started showing signs of stabilization and some improvement compared to the conditions in the first quarter of 2023 and the second half of 2022. As a result, we generated improved operating results during both the second and third quarters of 2023, including improved gross profit margin and net loss, increases in acquisitions and inventory, and improvement in the average holding period for our homes in real estate inventory.

During the fourth quarter of 2023, volatility in the mortgage interest rate environment continued, with rates steadily increasing from the end of September through late October, before declining over one full percentage point by the end of the year. While our revenue and net loss during the fourth quarter of 2023 improved on a quarter-over-quarter basis, the ongoing mortgage rate volatility, combined with the impact of typical seasonality in the residential real estate market, in which fewer real estate transactions generally occur during the fall and winter, continued to have an impact on our operating results during the fourth quarter of 2023.

Although our operating results generally improved from the second quarter of 2023 through the end of the year, the impact of elevated inflation levels and the higher mortgage interest rate environment, which has reduced the affordability of homes, combined with the limited supply of single-family resale homes, has required us to use pricing adjustments and other incentives, which negatively impacted our operating results during 2023. Further, there continues to be uncertainty regarding the near-term macroeconomic conditions, including the path of ongoing inflation in the broader economy, the impact of geopolitical conflicts and the direction of mortgage interest rates, which have continued to fluctuate during the first quarter of 2024. We anticipate that the ongoing higher mortgage interest rate environment, economic uncertainties and affordability pressures, combined with seasonal fluctuations in the residential real estate market, will continue to impact consumer demand for residential real estate during the first quarter of 2024. Due to these conditions, we’re proactively optimizing our capital

allocation across our highest performing and most efficient markets, and may be required to use similar pricing adjustments and incentives in the future.

Our Business Model

Revenue Model

Our mission is to deliver the best home buying and selling experience. Offerpad was founded to create a better residential real estate experience by combining advanced technology solutions with fundamental industry expertise. Our cash offer service is our flagship offering, allowing customers to sell on their own schedule and without the hassle of showings, open houses, and aligning closing dates with the purchase date of their new home. However, this is only one of several offerings within our Solutions Center designed to meet the unique needs of our customers. With our Offerpad listing service offering, customers partner with Offerpad to list their home for sale on the open market while typically enjoying the benefits of complimentary list-ready home services to prepare their home for market, such as carpet cleaning, landscape and pool maintenance, along with home improvement advances, customized marketing, and dedicated support from our Offerpad Solutions Experts or partner agents to help them find their next home. Through the Offerpad listing service offering, our customers may essentially dual track a sale by utilizing both our personalized listing services while also sometimes having a backup cash offer.

We typically acquire homes directly from individual sellers. After purchasing the home, we typically make necessary repairs and upgrades before listing it for sale on our platforms and Multiple Listing Services (“MLS”). In some cases, we will secure an end buyer prior to purchasing the property and will either assign the purchase contract or resell the home shortly after acquisition without renovating the home. We resell these homes to both individual consumer and institutional investor buyers. Currently, revenues from home sales through our cash offer service are our primary source of revenue; however, we expect greater contribution from our listing service offering as we drive expansion of this offering and from ancillary products and services in the future as our full product offering expands and matures.

Offers

We generate demand for our services through traditional media, digital media, organic referral, and partnership channels. Partnership channels include relationships with homebuilders, brokerages, and complementary industry partners. Interested home sellers visit our desktop or mobile website or application and fill out a short questionnaire about their home. If the home fits our eligible criteria, the customer is contacted within 24 hours via email, phone, or text to deliver and discuss Offerpad’s cash purchase offer and review any other services that may be of interest to the customer, including our listing and buyer representation services and our mortgage solutions offerings. If a customer chooses to list their home with our Offerpad listing service, once a customer sells a home directly to a buyer using the listing service, we earn a service fee, typically as a percentage of the sales price of the home.

Home Acquisition and Renovation

Once the offer is received and reviewed by the customer, if they choose to proceed, a purchase contract is generated and signed. If the customer is represented by a third-party agent, we work directly with such agent in addition to paying the agent’s fee. Upon signing, an Offerpad employee and a third-party inspector visit the home (either virtually or in person) to verify the information gathered during underwriting and identify any necessary repairs. Once repairs are agreed upon (if any), the homeowner chooses the closing date that meets their needs. The ability to choose the closing date is a very important feature, as it allows the homeowner to close around buying their next home or other influential events.

If renovations were deemed necessary in the underwriting process, an Offerpad Project Manager will begin coordinating the renovation after we close on the home purchase. We utilize a mix of Offerpad employed foreman and crew members as well as third-party specialists to execute necessary renovations. Our renovation strategy is focused on maximizing return through accretive upgrades and ensuring the home is in list-ready condition and is continually refined based on market level trends. We actively manage our internal crews and external vendor network through quality, cost, and timeliness evaluations.

Home Resale

Post-renovation, an Offerpad employee completes a final walkthrough to ensure the renovation was performed according to plan and quality specifications. Efficiently turning over our inventory is important as we incur holding costs (including property taxes, insurance, utilities, and homeowner association dues) and financing costs while we own the home. However, we routinely make strategic decisions or offer services that are designed to generate improved returns even if resulting in an increase in average inventory holding period. In order to minimize the sales period, we market our homes across a wide variety of websites and platforms to generate buyer demand. This includes the Offerpad website and mobile app, local MLS, and syndication across online real estate portals.

Prior to listing the home for sale, an Offerpad Asset Manager will reevaluate the current market and comparable properties using the same underwriting technology as is used in the buying process to price the home accordingly. Our acquisition and

resale teams work closely to ensure market level trends are captured and anticipated in pricing decisions. The ultimate goal during the resale process is to maximize return on investment when considering pricing and holding periods.

Once a purchase offer is received on a home, we enter into negotiations with the buyer and upon agreement of price, terms and conditions, we enter into a purchase contract. If the buyer is represented by an agent, we work directly with the agent. The buyer then conducts a customary inspection of the home and takes possession of the home upon funding and closing. We pay agent commissions for home buyers out of funds received at closing.

Factors Affecting Our Performance

We believe that our performance and future success depend on a variety of factors that present significant opportunities for our business but also present risks and challenges that could adversely impact our growth and profitability, including those discussed below and in Part I, Item 1A. “Risk Factors” of this Form 10-K.

Market Penetration in Existing Markets

Residential real estate is one of the largest industries, with roughly \$1.9 trillion in value of homes transacted in 2023 in the United States, and is highly fragmented with over 100,000 real estate brokerages, according to the National Association of Realtors (NAR). In 2023, we estimate that we captured roughly 0.5% market share across our then active 25 markets. Given this high degree of fragmentation, we believe that bringing a solutions-oriented approach to the market with multiple buying and selling services to meet the unique needs of customers could lead to continued market share growth and accelerated adoption of the digital model. We have demonstrated higher market share in certain markets, providing the backdrop to grow our overall market penetration as our offerings expand and evolve. By providing a consistent, transparent, and unique experience, we expect to continue to build upon our past success and further strengthen our brand and consumer adoption.

Expansion into New Markets

Since our launch in 2015, we have expanded into 25 markets as of December 31, 2023, which covered roughly 22% of the 4.7 million homes sold in the United States in 2023. Given this current coverage, we believe there is significant opportunity to both increase market penetration in our existing markets and to grow our business through new market expansion over the long-term, although new market expansion typically generates lower initial margins as we begin operations that increase as we scale volumes. Also, because of our strategic approach to renovations, as well as the listing and buyer representation of our listing service product, we believe a significant portion of the total addressable market is serviceable with our business model. However, given the dislocated residential real estate market conditions during the second half of 2022 and the first quarter of 2023, we did not expand into any new markets during 2023. Further, given the uncertainty regarding the near-term macroeconomic conditions, including the path of ongoing inflation in the broader economy, the impact of geopolitical conflicts and the direction of mortgage interest rates, we currently do not anticipate expanding into any new markets in the first half of 2024 and expect to re-evaluate expansion plans in the second half of the year.

While we intend to be flexible in assessing the overall timing of our expansion plan and appropriate market entry points over the coming years, we have historically looked to expand into new markets with qualities similar to our existing markets, including median price point, annual transaction count, as well as strong presence of new homebuilders and institutional buyers. We believe the scale and versatility of our platform should allow us to continue to expand into new markets, with our primary barriers to entry consisting largely of capital needed to expand operations, the tendency of consumers to adopt our real estate offerings and macroeconomic conditions.

As our product and service offerings continue to evolve, our new market expansion strategies will as well. For instance, we may enter into new markets to offer our renovation services, but may not offer buying and selling services in such markets.

Renovation Services

We have extended our renovation services to other businesses allowing other companies and homeowners to utilize our renovations team to update their portfolio of homes for rent or to sell. Through this offering, we are able to leverage our existing logistics, operation and skill-sets to provide renovation services that we believe could be a more significant component of our business over time. In addition to the renovation project fee, we are also typically compensated for these renovation services with a service fee that is based on a percentage of the overall renovation project fee. Our renovation services represented less than 1% of our total revenue in both 2023 and 2022.

Expand Relationships with Home Buyers

We continue to pursue opportunities that enable us to grow our service offerings, and offer a program that allows investors and single-family rental companies an opportunity to purchase homes from homeowners, matching investors with sellers. These transactions occur in several forms, including assigning the original purchase contract to the end buyer and collecting a fee at closing. We expect this program will allow us to help more homeowners sell their home and expand our ability to reach more

customers, while also providing customers with the benefit of receiving an optimized offer for their home. These services represented less than 1% of our total revenue in both 2023 and 2022.

Ancillary Products and Services

Core to our long-term strategy is a suite of offerings to meet the unique needs of our customers. As such, we view adding both additional products and services as well as additional product specific features as critical to supporting this strategy. We aim to deliver our offerings to customers in a smooth, efficient, digital driven platform, focused on transparency and ease of use. The primary goal is to be able to offer multiple services tied to the core real estate transaction, allowing customers to bundle and save. Although further developing these products and services will require significant investment, growing our current offerings and offering additional ancillary products and services, potentially including energy efficiency solutions, smart home technology, insurance and home warranty services, we believe will strengthen our unit economics and allow us to better optimize pricing. Generally, the revenue and margin profiles of our ancillary products and services are different from our cash offering service that accounts for the vast majority of our revenue, with most ancillary products and services having a smaller average revenue per transaction than our cash offering service, but a higher margin.

Below is a summary of our current ancillary products and services:

- *Title and Escrow*: We have a national relationship with a leading title and escrow company through which we are able to leverage our size and scale to provide exceptional title and escrow closing services with favorable economics.
- *Offerpad Home Loans (“OPHL”)*: We provide access to mortgage services through our in-house mortgage solution, OPHL, or through a third-party lending partner.
- *Bundle Rewards*: The Offerpad Bundle Rewards program allows customers to receive multiple discounts when selling and buying a home with Offerpad, and by obtaining their home loan with OPHL.

Our ancillary products and services represented less than 1% of our total revenue in both 2023 and 2022.

Unit Economics

We view Contribution Margin and Contribution Margin after Interest (see “—Non-GAAP Financial Measures”) as key performance indicators for unit economic performance, which are currently primarily driven by our cash offer transactions. Future financial performance improvements are expected to be driven by expanding unit level margins through initiatives such as:

- Continued optimization of acquisition, renovation, and resale processes and strategies, as we increase our market penetration in existing markets;
- Effectively increasing and expanding our listing service business alongside the cash offer business, optimizing customer and agent community engagement and increasing conversion of requests for home purchases; and
- Introducing and scaling additional ancillary products and services to complement our core cash offer and listing service products.

Operating Leverage

We utilize our technology and product teams to design systems and workflows to make our operations teams more efficient and able to support and scale with the business. Many positions are considered volume based, and as our business grows, we focus on developing more automation tools to gain additional leverage. Additionally, in periods when our business is growing, we expect to be able to gain operating leverage on portions of our cost structure that are more fixed in nature as opposed to purely variable. These types of costs include general and administrative expenses and certain marketing and information technology expenses, which grow at a slower pace than proportional to revenue growth.

Real Estate Inventory Financing

Our business model requires significant capital to purchase real estate inventory. Inventory financing is a key enabler to our growth and we rely on our non-recourse asset-backed financing facilities, which primarily consist of senior and mezzanine secured credit facilities to finance our home purchases. The loss of adequate access to these types of facilities, or the inability to maintain these types of facilities on favorable terms, would impair our performance. See “—Liquidity and Capital Resources—Financing Activities.”

Seasonality

The residential real estate market is seasonal and varies from market to market. Typically, the greatest number of transactions occur in the spring and summer, with fewer transactions occurring in the fall and winter. Our financial results, including revenue, margins, real estate inventory, and financing costs, have historically had seasonal characteristics generally consistent with the residential real estate market, a trend we expect to continue in the future, subject to the market conditions discussed above.

Risk Management

Our business model is based upon acquiring homes at a price which will allow us to provide a competitive offer to the consumer, while being able to add value through the renovation process, and relist the home so that it sells at a profit and in a relatively short period of time. We have invested significant resources into our underwriting and asset management systems. Our real estate operations team, including our pricing team, together with our software engineering and data science teams are responsible for underwriting accuracy, portfolio health, and workflow optimization. Our underwriting tools are constantly updated with inputs from third-party data sources, proprietary data sources as well as internal data to adjust to the latest market conditions. This allows us to assess and adjust to changes in the local housing market conditions based on our technology, analysis and local real estate experience, in order to mitigate our risk exposure. Further, our listed homes are typically in market-ready and move-in ready condition following the repairs and renovations we conduct.

Historically, we have been able to manage our portfolio risk in part by our ability to manage holding periods for our real estate inventory. Traditionally, resale housing pricing moves gradually through cycles; therefore, shorter real estate inventory holding periods limit pricing exposure. As we increased our scale and improved our workflow optimization in prior years, our average real estate inventory holding period of homes sold improved from 138 days in 2016 to 76 days during 2021, which was primarily due to the favorable housing market conditions across our markets in 2021 and improvements in our operational efficiency.

During the second half of 2022 and continuing through the first quarter of 2023, consumer demand for residential real estate was negatively impacted by the combination of the rapid rise in mortgage interest rates, increased inflation in the broader economy, volatility in the stock market, and various other macroeconomic and geopolitical concerns. Given our focus on risk management, and in response to this softened consumer demand, we adapted our business model, which included optimizing our cost structure, and adjusting our home purchase criteria through more conservative acquisition underwriting, resulting in higher expected internal rates of return based on then current market conditions. These actions resulted in a significant reduction in our home acquisition pace to allow us to manage overall real estate inventory growth. This, in turn, led to the average holding period of homes sold increasing to 101 days during 2022.

During 2023, the average holding period of homes sold had a high degree of variability as a result of the mixed residential real estate market conditions that occurred during the year. During the first quarter of 2023, the average holding period of homes sold increased to 185 days as we sold through our aged real estate inventory. However, beginning in the second quarter of 2023, the residential real estate market conditions started showing signs of stabilization and improvement compared to the conditions in the first quarter of 2023 and the second half of 2022. As a result, we increased our home acquisition pace and our overall real estate inventory mix shifted to include a greater composition of newer acquired homes. This resulted in a decrease in the average real estate inventory holding period to 97 days during the fourth quarter of 2023, which is consistent with our expected average real estate inventory holding period and our historical norm.

Based on current residential real estate market conditions, combined with the impact of seasonality, we anticipate our average real estate inventory holding period in the first quarter of 2024 will reflect a slight normal seasonal increase to around 115 days.

Non-GAAP Financial Measures

In addition to our results of operations below, we report certain financial measures that are not required by, or presented in accordance with, U.S. generally accepted accounting principles (“GAAP”). These measures have limitations as analytical tools when assessing our operating performance and should not be considered in isolation or as a substitute for GAAP measures, including gross profit and net income. We may calculate or present our non-GAAP financial measures differently than other companies who report measures with similar titles and, as a result, the non-GAAP financial measures we report may not be comparable with those of companies in our industry or in other industries.

Adjusted Gross Profit, Contribution Profit, and Contribution Profit After Interest (and related margins)

To provide investors with additional information regarding our margins, we have included Adjusted Gross Profit, Contribution Profit, and Contribution Profit After Interest (and related margins), which are non-GAAP financial measures. We believe that Adjusted Gross Profit, Contribution Profit, and Contribution Profit After Interest are useful financial measures for investors as they are used by management in evaluating unit level economics and operating performance across our markets. Each of these

measures is intended to present the economics related to homes sold during a given period. We do so by including revenue generated from homes sold (and ancillary services) in the period and only the expenses that are directly attributable to such home sales, even if such expenses were recognized in prior periods, and excluding expenses related to homes that remain in inventory as of the end of the period presented. Contribution Profit provides investors a measure to assess Offerpad's ability to generate returns on homes sold during a reporting period after considering home acquisition costs, renovation and repair costs, and adjusting for holding costs and selling costs. Contribution Profit After Interest further impacts gross profit by including interest costs (including senior and mezzanine secured credit facilities) attributable to homes sold during a reporting period. We believe these measures facilitate meaningful period over period comparisons and illustrate our ability to generate returns on assets sold after considering the costs directly related to the assets sold in a presented period.

Adjusted Gross Profit, Contribution Profit and Contribution Profit After Interest (and related margins) are supplemental measures of our operating performance and have limitations as analytical tools. For example, these measures include costs that were recorded in prior periods under GAAP and exclude, in connection with homes held in inventory at the end of the period, costs required to be recorded under GAAP in the same period.

Accordingly, these measures should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. We include a reconciliation of these measures to the most directly comparable GAAP financial measure, which is gross profit.

Adjusted Gross Profit / Margin

We calculate Adjusted Gross Profit as gross profit under GAAP adjusted for (1) net real estate inventory valuation adjustment plus (2) interest expense associated with homes sold in the presented period and recorded in cost of revenue. Net real estate inventory valuation adjustment is calculated by adding back the real estate inventory valuation adjustment charges recorded during the period on homes that remain in real estate inventory at period end and subtracting the real estate inventory valuation adjustment charges recorded in prior periods on homes sold in the current period. We define Adjusted Gross Margin as Adjusted Gross Profit as a percentage of revenue.

We view this metric as an important measure of business performance, as it captures gross margin performance isolated to homes sold in a given period and provides comparability across reporting periods. Adjusted Gross Profit helps management assess performance across the key phases of processing a home (acquisitions, renovations, and resale) for a specific resale cohort.

Contribution Profit / Margin

We calculate Contribution Profit as Adjusted Gross Profit, minus (1) direct selling costs incurred on homes sold during the presented period, minus (2) holding costs incurred in the current period on homes sold during the period recorded in sales, marketing, and operating, minus (3) holding costs incurred in prior periods on homes sold in the current period recorded in sales, marketing, and operating, plus (4) other income, net which is primarily composed of interest income earned on our cash and cash equivalents and fair value adjustments of derivative financial instruments. The composition of our holding costs is described in the footnotes to the reconciliation table below. We define Contribution Margin as Contribution Profit as a percentage of revenue.

We view this metric as an important measure of business performance as it captures the unit level performance isolated to homes sold in a given period and provides comparability across reporting periods. Contribution Profit helps management assess inflows and outflow directly associated with a specific resale cohort.

