

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-K**

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended December 31, 2017
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 001-38160

**REDFIN CORPORATION**

(Exact name of Registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	74-3064240 (I.R.S. Employer Identification No.)
1099 Stewart Street, Suite 600 Seattle, Washington (Address of Principal Executive Offices)	98101 (Zip Code)

Registrant's Telephone Number, including area code: (206) 576-8333  
Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.001 Par Value Per Share	The Nasdaq Global Select Market

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

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

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange 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 and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Rule 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definite proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Emerging growth company

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

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

As of June 30, 2017, the last business day of the Registrant's most recently completed second fiscal quarter, the Registrant was a privately-held company and there was no established public market for the Registrant's common stock. The Registrant's common stock began trading on The Nasdaq Global Select Market on July 28, 2017. The aggregate market value of common stock held by non-affiliates of the Registrant computed by reference to the closing price of the Registrant's common stock on July 28, 2017 was approximately \$1,326,046,855.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<b>Class</b>	<b>Outstanding at February 20, 2018</b>
Common stock, \$0.001 par value per share	81,778,130 shares

#### DOCUMENTS INCORPORATED BY REFERENCE

Certain sections of the Registrant's definitive Proxy Statement to be filed in connection with the Registrant's 2018 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K where indicated. The Proxy Statement will be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days of the Registrant's fiscal year ended December 31, 2017. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as part of this Form 10-K.

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**REDFIN CORPORATION**  
**TABLE OF CONTENTS**

	<u>Page</u>	
<b>PART I</b>		
Item 1. <a href="#">Business</a>	<a href="#">5</a>	
Item 1A. <a href="#">Risk Factors</a>	<a href="#">5</a>	
Item 1B. <a href="#">Unresolved Staff Comments</a>	<a href="#">31</a>	
Item 2. <a href="#">Properties</a>	<a href="#">31</a>	
Item 3. <a href="#">Legal Proceedings</a>	<a href="#">31</a>	
Item 4. <a href="#">Mine Safety Disclosures</a>	<a href="#">32</a>	
<b>PART II</b>		
Item 5. <a href="#">Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	<a href="#">32</a>	
Item 6. <a href="#">Selected Financial Data</a>	<a href="#">34</a>	
Item 7. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">35</a>	
Item 7A. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	<a href="#">54</a>	
Item 8. <a href="#">Financial Statements and Supplementary Data</a>	<a href="#">55</a>	
Item 9. <a href="#">Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</a>	<a href="#">81</a>	
Item 9A. <a href="#">Controls and Procedures</a>	<a href="#">81</a>	
Item 9B. <a href="#">Other information</a>	<a href="#">82</a>	
<b>PART III</b>		
Item 10. <a href="#">Directors, Executive Officers and Corporate Governance</a>	<a href="#">82</a>	
Item 11. <a href="#">Executive Compensation</a>	<a href="#">82</a>	
Item 12. <a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	<a href="#">83</a>	
Item 13. <a href="#">Certain Relationships and Related Transactions, and Director Independence</a>	<a href="#">83</a>	
Item 14. <a href="#">Principal Accounting Fees and Services</a>	<a href="#">83</a>	
<b>PART IV</b>		
Item 15. <a href="#">Exhibits, Financial Statement Schedules</a>	<a href="#">83</a>	
Item 16. <a href="#">Form 10-K Summary</a>	<a href="#">85</a>	
	<a href="#">Signatures</a>	<a href="#">86</a>

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## NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of federal securities laws. All statements contained in this Annual Report on Form 10-K other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, product, service, and technology offerings, market conditions, growth and trends, technology driving long-term efficiency gains and service improvements, and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "could," "would," "project," "plan," "potentially," "preliminary," "likely," and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described under Part I, Item 1A, "Risk Factors." Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the effect of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this Annual Report on Form 10-K may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely on forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can't guarantee that the future results, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur. We undertake no obligation to update any of these forward-looking statements for any reason after the date of this Annual Report on Form 10-K or to conform these statements to actual results or revised expectations.

Unless the context indicates otherwise, as used in this Annual Report on Form 10-K, the terms "Redfin," the "Company," "we," "us," and "our" refer to Redfin Corporation, a Delaware corporation, and its subsidiaries taken as a whole, unless otherwise noted.

## PART I

### Item 1. Business

#### Overview

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

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

Our efficiency results in savings that we share with our customers. Our homebuyers saved on average approximately \$2,700 per transaction in 2017. And we charge most home sellers a commission of 1% to 1.5%, compared to the 2.5% to 3% typically charged by traditional brokerages.

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

- helped customers buy or sell more than 120,000 homes worth more than \$60 billion through 2017;
- drew more than 20 million monthly average visitors to our website and mobile application in 2017, 40% more than in 2016, making us the fastest-growing top-10 real estate website;
- earned a Net Promoter Score, a measure of customer satisfaction, that is 52% higher than competing brokerages', and a customer repeat rate that is 65% higher than competing brokerages';
- sold Redfin-listed homes for approximately \$3,000 more on average compared to the list price than competing brokerages' listings in 2017; and
- employed lead agents who, in 2017, were on average three times more productive, and earned a median income that was twice as much as agents at competing brokerages; our lead agents were also 26% more likely to stay with us from 2016 to 2017 than agents at competing brokerages.

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

#### How We Win

##### ***Next-Generation Technologies***

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

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

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

##### ***Comprehensive Listings Data***

As a brokerage, Redfin has complete access to all the homes listed for sale in the local multiple listing services, or MLSs, in the markets we serve. MLSs are used by real estate agents to list properties and coordinate sales.

Our agents visit more than 13,000 listings a week, enhancing our site with in-person insights about a home. Access to this extensive data, paired with local knowledge, lets us give our customers what we believe to be the most comprehensive information on homes for sale.

Additionally, our streaming architecture is designed to recommend listings to our customers by mobile alert or email soon after these listings appear in the MLS. These advantages in loading listings data and quickly notifying consumers come not just at the listing debut in the MLS, but in recognizing when a price changes or a home sells. For over 85% of these listings, we can show the listing on our website and mobile application within five minutes of its debut in the MLS. According to a 2017 study we commissioned, we notify our customers about newly listed homes between three to 18 hours faster than other leading real estate websites.

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

## **Machine Learning**

### *Redfin Listing Recommendations*

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

### *Redfin Estimate*

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

### *Redfin Hot Homes*

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

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

## **On-Demand Service**

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

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

Finally, we determine the optimal order in which to visit each home, allocating enough time to drive or walk from one to the next. Because on-demand service depends on different lead agents being available at different times, everyone on a local Redfin team can see all of the customer's online and brokerage activities to learn about the customer prior to the tour. Every team member also can update this system through mobile tools during and after the tour so we can follow up with more detail about a home of interest, different listing recommendations, or an on-the-spot offer. The entire solution depends on a listings search website, a customer database, a team structure, and a mobile capability that few brokerages can deliver. In the fourth quarter of 2017, nearly 80% of Redfin customers scheduled home tours automatically.

In the third quarter of 2017, we added a new level of automation to tour scheduling that confirms the availability of certain homes being toured, which lets Redfin instantly and completely confirm the entire tour.

## **Teams and Tools**

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

### *Teams of Employee Agents*

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

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

### *Flexible Network of Independent Associate Agents*

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

### *Redfin Agent Tools*

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

### *Productive Agents*

We believe our ability to meet customers through our website and mobile application has a profound effect not just on our economics but on our culture: our lead agents' primary responsibility is not generating new leads, but advising customers buying and selling homes. In 2017, our lead agents were on average three times more productive and earned a median income that was twice as much as agents at competing brokerages. High-performing agents also earned equity awards and a celebratory trip.

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

Our lead agents were 26% more likely to stay with us from 2016 to 2017 than agents at competing brokerages.

#### *Investment in Agents*

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

#### **Redfin Partner Program**

To serve customers when our own agents can't due to high demand or geographic limitations, we've developed partnerships with over 3,200 agents at other brokerages. Once we refer a customer to a partner agent, that agent, not us, represents the customer from the initial meeting through closing, at which point the agent pays us a portion of her commission as a referral fee.

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

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

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

#### **Homebuyer Experience**

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

We've built a fast-offer capability that lets our lead agents draft offers in minutes, with the goal of increasing their productivity and beating competing homebuyers to the punch. We've introduced this software to Redfin agents in four markets, with additional markets planned in 2018. During the inspections and appraisals, we track contracts and tasks in an online deal room to keep the closing on schedule.

#### **Home Seller Experience**

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

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

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

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

### **Our Value Proposition**

#### **Customers Get Better Service**

Our Net Promoter Score is 50, compared to the industry average of 33, as measured by a study we commissioned in November 2017.

#### **Measurable Results**

Redfin listings were on the market for an average of 29 days in 2017 compared to the industry average of 34 days according to a study we commissioned. And approximately 77% of Redfin listings sold within 90 days versus the industry average of approximately 75% according to the same study.

#### **Customers Save Money**

We give homebuyers a portion of the commissions that we earn. We typically earn 2.5% to 3% of a home's value for representing a homebuyer, and we contributed an average of approximately

\$2,700 per transaction through a commission refund or a closing-cost reduction in 2017. We returned a total of approximately \$60 million to customers in commission refunds or closing-cost reductions in 2017. The commission refund or closing-cost reduction depends on the home's value and lender approval, although some states prohibit commission refunds altogether.

