



To our shareholders, agents, employees and communities:

While our SEC filings detail what we do, I believe the why and how are just as important as the what, if not more important. I hope to explain more of that for you here.

When I entered the real estate industry, I saw a gap widening between the commission split a traditional brokerage charged their agent on each sale and the value that agent received compared to what that agent could now get on their own in this new technology-driven era. I recognized that there was a real value to being a member of a large brokerage but I did not, and do not, believe that value is worth 50%, 30%, or even 20% of the agent's commission. I believed there needed to be a transition from brokerage-centric companies to companies that gave the power back to each entrepreneurial real estate agent.

At the time, I saw an emerging commission model that had potential. It offered the industry's best splits but gave agents very little or nothing in return. I saw an opportunity to marry the best of both worlds and bridge the gap between the high service, high fee brokerages and the low service, low fee brokerages.

My goal when creating Fathom was to build a brand that provided all of the technology, tools, training, and support that an agent would otherwise get from a large traditional brokerage but at a small flat fee per transaction. In other words, we strive to provide Fathom agents with the greatest value in the industry.

The term that has been given to companies like Fathom with this commission model is "100% Commission". Meaning, the agent keeps 100% of their commission minus a flat transaction fee. This model, when managed properly, allows agents to provide the highest level of full-service to their clients without sacrificing anything that will help them be successful. However, I believe that in and of itself, this model is lacking. Without a fully integrated technology platform, this model saves agents money in the near term, but at the detriment to the brokerage and the long term. It hurts a brokerage's ability to reach any substantial level of profitability due to the high costs associated with opening offices, hiring employees, and paying for expensive third-party technology.

While most real estate companies build their operations and workflow around how a third-party technology operates, we were able to rethink how to best operate a brokerage by stripping out the operational inefficiencies and then build a technology platform designed to support that new way of running the operation. Our technology company, IntelliAgent, operates as a Software as a Service (SaaS) supporting Fathom Realty and allowing it to operate as a Platform as a Service (PaaS) offering. This allows us to operate in the cloud, essentially

eliminating the high costs associated with brick and mortar offices. It also allows us to expand into new markets faster and at a lower cost, allowing us to reach profitability faster.

Our proprietary software allows us to streamline and automate our operations, sales, accounting, reporting and compliance. By owning our own technology, we're able to reduce, and ultimately eliminate, the high costs associated with third party tech, especially the ones who charge per seat. This allows us to keep our tech budget from increasing as much with agent growth. As we get bigger, our cost per agent should go down. The operational efficiency from our tech also means that we can operate with less personnel which improves our bottom line.

As our technology and our low commission-split model attracts more agents and transactions to our platform, we plan to incorporate multiple ways in which to generate even more revenue on each sale. We plan for this to include revenue streams such as: introducing an internal leads program for agents; offering mortgage and title services; and offering additional smaller ancillary services to both agents and clients. Any of these expansions could come through acquisitions or we may decide to build them ourselves.

I truly believe that Fathom's technology-based platform is incredibly disruptive and the next evolution of the real estate brokerage. I believe this is true for several reasons.

With Fathom's commission model, real estate agents are able to build a more profitable business by allowing them to keep the highest percentage of their commission possible without sacrificing support, technology, or training. Just by simply joining Fathom, most agents will increase their income by over 35% on average as compared to paying 30% commission splits and monthly fees. More importantly, agents are able to take that increase in income and reinvest it into their marketing thereby further increasing their income.



TRADITIONAL BROKERAGE

\$350,000	Sale Price
<u> x 3%</u>	Commission %
\$10,500	Total Commission
<u> - \$450</u>	Flat-fee to Fathom
\$10,050	Total to Agent

Vs

\$350,000	Sale Price
<u> x 3%</u>	Commission %
\$10,500	Total Commission
<u> - \$3,150</u>	Split to Broker (30%)
\$7,350	Total to Agent

\$2,700 more commission to agent in this example

In a down market, I believe that Fathom really shines. Generally speaking, there are only two ways to make more money in real estate: increase revenue or decrease expenses. In a slowing

housing market, it's difficult to increase revenue when agents are fighting over a piece of a smaller pie. The only option is to outspend other agents to get more business, or to decrease expenses to protect profits. Fathom makes both options possible. Thanks to Fathom's low flat transaction fee, agents have more money available allowing them to outspend their competition while netting the same amount of money as another agent with a traditional brokerage. In addition, a Realtor's brokerage split is usually their biggest expense. With Fathom's low flat transaction fee, even if the housing market declines by 20%, most real estate agents can net as much income or more than they did the year before when they were with their previous traditional brokerage. In other words, they may close 20% fewer homes but could take home more income.

Another reason why Fathom Realty's commission model makes sense is because it allows agents to directly compete against discount brokerages (companies who charge a discounted commission or flat fee to their clients). While Fathom is not a discount brokerage, our flat transaction fee allows our agents to earn more money and therefore charge whatever commission they need to in order to be highly competitive. Many traditional brokerages strongly discourage their agents from discounting fees because it directly affects the brokerage's revenue, while Fathom's flat fee is not affected. I believe that traditional brokerages will continue to be squeezed by new disruptors and continue to lose agents, while Fathom is able to directly compete on both fronts.

Over the years, I have been recognized by the major industry analysts as a leader in real estate. I was recognized on the Swanepoel Power 200 list as one of the most influential people in real estate in 2018, as a Trendsetter in 2018 by the same Swanepoel Power 200, and a Game Changer in 2019 by Real Trends. I have been recognized as the Top CEO in Dallas-Fort Worth in 2018 by the Dallas Morning News Top 100 Places to Work, across all industries, and Fathom was ranked as the #1 Top Place to Work. In just 10 years, Fathom grew to become the 11th largest independent brokerage and 20th largest brokerage overall, according to the Real Trends 500 report. Fathom also earned a spot on the Inc. 500 four years in a row.

I am very proud of Fathom. Fathom may be my baby, but I did not build it alone. I surrounded myself with people who are both smart and wise, and with one strong shared vision, we built Fathom together. Fathom has a team of incredible and diverse leaders who I am proud to serve beside.

There's an age-old saying that we subscribe to. It says, "Whoever wants to be great must first become a servant to all". It speaks of servant leadership long before it was ever a catchphrase. It's one of the most powerful concepts in business once you fully understand why it matters and how it works.

As a real estate agent, the more you truly serve your clients and place their needs first, the more willing those clients are to refer their friends and family to you. The same holds true in Fathom at the corporate level. Many real estate brokerages push their local managers to focus on recruiting. While I recognize recruiting is vital to continued growth and increased market

penetration, I believe there is a better way and we have proven that over the years. Our growth speaks for itself.

At Fathom, we ask our local managers to focus first on serving our agents and helping them grow their business. By changing the focus from recruiting to serving, two important things happen. First, by helping each agent increase their productivity, Fathom closes more transactions, generates more revenue, and ultimately attracts more agents. Second, by truly placing our agents first, they become advocates for Fathom and want to share Fathom with other agents they meet. Why does that matter? Simply because a large team of happy agents can recruit far more agents to Fathom than one manager can recruit on their own. Now, multiply that across all of our markets and you have an army of evangelists. As a result, in 2019, our agent referral rate was over 40%, and we have one of the lowest agent attrition rates in the industry!

As a Marine Corps Veteran, I am driven to win, and I surround myself with leaders who share that same passion and discipline. We welcome criticism and use it to become better. We value people from all walks of life and embrace their ideas. With the right people and the right passion, we really do have a business model that will redefine the industry.

In your service,

Josh Harley
Founder, Chairman, CEO
FATHOM HOLDINGS, INC.