Contribution Profit / Margin After Interest

We define Contribution Profit After Interest as Contribution Profit, minus (1) interest expense associated with homes sold in the presented period and recorded in cost of revenue, minus (2) interest expense associated with homes sold in the presented period, recorded in costs of sales, and previously excluded from Adjusted Gross Profit, and minus (3) interest expense under our senior and mezzanine secured credit facilities incurred on homes sold during the period. This includes interest expense recorded in prior periods in which the sale occurred. Our senior and mezzanine secured credit facilities are secured by our homes in real estate inventory and drawdowns are made on a per-home basis at the time of purchase and are required to be repaid at the time the homes are sold. See "*Liquidity and Capital Resources—Financing Activities.*" We define Contribution Margin After Interest as Contribution Profit After Interest as a percentage of revenue.

We view this metric as an important measure of business performance. Contribution Profit After Interest helps management assess Contribution Margin performance, per above, when fully burdened with costs of financing.

The following table presents a reconciliation of our Adjusted Gross Profit, Contribution Profit and Contribution Profit After Interest to our gross profit, which is the most directly comparable GAAP measure, for the periods indicated:

	Year Ended December 31,	
	2023	2022
<i>(in thousands, except percentages and homes sold, unaudited)</i>		
Gross profit (GAAP)	\$ 70,181	\$ 182,422
<i>Gross margin</i>	5.3%	4.6%
<i>Homes sold</i>	3,674	10,635
Gross profit per home sold	\$ 19.1	\$ 17.2
<i>Adjustments:</i>		
Real estate inventory valuation adjustment - current period (1)	837	58,413
Real estate inventory valuation adjustment - prior period (2)	(58,125)	(1,205)
Interest expense capitalized (3)	7,234	12,660
Adjusted gross profit	\$ 20,127	\$ 252,290
<i>Adjusted gross margin</i>	1.5%	6.4%
<i>Adjustments:</i>		
Direct selling costs (4)	(35,225)	(97,381)
Holding costs on sales - current period (5)(6)	(3,357)	(8,342)
Holding costs on sales - prior period (5)(7)	(2,166)	(918)
Other income, net (8)	6,149	1,532
Contribution (loss) profit	\$ (14,472)	\$ 147,181
<i>Contribution margin</i>	(1.1)%	3.7%
<i>Homes sold</i>	3,674	10,635
Contribution (loss) profit per home sold	\$ (3.9)	\$ 13.8
<i>Adjustments:</i>		
Interest expense capitalized (3)	(7,234)	(12,660)
Interest expense on homes sold - current period (9)	(15,289)	(32,022)
Interest expense on homes sold - prior period (10)	(13,924)	(3,737)
Contribution (loss) profit after interest	\$ (50,919)	\$ 98,762
<i>Contribution margin after interest</i>	(3.9)%	2.5%
<i>Homes sold</i>	3,674	10,635
Contribution (loss) profit after interest per home sold	\$ (13.9)	\$ 9.3

- (1) Real estate inventory valuation adjustment – current period is the real estate inventory valuation adjustments recorded during the period presented associated with homes that remain in real estate inventory at period end.
- (2) Real estate inventory valuation adjustment – prior period is the real estate inventory valuation adjustments recorded in prior periods associated with homes that sold in the period presented.
- (3) Interest expense capitalized represents all interest related costs, including senior and mezzanine secured credit facilities, incurred on homes sold in the period presented that were capitalized and expensed in cost of sales at the time of sale.
- (4) Direct selling costs represents selling costs incurred related to homes sold in the period presented. This primarily includes broker commissions and title and escrow closing fees.
- (5) Holding costs primarily include insurance, utilities, homeowners association dues, property taxes, cleaning, and maintenance costs.
- (6) Represents holding costs incurred on homes sold in the period presented and expensed to Sales, marketing, and operating on the Consolidated Statements of Operations.
- (7) Represents holding costs incurred in prior periods on homes sold in the period presented and expensed to Sales, marketing, and operating on the Consolidated Statements of Operations.
- (8) Other income, net principally represents interest income earned on our cash and cash equivalents and fair value adjustments of derivative financial instruments.
- (9) Represents both senior and mezzanine interest expense incurred on homes sold in the period presented and expensed to interest expense on the Consolidated Statements of Operations.
- (10) Represents both senior and mezzanine secured credit facilities interest expense incurred in prior periods on homes sold in the period presented and expensed to interest expense on the Consolidated Statements of Operations.

Adjusted Net Income (Loss) and Adjusted EBITDA

We also present Adjusted Net Income (Loss) and Adjusted EBITDA, which are non-GAAP financial measures, which our management team uses to assess our underlying financial performance. We believe these measures provide insight into period over period performance, adjusted for non-recurring or non-cash items.

We calculate Adjusted Net Income (Loss) as GAAP Net Income (Loss) adjusted for the change in fair value of warrant liabilities. We define Adjusted Net Income (Loss) Margin as Adjusted Net Income (Loss) as a percentage of revenue.

We calculate Adjusted EBITDA as Adjusted Net Income (Loss) adjusted for interest expense, amortization of capitalized interest, taxes, depreciation and amortization and stock-based compensation expense. We define Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of revenue.

Adjusted Net Income (Loss) and Adjusted EBITDA are supplemental to our operating performance measures calculated in accordance with GAAP and have important limitations. For example, Adjusted Net Income (Loss) and Adjusted EBITDA exclude the impact of certain costs required to be recorded under GAAP and could differ substantially from similarly titled measures presented by other companies in our industry or companies in other industries. Accordingly, these measures should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP.

The following table presents a reconciliation of our Adjusted Net Income (Loss) and Adjusted EBITDA to our GAAP Net Income (Loss), which is the most directly comparable GAAP measure, for the periods indicated:

	Year Ended December 31,	
	2023	2022
<i>(in thousands, except percentages, unaudited)</i>		
Net loss (GAAP)	\$ (117,218)	\$ (148,613)
Change in fair value of warrant liabilities	(68)	(23,522)
Adjusted net loss	\$ (117,286)	\$ (172,135)
<i>Adjusted net loss margin</i>	<i>(8.9)%</i>	<i>(4.4)%</i>
<i>Adjustments:</i>		
Interest expense	18,859	45,991
Amortization of capitalized interest (1)	7,234	12,660
Income tax expense	163	359
Depreciation and amortization	728	1,022
Amortization of stock-based compensation	7,915	8,307
Adjusted EBITDA	\$ (82,387)	\$ (103,796)
<i>Adjusted EBITDA margin</i>	<i>(6.3)%</i>	<i>(2.6)%</i>

- (1) Amortization of capitalized interest represents all interest related costs, including senior and mezzanine interest related costs, incurred on homes sold in the period presented that were capitalized and expensed in cost of sales at the time of sale.

Components of Our Results of Operations

Revenue

We generate revenue primarily from the sale of homes on the open market. Home sales revenue is recognized at the time of the transaction closing when title to and possession of the property are transferred to the buyer. The amount of revenue recognized for each home sale is equal to the sale price of the home net of resale concessions and credits to the buyer.

Cost of Revenue

Cost of revenue consists of the initial home purchase costs, renovation costs, holding costs and interest incurred during the renovation period, prior to the listing date and real estate inventory valuation adjustments, if any. These costs are accumulated in real estate inventory up until the home is ready for resale, and then charged to cost of revenue under the specific identification method when the property is sold.

Operating Expenses

Sales, Marketing and Operating

Sales, marketing and operating expenses consist of real estate agent commissions, advertising, and holding costs on homes incurred during the period that homes are listed for sale, which includes utilities, taxes, maintenance, and other costs. Sales, marketing and operating expense also includes headcount expenses in support of sales, marketing, and real estate inventory operations such as salaries, benefits, and stock-based compensation. Sales, marketing and operating expenses are charged to operations as incurred.

General and Administrative

General and administrative expenses consist primarily of headcount expenses, including salaries, benefits and stock-based compensation for our executive, finance, human resources, legal and administrative personnel. General and administrative expense also includes third-party professional service fees, insurance, and rent expense.

Technology and Development

Technology and development expenses consist of headcount expenses, including salaries, benefits and stock-based compensation expense for employees and contractors engaged in the design, development, and testing of website applications, mobile applications, and software development. Technology and development expenses are charged to operations as incurred.

Change in Fair Value of Warrant Liabilities

Change in fair value of warrant liabilities consists of the gains or losses recorded as a result of the re-measurement of the warrant liabilities to fair value at each reporting period.

Interest Expense

Interest expense consists primarily of interest on borrowings, including amortization of debt issuance costs related to our senior secured credit facilities, mezzanine secured credit facilities and other debt. Borrowings under the senior secured credit facilities and mezzanine secured credit facilities accrue interest at a rate based on a Secured Overnight Financing Rate (“SOFR”) reference rate plus a margin.

Other Income, Net

Other income, net consists primarily of interest income earned on our cash and cash equivalents, changes in the fair value of derivative financial instruments that are entered into to manage risks that are principally associated with interest rate fluctuations and gains from the disposal of property and equipment.

Income Tax Expense

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and deferred tax liabilities for the expected future tax consequences of events that have been included in our consolidated financial statements. Under this method, we determine deferred tax assets and liabilities on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period when the new rate is enacted.

We assess the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2023. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth. On the basis of this evaluation, we recorded a full valuation allowance against the net deferred tax assets as of December 31, 2023, 2022, and 2021.

The amount of the deferred tax assets considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as our projections for growth. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce our provision for income taxes.

Results of Operations

The following details our consolidated results of operations and includes a discussion of our operating results and significant items explaining the material changes in our operating results during the periods presented:

<i>(in thousands, except percentages)</i>	Year Ended December 31,				% of Revenue	
	2023	2022	\$ Change	% Change	2023	2022
	Revenue	\$ 1,314,412	\$ 3,952,314	\$ (2,637,902)	(66.7)%	100.0%
Cost of revenue	1,244,231	3,769,892	(2,525,661)	(67.0)%	94.7%	95.4%
Gross profit	70,181	182,422	(112,241)	(61.5)%	5.3%	4.6%
Operating expenses:						
Sales, marketing and operating	116,558	238,931	(122,373)	(51.2)%	8.9%	6.0%
General and administrative	50,091	58,718	(8,627)	(14.7)%	3.8%	1.5%
Technology and development	7,945	12,090	(4,145)	(34.3)%	0.6%	0.3%
Total operating expenses	174,594	309,739	(135,145)	(43.6)%	13.3%	7.8%
Loss from operations	(104,413)	(127,317)	22,904	(18.0)%	(8.0)%	(3.2)%
Other income (expense)						
Change in fair value of warrant liabilities	68	23,522	(23,454)	(99.7)%	0.0%	0.6%
Interest expense	(18,859)	(45,991)	27,132	(59.0)%	(1.4)%	(1.2)%
Other income, net	6,149	1,532	4,617	301.4%	0.5%	0.0%
Total other expense	(12,642)	(20,937)	8,295	(39.6)%	(0.9)%	(0.6)%
Loss before income taxes	(117,055)	(148,254)	31,199	(21.0)%	(8.9)%	(3.8)%
Income tax expense	(163)	(359)	196	(54.6)%	(0.0)%	(0.0)%
Net loss	\$ (117,218)	\$ (148,613)	\$ 31,395	(21.1)%	(8.9)%	(3.8)%

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Revenue decreased by \$2,637.9 million, or 66.7%, to \$1,314.4 million for the year ended December 31, 2023 compared to the year ended December 31, 2022. The decrease was primarily attributable to lower sales volumes and a lower average sales price. We sold 3,674 homes during the year ended December 31, 2023 compared to 10,635 homes during the year ended December 31, 2022, representing a decrease of 65.5%. Additionally, the average resale home price decreased by 4.3% from \$371,000 in the year ended December 31, 2022 to \$355,000 in the year ended December 31, 2023. The decrease in sales volumes was principally due to the impact of our intentional reduction in home acquisition pace to allow us to manage overall real estate inventory in response to the dislocated residential real estate market conditions that persisted throughout the second half of 2022 and continued to negatively impact consumer demand for residential real estate through the first quarter of 2023, as compared to the generally strong residential real estate market conditions during the first half of 2022. The decrease in average sales price per home was primarily due to our increased focus on geographic markets that tend to share relatively lower median price points as elevated mortgage interest rates and inflation in the broader economy have continued to negatively impact the residential real estate market conditions, as well as refining our target home purchase price range to focus on acquiring homes with the greatest price stability within each market.

Cost of Revenue and Gross Profit

Cost of revenue decreased by \$2,525.7 million, or 67.0%, to \$1,244.2 million for the year ended December 31, 2023 compared to the year ended December 31, 2022. This decrease was primarily attributable to lower sales volumes and a decrease in the real estate inventory valuation adjustment.

Gross profit margin was 5.3% for the year ended December 31, 2023 compared to 4.6% for the year ended December 31, 2022. The increase in gross profit margin was primarily due to an \$84.9 million decrease in the real estate inventory valuation adjustment during the respective periods, which was primarily due to the residential real estate market conditions showing signs of stabilization and some improvement beginning in the second quarter of 2023, as compared to the impact of the dislocated residential real estate market conditions that persisted throughout the second half of 2022, which caused the net realizable value for certain homes in real estate inventory to be lower than their respective cost. The increase in gross profit margin was partially offset by a decrease in the difference between the average home resale price and the average home acquisition price during the year ended December 31, 2023 compared to the year ended December 31, 2022. This decrease was primarily due to the impact of the softened consumer demand for residential real estate that occurred during the second half of 2022 and continued through the first quarter of 2023. Further, during the year ended December 31, 2023, the combination of the elevated inflation levels and the higher mortgage interest rate environment, which reduced home affordability, and the limited supply of single-family resale homes, required us to use pricing adjustments and other incentives, which negatively impacted our gross profit margin. We may continue to employ such adjustments and incentives if this environment continues.

Sales, Marketing and Operating

Sales, marketing and operating expense decreased by \$122.4 million, or 51.2%, to \$116.6 million, for the year ended December 31, 2023 compared to the year ended December 31, 2022. This represented an increase as a percentage of revenue of 290 basis points to 8.9%. The decrease in expense was primarily attributable to the decrease in variable costs associated with the decrease in homes sold, and lower employee compensation costs associated with decreased average employee headcount as a result of the softened consumer demand for residential real estate. Additionally, advertising expense decreased by \$15.6 million as we reduced marketing efforts during 2023 in response to the softened consumer demand for residential real estate.

General and Administrative

General and administrative expense decreased by \$8.6 million, or 14.7%, to \$50.1 million for the year ended December 31, 2023 compared to the year ended December 31, 2022. This represented an increase as a percentage of revenue of 230 basis points to 3.8%. The decrease in expense was primarily attributable to lower employee compensation costs associated with decreased average employee headcount as a result of the softened consumer demand for residential real estate, and decreased insurance costs. This decrease in expense was partially offset by an increase in fees associated with our credit facilities and overall inflationary increases.

Technology and Development

Technology and development expense decreased by \$4.1 million, or 34.3%, to \$7.9 million for the year ended December 31, 2023 compared to the year ended December 31, 2022. This represented an increase as a percentage of revenue of 30 basis points. The decrease in expense was primarily attributable to lower employee compensation costs associated with decreased average employee headcount as a result of the softened consumer demand for residential real estate.

Change in Fair Value of Warrant Liabilities

Change in fair value of warrant liabilities for the years ended December 31, 2023 and 2022 represents gains of \$0.1 million and \$23.5 million, respectively, as a result of the fair value adjustment of the warrant liabilities that were assumed in connection with the Business Combination.

Interest Expense

Interest expense decreased by \$27.1 million, or 59.0%, to \$18.9 million for the year ended December 31, 2023 compared to the year ended December 31, 2022. The decrease in expense was primarily attributable to a \$370.2 million decrease in the average outstanding balance of our senior and mezzanine secured credit facilities, from \$790.7 million during the year ended December 31, 2022 to \$420.5 million during the year ended December 31, 2023. This decrease was partially offset by a 3.1% increase in the weighted average variable interest rates associated with these senior and mezzanine secured credit facilities.

Other Income, Net

Other income, net during the year ended December 31, 2023 principally represents interest income earned on our cash and cash equivalents, and the gain that was recorded as a result of the fair value adjustment of the derivative financial instruments that were entered into during 2023 to manage risks that are principally associated with interest rate fluctuations. Other income, net during the year ended December 31, 2022 principally represents interest income earned on our cash and cash equivalents.

Income Tax Expense

We recorded income tax expense of \$0.2 million and \$0.4 million during the years ended December 31, 2023 and 2022, respectively, and our effective tax rate was an expense of (0.1)% and (0.2)% for the respective periods. Our effective tax rate for each of the years ended December 31, 2023 and December 31, 2022 differed from the federal statutory rate of 21% primarily due to the valuation allowance recorded on our deferred tax assets and state taxes. We record a full valuation allowance on our deferred tax assets, such that our income tax expense reflects only state taxes which are revenue or commerce based.

Liquidity and Capital Resources

Overview

Cash and cash equivalents balances consist of operating cash on deposit with financial institutions. Our principal sources of liquidity have historically consisted of cash generated from our operations and financing activities. As of December 31, 2023, we had cash and cash equivalents of \$76.0 million and had a total undrawn borrowing capacity under our senior and mezzanine secured credit facilities of \$792.5 million, \$302.7 million of which is committed and \$489.8 million uncommitted.

With the exception of the year ended December 31, 2021, during which we generated net income, we have incurred losses each year from inception, and may incur additional losses in the future. We have continued to invest in the development and expansion of our operations. These investments include improvements in infrastructure and a continual improvement to our

software and technology platform, as well as investments in sales and marketing as we increase market penetration in our existing markets.

We expect our working capital requirements to continue to increase over the long term, as we seek to increase our real estate inventory and expand our operations. We believe our cash on hand, together with proceeds from the resale of homes and cash from future borrowings available under each of our existing credit facilities, or the entry into new debt financing arrangements or the issuance of equity instruments, will be sufficient to meet our short-term working capital and capital expenditure requirements for at least the next twelve months. However, our ability to fund our working capital and capital expenditure requirements will depend in part on the residential real estate market conditions in the markets in which we operate and in the U.S. in general, and various other general economic, financial, competitive, legislative, regulatory, geopolitical and other conditions that may be beyond our control. Depending on these and other market conditions, we may seek additional financing. Volatility in the credit markets, rising interest rates and softening consumer demand for residential real estate may have an adverse effect on our ability to obtain debt financing on favorable terms or at all. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of our common stock, or may require us to agree to unfavorable terms, and our existing stockholders may experience significant dilution.

Pre-Funded Warrants

During January 2023, we entered into a pre-funded warrants subscription agreement with the investors named therein (the “Investors”) pursuant to which we sold and issued to the Investors an aggregate of 160.7 million pre-funded warrants (the “Pre-funded Warrants”) to purchase shares of our Class A Common Stock. Each Pre-funded Warrant was sold at a price of \$0.5599 per Pre-funded Warrant and had an initial exercise price of \$0.0001 per Pre-funded Warrant, subject to certain customary anti-dilution adjustment provisions. The exercise price for the Pre-funded Warrants could be paid in cash or on a cashless basis, and the Pre-funded Warrants had no expiration date. The aggregate gross proceeds to us was approximately \$90.0 million, which is being used for general corporate purposes, including working capital. The Investors included Brian Bair, our founder, chief executive officer and chairman of our Board; Roberto Sella, a member of our Board; First American Financial Corporation (“First American”), a holder of more than 10% of our outstanding Class A Common Stock; and Kenneth DeGiorgio, a member of our Board and chief executive officer of First American.