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

In late 2014, we lowered our home seller commission from 1.5% to 1% in Washington, D.C., Virginia, and Maryland. Seeing accelerating share gain in those markets, we rolled out 1% listing fees in Seattle, Chicago, and Denver in late 2016. In 2017 and early 2018, we rolled out 1% listing fees in 20 additional markets, covering over 80% of our home-selling customers across a total of 26 markets.

## **Our Markets**

We operate in over 80 markets across 40 states and Washington, D.C. These markets cover approximately 70% of the United States by population. As we further realize the benefits of increasing scale, we'll evaluate new markets to enter.

## **Growth Strategies**

### ***Grow Share in Existing Markets***

We have a strong track record of gaining share. For 2017, we had 0.67% of U.S. market share, representing a 52% increase from 2015 and a 24% increase from 2016. We measure U.S. market share using transaction-volume data from the National Association of Realtors, or NAR, and we include the value of transactions completed by our partner agents for sales referred from our website and mobile application.

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

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

We believe transactions from our repeat and referral customers will continue to play a larger role in our market share gains. According to NAR, homeowners sell their homes every nine years on average, suggesting that repeat business takes a long time to build. At Redfin, we're now seeing our customers come back to sell a home we helped them buy many years before. We had 46% more repeat transactions in 2017 as compared to 2016. The rate at which our customers return to us for another transaction is 65% higher than the industry average. With tens of thousands of new customers each year, and higher rates of customer satisfaction, we believe we can drive future share gains as those customers choose to work with us again and refer our services to their friends and family.

### ***Offer a Complete Solution***

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

#### *Title Services*

Our experience with Title Forward, our title and settlement business, demonstrates that many Redfin customers are open to buying more services from us. In 2017, in the ten states where Title Forward operated, 52% of our homebuyers also chose our title and settlement service.

#### *Mortgage Services*

In the first quarter of 2017, we began originating mortgage loans to customers in Texas through Redfin Mortgage, a wholly owned subsidiary. Redfin Mortgage funds its loans using two separate warehouse credit facilities, each with a loan limitation of \$10.0 million.

Redfin Mortgage intends to sell every loan to third-party investors pursuant to existing correspondent relationships. Redfin Mortgage doesn't intend to retain or service any loans. Redfin Mortgage offers both conventional conforming and jumbo loans, with both fixed and adjustable interest rate products available.

Redfin Mortgage assesses potential borrowers' creditworthiness according to investor guidelines, including the borrower's credit score, assets, and income. Redfin Mortgage does not perform ongoing assessment of credit quality once the loans have been sold to third-party financial institutions. Redfin Mortgage currently accepts applications from customers in Illinois, Texas, Washington D.C., Virginia and Pennsylvania, and expects to expand to additional states in the future.

#### *Redfin Now*

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

We currently offer Redfin Now to a limited number of customers in two markets. We are evaluating the results of the Redfin Now test to determine if we should expand the service to more markets, continue at the current scale, or discontinue the experiment.

## **Our Culture of Service and Thrift**

Service is fundamental to our "everyone-sweeps-the-floors" culture: our executives serve our employees, and our employees serve our customers. As part of this humility, we recognize that everyone can be a leader. An agent can imagine better software; an engineer can imagine better service. The only way



we can use technology to make real estate better is by working together, in a way we believe that few pure technology or pure service companies can.

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

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

## **Our Employees**

As of December 31, 2017, we had a total of 2,422 employees. We have not had any work stoppages and believe our relationship with our employees to be good.

## **Marketing**

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

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

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

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

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

## **Technology Development**

We build almost all of our own software, with more than 200 engineers and product managers based in Seattle and San Francisco. The audience for our software includes consumers visiting our website and our mobile application, customers of our brokerage, of Redfin Mortgage, and of Title Forward, as well as our real estate teams and our partner agents.

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

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

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

For 2015, 2016, and 2017, technology and development expenses were 15%, 13%, and 12% of revenue, respectively.

## **Competition**

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

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

We believe we compete primarily based on:

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

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

## **Regulatory Matters**

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

### ***Brokerage Service Regulation***

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

#### *State Regulation*

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

#### *Federal Regulation*

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

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

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

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

#### *Local Regulation*

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

#### *MLS Rules*

We are also subject to rules, policies, data licenses, and terms of service established by over 120 MLSs of which we are a participant. These rules, policies, data licenses, and terms of service specify, among other things, how we may access and use MLS data and how MLS data must be displayed on our website and mobile application. The rules of each MLS to which we belong can vary widely and are complex. NAR, as well as state and local associations of REALTORS®, also have codes of ethics and rules governing members' actions in dealings with other members, clients, and the public. We must comply with these codes of ethics and rules as a result of our membership in these organizations.

### ***Title Service Regulation***

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

### ***Mortgage Products and Services Regulation***

Our mortgage business is subject to extensive federal, state, and local laws and regulations. Mortgage products are regulated at the state level by licensing authorities and administrative agencies, with additional oversight from the CFPB. We are required to obtain licensure as a mortgage banker or lender pursuant to applicable state law, and we are currently only licensed to originate mortgage loans in Illinois, Pennsylvania, Texas, Virginia, Washington, and Washington D.C.

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

### ***Privacy and Consumer Protection Regulation***

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

Redfin Mortgage receives, transmits and stores personally identifiable information from our customers to process mortgage applications and transactions. The sharing, use, disclosure, and protection of such information is governed by federal, state, and international laws regarding privacy and data security, all of which are frequently changing.

### ***Labor Regulation***

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

### ***Intellectual Property***

We rely on a combination of patents, trademarks, and trade secrets, as well as contractual provisions and restrictions, to protect our intellectual property. As of December 31, 2017, we owned 13 U.S. patents, which expire between 2026 and 2036, and had 14 U.S. patent applications and one Canadian patent application. These patents and patent applications seek to protect proprietary inventions relevant to our business. While we believe our patents and patent applications in the aggregate are important to our competitive position, no single patent or patent application is material to us as a whole. We intend to pursue additional patent protection to the extent we believe it would be beneficial and cost effective.

As of December 31, 2017, we owned 21 U.S. and two Canadian trademark registrations, including "Redfin," "Redfin Estimate," "Walk Score," "Title Forward" and related logos and designs. We also own several domain names including "Redfin," "WalkScore," our other trademarks, and similar variations.

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

### ***Corporate Information***

We were incorporated as Appliance Computing Inc. in Washington in October 2002. We reincorporated in Delaware in February 2005 and changed our name to Redfin Corporation in May 2006.

Our principal executive office is located at 1099 Stewart Street, Suite 600, Seattle, Washington 98101. Our telephone number is (206) 576-8333. Our website address is [www.redfin.com](http://www.redfin.com). However, none of the information on, or accessible through, our website is incorporated into this Annual Report on Form 10-K.

Redfin, the Redfin logo, Redfin Estimate, Title Forward, Walk Score, Redfin Mortgage, Redfin Now, and our other registered or common law trade names, trademarks, or service marks appearing in this Annual Report on Form 10-K are our intellectual property. This Annual Report on Form 10-K contains additional trade names, trademarks, and service marks of other companies that are the property of their respective owners. We do not intend our use or display of other companies' trade names, trademarks, or service marks to imply a relationship with, or endorsement or sponsorship of us by, these other companies.

Through a link on our website, we make available the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission, or SEC: our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All such filings are available free of charge. The public may also read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington DC, 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains all reports that we file or furnish with the SEC electronically.

## **Item 1A. Risk Factors**

*You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes. Our business, operating results, financial condition, or prospects could be materially and adversely affected by any of these risks and uncertainties. If any of these risks occurs, the trading price of our common stock could decline and you might lose all or part of your investment. Our business, operating results,*

financial performance, or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material.

## **Risks Related to Our Business and Industry**

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

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

- increased interest rates;

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

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

We have not been profitable on an annual basis since we were founded, and as of December 31, 2017, we had an accumulated deficit of \$129.0 million. We expect to continue to make future investments in developing and expanding our business, including technology, recruitment and training, marketing, and pursuing strategic opportunities. These investments may not result in increased revenue or growth in our business. Additionally, we may incur significant losses in the future for a number of reasons, including:

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

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

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

For 2015, 2016, and 2017, approximately 75%, 72%, and 69% of our real estate revenue, respectively, was derived from our top-10 markets, which consist of the metropolitan areas of Boston, Chicago, Los Angeles, Maryland, Orange County, Portland, San Diego, San Francisco, Seattle, and Virginia. These markets are primarily major metropolitan areas, where home prices and transaction volumes are generally higher than other markets. Local and regional economic conditions in these markets differ materially from prevailing conditions in other parts of the United States. For instance, the Tax Cuts and Jobs Act recently signed into law imposes significant limits on the annual deduction for real estate taxes and mortgage interest expenses. Due to the higher home prices and real estate taxes in most of our top-10 markets as compared to other parts of the United States, these reductions may adversely and disproportionately affect demand for and sales prices of homes in these metropolitan areas. In addition, due to the higher home prices in these markets, our real estate revenue and gross margin is generally higher in these markets than in our smaller markets. Any overall or disproportionate downturn in demand or economic conditions in any of our largest markets, particularly if we are not able to increase revenue from our other markets, could result in a decline in our revenue and harm our business.

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

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

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

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

- seasonal variances of home sales, which historically peak during the summer and are weaker during the first and fourth quarters of each year;
- cyclical periods of slowdowns or recessions in the U.S. real estate market;
- our ability to increase market share;
- fluctuations in sale prices and transaction volumes in our top markets;

- the price of homes bought or sold by Redfin homebuyers and home sellers;
- price competition;
- volume of transactions in markets with a higher than average mean home price;
- mix of transactions;
- impairment charges associated with goodwill and other intangible assets;
- the timing and success of new offerings by us and our competitors;
- changes in local market conditions;
- changes in interest rates and the mortgage and credit markets;
- the time it takes new lead agents to become fully productive;
- changes in federal, state, or local laws or taxes that affect real estate transactions or residential brokerage, title insurance, and mortgage insurance industries;
- changes in multiple listing services, or MLSs, or other rules and regulations affecting the residential real estate industry; and
- any acquisitions of, or investments in, third-party technologies or businesses.

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

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

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

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

These marketing efforts may not succeed for a variety of reasons, including changes to search engine algorithms, ineffective campaigns across marketing channels, and limited experience in certain marketing channels like television. External factors beyond our control may also affect the success of our marketing initiatives, such as filtering of our targeted communications by email servers, homebuyers and

home sellers failing to respond to our marketing initiatives, and competition from third parties. Any of these factors could reduce the number of homebuyers and home sellers to our website and mobile application. We also anticipate that our marketing efforts will become increasingly expensive as competition increases and we seek to expand our business in existing markets. Generating a meaningful return on our marketing initiatives may be difficult. If our strategies do not attract homebuyers and home sellers efficiently, our business and growth would be harmed. Even if we successfully increase revenue as a result of these efforts, that additional revenue may not offset the related expenses we incur.

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

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

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

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

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

We must comply with each MLS's rules, terms of service, and policies to access and use its listings data. Each of the more than 130 MLSs we belong to has adopted its own rules, terms of service, and policies governing, among other things, how MLS data may be used, and listings data must be displayed on our website and mobile application. These rules typically do not contemplate multi-jurisdictional online brokerages like ours and vary widely among markets. They also are in some cases inconsistent with the rules of other MLSs such that we are required to customize our website, mobile application, or service to accommodate differences between MLS rules. Complying with the rules of each MLS requires significant investment, including personnel, technology and development resources, other resources, and the exercise of considerable judgment. We cannot assure you that we are, and will remain at all times, in full compliance with all MLS rules, terms of service, and policies. If we are deemed to be noncompliant with an MLS's rules, we may face disciplinary sanctions in that MLS, which could include monetary fines, restricting or terminating



our access to that MLS's data, or other disciplinary measures. The loss or degradation of this listings data could materially and adversely affect traffic to our website and mobile application, making us less relevant to consumers and restricting our ability to attract customers. It also could reduce agent and customer confidence in our services and harm our business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Adverse developments in economic conditions could harm our business.***

Our business is sensitive to general economic conditions that are outside our control. Those conditions include interest rates, inflation, tax laws, fluctuations in consumer confidence, fluctuations in equity and debt capital markets, availability of credit, and the strength of financial institutions, which are sensitive to changes in the general macroeconomic environment. A host of factors beyond our control could cause fluctuations in these conditions, including the political environment, disruptions in an economically significant geographic region, or equity or debt markets, acts or threats of war, terrorism, any of which could harm our business.

***Increases in the after-tax costs of owning a home could reduce market demand for homes and harm our business.***

In December 2017, the Tax Cuts and Jobs Act was signed into law. Previously, significant expenses of owning a home, including mortgage interest expenses and real estate taxes, were generally deductible expenses from an individual's federal, and in some cases state, income taxes. The Tax Cuts and Jobs Act includes several provisions significantly limiting these income tax deductions. For instance, the annual deduction for real estate taxes and state and local income or sales taxes would generally be limited to \$10,000. Furthermore, through the end of 2025, the deduction for mortgage interest would generally only be available with respect to acquisition indebtedness that does not exceed \$750,000. The loss or reduction of these homeowner tax deductions is expected to adversely impact demand for and sales prices of homes, including those in the markets we operate. Any slowdown or decline in the real estate industry may harm our business.

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

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

In the third quarter of 2017 we began investing in more personal service for our homebuying customers, with modest agent hiring in a season when we've historically hired few or no agents. In the fourth quarter of 2017 we developed an entire program for asking agents to meet homebuying customers more often, and giving those customers more substantive, data-driven advice. As a result, in 2018 we plan to lower the number of homebuying customers each lead agent supports, hiring more lead agents than we otherwise would have. If this initiative doesn't result in greater productivity for our lead agents and better customer service, our business may be harmed.

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

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

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

negative exposure or liability could harm our brand and reputation. Any costs incurred as a result of this potential liability could harm our business.

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

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

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

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

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

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

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

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

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

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

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

We are currently defending three lawsuits, each of which includes class or representative claims. Although we have entered an agreement to settle these lawsuits and have received preliminary court approval, the settlement remains subject to final court approval. Further, we may from time to time be subject to additional lawsuits or administrative proceedings, claiming that certain of our independent contractor associate agents should be classified as our employees rather than as independent contractors. These lawsuits and proceedings typically seek substantial monetary damages (including claims for unpaid wages, overtime, unreimbursed business expenses, and other items), injunctive relief, or both. Adverse determinations in these matters could, among other things, require us to adopt certain changes in our business practices that are costly and time-consuming to implement, entitle our independent contractor associate agents to the benefit of wage and hour laws, and result in employment and withholding tax and benefit liabilities, as well as changes to the independent contractor status of our other non-employee service providers. Regardless of the validity of these claims or their outcome, we have incurred, and anticipate incurring in the future, significant costs and efforts to defend against or settle them. In addition, if legislative and regulatory authorities take actions that classify our independent contractor service providers as employees, we would incur liabilities under a variety of laws and regulations, including tax, workers'

compensation, unemployment benefits, labor, employment, and tort, including for prior periods, as well as potential liability for employee benefits and tax withholdings.

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

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

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

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

***Referring customers to our partner agents may harm our business.***

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

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

***If our current and future technology developments and service improvement efforts are not successful, our business may be harmed.***

We intend to continue investing significant resources in developing technology, tools, features, and products. If we do not spend our development budget efficiently or effectively on commercially successful and innovative technologies, we may not realize the expected benefits of our strategy. Moreover, technology development is inherently challenging and expensive, and the nature of development cycles may result in delays between the time we incur expenses and the time we make available new offerings and generate revenue, if any, from those investments. Anticipated customer demand for an offering we are developing could also decrease after the development cycle has commenced, and we wouldn't be able to recoup substantial costs we incurred.

For example, we've begun developing proprietary offer-writing software that is designed to allow our agents to prepare an offer on a listing in as little as a few minutes. The localization required for each market is extensive and generally requires securing rights to use forms in each market. Different states, markets, MLSs, and local realtor associations require different real estate forms, and local customs around myriad deal terms differ widely, requiring us to build and support dozens of variations and addenda. There's no guarantee that we'll be able to adapt our software to, or secure rights to use local forms in our software in, major markets that we serve. Our offer-writing software may also contain errors, inaccuracies, or omissions that may harm us or our homebuying customers. In addition, we'll be required to make ongoing investments to ensure that our software reflects future changes or additions to the forms and other requirements in each market. If we fail to successfully develop and adapt our localized offer-writing software we may not achieve the desired results or returns on our investment and our business may be harmed.

In addition, our technology-powered brokerage model is relatively new and unproven, and differs significantly from traditional residential brokerages. Our success depends on our ability to innovate and adapt our technology-powered brokerage to meet evolving industry standards and customer and agent expectations.

There are many competitors in the markets we serve, including brokerages as well as non-brokerage real estate websites, and we may not be able to effectively compete both as a brokerage and a developer of technology. We cannot assure you that we will be able to identify, design, develop, implement, and utilize, in a timely and cost-effective manner, technologies and service offerings necessary for us to compete effectively, that such technologies and service offerings will be commercially successful, or that products and services developed by others will not render our offerings noncompetitive or obsolete. If we do not achieve the desired or anticipated customer acquisition and transaction efficiency leverage from our technology and service investments, our business may be harmed.

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

From time to time, we develop new services. For example, in the first quarter of 2017, we began originating and underwriting mortgage loans for customers in Texas through our wholly owned subsidiary, Redfin Mortgage LLC, or Redfin Mortgage. Redfin Mortgage recently expanded its operations to Illinois, Pennsylvania, Virginia, and Washington D.C. Redfin Mortgage funds its loans using its warehouse credit

facilities, intending to sell all loans to third-party financial institutions after a holding period. While Redfin Mortgage only originates loans upon receiving purchase commitments from third-party financial institutions, these commitments are subject to origination quality standards and these institutions still retain contractual rights to reject the loans. If Redfin Mortgage is unable to sell its loans, it may be required to repurchase them from the warehouse lenders and sell them at a discount.