The Pre-funded Warrants became exercisable during March 2023. All of the Pre-funded Warrants were subsequently exercised, upon which, 10.7 million shares of our Class A common stock were issued. As of December 31, 2023, there were no remaining Pre-funded Warrants outstanding.

Financing Activities

Our financing activities primarily include borrowing under our senior secured credit facilities, mezzanine secured credit facilities and new issuances of equity (including the issuance of the Pre-funded Warrants, as discussed above). Historically, we have required access to external financing resources in order to fund growth, penetration in existing markets, expansion into new markets and other strategic initiatives, and we expect this to continue in the future. Our access to capital markets can be impacted by factors outside our control, including economic conditions.

Buying and selling high-valued assets, such as single-family residential homes, is very cash intensive and has a significant impact on our liquidity and capital resources. We use non-recourse secured credit facilities, consisting of both senior secured credit facilities and mezzanine secured credit facilities, to finance a significant portion of our real estate inventory and related home renovations. Our senior and mezzanine secured credit facilities, however, are not fully committed, meaning the applicable lender may not be obligated to advance new loan funds if they choose not to do so. Our ability to obtain and maintain access to these or similar kinds of credit facilities is significant for us to operate the business.

Senior Secured Credit Facilities

The following summarizes certain details related to our senior secured credit facilities (in thousands, except interest rates):

As of December 31, 2023	Borrowing Capacity			Outstanding Amount	Weighted-Average Interest Rate	End of Revolving / Withdrawal Period	Final Maturity Date
	Committed	Uncommitted	Total				
Senior financial institution 1	\$ 200,000	\$ 200,000	\$ 400,000	\$ 135,676	7.91%	June 2025	June 2025
Senior financial institution 2	100,000	100,000	200,000	55,541	7.61%	January 2025	July 2025
Senior financial institution 3	100,000	50,000	150,000	6,453	7.11%	January 2025	April 2025
Related party	30,000	20,000	50,000	6,289	10.05%	March 2025	September 2025
Senior financial institution 4	30,000	45,000	75,000	18,984	8.42%	August 2024	February 2025
Senior secured credit facilities	\$ 460,000	\$ 415,000	\$ 875,000	\$ 222,943			

As of December 31, 2023, we had five senior secured credit facilities that we use to fund the purchase of homes and build our real estate inventory, four with separate financial institutions and one with a related party, which holds more than 5% of our Class A common stock. Borrowings under the senior secured credit facilities accrue interest at a rate based on a SOFR reference rate, plus a margin which varies by facility. Each of our senior secured credit facilities also have interest rate floors. We may also pay fees on our senior secured credit facilities, including a commitment fee and fees on certain unused portions of the committed borrowing capacity under the respective credit agreements.

Borrowings under our senior secured credit facilities are collateralized by the real estate inventory financed by the senior secured credit facility. The lenders have legal recourse only to the assets securing the debt and do not have general recourse against us with limited exceptions. We have, however, provided limited non-recourse carve-out guarantees under our senior and mezzanine secured credit facilities for certain of the SPEs' obligations in situations involving "bad acts" by an Offerpad entity and certain other limited circumstances that are generally under our control. Each senior secured credit facility contains eligibility requirements that govern whether a property can be financed. When we resell a home, the proceeds are used to reduce the corresponding outstanding balance under the related senior and mezzanine secured revolving credit facilities.

Mezzanine Secured Credit Facilities

In addition to the senior secured credit facilities, we use mezzanine secured credit facilities which are structurally and contractually subordinated to the related senior secured credit facilities. The following summarizes certain details related to our mezzanine secured credit facilities (in thousands, except interest rates):

As of December 31, 2023	Borrowing Capacity			Outstanding Amount	Weighted-Average Interest Rate	End of Revolving / Withdrawal Period	Final Maturity Date
	Committed	Uncommitted	Total				
Related party facility 1	\$ 45,000	\$ 25,000	\$ 70,000	\$ 22,250	11.56%	June 2025	December 2025
Mezzanine financial institution 1	22,500	22,500	45,000	11,198	12.79%	January 2025	July 2025
Mezzanine financial institution 2	26,667	13,333	40,000	1,506	9.55%	January 2025	April 2025
Related party facility 2	8,000	14,000	22,000	1,553	13.05%	March 2025	September 2025
Mezzanine secured credit facilities	\$ 102,167	\$ 74,833	\$ 177,000	\$ 36,507			

As of December 31, 2023, we had four mezzanine secured credit facilities, two with separate financial institutions and two with a related party, which holds more than 5% of our Class A common stock. Borrowings under the mezzanine secured credit facilities accrue interest at a rate based on a SOFR reference rate, plus a margin which varies by facility. Each of our mezzanine secured credit facilities also have interest rate floors. We may also pay fees on our mezzanine secured credit facilities, including a commitment fee and fees on certain unused portions of the committed borrowing capacity under the respective credit agreements.

Borrowings under our mezzanine secured credit facilities are collateralized by a second lien on the real estate inventory financed by the relevant credit facility. The lenders have legal recourse only to the assets securing the debt, and do not have general recourse against us with limited exceptions. When we resell a home, the proceeds are used to reduce the corresponding outstanding balance under the related senior and mezzanine secured revolving credit facilities.

Covenants for Senior Secured Credit Facilities and Mezzanine Secured Credit Facilities

Our secured credit facilities include customary representations and warranties, covenants and events of default. Financed properties are subject to customary eligibility criteria and concentration limits. The terms of these facilities and related financing documents require the Company to comply with a number of customary financial and other covenants, such as maintaining certain levels of liquidity, tangible net worth or leverage (ratio of debt to tangible net worth).

As of December 31, 2023, we were in compliance with all covenants and no event of default had occurred.

Senior Secured Debt - Other

We have a borrowing arrangement with a financial institution to support purchases of real estate inventory. Borrowings under this arrangement accrue interest at a rate based on a SOFR reference rate, plus a margin. There were no amounts outstanding under this borrowing arrangement as of December 31, 2023. The weighted-average interest rate under our other senior secured debt was 7.23% as of December 31, 2022.

Warehouse Lending Facility with a Related Party

We have a warehouse lending facility with a related party that is used to fund mortgage loans that we originate and then sell to third-party mortgage servicers. As of December 31, 2023, there were no amounts outstanding on the warehouse lending facility.

Cash Flows

The following summarizes our cash flows for the years ended December 31, 2023 and 2022:

(\$ in thousands)	Year Ended December 31,	
	2023	2022
Net cash provided by operating activities	\$ 261,632	\$ 305,402
Net cash provided by (used in) investing activities	1,985	(1,070)
Net cash used in financing activities	(323,982)	(358,466)
Net change in cash, cash equivalents and restricted cash	\$ (60,365)	\$ (54,134)

Operating Activities

Net cash provided by operating activities was \$261.6 million and \$305.4 million for the years ended December 31, 2023 and 2022, respectively. In 2023, net cash provided by operating activities primarily resulted from a \$379.3 million decrease in real estate inventory due to an intentional reduction in real estate inventory levels as a result of the dislocated residential real estate market conditions that persisted throughout the second half of 2022 and continued to negatively impact consumer demand for residential real estate through the first quarter of 2023. During this period of time, we focused on selling our existing real estate inventory of homes and significantly reduced the number of new homes acquired. This intentional reduction in real estate inventory levels through the first quarter of 2023 was partially offset by a general increase in our home acquisition pace throughout the remainder of 2023, resulting in increased levels of real estate inventory compared to the end of the first quarter of 2023, as the residential real estate market conditions started showing signs of stabilization and some improvement beginning in the second quarter of 2023. Net cash provided by operating activities during the year ended December 31, 2023 was also impacted by the \$117.2 million net loss during the period, which included an \$8.9 million non-cash real estate inventory valuation adjustment, the majority of which was recorded in the first quarter of 2023 as a result of dislocated residential real estate market conditions.

In 2022, net cash provided by operating activities primarily resulted from a \$374.1 million decrease in real estate inventory due to an intentional reduction in inventory levels given the dramatic decline in consumer demand for residential real estate, which began toward the end of the second quarter of 2022 and continued through the remainder of the year. During this period of time, we focused on selling our existing inventory of homes acquired in the first half of the year and significantly reduced the number of new homes acquired in the second half of the year. Net cash provided by operating activities during the year ended December 31, 2022 was also impacted by the \$148.6 million net loss during the year, which included a \$93.8 million non-cash inventory valuation adjustment as a result of the softening consumer demand for residential real estate, and a \$23.5 million non-cash gain as a result of the fair value adjustment of the warrant liabilities.

Investing Activities

Net cash provided by (used in) investing activities was \$2.0 million and \$(1.1) million and for the years ended December 31, 2023 and 2022, respectively. Net cash provided by investing activities during 2023 principally represents proceeds from the sale of derivative instruments, which was partially offset by purchases of derivative instruments during the year.

Net cash used in investing activities during 2022 represents purchases of property and equipment.

Financing Activities

Net cash used in financing activities was \$324.0 million and \$358.5 million for the years ended December 31, 2023 and 2022, respectively. Net cash used in financing activities during 2023 primarily consisted of \$1,286.8 million of repayments of credit facilities and other debt, which was partially offset by \$875.6 million of borrowings from credit facilities and other debt. This net decrease in credit facility funding of \$411.2 million was directly related to the decrease in financed real estate inventory during the period. This was partially offset by \$90.0 million of proceeds from the issuance of pre-funded warrants, net of issuance costs of \$0.8 million.

Net cash used in financing activities during 2022 primarily consisted of \$3,540.5 million of repayments of credit facilities and other debt, which was partially offset by \$3,178.0 million of borrowings from credit facilities and other debt. This net decrease in credit facility funding of \$362.5 million was directly related to the decrease in financed inventory during 2022.

Material Cash Requirements and Other Obligations

Our material cash requirements include the following contractual obligations and other commitments.

Credit Facilities and Other Debt

As of December 31, 2023, we had aggregate outstanding principal amounts on our senior and mezzanine secured credit facilities of \$222.9 million and \$36.5 million, respectively. Estimated interest payments, which have been calculated using the

applicable variable interest rate in existence at December 31, 2023 over an assumed holding period of 97 days, total \$5.0 million and \$1.4 million under the respective facilities. Borrowings under the senior and mezzanine secured credit facilities are required to be repaid as the related real estate inventory is sold, which is expected to be within 12 months from December 31, 2023.

Home Purchase Commitments

As of December 31, 2023, we were under contract to purchase 500 homes for an aggregate purchase price of \$135.1 million, all of which are expected to close within 12 months.

Other Purchase Obligations

We have other purchase obligations which principally include commitments relating to insurance, information technology, administration services, and marketing. As of December 31, 2023, we had other purchase obligations of \$7.3 million, with \$5.8 million payable within 12 months.

Operating Leases

We have operating lease arrangements consisting of our existing corporate headquarters in Chandler, Arizona and field office facilities in most of the metropolitan markets in which we operate in the United States. As of December 31, 2023, we had \$3.8 million of total future lease payments, including imputed interest, associated with our operating lease arrangements, of which, \$2.4 million is short-term.

Additionally, we have entered into a lease agreement for new corporate headquarters office space in Tempe, Arizona, which commenced during January 2024 and is for an initial term of ten and a half years, with an option to renew for an additional five-year term. Lease payments over the initial term of the lease, net of allowances, total \$15.4 million, and will begin during 2025. Further, additional payments for parking, signage and other operating costs may apply during the lease.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with GAAP. In doing so, we make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the periods presented. Although we believe our estimates, judgments and assumptions are reasonable, actual results may differ from our estimates under different assumptions, judgments or conditions given the inherent uncertainty involved with such matters, which would impact our financial statements. We base our estimates on historical experience and various other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis.

Our significant accounting policies and methods used in the preparation of our consolidated financial statements are described in *Note 1. Nature of Operations and Significant Accounting Policies* to the consolidated financial statements included in Item 8 of Part II of this Annual Report on Form 10-K. Of our significant accounting policies, we believe the assumptions and judgments involved in the accounting estimates described below are the most critical as they involve a high level of uncertainty at the time the estimate is made, and changes in the estimates have had or are reasonably likely to have a material impact on our consolidated financial statements.

Real Estate Inventory

We review real estate inventory for valuation adjustments on a quarterly basis, or more frequently if events or changes in circumstances indicate that the carrying value of real estate inventory may not be recoverable. We evaluate real estate inventory for indicators that net realizable value is lower than cost at the individual home level. When evidence exists that the net realizable value of real estate inventory is lower than its cost, the difference is recognized as a real estate inventory valuation adjustment in cost of revenue and the related real estate inventory is adjusted to its net realizable value.

Our inventory valuation adjustment calculations contain uncertainties because they require management to make assumptions and apply judgment in determining the net realizable value for each home. Key assumptions used in estimating the net realizable value for each home include the projected home sales price and expected selling costs. Estimates of home sales prices and selling costs are based on internal projections and consider multiple factors, including recent comparable home sale transactions in the specific area where the home is located, forecasts about the residential real estate market conditions in both the local market in which the home is located and in the U.S. in general, and the impact of national, regional or local economic conditions. These estimates are subjective and are affected by factors such as changes in economic conditions and changes in operating performance.

For individual homes or portfolios of homes under contract to sell as of the real estate inventory valuation assessment date, if the carrying value exceeds the contract price less expected selling costs, the carrying value of these homes are adjusted to the

contract price less expected selling costs. For all other homes, if the carrying value exceeds the expected sale price less expected selling costs, the carrying value of these homes are adjusted to the expected sale price less expected selling costs.

We recorded real estate inventory valuation adjustments of \$8.9 million, \$93.8 million, and \$2.8 million during the years ended December 31, 2023, 2022, and 2021, respectively.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, refer to *Note 1. Nature of Operations and Significant Accounting Policies* in Item 8, *Financial Statements and Supplementary Data*.

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

We are exposed to economic and other market risks, which principally includes changes in interest rates.

Interest Rate Risk

We are subject to market risk associated with changing interest rates within our variable rate senior and mezzanine secured credit facilities, and other secured debt arrangements. Increases in interest rates generally increase the interest expense incurred on borrowings under such credit facilities and arrangements. From time to time, we may use derivative financial instruments as economic hedges to manage risks that are principally associated with interest rate fluctuations.

As of December 31, 2023, our exposure to changes in interest rates for these debt arrangements is principally associated with the Secured Overnight Financing Rate (“SOFR”). We had outstanding borrowings on our senior and mezzanine secured credit facilities of \$222.9 million and \$36.5 million, respectively, as of December 31, 2023, and there were no amounts outstanding under our other senior secured debt arrangement. Borrowings under these debt arrangements accrue interest at a floating rate based on a SOFR reference rate plus a margin. Assuming no change in the outstanding borrowings on our senior and mezzanine secured credit facilities, we estimate that a one percentage point increase in SOFR would have increased our annual interest expense by \$2.6 million during the year ended December 31, 2023.

As of December 31, 2022, our exposure to changes in interest rates within our variable rate senior secured credit facilities and other senior secured debt was principally associated with SOFR. Assuming no change in the outstanding borrowings on our senior secured credit facilities as of December 31, 2022, we estimate that a one percentage point increase in SOFR would have increased our annual interest expense by \$4.9 million during the year ended December 31, 2022.

Item 8. Financial Statements and Supplementary Data.

<u>Report of Independent Registered Public Accounting Firm (PCAOB ID No. 34)</u>	58
<u>Consolidated Balance Sheets</u>	60
<u>Consolidated Statements of Operations</u>	61
<u>Consolidated Statements of Changes in Temporary Equity and Stockholders' Equity (Deficit)</u>	62
<u>Consolidated Statements of Cash Flows</u>	63
<u>Notes to Consolidated Financial Statements</u>	64

Report of Independent Registered Public Accounting Firm

To the stockholders and the Board of Directors of Offerpad Solutions Inc.

Opinion on the Financial Statements

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

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2024, expressed an unqualified opinion on the Company’s internal control over financial reporting.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Inventory – Valuation – Refer to Notes 1 and 3 to the financial statements

Critical Audit Matter Description

As described in Note 1 of the financial statements, the Company carries real estate inventory of acquired homes at the lower of cost or net realizable value. Real estate inventory is reviewed at least quarterly for valuation adjustment indicators that net realizable value may be lower than cost. If the net realizable value is lower than cost, an inventory valuation adjustment is recorded to cost of revenue and the related real estate inventory is adjusted to its net realizable value. For homes that are not under contract, if the carrying value exceeds the expected sales price less expected selling costs, the carrying value of these homes are adjusted to the expected sales price less expected selling costs.

We identified the expected sales price estimate used in the real estate inventory valuation adjustment analysis for homes that are not under contract to be a critical audit matter due to the subjectivity of management’s market comparables used in estimating the expected sales price. The evaluation of real estate inventory recoverability for homes not under contract required a high degree of auditor judgment and an increased extent of effort to evaluate the reasonableness of the expected sales price estimate used in management’s valuation adjustment analysis.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to evaluating the expected sales price estimate included the following, among others:

- We tested the design and effectiveness of the Company's internal controls related to management's real estate inventory valuation adjustment analysis, including those over the determination of the expected sales price estimate.
- We evaluated management's ability to accurately estimate the expected sales price by comparing contract prices for homes that went under contract to the expected sales price estimate for these same homes used in management's valuation adjustment analysis.
- With the assistance of our internal fair value specialists, we evaluated the market comparables used by management for certain aged properties to determine the expected sales price estimate and compared selections for testing to external market sources.
- We tested the mathematical accuracy of management's analysis.
- We evaluated management's ability to develop reasonable estimates of the expected sales price by comparing prior period estimates of expected sales price to actual selling prices for homes sold in the current period.
- We evaluated external macroeconomic market sources regarding trends and changing market conditions.

/s/ DELOITTE & TOUCHE LLP

Tempe, Arizona
February 27, 2024

We have served as the Company's auditor since 2019.

OFFERPAD SOLUTIONS INC.
Consolidated Balance Sheets

<i>(in thousands, except par value per share)</i>	As of December 31,	
	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 75,967	\$ 97,241
Restricted cash	3,967	43,058
Accounts receivable	9,935	2,350
Real estate inventory	276,500	664,697
Prepaid expenses and other current assets	5,236	6,833
Total current assets	371,605	814,179
Property and equipment, net	4,517	5,194
Other non-current assets	3,572	5,696
TOTAL ASSETS	(1) <u>\$ 379,694</u>	(1) <u>\$ 825,069</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,946	\$ 4,647
Accrued and other current liabilities	13,859	28,252
Secured credit facilities and other debt, net	227,132	605,889
Secured credit facilities and other debt - related party	30,092	60,176
Total current liabilities	276,029	698,964
Warrant liabilities	471	539
Other long-term liabilities	1,418	3,689
Total liabilities	(2) <u>277,918</u>	(2) <u>703,192</u>
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Class A common stock, \$0.0001 par value; 2,000,000 shares authorized; 27,233 and 15,491 shares issued and outstanding as of December 31, 2023 and 2022, respectively	3	2
Class B common stock, zero shares authorized, issued and outstanding as of December 31, 2023; and \$0.0001 par value, 20,000 shares authorized; 988 shares issued and outstanding as of December 31, 2022	—	—
Additional paid in capital	499,660	402,544
Accumulated deficit	(397,887)	(280,669)
Total stockholders' equity	101,776	121,877
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 379,694</u>	<u>\$ 825,069</u>

- (1) Our consolidated assets as of December 31, 2023 and 2022 include the following assets of certain variable interest entities (“VIEs”) that can only be used to settle the liabilities of those VIEs: Restricted cash, \$3,867 and \$42,958; Accounts receivable, \$6,782 and \$1,841; Real estate inventory, \$276,500 and \$664,697; Prepaid expenses and other current assets, \$1,588 and \$212; Total assets of \$288,737 and \$709,708, respectively.
- (2) Our consolidated liabilities as of December 31, 2023 and 2022 include the following liabilities for which the VIE creditors do not have recourse to Offerpad: Accounts payable, \$1,798 and \$1,976; Accrued and other current liabilities, \$2,027 and \$4,408; Secured credit facilities and other debt, net, \$257,224 and \$666,065; Total liabilities, \$261,049 and \$672,449, respectively.