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

We have limited experience operating services outside of our core brokerage and forecasting our revenue and other financial results for any new service is inherently uncertain; our actual results may vary significantly from what we desire or predict or the estimates of analysts. Additionally, the revenue recognition terms and gross margin profile of our new services, in particular Redfin Now, substantially differ from our core brokerage service and therefore may impact our overall results in a manner difficult for us or analysts to predict. Our new services may also fail to attract customers, reduce customer confidence in our services, undermine our customer-first reputation, create real or perceived conflicts of interest between us and our customers, expose us to increased market risks, subject us to claims related to undisclosed defects in homes that we sell, alleging that we have breached our duties to our customers, or result in other disputes with our customers. Any of these events could harm our reputation or mean that such new services will harm our business.

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

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

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

Homes that we own are also subject to federal, state, and local laws governing hazardous substances. These laws often impose liability without regard to whether the owner was responsible for, or aware of, the release of such hazardous substances. If we take title to a property, the presence of hazardous



substances may adversely affect our ability to resell the property, and we may become liable to governmental entities or third parties for various fines, damages, or remediation costs.

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

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

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

From time to time, we may receive claims from third parties, including our competitors, that our offerings or underlying technology infringe or violate that third party's intellectual property rights. We may be unaware of the intellectual property rights of others that may cover some or all of our technology. If we are sued by a third party that claims our technology infringes on its rights, the litigation (with or without merit) could be expensive, time-consuming, and distracting to management. The results of such disputes or litigation are difficult to predict. The results of any intellectual property litigation to which we might become a party may require us to do one or more of the following:

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

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

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

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

If we are unable to protect our intellectual property, our competitors could use our intellectual property to market offerings similar to ours and our ability to compete effectively would be impaired. Moreover, others may independently develop technologies that are competitive to ours or infringe on our

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Global cybersecurity threats and incidents directed at us or our third-party service providers can range from uncoordinated individual attempts to gain unauthorized access to information technology systems to sophisticated and targeted measures known as advanced persistent threats. In the ordinary course of our business, we and our third-party service providers collect and store sensitive data, including our proprietary business information and intellectual property, and that of our customers, including personally identifiable information. Additionally, we rely increasingly on third-party providers to store and process data,

and to communicate and work collaboratively. The secure processing, maintenance, and transmission of information are critical to our operations and we rely on the security procedures of these third-party providers. Although we employ comprehensive measures designed to prevent, detect, address, and mitigate these threats (including access controls, data encryption, vulnerability assessments, and maintenance of backup and protective systems), cybersecurity incidents, depending on their nature and scope, could potentially result in the misappropriation, destruction, corruption, or unavailability of critical data and confidential or proprietary information (our own or that of third parties, including personally identifiable information of our customers) and the disruption of business operations. Any such compromises to our security, or that of our third-party providers, could cause customers to lose trust and confidence in us, and stop using our website and mobile application in their entirety. In addition, we may incur significant costs for remediation that may include liability for stolen assets or information, repair of system damage, and compensation to customers and business partners. We may also be subject to legal claims, government investigation, and additional state and federal statutory requirements.

***Our software is highly complex and may contain undetected errors.***

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

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

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

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

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

We rely on targeted email campaigns to generate customer interest in our products and services. If email providers implement new or more restrictive email delivery policies it may become more difficult to

deliver emails to our customers. For example, certain email providers categorize commercial email as “promotional,” and direct such emails to a less readily-accessible section of a customer’s inbox. If email providers materially limit or halt the delivery of certain of our emails, or if we fail to deliver emails to customers in a manner compatible with email providers’, email handling or authentication technologies, our ability to generate customer interest in our offerings using email may be restricted, which could harm our business.

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

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

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

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

We have experienced rapid and significant growth in recent years that has placed, and may continue to place, significant demands on our management and our operational and financial infrastructure. For example, we have grown from 752 employees as of December 31, 2013 to 2,422 employees as of December 31, 2017. As we continue to grow, our success will depend on our ability to expand, maintain, and improve technology that supports our business operations, as well as our financial and management information systems, disclosure controls and procedures, internal controls over financial reporting, and to maintain effective cost controls. This requires us to commit substantial financial, operational and technical resources. Our ability to manage these efforts could be affected by many factors, including a lack of adequate staffing with the requisite expertise and training. If our operational technology is insufficient to reliably service our customers and agents, then the number of visitors to our website and mobile application could decrease, agents may not desire to work for us, our customer service and transaction volume could suffer, and our costs could increase. In addition, our reputation may be negatively affected. Any of these events could harm our business.

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

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

We do not have employment agreements other than offer letters with any employee, including our senior management team, and we do not maintain key person life insurance for any employee. Any changes in our senior management team may be disruptive to our business. If we fail to retain or effectively replace members of our senior management team, or if our senior management team fails to work together effectively and to execute our plans and strategies, our business could be harmed.

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

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

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

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

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

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

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

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

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

***If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, we may not be able to produce timely and accurate financial statements or comply with applicable regulations. We will incur increased costs as a result of operating as a public company.***

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

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. Our disclosure controls and other procedures are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers, and we continue to evaluate how to improve controls. We are also continuing to improve our internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control

over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on Nasdaq. We are not currently required to comply with the SEC rules that implement Section 404 of the Sarbanes-Oxley Act and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. As a public company, we will be required to furnish a report by our management on our internal control over financial reporting beginning with the fiscal year ending December 31, 2018.

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

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

As of December 31, 2017, we had federal net operating loss carryforwards, or NOLs, we may use to reduce future taxable income or offset income taxes due. The NOLs start expiring in 2025. Insufficient future taxable income will adversely affect our ability to deploy these NOLs and credit carryforwards. In addition, under Section 382 of the U.S. Internal Revenue Code of 1986, as amended, or the Code, a corporation that experiences a more-than 50% ownership change over a three-year testing period is limited in its ability to use its pre-change NOLs and other tax assets to offset future taxable income or income taxes due. Our existing NOLs and credit carryforwards may be subject to limitations arising from previous ownership changes; if we undergo an ownership change, then our ability to use our NOLs and credit carryforwards could be further limited by Section 382 of the Code. Future changes in our stock ownership, the causes of which may be outside our control, could result in an ownership change under Section 382 of the Code. Our NOLs may also be impaired under state law. As a result of these limitations, we may not be able to utilize a material portion of, or possibly any of, the NOLs and credit carryforwards.

***Catastrophic events may disrupt our business.***

Natural disasters or other catastrophic events may damage or disrupt our operations, local and regional real estate markets, or the U.S. economy, and thus could harm our business. Our headquarters is located in Seattle, Washington, an earthquake-prone area. A natural disaster or catastrophic event in Seattle could interrupt our engineering and financial functions and impair access to internal systems, documents, and equipment critical to the operation of our business. Many of the major markets we serve, such as the San Francisco Bay Area and Southern California, are also located in earthquake zones and are susceptible to natural disasters. Additionally, other significant natural disasters or catastrophic events in any of the major markets we serve could harm our business.



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

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

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

**Risks Relating to Ownership of Our Common Stock**

***The stock price of our common stock has been and will likely continue to be volatile and may decline regardless of our performance, and you could lose all or part of your investment.***

The market price of our common stock has been and will likely continue to be subject to significant fluctuations. Some of the factors that may cause the market price to fluctuate include the following, many of which are beyond our control:

- overall performance of the equity markets and the performance of technology or real estate companies in particular;
- variations in our results of operations, cash flows, and other financial metrics and non-financial metrics, and how those results compare to analyst expectations;
- changes in the financial projections we may provide to the public or our failure to meet those projections;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- recruitment or departure of key personnel;
- variations in general market, financial markets, economic, and political conditions in the United States;
- changes in mortgage interest rates;
- changes in federal, state, or local tax laws and policies;
- variations in the housing market, including seasonal trends and fluctuations;
- negative publicity related to the real or perceived quality of our website and mobile application, as well as the failure to timely launch new products and services that gain market acceptance;

- rumors and market speculation involving us or other companies in our industry;
- announcements by us or our competitors of significant technical innovations, new business models, or changes in pricing;
- acquisitions, strategic partnerships, joint ventures, or capital commitments;
- new laws, regulations, or executive orders, or new interpretations of existing laws or regulations applicable to our business;
- changes in MLS or other broker rules and regulations, or new interpretations of rules and regulations applicable to our business;
- lawsuits threatened or filed against us, or unfavorable determinations or settlements in any such suits;
- developments or disputes concerning our intellectual property or our technology, or third- party proprietary rights;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- other events or factors, including those resulting from war, incidents of terrorism, or responses to these events;
- the expiration of any contractual lock-up or market standoff agreements; and
- sales of shares of our common stock by us or our stockholders.

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

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

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business, our market, and our competitors. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. If one or more of these analysts cease covering us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

***Sales of a substantial number of shares of our common stock, or the perception that they might occur, may cause the price of our common stock to decline.***

Sales of a substantial number of shares of our common stock into the public market, particularly sales by our directors, executive officers, and principal stockholders, or the perception that these sales might occur, could cause the market price of our common stock to decline.

As of December 31, 2017, there were 81,468,891 shares of our common stock outstanding. All lock-up restrictions entered into by security holders in connection with our initial public offering in July 2017 have

expired as of the date of this Annual Report on Form 10-K, and all shares of our common stock are available for sale in the public market, subject in certain cases to volume limitations under Rule 144 under the Securities Act of 1933, as amended, or the Securities Act, various vesting agreements, as well as our insider trading policy.

In addition, approximately 13.2 million shares of our common stock that are subject to outstanding options as of December 31, 2017 will become eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, the lock-up agreements, and Rules 144 and 701 under the Securities Act. We have also registered approximately 9.5 million shares of common stock that we may issue under our equity compensation plans.

Certain holders of our outstanding common stock have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or our stockholders.

We cannot predict what effect, if any, sales of our shares in the public market or the availability of shares for sale will have on the market price of our common stock. However, future sales of substantial amounts of our common stock in the public market, including shares issued on exercise of outstanding options, or the perception that such sales may occur, could adversely affect the market price of our common stock.

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

***We have broad discretion to use the net proceeds from our initial public offering and may not use them effectively.***

Our management has broad discretion in the application of the net proceeds from our initial public offering. If we do not use the net proceeds effectively, our business, financial condition, results of operations, and prospects could be harmed, and the market price of our common stock could decline. Pending their use, we may invest the net proceeds from our initial public offering in short-term, investment-grade, interest-bearing securities such as money market accounts, certificates of deposit, commercial paper, and guaranteed obligations of the U.S. government that may not generate a high yield to our stockholders.

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

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

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

As of December 31, 2017, our executive officers, directors, five percent or greater stockholders and their respective affiliates own in the aggregate a majority of our common stock. As a result, these stockholders have the ability to influence us through this ownership position. These stockholders may be able to determine all matters requiring stockholder approval. For example, these stockholders may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition

proposals or offers for our common stock that you may feel are in your best interest as one of our stockholders. The interests of this group of stockholders may not always coincide with your interests or the interests of other stockholders and they may act in a manner that advances their best interests and not necessarily those of other stockholders, including seeking a premium value for their common stock, and might affect the prevailing market price for our common stock.

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

We are an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012, or JOBS Act. We will remain an emerging growth company until the earliest to occur of (1) the last day of the fiscal year in which we have total annual gross revenue of \$1.07 billion or more; (2) December 31, 2022 (the last day of the fiscal year ending after the fifth anniversary of the date of the completion of our initial public offering); (3) the date on which we have issued more than \$1.0 billion in non-convertible debt securities during the prior three-year period; or (4) the date we qualify as a “large accelerated filer” under the rules of the SEC, which means the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter. For so long as we remain an emerging growth company, we are permitted and intend to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies.

In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

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

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

- establish a classified board of directors so that not all members of our board are elected at one time;
- permit only the board of directors to establish the number of directors and fill vacancies on the board;
- provide that directors may only be removed “for cause” and only with the approval of two-thirds of our stockholders;
- require super-majority voting to amend some provisions in our restated certificate of incorporation and restated bylaws;

- authorize the issuance of “blank check” preferred stock that our board could use to implement a stockholder rights plan, also known as a “poison pill”;
- eliminate the ability of our stockholders to call special meetings of stockholders;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- prohibit cumulative voting;  
and
- establish advance notice requirements for nominations for election to our board or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

Moreover, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, or DGCL, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner. Likewise, because our principal executive offices are located in Washington, the anti-takeover provisions of the Washington Business Corporation Act may apply to us under certain circumstances now or in the future. These provisions prohibit a “target corporation” from engaging in any of a broad range of business combinations with any stockholder constituting an “acquiring person” for a period of five years following the date on which the stockholder became an “acquiring person.”

Any of these provisions of our charter documents or Delaware or Washington law could, under certain circumstances, depress the market price of our common stock.

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

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

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

we may incur additional costs associated with resolving such matters in other jurisdictions, which could have an adverse effect on our business, financial condition or results of operations.

#### **Item 1B. Unresolved Staff Comments**

None.

#### **Item 2. Properties**

Our principal executive office is in Seattle, Washington. The facility currently consists of approximately 84,000 square feet of space, and will expand to a total of approximately 113,000 square feet of space in January 2019. Our current lease, entered into in May 2016 and amended and restated in June 2017, expires in August 2027 with two options to extend the lease for an additional seven years each.

We also lease additional office space in Arizona, California, Colorado, Florida, Georgia, Hawaii, Illinois, Indiana, Kentucky, Maryland, Massachusetts, Minnesota, Missouri, Nebraska, New Jersey, New York, Nevada, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, Washington, Washington, D.C., and Wisconsin. We intend to procure additional space in the future as we continue to add employees and expand our business. We believe our facilities are adequate and suitable for our current needs and that, should it be needed, suitable additional or alternative space will be available to accommodate our operations.

#### **Item 3. Legal Proceedings**

From time to time we are involved in litigation, claims, and other proceedings arising in the ordinary course of our business. Such litigation and other proceedings may include, but are not limited to, actions relating to employment law and misclassification, intellectual property, commercial or contractual claims, brokerage or real estate disputes, claims related to the Real Estate Settlement Procedures Act of 1974, the Fair Housing Act of 1968, or other consumer protection statutes, ordinary-course brokerage disputes like the failure to disclose property defects, commission disputes, and vicarious liability based upon conduct of individuals or entities outside of our control, including partner agents and third-party contractor agents. Litigation and other disputes are inherently unpredictable and subject to substantial uncertainties and unfavorable resolutions could occur. Often these cases raise complex factual and legal issues, which are subject to risks and uncertainties and could require significant management time and resources. Litigation and regulatory proceedings could result in unexpected expenses and liabilities, and we cannot predict whether any resulting expenses or liabilities would have a material adverse effect on our financial position, results of operations, cash flows, or reputation.

##### ***Misclassification***

Third-party licensed sales associates filed three lawsuits against us in the Superior Court of the State of California in 2013 and 2014. Two of the actions, which are pled as "class actions," were removed to, and are now pending in, the Northern District of California. One of these cases also includes representative claims under California's Private Attorney General Act, Labor Code section 2698 et seq, or PAGA. The third action is pending in the Los Angeles County Superior Court and asserts representative claims under PAGA. All three complaints alleged that we had misclassified current and former third-party licensed sales associates in California as independent contractors and generally seek compensation for unpaid wages, overtime, and failure to provide meal and rest periods, as well as reimbursement of business expenses.

In June 2017, we entered into an agreement to settle these lawsuits for an aggregate payment of \$1.8 million. The settlement agreement does not contain any admission of liability, wrongdoing, or responsibility by any of the parties. The proposed settlement class contemplated by the agreement includes all current and former third party licensed sales associates we engaged in California from January 16, 2009,

through April 29, 2017. The settlement agreement has received preliminary court approval, but remains subject to final court approval.

While we believe we have complied with all applicable laws and regulations in classifying the third-party licensed sales associates as independent contractors, these cases are inherently complex and subject to many uncertainties. In the event the settlement is not approved, the cases may continue and a class may be certified. If that happens, there can be no assurance that the plaintiffs will not seek substantial damage awards, penalties, attorneys' fees, or other remedies.

#### Item 4. Mine Safety Disclosures

None.

## PART II

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

##### Price Range of Common Stock

Our common stock has been listed on The Nasdaq Global Select Market under the symbol "RDFN" since July 28, 2017. Prior to that date, there was no public trading market for our common stock. The following table sets forth for the periods indicated the range of high and low sales price per share of our common stock, as reported on The Nasdaq Global Select Market:

<b>Fiscal Year 2017</b>	<b>High</b>	<b>Low</b>
Third Quarter (beginning July 28, 2017)	\$ 33.49	\$ 19.29
Fourth Quarter	\$ 31.32	\$ 19.50

##### Holdings of Record

As of December 31, 2017, we had 551 holders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

##### Dividends

We have not declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings and do not expect to pay any cash dividends on our common stock for the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, operating results, capital requirements, general business conditions, and other factors that our board of directors considers relevant.

##### Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this item with respect to our equity compensation plans is incorporated by reference to our Proxy Statement for the 2018 annual meeting of stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2017.