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

OFFERPAD SOLUTIONS INC.
Consolidated Statements of Operations

<i>(in thousands, except per share data)</i>	Year Ended December 31,		
	2023	2022	2021
Revenue	\$ 1,314,412	\$ 3,952,314	\$ 2,070,446
Cost of revenue	1,244,231	3,769,892	1,862,631
Gross profit	70,181	182,422	207,815
Operating expenses:			
Sales, marketing and operating	116,558	238,931	146,872
General and administrative	50,091	58,718	30,317
Technology and development	7,945	12,090	10,860
Total operating expenses	174,594	309,739	188,049
(Loss) income from operations	(104,413)	(127,317)	19,766
Other income (expense):			
Change in fair value of warrant liabilities	68	23,522	2,464
Interest expense	(18,859)	(45,991)	(15,848)
Other income, net	6,149	1,532	248
Total other expense	(12,642)	(20,937)	(13,136)
(Loss) income before income taxes	(117,055)	(148,254)	6,630
Income tax expense	(163)	(359)	(170)
Net (loss) income	\$ (117,218)	\$ (148,613)	\$ 6,460
Net (loss) income per share, basic	\$ (4.44)	\$ (9.09)	\$ 0.82
Net (loss) income per share, diluted	\$ (4.44)	\$ (9.09)	\$ 0.68
Weighted average common shares outstanding, basic	26,385	16,343	7,905
Weighted average common shares outstanding, diluted	26,385	16,343	9,548

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

OFFERPAD SOLUTIONS INC.
Consolidated Statements of Changes in Temporary Equity and Stockholders' Equity (Deficit)

	Temporary Equity										Stockholders' (Deficit) Equity								
	Series A Convertible Preferred Stock		Series A-2 Convertible Preferred Stock		Series B Convertible Preferred Stock		Series C Convertible Preferred Stock		Common Stock		Additional Paid in Capital		Accumulated Deficit		Treasury Stock		Total Stockholders' (Deficit) Equity		
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Equity		
<i>(in thousands)</i>																			
Balance at December 31, 2020	20,907	\$ 14,921	10,905	\$ 7,470	8,522	\$ 7,463	49,845	\$ 49,845	59,985	\$ 104,424	—	—	—	—	—	—	—	—	647
Issuance of common stock upon exercise of stock options	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Rescission of common stock upon early exercise of stock options	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Redemption of early exercised stock options	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vesting of early exercised stock options	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of preferred stock to common stock	(20,907)	(14,921)	(10,905)	(7,470)	(8,522)	(7,463)	(49,845)	(49,845)	(59,985)	(104,424)	—	—	—	—	—	—	—	—	171
Issuance of Class A common stock and Class B common stock in connection with BusinessCombination	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3,079
Net income	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6,460
Balance at December 31, 2021	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of common stock upon vesting of restricted stock units	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(57)
Stock-based compensation expense	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	8,307
Balance at December 31, 2022	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of common stock upon vesting of restricted stock units	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Exercise of pre-funded warrants, net	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Exercise of pre-funded warrants	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Balance at December 31, 2023	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

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

OFFERPAD SOLUTIONS INC.
Consolidated Statements of Cash Flows

(\$ in thousands)	Year Ended December 31,		
	2023	2022	2021
Cash flows from operating activities:			
Net (loss) income	\$ (117,218)	\$ (148,613)	\$ 6,460
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Depreciation	728	1,022	523
Amortization of debt financing costs	4,343	2,948	916
Real estate inventory valuation adjustment	8,937	93,810	2,843
Stock-based compensation	7,915	8,307	3,079
Change in fair value of warrant liabilities	(68)	(23,522)	(2,464)
Gain on sale of derivative instruments	(2,124)	—	—
Loss (gain) on disposal of property and equipment	76	—	(246)
Changes in operating assets and liabilities:			
Accounts receivable	(7,585)	3,815	(3,845)
Real estate inventory	379,260	374,064	(949,591)
Prepaid expenses and other assets	3,733	(275)	(5,288)
Accounts payable	299	(1,752)	4,130
Accrued and other liabilities	(16,664)	(4,402)	21,563
Net cash provided by (used in) operating activities	261,632	305,402	(921,920)
Cash flows from investing activities:			
Purchases of property and equipment	(127)	(1,070)	(13,687)
Purchases of derivative instruments	(2,569)	—	—
Proceeds from sale of derivative instruments	4,681	—	—
Proceeds from sale of property and equipment	—	—	2,032
Net cash provided by (used in) investing activities	1,985	(1,070)	(11,655)
Cash flows from financing activities:			
Borrowings from credit facilities and other debt	875,559	3,178,033	2,764,071
Repayments of credit facilities and other debt	(1,286,795)	(3,540,466)	(1,912,837)
Payment of debt financing costs	(1,948)	(646)	(7,632)
Borrowings from warehouse lending facility	25,193	—	—
Repayments of warehouse lending facility	(25,193)	—	—
Proceeds from issuance of pre-funded warrants	90,000	—	—
Proceeds from exercise of pre-funded warrants	11	—	—
Issuance cost of pre-funded warrants	(784)	—	—
Proceeds from exercise of stock options	53	4,898	902
Payments for taxes related to stock-based awards	(78)	(285)	—
Proceeds from Business Combination	—	—	284,011
Issuance cost of common stock	—	—	(51,249)
Net cash (used in) provided by financing activities	(323,982)	(358,466)	1,077,266
Net change in cash, cash equivalents and restricted cash	(60,365)	(54,134)	143,691
Cash, cash equivalents and restricted cash, beginning of period	140,299	194,433	50,742
Cash, cash equivalents and restricted cash, end of period	\$ 79,934	\$ 140,299	\$ 194,433
Reconciliation of cash, cash equivalents and restricted cash to the consolidated balance sheet:			
Cash and cash equivalents	\$ 75,967	\$ 97,241	\$ 169,817
Restricted cash	3,967	43,058	24,616
Total cash, cash equivalents and restricted cash	\$ 79,934	\$ 140,299	\$ 194,433
Supplemental disclosure of cash flow information:			
Cash payments for interest	\$ 24,730	\$ 59,732	\$ 21,875
Supplemental disclosure of non-cash investing and financing activities:			
Transfer of property and equipment, net to real estate inventory	\$ —	\$ —	\$ 14,464
Acquisition of warrant liabilities	\$ —	\$ —	\$ 26,525
Conversion of preferred stock to common stock	\$ —	\$ —	\$ 184,123
Conversion of treasury stock	\$ —	\$ —	\$ 10,650

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

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies

Description of Business

Offerpad was founded in 2015 and together with its subsidiaries, is a customer-centric, home buying and selling platform that provides customers with the ultimate home transaction experience, offering simplicity, peace of mind, freedom, and value. The Company is currently headquartered in Chandler, Arizona and operates in over 1,700 cities and towns in 25 metropolitan markets across 15 states as of December 31, 2023.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”).

Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification (“ASC”) and Accounting Standards Update (“ASU”) of the Financial Accounting Standards Board (“FASB”).

Offerpad Solutions Inc. was formed on September 1, 2021 through a business combination (the “Business Combination”) with Supernova Partners Acquisition Company, Inc. (“Supernova”). In connection with the closing of the Business Combination, Supernova changed its name to Offerpad Solutions Inc. The Business Combination was accounted for as a reverse recapitalization.

Reverse Stock Split

On June 8, 2023, the Company’s stockholders approved a reverse stock split of the Company’s Class A common stock, par value \$0.0001 per share (“Class A Common Stock”) and Class B common stock, par value \$0.0001 per share (“Class B Common Stock”) and together with Class A Common Stock, “Common Stock”) at a ratio ranging from any whole number between 1-for-10 and 1-for-60, as determined by the Company’s Board of Directors (the “Board”) in its discretion. Following the Company’s 2023 annual meeting of stockholders (the “Annual Meeting”), the Board approved a 1-for-15 reverse stock split (the “Reverse Stock Split”) of the Company’s Common Stock. On June 12, 2023, the Company filed a certificate of amendment to its Third Restated Certificate of Incorporation (as amended from time to time, the “Certificate of Incorporation”) with the Secretary of State of the State of Delaware to effect the Reverse Stock Split, and the Company’s Class A Common Stock began trading on a split-adjusted basis at market open on June 13, 2023 under the existing symbol “OPAD”.

As a result of the Reverse Stock Split, every 15 shares of the Company’s Common Stock issued and outstanding as of the effective time of the Reverse Stock Split were automatically converted into one share of Common Stock. No fractional shares were issued in connection with the Reverse Stock Split. Instead, each stockholder received a cash payment in lieu thereof at a price equal to the fraction of one share to which the stockholder would otherwise be entitled multiplied by the closing price per share of Class A Common Stock (as adjusted for the Reverse Stock Split) on the New York Stock Exchange (“NYSE”) on June 12, 2023, the last trading day immediately preceding the effective time of the Reverse Stock Split.

Further, proportionate adjustments were made to the number of shares of Common Stock underlying the Company’s outstanding equity awards and the number of shares issuable under the Company’s equity incentive plans and existing agreements, as well as the exercise price and/or any stock price goals, as applicable. The Reverse Stock Split did not affect the number of authorized shares of Common Stock or the par value of the Common Stock. However, pursuant to the terms of the applicable warrant agreement, the number of shares of Class A Common Stock issuable on exercise of each warrant was proportionately decreased. Specifically, following effectiveness of the Reverse Stock Split, every 15 shares of Class A Common Stock that may be purchased pursuant to the exercise of public warrants now represents one share of Class A Common Stock that may be purchased pursuant to such warrants. Accordingly, every 15 warrants are exercisable for one share of Class A Common Stock at an exercise price of \$172.50 per share.

All share and per share amounts in the accompanying consolidated financial statements have been retroactively adjusted to reflect the Reverse Stock Split for all periods presented.

Use of Estimates

The preparation of the Company’s consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Significant estimates include those related to the net realizable value of real estate inventory, among others. Actual results could differ from those estimates.

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

Principles of Consolidation

The Company's consolidated financial statements include the assets, liabilities, revenues and expenses of the Company, its wholly-owned operating subsidiaries and variable interest entities where the Company is the primary beneficiary. All intercompany accounts and transactions have been eliminated in consolidation.

Segment Reporting

The Company's Chief Executive Officer, who is the Company's Chief Operating Decision Maker, reviews the financial information presented on a consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance. As such, the Company has determined that it is organized and operated as one operating and reportable segment on a consolidated basis for each of the periods presented.

Cash and Cash Equivalents

Cash includes demand deposits with banks and financial institutions. Cash equivalents include only investments with original maturities to us of three months or less that are highly liquid and readily convertible to known amounts of cash.

Restricted Cash

Restricted cash primarily consists of cash received from the resale of homes that is specifically designated to repay borrowings under one of the Company's secured credit facilities and is typically released within a few days of the home sale.

Concentrations of Credit Risk

Financial instruments that are potentially subject to concentrations of credit risk are primarily cash and cash equivalents. Cash and cash equivalents are placed with major financial institutions deemed to be of high-credit-quality in order to limit credit exposure. Cash is regularly maintained in excess of federally insured limits at the financial institutions. Management believes that the Company is not exposed to any significant credit risk related to cash deposits.

Accounts Receivable

Accounts receivable is principally generated through the sale of a home and generally results in a one- or two-day delay in receiving cash from the title company. Accounts receivable is stated at the amount management expects to collect from outstanding balances. Most of the Company's transactions are processed through escrow and therefore, collectability is reasonably assured. The Company reviews accounts receivable on a regular basis and estimates an amount of losses for uncollectible accounts based on its historical collections, age of the receivable, and any other known conditions that may affect collectability.

Real Estate Inventory

Real estate inventory consists of acquired homes and is stated at the lower of cost or net realizable value, with cost and net realizable value determined by the specific identification of each home. Costs include initial purchase costs and renovation costs, as well as holding costs and interest incurred during the renovation period, prior to the listing date. Selling costs, including commissions and holding costs incurred after the listing date, are expensed as incurred and included in sales, marketing and operating expenses.

The Company reviews real estate inventory for valuation adjustments on a quarterly basis, or more frequently if events or changes in circumstances indicate that the carrying value of real estate inventory may not be recoverable. The Company evaluates real estate inventory for indicators that net realizable value is lower than cost at the individual home level. The Company generally considers multiple factors in determining net realizable value for each home, including recent comparable home sale transactions in the specific area where the home is located, the residential real estate market conditions in both the local market in which the home is located and in the U.S. in general, the impact of national, regional or local economic conditions and expected selling costs. When evidence exists that the net realizable value of real estate inventory is lower than its cost, the difference is recognized as a real estate inventory valuation adjustment in cost of revenue and the related real estate inventory is adjusted to its net realizable value.

For individual homes or portfolios of homes under contract to sell as of the real estate inventory valuation assessment date, if the carrying value exceeds the contract price less expected selling costs, the carrying value of these homes are adjusted to the contract price less expected selling costs. For all other homes, if the carrying value exceeds the expected sale price less expected selling costs, the carrying value of these homes are adjusted to the expected sale price less expected selling costs. Changes in the Company's pricing assumptions may lead to a change in the outcome of the real estate inventory valuation analysis, and actual results may differ from the Company's assumptions.

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

The Company recorded real estate inventory valuation adjustments of \$8.9 million, \$93.8 million, and \$2.8 million during the years ended December 31, 2023, 2022, and 2021, respectively. Refer to *Note 3. Real Estate Inventory*, for further details.

Derivative Financial Instruments

From time to time, the Company uses derivative financial instruments to manage risks related to its ongoing business operations. The Company's derivative financial instruments are not designated as hedging instruments, but rather, are used as economic hedges to manage risks that are principally associated with interest rate fluctuations. The Company records these derivatives that are not designated as accounting hedges at fair value in *Prepaid expenses and other current assets* in the consolidated balance sheets, and changes in fair value are recognized in *Other income, net* in the consolidated statements of operations. Refer to *Note 4. Derivative Financial Instruments*, for further details.

Property and Equipment

Property and equipment is recorded at cost less accumulated depreciation, and primarily consists of rooftop solar panel systems installed on residential real estate. The Company depreciates its property and equipment using the straight-line method over the estimated useful lives of the related assets, which are as follows:

Property and Equipment Category	Estimated Useful Life
Rooftop solar panel systems	Twenty years
Leasehold improvements	Lesser of estimated useful life or remaining lease term
Computers and equipment	Five years
Office equipment and furniture	Seven years
Software systems	Three to five years

Refer to *Note 5. Property and Equipment*, for further details.

Leases

The Company determines if an arrangement is or contains a lease at inception of the arrangement. For leases with terms greater than 12 months, the Company records the related operating or finance right-of-use asset and lease liability at the present value of the future lease payments over the lease term at the lease commencement date. The Company is generally not able to readily determine the implicit rate in its lease arrangements, and therefore, uses its incremental borrowing rate at lease commencement to determine the present value of lease payments. The incremental borrowing rate represents the Company's estimate of the interest rate the Company would incur at lease commencement to borrow an amount similar to the lease payments on a collateralized basis over the term of a lease. Renewal and early termination options are not included in the measurement of the right-of-use asset and lease liability unless the Company is reasonably certain to exercise the option. Additionally, certain leases contain lease incentives, such as construction allowances from landlords. These incentives reduce the right-of-use asset related to the lease.

Certain of the Company's leases contain rent escalations over the lease term. The Company recognizes expense for operating leases on a straight-line basis over the lease term. Certain of the Company's lease agreements also contain variable lease payments for common area maintenance, utility, and taxes. The Company combines lease and non-lease components for all asset categories. Therefore, the lease payments used to measure the lease liability for these leases include fixed minimum rentals along with non-lease component charges. The Company does not have significant residual value guarantees or restrictive covenants in its lease portfolio.

Operating lease assets and liabilities are included on the Company's Consolidated Balance Sheet in *Other non-current assets*, *Accrued and other current liabilities*, and *Other long-term liabilities*.

Refer to *Note 6. Leases*, for further details.

Long-Lived Asset Impairments

Long-lived assets, including property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent the carrying amount of the underlying asset exceeds its fair value.

The Company recognized no impairment charges on its long-lived assets during the years ended December 31, 2023, 2022, and 2021.

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

Warrant Liabilities

The Company evaluates its financial instruments, including its outstanding warrants, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. The Company has outstanding public and private warrants, both of which do not meet the criteria for equity classification and are accounted for as liabilities. Accordingly, the Company recognizes the warrants as liabilities at fair value and adjusts the warrants to fair value at each reporting period. The warrant liabilities are subject to re-measurement at each balance sheet date until exercised or expired, and any change in fair value is recognized in the Company's consolidated statements of operations.

The fair value of the public warrants is estimated based on the quoted market price of such warrants on the valuation date. The fair value of the private warrants is generally estimated using the Black-Scholes-Merton option-pricing model. Refer to *Note 9. Warrant Liabilities*, for further details.

Revenue Recognition

Revenue is recognized when (or as) performance obligations are satisfied by transferring control of the promised products or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those products or services. The Company applies the following steps in determining the timing and amount of revenue to recognize: (1) identify the contract with our customer; (2) identify the performance obligation(s) in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract, if applicable; and (5) recognize revenue when (or as) the performance obligation is satisfied.

Revenue from the sale of homes is derived from the resale of homes on the open market. Home sales revenue is recognized at the time of the transaction closing when title to and possession of the property are transferred to the buyer. The amount of revenue recognized for each home sale is equal to the sale price of the home net of resale concessions and credits to the buyer.

Cost of Revenue

Cost of revenue includes the initial purchase costs, renovation costs, holding costs and interest incurred during the renovation period, prior to the listing date and real estate inventory valuation adjustments, if any. These costs are accumulated in real estate inventory up until the home is ready for resale, and then charged to cost of revenue under the specific identification method when the property is sold.

Sales, Marketing and Operating

Sales, marketing and operating expenses consist of real estate agent commissions, advertising, and holding costs on homes incurred during the period that homes are listed for sale, which includes utilities, taxes, maintenance, and other costs. Sales, marketing and operating expense also includes headcount expenses in support of sales, marketing, and real estate inventory operations such as salaries, benefits, and stock-based compensation. Sales, marketing and operating expenses are charged to operations as incurred. The Company incurred advertising expenses of \$30.9 million, \$46.5 million, and \$45.3 million during the years ended December 31, 2023, 2022, and 2021, respectively.

Technology and Development

Technology and development expenses consist of headcount expenses, including salaries, benefits and stock-based compensation expense for employees and contractors engaged in the design, development, and testing of website applications, mobile applications, and software development. Technology and development expenses are charged to operations as incurred.

Stock-Based Compensation

Stock-based compensation awards consist of restricted stock units, performance-based restricted stock units, other stock or cash based awards, and stock options. The Company measures and recognizes compensation expense for all stock-based compensation awards based on their estimated fair values on the grant date. The Company records compensation expense for all stock-based compensation awards on a straight-line basis over the requisite service period of the awards, which is generally the vesting period of the award. These amounts are reduced by forfeitures in the period the forfeitures occur.

Restricted Stock Units

The Company determines the fair value of restricted stock units based on the closing price of the Company's Class A common stock on the grant date.

Performance-Based Restricted Stock Units and Other Cash or Stock-Based Awards

The Company granted performance-based restricted stock units during the year ended December 31, 2022, and other cash or stock-based awards during the year ended December 31, 2023. The Company determined the fair value of these awards using a

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

Monte Carlo simulation model that determines the probability of satisfying the market condition stipulated in the respective awards. The Monte Carlo simulation model incorporates various key assumptions, including expected stock price volatility, contractual term, risk-free interest rate, expected dividend yield and stock price on the grant date. The Company generally estimates expected stock price volatility based on its historical stock price volatility and/or the average historical volatility of similar publicly traded companies. The Company estimates the risk-free interest rate using the rate of return on U.S. treasury notes equal to the contractual term of the respective awards. The expected dividend yield assumption considers that the Company has not historically paid dividends and does not expect to pay dividends in the foreseeable future.

Stock Options

The Company uses the Black-Scholes-Merton option pricing model to determine the fair value of stock option awards as of the grant date, with assumptions including expected term of the options, associated risk-free interest rate, expected volatility, and expected dividend yield.

Refer to *Note 12. Stock-Based Awards*, for further details.

Employee Benefit Plan

The Company offers a 401(k) plan which provides employees the opportunity to contribute a portion of their pre-tax or post-tax earnings, subject to certain restrictions as set forth in the Internal Revenue Code. Beginning January 1, 2022, the Company matches 100% of participant contributions, up to 2.5% of eligible compensation. The Company contributed \$1.0 million and \$1.6 million to the 401(k) plan during the years ended December 31, 2023 and 2022, respectively.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and deferred tax liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, the Company determines deferred tax assets and liabilities on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period when the new rate is enacted.

The Company records a valuation allowance to reduce deferred tax assets to the amount that it believes is more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, carryback potential if permitted under the tax laws, and results of recent operations. If the Company determines that it would be able to realize its deferred tax assets in the future in excess of their net recorded amount, the Company would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company evaluates and accounts for uncertain tax positions using a two-step approach. Recognition (step one) occurs when the Company concludes that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination. Measurement (step two) determines the amount of benefit that is greater than 50% likely to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Derecognition of a tax position that was previously recognized would occur when the Company subsequently determines that a tax position no longer meets the more likely than not threshold of being sustained.

Refer to *Note 15. Income Taxes*, for further details.

Consolidation of Variable Interest Entities

The Company is a variable interest holder in certain entities in which equity investors at risk do not have the characteristics of a controlling financial interest or where the entity does not have enough equity at risk to finance its activities without additional subordinated financial support from other parties; these entities are VIEs. The Company's variable interest arises from contractual, ownership or other monetary interest in the entity, which fluctuates based on the VIE's economic performance. The Company consolidates a VIE if it is the primary beneficiary. The Company is the primary beneficiary if it has a controlling financial interest, which includes both the power to direct the activities that most significantly impact the economic performance of the VIE and a variable interest that obligates the Company to absorb losses or the right to receive benefits that potentially could be significant to the VIE. The Company assesses whether it is the primary beneficiary of a VIE on an ongoing basis. Refer to *Note 13. Variable Interest Entities*, for further details.

Fair Value Measurements

The Company accounts for assets and liabilities in accordance with accounting standards that define fair value and establish a consistent framework for measuring fair value on either a recurring or a nonrecurring basis. Fair value is an exit price

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

representing the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

Accounting standards include disclosure requirements relating to the fair values used for certain financial instruments and establish a fair value hierarchy. The hierarchy prioritizes valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of three levels:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Assets or liabilities valued based on observable market data for similar instruments, such as quoted prices for similar assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity; instruments valued based on the best available data, some of which is internally developed, and considers risk premiums that a market participant would require.

Refer to *Note 10. Fair Value Measurements*, for further details.

Recent Accounting Standards

Income Tax Disclosures

In December 2023, the FASB issued a new standard which is intended to improve an entity's income tax disclosures, primarily through disaggregated information about an entity's effective income tax rate reconciliation and additional disclosures about income taxes paid. The new standard is effective for annual periods beginning after December 15, 2024. Accordingly, the new standard is effective for the Company on January 1, 2025 on a prospective basis. The Company is currently evaluating the impact that the standard will have on its consolidated financial statements.

Segment Reporting

In November 2023, the FASB issued a new standard which is intended to improve disclosures about an entity's reportable segments, primarily through enhanced disclosures about significant segment expenses. The new standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. Accordingly, the new standard is effective for the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2024, and subsequent interim periods, using a retrospective approach. The Company is currently evaluating the impact that the standard will have on its consolidated financial statements.

Note 2. Business Combination

On September 1, 2021, the Company was formed through the Business Combination with Supernova. In connection with the closing of the Business Combination, Supernova changed its name to Offerpad Solutions Inc.

At the closing of the Business Combination, each share of common stock and preferred stock of OfferPad, Inc. ("Old Offerpad") that was issued and outstanding immediately prior to the effective time of the Business Combination (other than excluded shares as contemplated by the merger agreement) was cancelled and converted into the right to receive shares of Offerpad Solutions Inc. common stock.

We accounted for the Business Combination as a reverse recapitalization whereby Old Offerpad was determined as the accounting acquirer and Supernova as the accounting acquiree. Accordingly, the Business Combination was treated as the equivalent of Old Offerpad issuing stock for the net assets of Supernova, accompanied by a recapitalization. The net assets of Supernova are stated at historical cost, with no goodwill or other intangible assets recorded.

Upon the closing of the Business Combination, Offerpad Solutions received total gross proceeds of \$284.0 million. Total transaction costs were \$51.2 million, which principally consisted of advisory, legal and other professional fees.

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

Note 3. Real Estate Inventory

The components of real estate inventory, net of applicable lower of cost or net realizable value adjustments, consist of the following as of December 31:

<i>(\$ in thousands)</i>	2023	2022
Homes preparing for and under renovation	\$ 53,116	\$ 54,499
Homes listed for sale	148,648	440,862
Homes under contract to sell	74,736	169,336
Real estate inventory	\$ 276,500	\$ 664,697

Note 4. Derivative Financial Instruments

During the year ended December 31, 2023, the Company entered into derivative arrangements pursuant to which the Company paid a cumulative \$2.6 million to acquire options on U.S. Treasury futures. These options provided the Company with the right, but not the obligation, to purchase U.S. Treasury futures at a predetermined notional amount and stated term in the future.

The Company recorded the \$2.6 million premiums paid for the derivative instruments as derivative assets on the date the respective derivative arrangement was executed. During the year ended December 31, 2023, the Company recorded changes in the fair value of the derivative instruments of \$2.1 million in *Other income, net* in the consolidated statements of operations. During October 2023, the Company sold all of its outstanding derivative arrangements and no derivative arrangements remain outstanding as of December 31, 2023.

Note 5. Property and Equipment

Property and equipment consist of the following as of December 31:

<i>(\$ in thousands)</i>	2023	2022
Rooftop solar panel systems	\$ 5,075	\$ 5,075
Leasehold improvements	1,130	1,087
Office equipment and furniture	837	736
Software systems	386	386
Computers and equipment	265	265
Construction in progress	32	136
Property and equipment, gross	7,725	7,685
Less: accumulated depreciation	(3,208)	(2,491)
Property and equipment, net	\$ 4,517	\$ 5,194

Depreciation expense was \$0.7 million, \$1.0 million, and \$0.5 million during the years ended December 31, 2023, 2022, and 2021, respectively.

Note 6. Leases

The Company's operating lease arrangements consist of its existing corporate headquarters in Chandler, Arizona and field office facilities in most of the metropolitan markets in which the Company operates in the United States. These leases typically have original lease terms of 1 year to 10 years, and some leases contain multiyear renewal options. The Company does not have any finance lease arrangements.

The Company's operating lease costs are included in operating expenses in our consolidated statements of operations. During the years ended December 31, 2023, 2022, and 2021, operating lease cost was \$2.3 million, \$2.1 million, and \$1.4 million, respectively, and variable and short-term lease costs were less than \$0.1 million, \$0.3 million, and \$0.2 million, respectively.

During the years ended December 31, 2023, 2022, and 2021, cash payments for amounts included in the measurement of operating lease liabilities were \$2.5 million, \$2.0 million, and \$1.4 million, respectively. There were no right-of-use assets obtained in exchange for new or acquired operating lease liabilities during the year ended December 31, 2023. Right-of-use assets obtained in exchange for new or acquired operating lease liabilities were \$2.5 million and \$1.6 million during the years ended December 31, 2022 and 2021, respectively.

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

As of December 31, 2023 and 2022, the Company's operating leases had a weighted-average remaining lease term of 1.8 years and 2.7 years, respectively, and a weighted-average discount rate of 4.3% and 4.2%, respectively.

The Company's operating lease liability maturities as of December 31, 2023 are as follows:

(\$ in thousands)

2024	\$	2,373
2025		1,103
2026		269
2027		79
2028		—
Thereafter		—
Total future lease payments		3,824
Less: Imputed interest		(135)
Total lease liabilities	\$	<u>3,689</u>

The Company's operating lease right-of-use assets and operating lease liabilities, and the associated financial statement line items, are as follows as of December 31:

(\$ in thousands)

	Financial Statement Line Items	2023	2022
Right-of-use assets	Other non-current assets	\$ 3,338	\$ 5,469
Lease liabilities:			
Current liabilities	Accrued and other current liabilities	2,271	2,264
Non-current liabilities	Other long-term liabilities	1,418	3,689
Total lease liabilities		<u>\$ 3,689</u>	<u>\$ 5,953</u>

The Company entered into a lease agreement for new corporate headquarters office space in Tempe, Arizona, which commenced during January 2024 and is for an initial term of ten and a half years, with a Company option to renew for an additional five-year term. Lease payments over the initial term of the lease, net of allowances, total \$15.4 million, and will begin during 2025. Further, additional payments for parking, signage and other operating costs may apply during the lease.

Note 7. Accrued and Other Liabilities

Accrued and other current liabilities consist of the following as of December 31:

(\$ in thousands)

	2023	2022
Home renovation	3,534	3,168
Payroll and other employee related expenses	3,200	10,670
Operating lease liabilities	2,271	2,264
Interest	1,989	4,360
Marketing	999	4,161
Legal and professional obligations	392	1,035
Other	1,474	2,594
Accrued and other current liabilities	<u>\$ 13,859</u>	<u>\$ 28,252</u>

Other long-term liabilities consists of the non-current portion of our operating lease liabilities as of December 31, 2023 and 2022.

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

Note 8. Credit Facilities and Other Debt

The carrying value of the Company's credit facilities and other debt consists of the following as of December 31:

<i>(\$ in thousands)</i>	2023	2022
<i>Credit facilities and other debt, net</i>		
Senior secured credit facilities with financial institutions	\$ 216,654	\$ 471,860
Senior secured credit facility with a related party	6,289	17,398
Senior secured debt - other	—	89,024
Mezzanine secured credit facilities with financial institutions	12,704	49,626
Mezzanine secured credit facilities with a related party	23,803	42,778
Warehouse lending facility with a related party	—	—
Debt issuance costs	(2,226)	(4,621)
<i>Total credit facilities and other debt, net</i>	<u>257,224</u>	<u>666,065</u>
<i>Current portion - credit facilities and other debt, net</i>		
Total credit facilities and other debt, net	227,132	605,889
Total credit facilities and other debt - related party	30,092	60,176
<i>Total credit facilities and other debt, net</i>	<u>\$ 257,224</u>	<u>\$ 666,065</u>

The Company utilizes inventory financing facilities consisting of senior secured credit facilities, mezzanine secured credit facilities and other senior secured borrowing arrangements to provide financing for the Company's real estate inventory purchases and renovation. Borrowings under the Company's credit facilities and other debt are classified as current liabilities on the accompanying consolidated balance sheets as amounts drawn to purchase and renovate homes are required to be repaid as the related real estate inventory is sold, which is expected to be within 12 months.

As of December 31, 2023, the Company had a total borrowing capacity of \$1,052.0 million under its senior secured credit facilities and mezzanine secured credit facilities, of which \$562.2 million was committed. Any borrowings above the committed amounts are subject to the applicable lender's discretion.

Under the Company's senior secured credit facilities and mezzanine secured credit facilities, amounts can be borrowed, repaid and borrowed again during the revolving period. The borrowing capacity is generally available until the end of the applicable revolving period as reflected in the tables below. Outstanding amounts drawn under each senior secured credit facility and mezzanine secured credit facility are required to be repaid on the facility maturity date or earlier if accelerated due to an event of default or other mandatory repayment event.

The Company's senior secured credit facilities and mezzanine secured credit facilities have aggregated borrowing bases, which increase or decrease based on the cost and value of the properties financed under a given facility and the time that those properties are in the Company's possession. When the Company resells a home, the proceeds are used to reduce the corresponding outstanding balance under the related senior and mezzanine secured revolving credit facilities. The borrowing base for a given facility may be reduced as properties age beyond certain thresholds or the performance of the properties financed under that facility declines, and any borrowing base deficiencies may be satisfied through contributions of additional properties or partial repayment of the facility.

Senior Secured Credit Facilities

The following summarizes certain details related to the Company's senior secured credit facilities (in thousands, except interest rates):

As of December 31, 2023	Borrowing Capacity			Outstanding Amount	Weighted-Average Interest Rate	End of Revolving / Withdrawal Period	Final Maturity Date
	Committed	Uncommitted	Total				
Senior financial institution 1	\$ 200,000	\$ 200,000	\$ 400,000	\$ 135,676	7.91%	June 2025	June 2025
Senior financial institution 2	100,000	100,000	200,000	55,541	7.61%	January 2025	July 2025
Senior financial institution 3	100,000	50,000	150,000	6,453	7.11%	January 2025	April 2025
Related party	30,000	20,000	50,000	6,289	10.05%	March 2025	September 2025
Senior financial institution 4	30,000	45,000	75,000	18,984	8.42%	August 2024	February 2025
Senior secured credit facilities	<u>\$ 460,000</u>	<u>\$ 415,000</u>	<u>\$ 875,000</u>	<u>\$ 222,943</u>			

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

As of December 31, 2022	Borrowing Capacity			Outstanding Amount	Weighted-Average Interest Rate
	Committed	Uncommitted	Total		
Senior financial institution 1	\$ 300,000	\$ 300,000	\$ 600,000	\$ 228,823	4.74%
Senior financial institution 2	200,000	200,000	400,000	123,478	4.11%
Senior financial institution 3	125,000	375,000	500,000	119,559	4.48%
Related party	50,000	25,000	75,000	17,398	6.46%
Senior secured credit facilities	\$ 675,000	\$ 900,000	\$1,575,000	\$ 489,258	

As of December 31, 2023, the Company had five senior secured credit facilities, four with separate financial institutions and one with a related party, which holds more than 5% of our Class A common stock. Borrowings under the senior secured credit facilities accrue interest at a rate based on a Secured Overnight Financing Rate (“SOFR”) reference rate, plus a margin which varies by facility. Each of the Company’s senior secured credit facilities also have interest rate floors. The Company may also pay fees on its senior secured credit facilities, including a commitment fee and fees on certain unused portions of the committed borrowing capacity under the respective credit agreements.

Borrowings under the Company’s senior secured credit facilities are collateralized by the real estate inventory financed by the senior secured credit facility. The lenders have legal recourse only to the assets securing the debt and do not have general recourse against the Company with limited exceptions. The Company has, however, provided limited non-recourse carve-out guarantees under its senior and mezzanine secured credit facilities for certain of the SPEs’ obligations in situations involving “bad acts” by an Offerpad entity and certain other limited circumstances that are generally under the Company’s control. Each senior secured credit facility contains eligibility requirements that govern whether a property can be financed.

Mezzanine Secured Credit Facilities

The following summarizes certain details related to the Company’s mezzanine secured credit facilities (in thousands, except interest rates):

As of December 31, 2023	Borrowing Capacity			Outstanding Amount	Weighted-Average Interest Rate	End of Revolving / Withdrawal Period	Final Maturity Date
	Committed	Uncommitted	Total				
Related party facility 1	\$ 45,000	\$ 25,000	\$ 70,000	\$ 22,250	11.56%	June 2025	December 2025
Mezzanine financial institution 1	22,500	22,500	45,000	11,198	12.79%	January 2025	July 2025
Mezzanine financial institution 2	26,667	13,333	40,000	1,506	9.55%	January 2025	April 2025
Related party facility 2	8,000	14,000	22,000	1,553	13.05%	March 2025	September 2025
Mezzanine secured credit facilities	\$ 102,167	\$ 74,833	\$ 177,000	\$ 36,507			

As of December 31, 2022	Borrowing Capacity			Outstanding Amount	Weighted-Average Interest Rate
	Committed	Uncommitted	Total		
Related party facility 1	\$ 65,000	\$ 32,500	\$ 97,500	\$ 38,937	11.00%
Mezzanine financial institution 1	45,000	45,000	90,000	31,239	9.55%
Mezzanine financial institution 2	18,387	94,113	112,500	18,387	9.50%
Related party facility 2	35,000	17,500	52,500	3,841	11.05%
Mezzanine secured credit facilities	\$ 163,387	\$ 189,113	\$ 352,500	\$ 92,404	

As of December 31, 2023, the Company had four mezzanine secured credit facilities, two with separate financial institutions and two with a related party, which holds more than 5% of our Class A common stock. Borrowings under the Company’s mezzanine secured credit facilities accrue interest at a rate based on a SOFR reference rate, plus a margin which varies by facility. Each of the Company’s mezzanine secured credit facilities also have interest rate floors. The Company may also pay fees on its mezzanine secured credit facilities, including a commitment fee and fees on certain unused portions of the committed borrowing capacity under the respective credit agreements.

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

Borrowings under the Company's mezzanine secured credit facilities are collateralized by a second lien on the real estate inventory financed by the relevant credit facility. The lenders have legal recourse only to the assets securing the debt, and do not have general recourse to Offerpad with limited exceptions.

The Company's mezzanine secured credit facilities are structurally and contractually subordinated to the related senior secured credit facilities.

Maturities

Certain of the Company's secured credit facilities mature within the next twelve months following the date these consolidated financial statements are issued. The Company expects to enter into new financing arrangements or amend existing arrangements to meet its obligations as they come due, which the Company believes is probable based on its history of prior credit facility renewals. The Company believes cash on hand, together with proceeds from the resale of homes and cash from future borrowings available under each of the Company's existing credit facilities or the entry into new financing arrangements, will be sufficient to meet its obligations as they become due in the ordinary course of business for at least 12 months following the date these consolidated financial statements are issued.