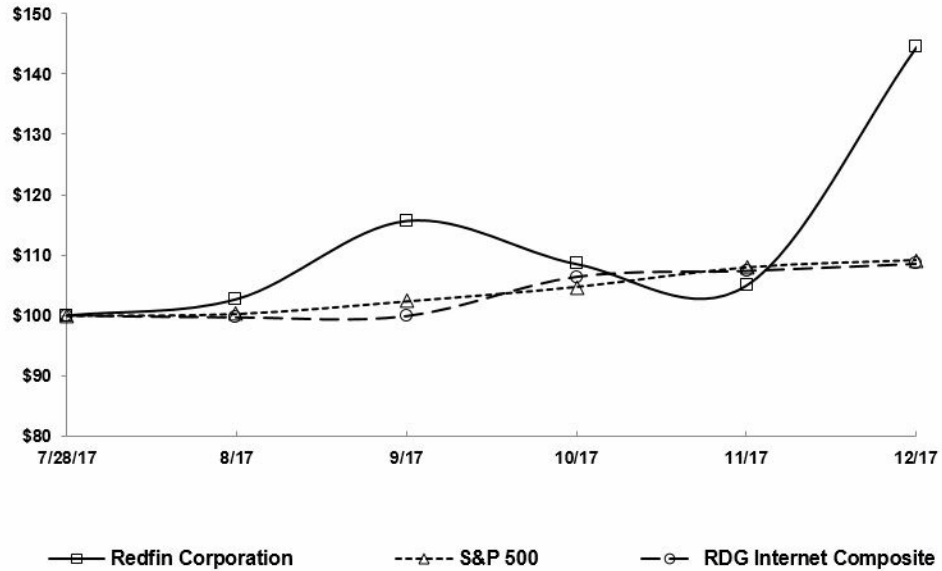
##### Stock Performance Graph

The graph below compares the cumulative total return on our common stock with that of the S&P 500 Index and the RDG Composite Index. The period shown commences on July 28, 2017, and ends on December 31, 2017, the end of our last fiscal year. The graph assumes an investment of \$100 in each of

the above on the close of market on July 28, 2017. The stock price performance graph is not necessarily indicative of future price performance.

### COMPARISON OF 5 MONTH CUMULATIVE TOTAL RETURN\*

Among Redfin Corporation, the S&P 500 Index  
and the RDG Internet Composite Index



\*\$100 invested on 7/28/17 in stock or 7/31/17 in index, including reinvestment of dividends.  
Fiscal year ending December 31.

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This performance graph is not deemed to be incorporated by reference into any of our other filings under the Exchange Act, or the Securities Act, except to the extent we specifically incorporate it by reference into such filing.

#### Recent Sales of Unregistered Securities

None.

#### Use of Proceeds

On July 27, 2017, the SEC declared our registration statement on Form S-1 (File No. 333-219093) effective for our Initial Public Offering, or IPO.

There has been no material change in the planned use of proceeds from our IPO as described in our final prospectus filed with the SEC on July 28, 2017, pursuant to Rule 424(b)(4).



## Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

## Item 6. Selected Financial Data

The following tables summarize our consolidated financial data. We derived our selected consolidated statements of operations data for the years ended December 31, 2014, 2015, 2016, and 2017, and our selected consolidated balance sheet data as of December 31, 2014, 2015, 2016, and 2017, from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected consolidated balance sheet data as of December 31, 2014 and 2015 is derived from our audited consolidated financial statements that are not included in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of the results to be expected in the future. You should read the following selected financial data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, including the accompanying notes included elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31,			
	2014	2015	2016	2017
	(in thousands, except share and per share data)			
<b>Consolidated Statements of Operations Data:</b>				
Revenue	\$ 125,363	\$ 187,338	\$ 267,196	\$ 370,036
Cost of revenue	93,272	138,492	184,452	258,216
Gross profit	32,091	48,846	82,744	111,820
Operating expenses:				
Technology and development	17,876	27,842	34,588	42,532
Marketing	15,058	19,899	28,571	32,251
General and administrative	24,240	31,394	42,369	53,009
Total operating expenses	57,174	79,135	105,528	127,792
Income (loss) from operations	(25,083)	(30,289)	(22,784)	(15,972)
Interest income and other income, net:				
Interest income	—	46	173	882
Other income, net	24	7	85	88
Total interest income and other income, net	47	53	258	970
Income (loss) before tax benefit (expense)	(25,036)	(30,236)	(22,526)	(15,002)
Income tax benefit (expense)	306	—	—	—
Net income (loss)	\$ (24,730)	\$ (30,236)	\$ (22,526)	\$ (15,002)
Accretion of redeemable convertible preferred stock	\$ (101,251)	\$ (102,224)	\$ (55,502)	\$ (175,915)
Net income (loss) attributable to common stock—basic and diluted	\$ (125,981)	\$ (132,460)	\$ (78,028)	\$ (190,917)
Net income (loss) per share attributable to common stock—basic and diluted	\$ (11.76)	\$ (9.87)	\$ (5.42)	\$ (4.47)
Weighted average shares used to compute net income (loss) per share attributable to common stock—basic and diluted	10,716,557	13,416,411	14,395,067	42,722,114

(1) Includes stock-based compensation as follows:

	Year Ended December 31,			
	2014	2015	2016	2017
	(in thousands)			
Cost of revenue	\$ 1,280	\$ 1,440	\$ 2,266	\$ 2,902
Technology and development	962	1,375	2,383	3,325
Marketing	237	298	469	487
General and administrative	2,717	2,449	3,295	4,387
Total	\$ 5,196	\$ 5,562	\$ 8,413	\$ 11,101

(2) See Note 8 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for an explanation of the calculations of our net income (loss) per share attributable to common stock, basic and diluted.

	As of December 31,			
	2014	2015	2016	2017
	(in thousands)			
<b>Consolidated Balance Sheet Data:</b>				
Cash, cash equivalents, and short-term investments	\$ 112,127	\$ 87,341	\$ 65,779	\$ 208,342
Working capital	106,196	83,234	60,445	204,349
Total assets	142,113	125,054	133,477	281,955
Redeemable convertible preferred stock	497,699	599,914	655,416	—
Total stockholders' equity (deficit)	(370,595)	(495,713)	(563,734)	235,430

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

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements, the accompanying notes, and other financial information included elsewhere in this Annual Report on Form 10-K. The following discussion contains forward-looking statements that involve risks and uncertainties such as our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements below. The following discussion also contains information using industry publications that generally state that the information contained therein has been obtained from sources believed to be reliable, but such information may not be accurate or complete. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied on therein. We are not aware of any misstatements regarding the industry, survey or research data provided herein, our estimates involve risks and uncertainties and are subject to change based upon various factors. Factors that could cause or contribute to those differences in our actual results and factors that may affect industry, survey or research data include, but are not limited to, those discussed below and those discussed elsewhere in this Annual Report on Form 10-K, particularly in the sections "Special Note Regarding Forward-Looking Statements" above and Part I, Item 1A. "Risk Factors" above.

In the below discussion, we use the term basis points to refer to units of one-hundredth of one percent.

### Overview

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

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

- *Brokerage Revenue.* We earn brokerage revenue from commissions we receive from representing homebuyers. Traditional brokerage buy-side commissions typically range from 2.5% to 3% of a home's sale price, depending on the market. We typically return a portion of this commission to our homebuyer through a commission refund or closing-cost reduction. We recognize the remaining commission amount as revenue. We also earn revenue from commissions we receive from representing home sellers. Typical traditional brokerage sell-side commissions range from 2.5% to 3% of a home's sale price. Our sell-side commissions, which we recognize as revenue, are typically 1% to 1.5% of a home's sale price, depending on the market and subject to market-by-market minimums.
- *Partner Revenue.* Through the Redfin Partner Program, we refer customers to partner agents when we do not have a lead agent available to serve the customer due to high demand or geographic limitations. Partner agents pay us a fee representing a portion of the commission they receive when they close a referred transaction. For the years ended December 31, 2015, 2016 and 2017, we gave a portion of this referral fee to the customer in certain circumstances and recognized the remaining amount as revenue. In December 2017, we stopped giving a portion of our referral fee to the customer.
- *Other Revenue.* We offer services beyond helping customers buy and sell homes. For example, we currently provide title and settlement services in ten states and mortgage services in three states. We also license data and analytics from Walk Score, our neighborhood walk-ability tool. We operate an experimental business, Redfin Now, where we buy homes directly from homeowners and resell them to homebuyers.

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

Our growth has been significant. For the years ended December 31, 2015, 2016, and 2017, we generated revenue of \$187.3 million, \$267.2 million, and \$370.0 million, respectively, representing annual growth of 49%, 43%, and 38%, respectively. We generated net losses of \$30.2 million, \$22.5 million, and \$15.0 million for the years ended December 31, 2015, 2016, and 2017, respectively

#### **Initial Public Offering**

On August 2, 2017, we completed our initial public offering, or IPO, in which we issued and sold 10,615,650 shares of our common stock (including 1,384,650 shares pursuant to the underwriters' option to purchase additional shares) at a public offering price of \$15.00 per share. The aggregate gross proceeds were approximately \$159.2 million. We received \$144.4 million in net proceeds after deducting \$11.1 million of underwriting discounts and commissions and \$3.7 million in offering costs. Upon the closing of the IPO, all of the outstanding shares of our redeemable convertible preferred stock automatically converted into 55,422,002 shares of common stock on a one-for-one basis. Subsequent to the closing of the IPO, there are no shares of redeemable convertible preferred stock outstanding.

#### **Key Business Metrics**

In addition to the measures presented in our consolidated financial statements, we use the following key metrics to evaluate our business, develop financial forecasts, and make strategic decisions.

	Year Ended December 31,		
	2015	2016	2017
Monthly average visitors (in thousands)	11,705	16,215	22,623
Real estate transactions:			
Brokerage	18,586	25,868	35,038
Partner	8,906	9,482	10,755
Total	27,492	35,350	45,793
Real estate revenue per real estate transaction:			
Brokerage	\$ 9,215	\$ 9,436	\$ 9,429
Partner	1,142	1,719	1,971
Aggregate	6,600	7,366	7,677
Aggregate home value of real estate transactions (in millions)	12,296	16,199	21,280
U.S. market share by value	0.44 %	0.54 %	0.67 %
Revenue from top-10 Redfin markets as a percentage of real estate revenue	76 %	72 %	69 %
Average number of lead agents	591	763	1,023

### **Monthly Average Visitors**

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

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

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

### **Real Estate Transactions**

Increasing the number of real estate transactions in which we or our partner agents represent homebuyers and home sellers is critical to increasing our revenue and, in turn, to achieving profitability. Real estate transaction volume is influenced by the pricing and quality of our services as well as market conditions that affect home sales, such as local inventory levels and mortgage interest rates. Real estate transaction volume is also affected by seasonality and macroeconomic factors. We include a single transaction twice when we or our partner agents serve both the homebuyer and the home seller of a home.

### ***Real Estate Revenue per Real Estate Transaction***

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

We generally generate more revenue per real estate transaction from representing homebuyers than home sellers. From 2015 through 2017, the percentage of brokerage transactions from home sellers increased from slightly over 25% to slightly over 35%. We expect this trend to continue, because we believe that representing home sellers has unique strategic value, including the marketing power of yard signs and digital marketing campaigns, and the market effect of controlling listing inventory. To keep revenue per brokerage transactions about the same from year to year, we expect to reduce our commission refund to homebuyers as more of our brokerage transactions come from home sellers. Based on prior pricing changes, we believe that home sellers are more sensitive to pricing than homebuyers.

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

### ***Aggregate Home Value of Real Estate Transactions***

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

### ***U.S. Market Share by Value***

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

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

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

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

### ***Average Number of Lead Agents***

The average number of lead agents, in combination with our other key metrics such as the number of brokerage transactions, is a basis for calculating agent productivity and is one indicator of the potential future growth of our business. We systematically evaluate traffic to our website and mobile application and

customer activity to anticipate changes in customer demand, helping determine when and where to hire lead agents.

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

## **Components of Our Results of Operations**

### **Revenue**

We generate revenue primarily from commissions and fees charged on real estate transactions closed by our lead agents or partner agents.

#### *Real Estate Revenue*

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

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

#### *Other Revenue*

Other revenue consists of fees charged for title and settlement services, mortgage operations, licensing and analytics fees from our Walk Score service, homes sold by Redfin Now, and other services. Revenue is recognized when the service is provided. Redfin Now is our experimental new service where we buy homes directly from homeowners and resell them to homebuyers. Revenue earned from homes previously purchased by Redfin Now is recorded at closing on a gross basis, representing the sales price of the home.

### **Cost of Revenue and Gross Margin**

Cost of revenue consists primarily of personnel costs (including base pay and benefits), stock- based compensation, transaction bonuses, home-touring and field expenses, listing expenses, office and occupancy expenses, depreciation and amortization related to fixed assets and acquired intangible assets, and, for Redfin Now, the cost of homes including the purchase price and capitalized improvements. We expect our personnel expenses to increase as we continue to hire more lead agents to reduce the number of homebuying customers that each lead agent serves.

Gross profit is revenue less cost of revenue. Gross margin is gross profit expressed as a percentage of revenue. Our gross margin has and will continue to be affected by a number of factors, but the most important are real estate revenue per real estate transaction, agent and support-staff productivity, personnel costs and transaction bonuses, and, for Redfin Now, the cost of homes.

### **Operating Expenses**

#### *Technology and Development*

Our primary technology and development expenses are building software for our customers, lead agents, and support staff to work together on a transaction, and building a website and mobile application to meet customers looking to move. These expenses consist primarily of personnel costs, stock-based compensation, data-license expenses, software costs, and equipment and infrastructure costs, such as for data centers and hosted services. Technology and development expenses also include amortization of capitalized internal-use software and website and mobile application development costs.

### Marketing

Marketing expenses consist primarily of media costs for online and traditional advertising, as well as personnel costs and stock-based compensation.

### General and Administrative

General and administrative expenses consist primarily of personnel costs, stock-based compensation, facilities costs and related expenses for our executive, finance, human resources, and legal organizations, depreciation related to the Company's fixed assets, and fees for outside services. Outside services are principally comprised of external legal, audit, and tax services.

## Results of Operations

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

	Year Ended December 31,		
	2015	2016	2017
	(in thousands)		
Revenue	\$ 187,338	\$ 267,196	\$ 370,036
Cost of revenue <sup>(1)</sup>	138,492	184,452	258,216
Gross profit	48,846	82,744	111,820
Operating expenses:			
Technology and development <sup>(1)</sup>	27,842	34,588	42,532
Marketing <sup>(1)</sup>	19,899	28,571	32,251
General and administrative <sup>(1)</sup>	31,394	42,369	53,009
Total operating expenses	79,135	105,528	127,792
Income (loss) from operations	(30,289)	(22,784)	(15,972)
Interest income and other income, net	53	258	970
Net income (loss)	\$ (30,236)	\$ (22,526)	\$ (15,002)

<sup>(1)</sup> Includes stock-based compensation as follows:

	Year Ended December 31,		
	2015	2016	2017
	(in thousands)		
Cost of revenue	\$ 1,440	\$ 2,266	\$ 2,902
Technology and development	1,375	2,383	3,325
Marketing	298	469	487
General and administrative	2,449	3,295	4,387
Total	\$ 5,562	\$ 8,413	\$ 11,101

	Year Ended December 31,		
	2015	2016	2017
	(as a percentage of revenue)		
Revenue	100.0 %	100.0 %	100.0 %
Cost of revenue <sup>(1)</sup>	73.9	69.0	69.8
Gross profit	26.1	31.0	30.2
Operating expenses:			
Technology and development <sup>(1)</sup>	14.9	12.9	11.6
Marketing <sup>(1)</sup>	10.6	10.7	8.7
General and administrative <sup>(1)</sup>	16.7	15.9	14.3
Total operating expenses	42.2	39.5	34.6
Income (loss) from operations	(16.1)	(8.5)	(4.4)
Interest income and other income, net	—	0.1	0.3
Net income (loss)	(16.1)%	(8.4)%	(4.1)%

(1) Includes stock-based compensation as follows:

	Year Ended December 31,		
	2015	2016	2017
	(as a percentage of revenue)		
Cost of revenue	0.8 %	0.8 %	0.8 %
Technology and development	0.7	0.9	0.9
Marketing	0.2	0.2	0.1
General and administrative	1.3	1.2	1.2
Total	3.0 %	3.1 %	3.0 %

#### Comparison of the Years Ended December 31, 2016 and 2017

##### Revenue

	Year Ended December 31,		Change	
	2016	2017	Dollars	Percentage
	(in thousands, except percentages)			
Real estate revenue:				
Brokerage revenue	\$ 244,079	330,372	\$ 86,293	35 %
Partner revenue	16,304	21,198	4,894	30
Total real estate revenue	260,383	351,570	91,187	35
Other revenue	6,813	18,466	11,653	171
Revenue	\$ 267,196	370,036	\$ 102,840	38
Percentage of revenue				
Real estate revenue:				
Brokerage	91.4 %	89.3 %		
Partner revenue	6.1	5.7		
Total real estate revenue	97.5	95.0		
Other revenue	2.5	5.0		
Revenue	100.0 %	100.0 %		



In 2017, revenue increased by \$102.8 million, or 38%, as compared with 2016. Brokerage revenue represented \$86.3 million, or 84%, of the increase. Brokerage revenue grew 35% during the period, driven by a 35% increase in brokerage real estate transactions and offset by a 0.1% decrease in real estate revenue per brokerage transaction. The increase in brokerage transactions was attributable to higher levels of customer awareness of Redfin and increasing customer demand. Other revenue increased \$11.7 million, or 171%, as compared with 2016. \$10.5 million of the \$11.7 million increase was attributed to Redfin Now. There was no Redfin Now revenue in 2016.

### Cost of Revenue and Gross Margin

	Year Ended December 31,		Change	
	2016	2017	Dollars	Percentage
(in thousands, except percentages)				
Cost of revenue				
Real estate	\$ 176,408	\$ 237,832	\$ 61,424	35 %
Other	8,044	20,384	12,340	153
Total cost of revenue	<u>\$ 184,452</u>	<u>\$ 258,216</u>	<u>\$ 73,764</u>	<u>40</u>
Gross profit				
Real estate	\$ 83,975	\$ 113,738	\$ 29,763	35 %
Other	(1,231)	(1,918)	(687)	56
Total gross profit	<u>\$ 82,744</u>	<u>\$ 111,820</u>	<u>\$ 29,076</u>	<u>35</u>
Gross margin (percentage of revenue)				
Real estate	32.3 %	32.4 %		
Other	(18.1)	(10.4)		
Total gross margin	31.0	30.2		

In 2017, total cost of revenue increased by \$73.8 million, or 40%, as compared with 2016. This increase in cost of revenue was primarily attributable to a \$27.1 million increase in personnel costs and stock-based compensation due to increased lead agent and related support-staff headcount, a \$15.6 million increase in transaction bonuses, an \$11.9 million increase in home-touring and field costs and a \$9.5 million increase in the cost of homes purchased through Redfin Now.