Covenants for Senior Secured Credit Facilities and Mezzanine Secured Credit Facilities

The Company's secured credit facilities include customary representations and warranties, covenants and events of default. Financed properties are subject to customary eligibility criteria and concentration limits. The terms of these facilities and related financing documents require the Company to comply with a number of customary financial and other covenants, such as maintaining certain levels of liquidity, tangible net worth or leverage (ratio of debt to tangible net worth).

As of December 31, 2023, the Company was in compliance with all covenants and no event of default had occurred.

Senior Secured Debt - Other

The Company has a borrowing arrangement with a financial institution to support purchases of real estate inventory. Borrowings under this arrangement accrue interest at a rate based on a SOFR reference rate, plus a margin. There were no amounts outstanding under this borrowing arrangement as of December 31, 2023. The weighted-average interest rate under the Company's other senior secured debt was 7.23% as of December 31, 2022.

Warehouse Lending Facility with a Related Party

The Company has a warehouse lending facility with a related party that is used to fund mortgage loans the Company originates and then sells to third-party mortgage servicers. As of December 31, 2023, there were no amounts outstanding on the warehouse lending facility. Refer to *Note 16. Related-Party Transactions* for further details.

Note 9. Warrant Liabilities

Prior to the Reverse Stock Split, the Company had public warrants outstanding to purchase a total of 16.1 million shares of Class A common stock and private placement warrants outstanding to purchase a total of 5.7 million shares of Class A common stock, with each whole warrant being exercisable to purchase one share of Class A common stock at \$11.50 per share.

As a result of the Reverse Stock Split, and pursuant to the terms of the applicable warrant agreement, the number of shares of Class A Common Stock issuable on exercise of each warrant was proportionately decreased. Specifically, following effectiveness of the Reverse Stock Split, every 15 shares of Class A Common Stock that may be purchased pursuant to the exercise of warrants now represents one share of Class A Common Stock that may be purchased pursuant to such warrants. Accordingly, every 15 warrants are exercisable for one share of Class A Common Stock at an exercise price of \$172.50 per share.

Public Warrants

The public warrants became exercisable on October 23, 2021. A holder may exercise its warrants only for a whole number of shares of Class A common stock. The public warrants will expire September 1, 2026, or earlier upon redemption or liquidation. Pursuant to the terms of the warrant agreements, the Company may call the public warrants for redemption for cash or redeem the outstanding warrants for shares of Class A common stock under certain scenarios. The public warrants were delisted from the NYSE in November 2023 and have subsequently been trading on an over-the-counter market. Refer to *Note 10. Fair Value Measurements* for further details.

Private Placement Warrants

The private placement warrants are not redeemable by the Company so long as they are held by the Supernova Sponsor or its permitted transferees, except in certain limited circumstances. The Supernova Sponsor, or its permitted transferees, has the

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

option to exercise the private placement warrants on a cashless basis and the Supernova Sponsor and its permitted transferees has certain registration rights related to the private placement warrants (including the shares of Class A common stock issuable upon exercise of the private placement warrants). Except as described in this section, the private placement warrants have terms and provisions that are identical to those of the public warrants. If the private placement warrants are held by holders other than the Supernova Sponsor or its permitted transferees, the private placement warrants will be redeemable by the Company and exercisable by the holders on the same basis as the public warrants.

Note 10. Fair Value Measurements

The fair values of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, and certain prepaid and other current assets and accrued expenses approximate carrying values because of their short-term nature. The Company's credit facilities are carried at amortized cost and the carrying value approximates fair value because of their short-term nature.

The Company's assets and liabilities that are measured at fair value on a recurring basis consist of the following (in thousands):

As of December 31, 2023	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets			
Derivative financial instrument	\$ —	\$ —	\$ —
Liabilities			
Public warrant liabilities	\$ 305	\$ —	\$ —
Private placement warrant liabilities	\$ —	\$ —	\$ 166

As of December 31, 2022	Quoted Prices in Active Markets for Identical Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Public warrant liabilities	\$ 343	\$ —	\$ —
Private placement warrant liabilities	\$ —	\$ —	\$ 196

Derivative Financial Instrument

During the year ended December 31, 2023, the Company entered into derivative arrangements pursuant to which the Company acquired options on U.S. Treasury futures. The fair value of the Company's options on U.S. Treasury futures was determined based on the quoted market price of such options on the respective valuation dates throughout the year. During October 2023, the Company sold all of its derivative arrangements and no derivative arrangements remain outstanding as of December 31, 2023. Refer to *Note 4. Derivative Financial Instruments*, for further details.

Public Warrants

The public warrants were initially recognized as a liability in connection with the Business Combination on September 1, 2021. In November 2023, the Company received notice from the NYSE that the Company's public warrants were no longer suitable for listing based on "abnormally low" price levels, pursuant to Section 802.01D of the NYSE Listed Company Manual, and that the NYSE Regulation has determined to commence proceedings to delist the warrants. The Company did not appeal the NYSE's determination and, accordingly, the public warrants were later delisted from the NYSE and have subsequently been trading on an over-the-counter market.

The fair value of the public warrants is estimated based on the quoted market price of such warrants on the valuation date. The Company recorded changes in the fair value of the public warrants of less than \$0.1 million and \$14.0 million during the years ended December 31, 2023 and 2022, respectively. These changes are recorded in *Change in fair value of warrant liabilities* in our consolidated statements of operations.

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

Private Placement Warrants

The private placement warrants were initially recognized as a liability in connection with the Business Combination on September 1, 2021. The following summarizes the changes in the Company’s private placement warrant liabilities, which are measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the respective periods:

(\$ in thousands)	Year Ended December 31,	
	2023	2022
Beginning balance	\$ 196	\$ 9,705
Change in fair value of private placement warrants included in net (loss) income	(30)	(9,509)
Ending balance	\$ 166	\$ 196

The Company generally uses the Black-Scholes-Merton option-pricing model to determine the fair value of the private placement warrants, with assumptions including expected volatility, expected life of the warrants, associated risk-free interest rate, and expected dividend yield.

There were no transfers between Levels 1, 2, and 3 during the years ended December 31, 2023, 2022, and 2021.

Note 11. Stockholders’ Equity

Authorized Capital Stock

Prior to the Annual Meeting on June 8, 2023, the Company’s Certificate of Incorporation authorized the issuance of 2,370,000,000 shares of capital stock, which consisted of 2,000,000,000 shares of Class A common stock, 20,000,000 shares of Class B common stock, 250,000,000 shares of Class C common stock and 100,000,000 shares of preferred stock.

On January 31, 2023, Brian Bair, the Chief Executive Officer and Founder of the Company, notified the Board of his intention to convert all 14,816,236 shares of Class B common stock beneficially owned by him to an equivalent number of shares of Class A common stock (the “Voluntary Class B Conversion”) immediately following the conclusion of the Annual Meeting. On June 8, 2023, following the conclusion of the Annual Meeting, Mr. Bair effected the Voluntary Class B Conversion.

In connection with the Voluntary Class B Conversion, the Board approved amendments to the Certificate of Incorporation to, among other things, eliminate the authorization of and references to Class B common stock and Class C common stock, and make related technical, non-substantive and conforming changes. Upon the recommendation of the Board, the Company’s stockholders approved the amendments at the Annual Meeting. As a result of the amendments, the Company is no longer authorized to issue any shares of Class B Common Stock or Class C Common Stock.

On June 13, 2023, the Company filed a Certificate of Amendment with the Secretary of State of the State of Delaware, at which point the amendments became effective. The Company subsequently filed a Fourth Restated Certificate of Incorporation with the Secretary of State of the State of Delaware incorporating the amendments.

Following these amendments, the Company is authorized to issue 2,100,000,000 shares of capital stock, which consists of 2,000,000,000 shares of Class A common stock and 100,000,000 shares of preferred stock.

Class A Common Stock

Subsequent to the closing of the Business Combination, our Class A common stock and public warrants began trading on the NYSE under the symbols “OPAD” and “OPADWS,” respectively. During November 2023, our public warrants were delisted from the NYSE due to trading at “abnormally low” price levels and have subsequently been trading on the OTC Markets Group Pink Market under the symbol “OPADW.”

Pursuant to the Company’s Certificate of Incorporation, the Company is authorized to issue 2,000,000,000 shares of Class A common stock, par value \$0.0001 per share. The Reverse Stock Split did not affect the number of authorized shares or the par value of our Class A common stock.

During January 2023, we entered into a pre-funded warrants subscription agreement with the investors named therein (the “Investors”) pursuant to which we sold and issued to the Investors an aggregate of 160.7 million pre-funded warrants (the “Pre-funded Warrants”) to purchase shares of our Class A Common Stock. Each Pre-funded Warrant was sold at a price of \$0.5599 per Pre-funded Warrant and had an initial exercise price of \$0.0001 per Pre-funded Warrant, subject to certain customary anti-dilution adjustment provisions. The exercise price for the Pre-funded Warrants could be paid in cash or on a cashless basis, and the Pre-funded Warrants had no expiration date. The aggregate gross proceeds to us was approximately \$90.0 million, which is being used for general corporate purposes, including working capital.

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

The Pre-funded Warrants became exercisable during March 2023. All the Pre-funded Warrants were subsequently exercised prior to December 31, 2023, upon which, 10.7 million shares of our Class A common stock were issued.

As of December 31, 2023, we had 27,233,075 shares of Class A common stock issued and outstanding.

We also have outstanding private and public warrants to purchase shares of our Class A common stock. Refer to *Note 9. Warrant Liabilities*.

Preferred Stock

Pursuant to the Company's Certificate of Incorporation, the Company is authorized to issue 100,000,000 shares of preferred stock, par value \$0.0001 per share. Our Board has the authority without action by the stockholders, to designate and issue shares of preferred stock in one or more classes or series, and the number of shares constituting any such class or series, and to fix the voting powers, designations, preferences, limitations, restrictions and relative rights of each class or series of preferred stock, including, without limitation, dividend rights, conversion rights, redemption privileges and liquidation preferences, which rights may be greater than the rights of the holders of the common stock. As of December 31, 2023, there were no shares of preferred stock issued and outstanding.

Dividends

Our Class A common stock is entitled to dividends if and when any dividend is declared by our Board, subject to the rights of all classes of stock outstanding having priority rights to dividends. We have not paid any cash dividends on common stock to date. We may retain future earnings, if any, for the further development and expansion of our business and have no current plans to pay cash dividends for the foreseeable future. Any future determination to pay dividends will be made at the discretion of our Board and will depend on, among other things, our financial condition, results of operations, capital requirements, restrictions contained in future agreements and financing instruments, business prospects and such other factors as our Board may deem relevant.

Note 12. Stock-Based Awards

2016 Stock Plan

Prior to the closing of the Business Combination, the Company maintained the OfferPad 2016 Stock Option and Grant Plan (the "2016 Plan") that allowed for granting of incentive and non-qualified stock options to employees, directors, and consultants.

In connection with the Business Combination, each option to purchase Old Offerpad common stock granted under the 2016 Plan that was outstanding immediately prior to the Business Combination, whether vested or unvested, was assumed and converted into an option to purchase shares of Class A common stock. Stock option activity prior to the Business Combination was retroactively adjusted to reflect this conversion.

Awards outstanding under the 2016 Plan were assumed by Offerpad Solutions upon the closing of the Business Combination and continue to be governed by the terms and conditions of the 2016 Plan and applicable award agreement. Shares of our Class A common stock subject to awards granted under the 2016 Plan that expire unexercised or are cancelled, terminated, or forfeited in any manner without issuance of shares thereunder following the effective date of the 2021 Plan (as defined below), will not again become available for issuance under the 2016 Plan or the 2021 Plan.

In connection with the completion of the Business Combination and the adoption of the 2021 Plan, no additional awards have been or will be granted under the 2016 Plan.

As a result of the Reverse Stock Split, proportionate adjustments were made to the number of shares of Class A common stock underlying the outstanding equity awards under the 2016 Plan, as well as the exercise price associated with the awards.

2021 Equity Incentive Plans

In connection with the Business Combination, our Board adopted, and our stockholders approved, the Offerpad Solutions Inc. 2021 Incentive Award Plan (the "2021 Plan") under which 26,333,222 shares of Class A common stock were initially reserved for issuance. As a result of the Reverse Stock Split, proportionate adjustments were made to the number of shares of Class A common stock underlying the Company's outstanding equity awards under the 2021 Plan and the number of shares issuable under the Company's 2021 Plan and existing agreements, as well as the exercise price and/or any stock price goals, as applicable. Following the Reverse Stock Split, there were 1,755,548 shares of Class A common stock reserved for issuance under the 2021 Plan as of December 31, 2023.

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

The number of shares of the Company’s Class A common stock available for issuance under the 2021 Plan increases annually on the first day of each calendar year, beginning on and including January 1, 2022 and ending on and including January 1, 2031 equal to the lesser of (i) a number of shares such that the aggregate number of shares of Class A common stock available for grant under the 2021 Plan immediately following such increase shall be equal to 5% of the number of fully-diluted shares on the final day of the immediately preceding calendar year and (ii) such smaller number of shares of Class A common stock as is determined by the Company’s Board. Pursuant to the annual increase under the terms of the 2021 Plan, the overall share limit was increased by 122,360 shares of Class A common stock on January 1, 2024. Following this increase, there were 1,877,908 shares reserved for issuance under the 2021 Plan.

The 2021 Plan allows for the issuance of incentive and non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units and other stock or cash based awards. As of December 31, 2023, the Company has granted stock options, restricted stock units (“RSUs”), performance-based RSUs (“PSUs”) and other stock or cash based awards under the 2021 Plan.

In connection with the close of the Business Combination, our Board adopted, and our stockholders approved, the Offerpad Solutions Inc. 2021 Employee Stock Purchase Plan (“ESPP”) under which 2,633,322 shares of Class A common stock were initially reserved for issuance. As a result of the Reverse Stock Split, proportionate adjustments were made to the number of shares of Class A common stock issuable under the ESPP. Following the Reverse Stock Split, there were 175,554 shares of Class A common stock reserved for issuance under the ESPP as of December 31, 2023.

The number of shares of the Company’s Class A common stock available for issuance under the ESPP increases annually on the first day of each calendar year, beginning on and including January 1, 2022 and ending on and including January 1, 2031, by the lesser of (a) a number of shares such that the aggregate number of shares of Class A common stock available for grant under the ESPP immediately following such increase shall be equal to 1% of the number of fully-diluted shares on the final day of the immediately preceding calendar year and (b) such smaller number of shares of Class A common stock as determined by the Company’s Board; provided that, no more than 3,333,333 shares of Class A common stock may be issued under the ESPP. Pursuant to the annual increase under the terms of the ESPP, the overall share limit was increased by 111,248 shares of Class A common stock on January 1, 2024. Following this increase, there were 286,802 shares reserved for issuance under the ESPP.

As of December 31, 2023, no shares have been issued under the ESPP.

Restricted Stock Units

During the years ended December 31, 2023, 2022, and 2021, the Company granted RSUs with service vesting conditions to employees and non-employee members of our Board. The vesting period for RSUs granted to employees is generally three years, subject to continued employment, and the vesting period for RSUs granted to non-employee members of our Board generally ranges from three months to three years, subject to continued service on the Board.

The following summarizes RSU award activity during the years ended December 31, 2023, 2022, and 2021:

	Number of RSUs <i>(in thousands)</i>	Weighted Average Grant Date Fair Value
Outstanding as of December 31, 2020	—	\$ —
Granted	14	118.26
Vested and settled	—	—
Forfeited	—	—
Outstanding as of December 31, 2021	14	118.26
Granted	141	67.52
Vested and settled	(11)	79.97
Forfeited	(13)	75.74
Outstanding as of December 31, 2022	131	70.92
Granted	321	11.65
Vested and settled	(33)	76.71
Forfeited	(169)	18.16
Outstanding as of December 31, 2023	<u>250</u>	<u>29.77</u>

As of December 31, 2023, 0.1 million RSUs have vested, but have not yet been settled in shares of the Company’s Class A common stock, pursuant to elections made by certain non-employee members of our Board to defer settlement thereof under the Offerpad Solutions Inc. Deferred Compensation Plan for Directors.

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

As of December 31, 2023, the Company had \$3.4 million of unrecognized stock-based compensation expense related to unvested RSUs. This expense is expected to be recognized over a weighted average period of 1.27 years. The fair value of RSUs that vested and settled during the years ended December 31, 2023 and 2022, was \$2.7 million and \$0.9 million, respectively. No RSUs vested and settled during the year ending December 31, 2021.

Performance-Based Restricted Stock Units

The Company did not grant any PSUs during the years ended December 31, 2023 and 2021.

During the year ended December 31, 2022, the Company granted PSUs which include both a service vesting condition and a performance vesting condition that is associated with the share price of the Company's Class A common stock. Subject to the employee's continued employment or service through the end of the performance period, the PSUs will vest based on the achievement of pre-determined price per share goals over the performance period calculated based on the average price per share over any 60 consecutive calendar-day period during the performance period. Shares earned under the PSU awards are transferred to the award holders upon the completion of the requisite service period of three years. If the average price per share does not meet the minimum price per share goal as of the last day of the performance period, the PSUs automatically will be forfeited and terminated without consideration.

The assumptions used in the Monte Carlo simulation model to determine the fair value of the PSU awards granted during the year ended December 31, 2022 are as follows:

Risk-free interest rate	1.47%
Expected stock price volatility	60.0%
Expected dividend yield	0.0%
Fair value on grant date	\$76.65

The following summarizes PSU award activity during the years ended December 31, 2023, and 2022:

	Number of PSUs <i>(in thousands)</i>	Weighted Average Grant Date Fair Value
Outstanding as of December 31, 2021	—	\$ —
Granted	141	70.81
Vested	—	—
Forfeited	(12)	70.81
Outstanding as of December 31, 2022	129	70.81
Granted	—	—
Vested	—	—
Forfeited	(10)	70.81
Outstanding as of December 31, 2023	119	70.81

As of December 31, 2023, the Company had \$3.3 million of unrecognized stock-based compensation expense related to unvested PSUs. This expense is expected to be recognized over a weighted average period of 1.16 years.

Other Cash or Stock-Based Awards

During the year ended December 31, 2023, the Company granted long-term incentive awards which include both a service vesting condition and a performance vesting condition that is associated with the share price of the Company's Class A common stock ("LTI Award"). Each LTI Award will become earned during the three-year performance period based on the appreciation in the price of the Company's Class A common stock over the pre-determined price per share goals set forth in the LTI Award agreements. The portion of the LTI Award that will become earned will be determined based on the average share price over the 60 consecutive calendar-day period ending on (and including) the end of the performance period, the total number of shares of the Company's Class A common stock outstanding as of the last day of the performance period and the participant sharing rates as set forth in the LTI Award agreements. To the extent that an LTI Award is earned during the performance period, half of the earned LTI Award will vest at the end of the three-year performance period, and the remaining half of the earned LTI Award will vest one year after the end of the performance period, in each case, subject to the employee's continued service through the applicable vesting date. If any portion of the LTI Award does not become earned as of the last day of the performance period, such portion of the LTI Award automatically will be forfeited and terminated without consideration.

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

The LTI Awards, to the extent vested, can be settled in cash or shares of Company Class A common stock (as determined by the Compensation Committee of the Board in its discretion). As of December 31, 2023, the Company has the intent and ability to settle the LTI Awards in shares of the Company's Class A common stock.

The Company determined the fair value of the LTI awards using a Monte Carlo simulation model that determines the probability of satisfying the market condition stipulated in the award. The assumptions used in the Monte Carlo simulation model to determine the fair value of the LTI Awards granted during the year ended December 31, 2023 are as follows:

Risk-free interest rate	4.12%
Expected stock price volatility	95.0%
Expected dividend yield	0.0%
Fair value on grant date	\$7.81

As of December 31, 2023, the Company had \$3.4 million of unrecognized stock-based compensation expense related to unvested LTI Awards. This expense is expected to be recognized over a weighted average period of 2.95 years.

Stock Options

The Company did not grant any stock options during the year ended December 31, 2023.

During the years ended December 31, 2022 and 2021, the Company granted stock option awards with a service vesting condition that is generally four years. The range of assumptions used in the Black-Scholes-Merton option pricing model to determine the fair value of stock option awards granted during the respective years are as follows:

	2022 Range	2021 Range
Expected term (in years)	6.25	5.97 - 6.10
Risk-free interest rate	1.63% - 3.37%	0.64% - 0.67%
Expected volatility	57.8% - 60.0%	52.5% - 52.7%
Dividend yield	—	—
Fair value on grant date	\$21.45 - \$76.65	\$67.35 - \$68.25

The following summarizes stock option activity during the years ended December 31, 2023, 2022, and 2021:

	Number of Shares <i>(in thousands)</i>	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Term <i>(in years)</i>	Aggregate Intrinsic Value <i>(in thousands)</i>
Outstanding as of December 31, 2020	1,839	\$ 10.20	7.40	\$ 14,619
Granted	104	18.30		
Exercised	(166)	5.40		
Forfeited, canceled or expired	(72)	12.75		
Outstanding as of December 31, 2021	1,705	10.95	6.82	137,170
Granted	77	22.45		
Exercised	(540)	8.70		
Forfeited, canceled or expired	(60)	21.90		
Outstanding as of December 31, 2022	1,182	12.47	5.82	953
Granted	—	—		
Exercised	(14)	3.72		
Forfeited, canceled or expired	(90)	19.06		
Outstanding as of December 31, 2023	1,078	12.04	4.26	1,686
Exercisable as of December 31, 2023	994	11.38	4.00	1,686
Vested and expected to vest as of December 31, 2023	1,078	12.04	4.26	1,686

The total intrinsic value of stock options exercised during the years ended December 31, 2023, 2022, and 2021 was \$0.1 million, \$35.8 million, and \$10.5 million, respectively.

The weighted-average grant date fair value per option granted during the years ended December 31, 2022 and 2021 was \$41.00 and \$9.02, respectively.

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

As of December 31, 2023, the Company had \$1.3 million of unrecognized stock-based compensation expense related to unvested stock options. This expense is expected to be recognized over a weighted average period of 1.23 years. The fair value of stock options that vested during the years ended December 31, 2023, 2022, and 2021 was \$1.8 million, \$2.1 million, and \$2.6 million, respectively.

Stock-based Compensation Expense

The following details stock-based compensation expense during the respective periods:

<i>(\$ in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Sales, marketing and operating	\$ 1,964	\$ 2,023	\$ 700
General and administrative	5,562	5,743	1,889
Technology and development	389	541	490
Stock-based compensation expense	\$ 7,915	\$ 8,307	\$ 3,079

Note 13. Variable Interest Entities

The Company formed certain special purpose entities (each, an “SPE”) to purchase and sell residential properties. Each SPE is a wholly-owned subsidiary of the Company and a separate legal entity, and neither the assets nor credit of any such SPE are available to satisfy the debts and other obligations of any affiliate or other entity. The credit facilities are secured by the assets and equity of one or more SPEs. These SPEs are variable interest entities, and the Company is the primary beneficiary as it has the power to control the activities that most significantly impact the SPEs’ economic performance and the obligation to absorb losses of the SPEs or the right to receive benefits from the SPEs that could potentially be significant to the SPEs. The SPEs are consolidated within the Company’s consolidated financial statements.

The following summarizes the assets and liabilities related to the VIEs as of December 31:

<i>(\$ in thousands)</i>	2023	2022
Assets		
Restricted cash	\$ 3,867	\$ 42,958
Accounts receivable	6,782	1,841
Real estate inventory	276,500	664,697
Prepaid expenses and other current assets	1,588	212
Total assets	\$ 288,737	\$ 709,708
Liabilities		
Accounts payable	\$ 1,798	\$ 1,976
Accrued and other current liabilities	2,027	4,408
Secured credit facilities and other debt, net	257,224	666,065
Total liabilities	\$ 261,049	\$ 672,449

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

Note 14. Earnings Per Share

Basic earnings per share is calculated based on the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated based on the weighted average number of common shares plus the incremental effect of dilutive potential common shares outstanding during the period. In periods when losses are reported, the weighted average number of common shares outstanding excludes common stock equivalents, because their inclusion would be anti-dilutive.

The components of basic and diluted earnings per share are as follows:

<i>(In thousands, except per share data)</i>	Year Ended December 31,		
	2023	2022	2021
Numerator:			
Net (loss) income	\$ (117,218)	\$ (148,613)	\$ 6,460
Denominator:			
Weighted average common shares outstanding, basic	26,385	16,343	7,905
Dilutive effect of stock options (1)	—	—	1,643
Dilutive effect of restricted stock units (1)	—	—	—
Weighted average common shares outstanding, diluted	26,385	16,343	9,548
Net (loss) income per share, basic	\$ (4.44)	\$ (9.09)	\$ 0.82
Net (loss) income per share, diluted	\$ (4.44)	\$ (9.09)	\$ 0.68
Anti-dilutive securities excluded from diluted (loss) income per share:			
Anti-dilutive stock options (1)	816	368	—
Anti-dilutive restricted stock units (1)	147	117	—
Anti-dilutive performance-based restricted stock units	123	136	—
Anti-dilutive warrants issued in connection with Business Combination	1,452	1,452	—

(1) Due to the net loss during each of the years ended December 31, 2023 and 2022, no dilutive securities were included in the calculation of diluted loss per share because they would have been anti-dilutive.

Note 15. Income Taxes

The Company is subject to federal and state income taxes in the United States.

(Loss) income before income taxes was \$(117.1) million, \$(148.3) million, and \$6.6 million during the years ended December 31, 2023, 2022, and 2021, respectively.

Income tax expense consisted of the following for the respective periods:

<i>(\$ in thousands)</i>	Years Ended December 31,		
	2023	2022	2021
Current:			
Federal	\$ —	\$ —	\$ —
State	163	359	170
Total current	163	359	170
Deferred:			
Federal	—	—	—
State	—	—	—
Total deferred	—	—	—
Income tax expense	\$ 163	\$ 359	\$ 170

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

The provision for income taxes differs from the tax computed using the statutory U.S. federal income tax rate as a result of the following items for the respective periods:

<i>(In thousands, except percentages)</i>	Years Ended December 31,					
	2023		2022		2021	
(Benefit) provision at federal statutory income tax rate	\$ (24,582)	21.0%	\$ (31,133)	21.0%	\$ 1,392	21.0%
State income taxes	(5,096)	4.4%	(7,636)	5.2%	360	5.4%
Change in fair value of warrant liabilities	(14)	0.0%	(4,940)	3.3%	(517)	(7.8)%
Valuation allowance	28,980	(24.8)%	48,690	(32.8)%	(675)	(10.2)%
Return-to-provision	340	(0.3)%	(2,277)	1.5%	221	3.3%
Stock-based compensation	81	0.0%	(1,091)	0.7%	647	9.8%
Transaction costs	—	0.0%	(1,874)	1.3%	(1,226)	(18.5)%
Other	454	(0.4)%	620	(0.4)%	(32)	(0.4)%
Effective income tax rate	<u>\$ 163</u>	<u>(0.1)%</u>	<u>\$ 359</u>	<u>(0.2)%</u>	<u>\$ 170</u>	<u>2.6%</u>

Deferred tax assets and liabilities consist of the following as of December 31:

<i>(\$ in thousands)</i>	2023	2022
Deferred tax assets:		
Federal net operating loss carryforwards	\$ 84,730	\$ 50,178
State net operating loss carryforwards	16,914	9,847
Research and development expenditures	4,118	3,190
Stock-based compensation	3,503	1,852
Transaction costs	1,578	1,707
Operating lease liabilities	936	1,507
Real estate inventory	225	14,771
Other	929	2,117
Gross deferred tax assets	112,933	85,169
Valuation allowance	(111,006)	(82,026)
Deferred tax assets, net of valuation allowance	1,927	3,143
Deferred tax liabilities:		
Operating lease right-of-use assets	(847)	(1,385)
Property and equipment	(647)	(739)
Other	(433)	(1,019)
Gross deferred tax liabilities	(1,927)	(3,143)
Net deferred income taxes	<u>\$ —</u>	<u>\$ —</u>

As of December 31, 2023, the Company had federal net operating loss carryforwards of \$395.9 million to offset future taxable income, of which \$26.0 million, in the aggregate, expires in 2036 and 2037 if not utilized, with the remaining \$369.9 million having no expiration. The Company also has U.S. state net operating loss carryforwards of \$339.1 million, of which \$205.8 million, in the aggregate, expires at various dates ranging from 2032 through 2043 if not utilized, with the remaining \$133.3 million having no expiration.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income, and tax-planning strategies in making this assessment. As a result of historical cumulative losses, the Company has determined that, based on all available evidence, there was substantial uncertainty as to whether it will recover recorded net deferred taxes in future periods. Therefore, the Company recorded a full valuation allowance equal to the amount of the net deferred tax assets as of December 31, 2023 and 2022. The valuation allowance increased by \$29.0 million and \$48.7 million during the years ended December 31, 2023 and 2022, respectively, and decreased by \$0.7 million during the year ended December 31, 2021.

The Internal Revenue Code contains provisions that limit the utilization of net operating loss carryforwards and tax credit carryforwards if there has been an ownership change. Such ownership change, as described in Section 382 of the Internal Revenue Code, may limit the Company's ability to utilize its net operating loss carryforwards and tax credit carryforwards on a yearly basis. To the extent that any single-year limitation is not utilized to the full amount of the limitation, such unused amounts are carried over to subsequent years until the earlier of utilization or the expiration of the relevant carryforward

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

period. The Company determined that an ownership change occurred on February 10, 2017. An analysis was performed and while utilization of net operating losses would be limited in years prior to December 31, 2020, subsequent to that date, there is no limitation on the Company’s ability to utilize its net operating losses. As such, the ownership change has no impact to the carrying value of the Company’s net operating loss carryforwards or ability to use them in future years.

Uncertain Tax Positions

During the years ended December 31, 2023, 2022, and 2021, the Company had no uncertain tax positions.

Income Tax Audits

The Company files in U.S. federal and various state income tax jurisdictions. The Company is subject to U.S. federal and state income tax examinations by authorities for all tax years beginning in 2017 due to the accumulated net operating losses that are carried forward.

Note 16. Related-Party Transactions

LL Credit Facilities

As of December 31, 2023, we have one senior secured credit facility with a related party and two mezzanine secured credit facilities with a related party. The following summarizes certain details related to these facilities as of December 31:

	2023		2022	
	Borrowing Capacity	Outstanding Amount	Borrowing Capacity	Outstanding Amount
<i>(\$ in thousands)</i>				
Senior secured credit facility with a related party	\$ 50,000	\$ 6,289	\$ 75,000	\$ 17,398
Mezzanine secured credit facilities with a related party	\$ 92,000	\$ 23,803	\$ 150,000	\$ 42,778

Since October 2016, we have been party to a loan and security agreement (the “LL Funds Loan Agreement”), with LL Private Lending Fund, L.P. and LL Private Lending Fund II, L.P., both of which are affiliates of LL Capital Partners I, L.P., which holds more than 5% of our Class A common stock. Additionally, Roberto Sella, who is a member of our Board and holds more than 5% of our Class A common stock, is the managing partner of LL Funds. The LL Funds Loan Agreement is comprised of a senior secured credit facility and a mezzanine secured credit facility, under which we may borrow funds up to a maximum principal amount of \$50.0 million and \$22.0 million, respectively. The LL Funds Loan Agreement also provides us with the option to borrow above the fully committed borrowing capacity, subject to the lender’s discretion. Refer to *Note 8. Credit Facilities and Other Debt*, for further details about the facilities under the LL Funds Loan Agreement.

Since March 2020, we have also been party to a mezzanine loan and security agreement (the “LL Mezz Loan Agreement”), with LL Private Lending Fund II, L.P., which is an affiliate of LL Capital Partners I, L.P. Under the LL Mezz Loan Agreement, we may borrow funds up to a maximum principal amount of \$70.0 million. Refer to *Note 8. Credit Facilities and Other Debt*, for further details about the mezzanine facility under the LL Mezz Loan Agreement.

We paid interest for borrowings under the LL facilities of \$4.1 million, \$9.4 million, and \$11.7 million during the years ended December 31, 2023, 2022, and 2021, respectively.

Use of First American Financial Corporation’s Services

First American Financial Corporation (“First American”), which holds more than 5% of our Class A common stock, through its subsidiaries is a provider of title insurance and settlement services for real estate transactions and a provider of property data services. Additionally, Kenneth DeGiorgio, who is a member of the Company’s Board, is the chief executive officer of First American. We use First American’s services in the ordinary course of our home-buying and home-selling activities. We paid First American \$7.3 million, \$18.1 million, and \$11.9 million during the years ended December 31, 2023, 2022, and 2021, respectively, for its services, inclusive of the fees for property data services.

Pre-Funded Warrants

During 2023, the Company entered into a pre-funded warrants subscription agreement with the investors named therein (the “Investors”) pursuant to which the Company sold and issued to the Investors pre-funded warrants to purchase shares of the Company’s Class A common stock. The Investors included Brian Bair, Roberto Sella, First American, and Kenneth DeGiorgio. Refer to *Note 11. Stockholders’ Equity*, for further details.

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

Warehouse Lending Facility with FirstFunding, Inc.

During 2022, Offerpad Mortgage, LLC (“Offerpad Home Loans” or “OPHL”), a wholly-owned subsidiary of the Company, entered into a warehouse lending facility with FirstFunding, Inc. (“FirstFunding”), a wholly-owned subsidiary of First American, which holds more than 5% of our Class A common stock. Offerpad Home Loans uses the warehouse lending facility to fund mortgage loans it originates and then sells to third-party mortgage servicers. The committed amount under the facility is \$15.0 million and OPHL pays certain customary and ordinary course fees to FirstFunding under the facility, including a funding fee per loan and interest. As of December 31, 2023, there were no amounts outstanding under the facility and amounts paid under the facility were immaterial during each of the years ended December 31, 2023 and 2022.

Compensation of Immediate Family Members of Brian Bair

Offerpad employs two of Brian Bair’s brothers, along with Mr. Bair’s sister-in-law. The following details the total compensation paid to Mr. Bair’s brothers and Mr. Bair’s sister-in-law, which includes both base salary and annual performance-based cash incentives, during the respective periods:

<i>(\$ in thousands)</i>	Year Ended December 31,		
	2023	2022	2021
Mr. Bair’s brother 1	\$ 680	\$ 631	\$ 572
Mr. Bair’s brother 2	640	594	469
Mr. Bair’s sister-in-law	142	123	141
	\$ 1,462	\$ 1,348	\$ 1,182

During the year ended December 31, 2023, Mr. Bair’s brothers and Mr. Bair’s sister-in-law received grants of long-term incentive awards (“LTI Award”). Each LTI Award will become earned during the three-year performance period based on the appreciation in the price of the Company’s Class A common stock over the pre-determined price per share goals set forth in the LTI Award agreements. The portion of the LTI Award that will become earned will be determined based on the average share price over the 60 consecutive calendar-day period ending on (and including) the end of the performance period, the total number of shares of the Company’s common stock outstanding as of the last day of the performance period and the participant sharing rates as set forth in the LTI Award agreements. Refer to *Note 12. Stock-Based Awards*, for further details.

During the year ended December 31, 2022, Mr. Bair’s brothers and Mr. Bair’s sister-in-law received grants of equity awards under the Offerpad Solutions Inc. 2021 Incentive Award Plan, which included awards of restricted stock units (“RSUs”), performance-based RSUs (“PSUs”) and/or stock options, as follows:

	Number of RSUs	Number of Target PSUs	Number of Stock Options
Mr. Bair’s brother 1	5,624	8,436	—
Mr. Bair’s brother 2	5,293	7,940	—
Mr. Bair’s sister-in-law	200	—	400
	11,117	16,376	400

During the year ended December 31, 2022, Mr. Bair’s brothers each entered into employment agreements with the Company with customary severance and other terms provided to similarly situated executives.

Note 17. Commitments and Contingencies

Homes Purchase Commitments

As of December 31, 2023, the Company was under contract to purchase 500 homes for an aggregate purchase price of \$135.1 million.

Other Purchase Obligations

The Company’s other purchase obligations principally include commitments relating to insurance, information technology, administration services, and marketing. As of December 31, 2023, the Company had other purchase obligations of \$7.3 million, with \$5.8 million payable within 12 months.

OFFERPAD SOLUTIONS INC.
Notes to Consolidated Financial Statements

Lease Commitments

The Company has entered into operating lease agreements for its existing corporate headquarters in Chandler, Arizona and field office facilities in most of the metropolitan markets in which the Company operates in the United States. Refer to *Note 6. Leases*, for further details.

Legal and Other Matters

The Company is subject to various actions, claims, suits and other legal proceedings that arise in the ordinary course of business, including, without limitation, assertions by third parties relating to intellectual property infringement, breaches of contract or warranties or employment-related matters. The Company records accruals for loss contingencies when it is probable that a loss will occur, and the amount of such loss can be reasonably estimated. The Company is not currently a party to any actions, claims, suits or other legal proceedings, the outcome of which, if determined adversely to the Company, would individually or in the aggregate have a material adverse effect on the Company's consolidated financial statements.

Note 18. Subsequent Events

The Company has determined that there have been no events that have occurred that would require recognition in the consolidated financial statements or additional disclosure herein, except as described elsewhere in the notes to the consolidated financial statements.

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

None.

Item 9A. Controls and Procedures.

Limitations on Effectiveness of Disclosure Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of the disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and our principal financial officer, evaluated, as of the end of the period covered by this Annual Report on Form 10-K, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our principal executive officer and our principal financial officer have concluded that, as of December 31, 2023, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2023.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2023 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which appears at the end of Part II, Item 9A of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting, as identified in connection with the evaluation required by Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that occurred during the three months ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the stockholders and the Board of Directors of Offerpad Solutions Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Offerpad Solutions Inc. and subsidiaries (the “Company”) as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2023, of the Company and our report dated February 27, 2024, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Tempe, Arizona
February 27, 2024

Item 9B. Other Information.

During the three months ended December 31, 2023, no director or “officer” (as defined in Rule 16a-1(f) of the Exchange Act) of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

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

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information about our Directors

The following details certain information about our board of directors as of February 27, 2024:

Name	Age	Position
Brian Bair	47	Chief Executive Officer and Chairman of the Board
Katie Curnutte	44	Director
Kenneth DeGiorgio	52	Director
Alexander Klabin	47	Director
Ryan O'Hara	55	Director
Sheryl Palmer	62	Director
Roberto Sella	58	Director

Brian Bair has served as Old Offerpad's Chief Executive Officer since he founded Offerpad in July 2015 with a mission to provide the best way to buy and sell a home, including as the Chief Executive Officer and Chairman of our Board since September 2021. Mr. Bair has had a strong influence in the real estate industry over the past 15 years, having pioneered several successful real estate service models that aim to give sellers and buyers more certainty and control. Prior to founding Offerpad, Mr. Bair served as the founder and president at Bair Group Real Estate from April 2008 to June 2015. Additionally, Mr. Bair co-founded Lexington Financial in March 2011, and served as its managing member from March 2011 to March 2012. He also co-founded Bridgeport Financial Services in May 2008, a company that specialized in acquiring distressed homes, and served as its managing member from May 2008 to May 2011. Mr. Bair has also consulted for national companies on how to acquire, renovate and sell homes. Mr. Bair has also previously served as an advisory member for the Freddie Mac Housing of Tomorrow Council since January 2020.

We believe that Mr. Bair is qualified to serve as Chairman of our board of directors due to his extensive experience in the real estate industry and his history as Offerpad's founder.

Katie Curnutte has served on our board of directors since September 2021. Ms. Curnutte is a founding partner at Kingston Marketing Group ("KMG"), a start-up focused, global marketing and communications firm founded in September 2019. At KMG, she runs communications strategy for notable companies. Before KMG, Ms. Curnutte was senior vice president of communications and public affairs at Zillow from July 2008 to August 2019. Ms. Curnutte also served on the board of directors of Supernova Partners Acquisition Co II, Ltd. from March 2021 until March 2022. Ms. Curnutte graduated from the University of Illinois Urbana-Champaign with a B.S. in Journalism.

We believe Ms. Curnutte is qualified to serve on our board of directors due to her experience in communications, public affairs and scaling technology companies.

Kenneth DeGiorgio served as a member of the board of directors for Old OfferPad from February 2019 until September 2021 and on our board of directors since September 2021. Since February 2022, Mr. DeGiorgio has also served as chief executive officer and as a member of the board of directors of First American Financial Corporation ("FAF"), a public company engaged in title insurance and settlement services. Prior to his appointment as CEO, Mr. DeGiorgio served as FAF's president from 2021 to 2022 and its executive vice president, overseeing FAF's international division, trust company and various corporate functions from 2010 to 2021.

We believe Mr. DeGiorgio is qualified to serve on our board of directors due to his extensive real estate and business experience and knowledge of Offerpad's business and operations.

Alexander M. Klabin served as a member of Supernova's board of directors from its inception until the closing of the Business Combination in September 2021, and on our board of directors since September 2021. Mr. Klabin is Chairman and CEO of Ancient, an investment holding company based in New York. He serves as executive chairman of Sotheby's Financial Services, a leading art-based lender, and Chairman of Solairus Aviation, the largest private aircraft management company in the United States. Prior to forming Ancient in 2022, Mr. Klabin co-founded Senator Investment Group, an investment management firm, in 2008 and served as managing partner and co-chief investment officer until March 2020. Mr. Klabin has served as a member of the board of directors of Supernova Partners Acquisition Co III, Ltd. since its inception in March 2021. Mr. Klabin also served as a member of the board of directors of Supernova Partners Acquisition Co II, Ltd. from March 2021 until March 2022. He is a member of the board of directors of several private companies. Additionally, Mr. Klabin serves as a Trustee of the New York Philharmonic, The Allen-Stevenson School and is a member of the Leadership Council of The Robin Hood Foundation. Mr. Klabin received a B.A. degree in English Literature from Princeton University.

We believe Mr. Klabin is well qualified to serve on our board of directors due to his significant investment and corporate finance experience.

Ryan O’Hara has served on our board of directors since September 2021. Mr. O’Hara has served as Chief Executive Officer of Home Buyers Warranty Group, a leading home warranty company, since July 2022, and as an advisor to Apollo Global Management, a global alternative investment management firm, in the technology and media sectors since January 2020. From June 2019 to December 2019, Mr. O’Hara served as the chief executive officer of Shutterfly, Inc., a public image sharing company, where he also served as a member of the board of directors from June 2019 to October 2019. Prior to Shutterfly, from January 2015 to June 2019, Mr. O’Hara served as the chief executive officer of Move Inc., a real estate listing company, which operates real estate websites including Realtor.com. Mr. O’Hara has also served as a member on the board of directors of REA Group Limited from June 2017 to April 2019. Mr. O’Hara currently serves on the board of directors of Thryv Holdings, Inc., a public company specializing in small business management software, and previously served on the board of TKB Critical Technologies 1, a special purpose acquisition company from December 2021 to August 2023. Mr. O’Hara also currently serves on the advisory council for the Stanford University Center on Longevity. Mr. O’Hara holds a B.A. in Economics from Stanford University, an M.B.A. from Harvard Business School and the Director Certificate from Harvard Business School.

We believe Mr. O’Hara is qualified to serve on our board of directors because of his significant knowledge of the technology sector and his experience serving on the board of directors of both public and private companies.

Sheryl Palmer has served on our board of directors since September 2021. Ms. Palmer has served as the president, chief executive officer and a member of the board of directors of Taylor Morrison Home Corporation (“Taylor Morrison”), a public national homebuilder and developer, since August 2007. She has also served as Taylor Morrison’s chairman of the board of directors since May 2017. Ms. Palmer brings over 30 years of cross-functional building experience to her position, including leadership in land acquisition, sales and marketing, development and operations management. Ms. Palmer previously served as a member of the board of directors and the audit and compensation committees of Interface, Inc., a leading publicly traded global manufacturer of modular carpet from October 2015 to March 2022, and as a member of the board of directors and executive committee of HomeAid America, a national non-profit that works with the local building industry to build and renovate multi-unit shelters for homeless families. She currently serves as chairman of the board of directors for Building Talent Foundation, and as a member of the executive committee of the Joint Center for Housing Studies at Harvard University.

We believe Ms. Palmer’s over 30 years of real estate industry experience and her role as a seasoned public company director make her a valuable member of our board of directors.

Roberto Sella served as a member of the board of directors of Old OfferPad from February 2019 until September 2021, and on our board of directors since September 2021. Mr. Sella is the founder of LL Funds, an alternative asset manager and private equity fund, and has served as LL Funds’ managing partner since inception in March 2009. Mr. Sella currently serves on the board of directors of several private companies. Mr. Sella received his B.A. in Economics and Mathematics from the University of Wisconsin and M.B.A. from The Wharton School, University of Pennsylvania.

We believe Mr. Sella is qualified to serve on our board of directors because of his extensive investment experience, financial expertise and knowledge of Offerpad’s business and operations.

Information about our Executive Officers

The following details certain information about our executive officers as of February 27, 2024:

Name	Age	Position
Brian Bair	47	Chief Executive Officer and Chairman of the Board
Benjamin Aronovitch	45	Chief Legal Officer
James Grout	35	Senior Vice President, Finance

The biography for Mr. Bair appears above under the heading “Information About Our Directors.”

Benjamin Aronovitch has served as Offerpad’s Chief Legal Officer since October 2020. Previously, Mr. Aronovitch was Vice President and Deputy General Counsel at Taylor Morrison from September 2013 to October 2020. Prior to Taylor Morrison, Mr. Aronovitch was a corporate attorney at Paul, Weiss, Rifkind, Wharton & Garrison LLP from May 2010 to September 2013 and Cravath, Swaine & Moore LLP from October 2006 to May 2010. Mr. Aronovitch holds a B.A. in Political Science and Economics from McGill University and law degrees from McGill and Oxford University. He is a member of the New York Bar and is admitted to practice in Arizona.

James Grout, has served as Senior Vice President, Finance of the Company since March 2022. In this role, he is responsible for financial planning & analysis, strategy, treasury, capital markets, and investor relations. Prior to serving as Senior Vice President, Finance, he served as the Company’s Vice President, Finance, from July 2019 to March 2022 and as Director,

Financial Planning and Analysis from August 2018 to July 2019. Prior to joining the Company, Mr. Grout worked at Intel for six years, where he managed capital affordability for the corporation's global capital equipment supply chain and assisted with strategy for Intel's Internet of Things business. He began his career in the mortgage industry with Provident Funding Associates. Mr. Grout holds a Bachelor's degree in Business Administration in Finance and Entrepreneurship from the University of Arizona and a Master's in Business Administration from Cornell University.

Code of Business Conduct and Ethics

We have a Code of Business Conduct and Ethics that applies to all of our executive officers, directors and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. A copy of our Code of Business Conduct and Ethics is available on our website, investor.offerpad.com. We intend to make any legally required disclosures regarding amendments to, or waivers of, provisions of our Code of Business Conduct and Ethics on our website rather than by filing a Current Report on Form 8-K.

The remaining information required by this item will be included in the 2024 Proxy Statement and is incorporated herein by reference.

Item 11. Executive Compensation.

The information required by this item will be included in the 2024 Proxy Statement and is incorporated herein by reference.

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

The information required by this item will be included in the 2024 Proxy Statement and is incorporated herein by reference.

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

The information required by this item will be included in the 2024 Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The information required by this item will be included in the 2024 Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

The following documents are filed as part of this Annual Report on Form 10-K:

(a)(1) The following financial statements are included in Part II, Item 8 of this Annual Report on Form 10-K:

<u>Index to Financial Statements</u>	<u>Page</u>
<u>Report of Independent Registered Public Accounting Firm (PCAOB ID No. 34)</u>	58
<u>Consolidated Balance Sheets</u>	60
<u>Consolidated Statements of Operations</u>	61
<u>Consolidated Statements of Changes in Temporary Equity and Stockholders' Equity (Deficit)</u>	62
<u>Consolidated Statements of Cash Flows</u>	63
<u>Notes to Consolidated Financial Statements</u>	64

(a)(2) Financial statement schedules have been omitted since they either are not required, not applicable, or the information is otherwise included in the consolidated financial statements or the related footnotes.

(a)(3) The following is a list of exhibits filed as part of this Annual Report on Form 10-K

Exhibit Index

Incorporated by Reference

Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date
2.1+	<u>Agreement and Plan of Merger, dated as of March 17, 2021, by and among the Registrant, Orchids Merger Sub, Inc., Orchids Merger Sub, LLC, and OfferPad, Inc.</u>	10-Q	001-39641	2.1	11/10/21
3.1	<u>Forth Restated Certificate of Incorporation, dated June 13, 2023</u>	8-K	001-39641	3.1	6/13/23
3.2	<u>Amended and Restated Bylaws</u>	8-K	001-39641	3.3	6/13/23
4.1	<u>Warrant Agreement, dated as of October 20, 2020, between the Registrant and Continental Stock Transfer & Trust Company, as warrant agent</u>	S-4	333-255079	4.1	8/9/21
4.2*	<u>Specimen Class A Common Stock Certificate of Offerpad Solutions Inc.</u>				
4.3	<u>Specimen Warrant Certificate</u>	S-4	333-255079	4.4	8/9/21
4.4	<u>Form of Pre-Funded Warrant</u>	8-K	001-39641	4.1	2/1/23
4.5*	<u>Description of Securities</u>				
4.6	<u>Pre-Funded Warrants Subscription Agreement, dated January 31, 2023, by and among Offerpad Solutions Inc. and the purchasers named therein</u>	8-K	001-39641	10.1	2/1/23
10.1#	<u>Form of Indemnity Agreement</u>	S-4	333-255079	10.24	8/9/21
10.2	<u>Amended and Restated Registration Rights Agreement, dated September 1, 2021</u>	8-K/A	001-39641	10.7	9/7/21
10.3#	<u>Offerpad Solutions 2021 Incentive Award Plan</u>	8-K/A	001-39641	10.10	9/7/21
10.4#	<u>Offerpad Solutions 2021 Employee Stock Purchase Plan</u>	8-K/A	001-39641	10.11	9/7/21
10.5#	<u>Amended and Restated OfferPad, Inc. 2016 Stock Option and Grant Plan</u>	10-K	001-39641	10.5	3/7/22
10.6#	<u>Form of Incentive Stock Option Agreement under the OfferPad, Inc. 2016 Stock Option and Grant Plan</u>	S-4	333-255079	10.23(a)	8/9/21
10.7#	<u>Offerpad Solutions Inc. Non-Employee Director Compensation Program</u>	10-Q	001-39641	10.5	8/2/23
10.8#	<u>Offerpad Solutions Inc. Director Deferred Compensation Plan</u>	10-K	001-39641	10.8	3/7/22
10.9#	<u>Restricted Stock Unit Agreement, dated March 1, 2022, by and between Brian Bair and Offerpad Solutions Inc.</u>	8-K	001-39641	10.2	3/4/22
10.10#	<u>Performance-Based Restricted Stock Unit Agreement, dated March 1, 2022, by and between Brian Bair and Offerpad Solutions Inc.</u>	8-K	001-39641	10.3	3/4/22
10.11#	<u>Form of Restricted Stock Unit Award Agreement (under 2021 Incentive Award Plan)</u>	8-K	001-39641	10.4	3/4/22
10.12#	<u>Form of Performance-Based Restricted Stock Unit Award Agreement (under 2021 Incentive Award Plan)</u>	8-K	001-39641	10.5	3/4/22
10.13#	<u>Form of Director Deferred Cash Fee Restricted Stock Unit Award Agreement (under 2021 Incentive Award Plan)</u>	10-Q	001-39641	10.6	5/4/22
10.14#	<u>Form of Director Deferred Restricted Stock Unit Award Agreement (under 2021 Incentive Award Plan)</u>	10-Q	001-39641	10.7	5/4/22
10.15#	<u>Form of Option Award Agreement (under 2021 Incentive Award Plan)</u>	10-Q	001-39641	10.8	5/4/22
10.16#	<u>Form of 2023 Long Term Incentive Award Agreement (under the 2021 Incentive Award Plan)</u>	8-K	001-39641	10.2	7/6/23
10.17#	<u>Employment Agreement, dated March 1, 2022, by and between Brian Bair and Offerpad Solutions Inc.</u>	8-K	001-39641	10.1	3/4/22
10.18#	<u>Amended and Restated Employment Agreement, dated as of June 6, 2022, by and between Offerpad Solutions Inc. and Michael Burnett</u>	8-K	001-39641	10.2	6/7/22
10.19#	<u>Amended and Restated Employment Agreement, dated as of June 6, 2022, by and between Offerpad Solutions Inc. and Benjamin Aronovitch</u>	8-K	001-39641	10.3	6/7/22
10.20#	<u>Bonus Letter Agreement, dated July 3, 2023, by and between Benjamin Aronovitch and Offerpad Solutions Inc.</u>	8-K	001-39641	10.3	7/6/23
10.21#	<u>Employment Agreement, effective as of July 10, 2023, by and between Jawad Ahsan and Offerpad Solutions Inc.</u>	8-K	001-39641	10.1	7/6/23
10.22*#	<u>Bonus Letter Agreement, dated December 18, 2023, by and between James Grout and Offerpad Solutions Inc.</u>				
10.23+	<u>Eighth Amended and Restated Loan and Security Agreement, dated as of November 6, 2023, by and among Offerpad (SVPBORROWER1), LLC, LL Private Lending Fund, L.P., LL Private Lending Fund II, L.P., and LL Funds, LLC.</u>	8-K	001-39641	10.1	11/9/23
10.24+	<u>Third Amended and Restated Mezzanine Loan and Security Agreement, dated as of November 6, 2023, by and among OP SPE Borrower Parent,</u>	8-K	001-39641	10.2	11/9/23

	<u>LLC, OP SPE PHX1, LLC, OP SPE TPA1, LLC and LL Private Lending Fund II, L.P.</u>				
10.25+	<u>Third Amended and Restated Master Loan and Security Agreement, dated as of June 7, 2022, by and among Citibank, N.A., OP SPE Borrower Parent, LLC, OP SPE PHX1, LLC, OP SPE TPA1, LLC and Wells Fargo Bank, N.A.</u>	8-K	001-39641	10.1	6/7/22
10.26+	<u>Amendment No. 1 dated December 8, 2022 to the Third Amended and Restated Master Loan and Security Agreement dated as of June 7, 2022, by and among Citibank, N.A., OP SPE Borrower Parent, LLC, OP SPE PHX1, LLC, OP SPE TPA1, LLC and Wells Fargo Bank, N.A.</u>	10-K	001-39641	10.23	2/28/23
10.27+	<u>Amendment No. 2 dated March 30, 2023 to the Third Amended and Restated Master Loan and Security Agreement dated as of June 7, 2022, by and among Citibank, N.A., OP SPE Borrower Parent, LLC, OP SPE PHX1, LLC, OP SPE TPA1, LLC and Wells Fargo Bank, N.A.</u>	10-Q	001-39641	10.3	5/3/23
10.28+	<u>Amendment Number Three, dated June 16, 2023, to Third Amended and Restated Master Loan and Security Agreement dated as of June 7, 2022, by and among Citibank, N.A., OP SPE Borrower Parent, LLC, OP SPE PHX1, LLC, OP SPE TPA1, LLC and Wells Fargo Bank, N.A.</u>	8-K	001-39641	10.1	6/20/23
10.29+	<u>Loan and Security Agreement, dated as of October 16, 2023, among Offerpad SPE Borrower A, LLC, as a borrower and borrower representative, JPMorgan Chase Bank, N.A., as initial lender and administrative agent, Computershare Trust Company, N.A., as paying agent and calculation agent, and the lenders party thereto.</u>	8-K	001-39641	10.1	10/17/23
21.1	<u>List of Subsidiaries</u>	10-K	001-39641	21.1	2/28/23
23.1*	<u>Consent of Deloitte & Touche LLP</u>				
31.1*	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)</u>				
31.2*	<u>Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)</u>				
32.1**	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350</u>				
32.2**	<u>Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350</u>				
97.1*#	<u>Policy for Recovery of Erroneously Awarded Compensation</u>				
101*	<u>Inline XBRL Document Set for the consolidated financial statements and accompanying notes in Part II, Item 8, <i>Financial Statements and Supplementary Data</i> of this Annual Report on Form 10-K</u>				
104*	<u>Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)</u>				

* Filed herewith.

** Furnished herewith.

Indicates management contract or compensatory plan.

+ Certain exhibits and schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished to the SEC upon request.

Item 16. Form 10-K Summary.

None.



We use technology-enabled solutions to remake the home selling and buying experience by offering customers the convenience, control and certainty to solve their housing needs. We combine our fundamental real estate expertise with our data-driven digital “Solutions Center” platform to give users a holistic, customer-centric experience, enabling them to efficiently sell and buy their home online with streamlined access to other services including mortgage, listing and renovation services.

For more information about Offerpad please visit investor.offerpad.com

INVESTOR RELATIONS

investors@offerpad.com

AUDITOR OF RECORD

Deloitte & Touche LLP

STOCK LISTING

Offerpad trades on the New York Stock Exchange under the ticker symbol “**OPAD**”





Offerpad

Offerpad Solutions Inc.
2150 E. Germann Rd. | Suite 1 • Chandler, AZ 85286



offerpad.com
NYSE Stock Symbol: **OPAD**