Total gross margin decreased 75 basis points for 2017 as compared with 2016.

In 2017, real estate gross margin increased 10 basis points as compared with 2016. This was primarily attributable to a 38 basis-point decrease in transaction bonuses, a 12 basis-point decrease in operating expenses, and a 10 basis-point decrease in personnel costs and stock-based compensation, each as a percentage of revenue. This was partially offset by a 29 basis-point increase in office and occupancy expenses and a 23 basis-point increase in home-touring and field costs, each as a percentage of revenue.

In 2017, other gross margin increased 769 basis points as compared with 2016. The year-over-year change was impacted by the introduction of Redfin Now, which includes the cost of homes in the cost of revenue. This other gross margin increase was primarily attributable to a 2,952 basis-point decrease in personnel costs and stock-based compensation, an 1,860 basis-point decrease in operating expenses, a 584 basis-point decrease in depreciation and amortization and a 541 basis-point decrease in office and occupancy expenses, each as a percentage of revenue. This was partially offset by a 5,156 basis-point increase in the cost of homes, resulting from the sale of homes purchased through Redfin Now.

### Operating Expenses

	Year Ended December 31,		Change	
	2016	2017	Dollars	Percentage
(in thousands, except percentages)				
Technology and development	\$ 34,588	\$ 42,532	\$ 7,944	23 %
Marketing	28,571	32,251	3,680	13
General and administrative	42,369	53,009	10,640	25
Total operating expenses	\$ 105,528	\$ 127,792	\$ 22,264	21
<i>Percentage of revenue</i>				
Technology and development	12.9 %	11.6 %		
Marketing	10.7	8.7		
General and administrative	15.9	14.3		
Total operating expenses	39.5 %	34.6 %		

In 2017, technology and development expenses increased by \$7.9 million, or 23%, as compared with 2016. The increase was primarily attributable to a \$7.1 million increase in personnel costs and stock-based compensation due to increased headcount and a \$0.5 million increase in outside services including cloud-based technology.

In 2017, marketing expenses increased by \$3.7 million, or 13%, as compared with 2016. The increase was primarily attributable to a \$3.7 million increase in marketing media costs as we expanded advertising. Personnel costs and stock-based compensation were flat as compared with 2016.

In 2017, general and administrative expenses increased by \$10.6 million, or 25%, as compared with 2016. The increase was attributable to a \$6.4 million increase in personnel costs and stock-based compensation, largely the result of increases in headcount to support continued growth, a \$1.6 million increase in outside services expenses, and a \$1.5 million increase in occupancy and office expenses. Included in the 2016 expenses is \$1.8 million related to the proposed settlement of three lawsuits, as described in Note 10 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

#### Comparison of the Years Ended December 31, 2015 and 2016

##### Revenue

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

In 2016, revenue increased by \$79.9 million, or 43%, as compared with 2015. Brokerage revenue represented \$72.8 million, or 91%, of the increase. Brokerage revenue also grew 43% during the period,

driven by a 39% increase in brokerage real estate transactions and a 2% increase in real estate revenue per brokerage transaction. The increase in brokerage transactions was attributable to higher levels of customer awareness of Redfin and increasing customer demand and market share in most of our markets.

In late 2015, we reduced the amount of our average commission refund or closing-cost adjustment by approximately \$550. This change in pricing positively affected our real estate revenue per brokerage transaction in early 2016 as those transactions began to close. In early 2016, we changed pricing and the structure of the Redfin Partner Program. Instead of paying 15% of the commissions partner agents earned through the program to us, partner agents began paying us 30%. At the same time, we began directly issuing a \$500 check to certain partner program customers, partially offsetting the increase in referral fees paid by partner agents. These changes to our partner program positively affected our real estate revenue per partner transaction in 2016. At the end of 2017, we discontinued issuing the \$500 check to partner program customers entirely.

### **Cost of Revenue and Gross Margin**

	Year Ended December 31,		Change	
	2015	2016	Dollars	Percentage
(in thousands, except percentages)				
<b>Cost of revenue</b>				
Real estate	\$ 131,522	\$ 176,408	\$ 44,886	34 %
Other	6,970	8,044	1,074	15
Total cost of revenue	<u>\$ 138,492</u>	<u>\$ 184,452</u>	<u>\$ 45,960</u>	<u>33</u>
<b>Gross profit</b>				
Real estate	\$ 49,924	\$ 83,975	\$ 34,051	68 %
Other	(1,078)	(1,231)	(153)	14
Total gross profit	<u>\$ 48,846</u>	<u>\$ 82,744</u>	<u>\$ 33,898</u>	<u>69</u>
<b>Gross margin (percentage of revenue)</b>				
Real estate	27.5 %	32.3 %		
Other	(18.3)	(18.1)		
Total gross margin	26.1	31.0		

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

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

### **Operating Expenses**

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

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

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

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

#### Quarterly Results of Operations and Key Business Metrics

The following tables set forth our unaudited quarterly statements of operations data for each of the nine quarters in the period ended December 31, 2017, as well as the percentage that each line item represents of our revenue for each quarter presented. The information for each quarter has been prepared on a basis consistent with our audited consolidated financial statements included elsewhere in this 10-K, and reflect, in the opinion of management, all adjustments of a normal, recurring nature that are necessary for a fair presentation of the financial information contained in those statements. Our historical results are not necessarily indicative of the results that may be expected in the future. The following quarterly financial data should be read in conjunction with our audited consolidated financial statements included elsewhere in this 10-K.

#### Quarterly Results

	Three Months Ended								
	Dec. 31, 2015	Mar. 31, 2016	June 30, 2016	Sep. 30, 2016	Dec. 31, 2016	Mar. 31, 2017	June 30, 2017	Sep. 30, 2017	Dec. 31, 2017
	(in thousands)								
Revenue	\$ 45,733	\$ 41,636	\$ 77,714	\$ 81,064	\$ 66,782	\$ 59,868	\$ 104,935	\$ 109,479	\$ 95,754
Cost of revenue <sup>(1)</sup>	35,018	38,505	50,303	50,147	45,497	53,492	67,975	70,166	66,583
Gross profit	10,715	3,131	27,411	30,917	21,285	6,376	36,960	39,313	29,171
Operating expenses:									
Technology and development <sup>(1)</sup>	7,459	7,898	8,060	9,781	8,849	9,672	10,090	11,483	11,287
Marketing <sup>(1)</sup>	4,888	9,211	8,486	5,436	5,438	10,459	10,132	5,588	6,072
General and administrative <sup>(1)</sup>	7,157	10,385	9,526	10,037	12,421	14,367	12,466	11,995	14,181
Total	19,504	27,494	26,072	25,254	26,708	34,498	32,688	29,066	31,540
Income (loss) from operations	(8,789)	(24,363)	1,339	5,663	(5,423)	(28,122)	4,272	10,247	(2,369)
Interest income and other income, net	18	84	49	37	88	56	32	311	571
Net income (loss)	\$ (8,771)	\$ (24,279)	\$ 1,388	\$ 5,700	\$ (5,335)	\$ (28,066)	\$ 4,304	\$ 10,558	\$ (1,798)

(1) Includes stock-based compensation as follows:

	Three Months Ended								
	Dec. 31, 2015	Mar. 31, 2016	June 30, 2016	Sep. 30, 2016	Dec. 31, 2016	Mar. 31, 2017	June 30, 2017	Sep. 30, 2017	Dec. 31, 2017
	(in thousands)								
Cost of revenue	\$ 455	\$ 518	\$ 525	\$ 546	\$ 677	\$ 714	\$ 699	\$ 715	\$ 774
Technology and development	404	539	559	555	730	731	751	819	1,024
Marketing	90	110	112	114	133	119	123	121	124
General and administrative	568	654	718	940	983	1,117	1,065	1,054	1,151
Total	\$ 1,517	\$ 1,821	\$ 1,914	\$ 2,155	\$ 2,523	\$ 2,681	\$ 2,638	\$ 2,709	\$ 3,073

	Three Months Ended								
	Dec. 31, 2015	Mar. 31, 2016	June 30, 2016	Sep. 30, 2016	Dec. 31, 2016	Mar. 31, 2017	June 30, 2017	Sep. 30, 2017	Dec. 31, 2017
	(as a percentage of revenue)								
Revenue	100.0 %	100.0 %	100.0%	100.0%	100.0 %	100.0 %	100.0%	100.0%	100.0 %
Cost of revenue <sup>(1)</sup>	76.6	92.5	64.7	61.9	68.1	89.3	64.8	64.1	69.5
Gross profit	23.4	7.5	35.3	38.1	31.9	10.7	35.2	35.9	30.5
Operating expenses:									
Technology and development <sup>(1)</sup>	16.3	19.0	10.4	12.1	13.3	16.2	9.6	10.5	11.8
Marketing <sup>(1)</sup>	10.7	22.1	10.9	6.7	8.1	17.5	9.7	5.1	6.3
General and administrative <sup>(1)</sup>	15.6	24.9	12.3	12.3	18.6	24.0	11.8	11.0	14.9
Total	42.6	66.0	33.6	31.1	40.0	57.7	31.1	26.6	33.0
Income (loss) from operations	(19.2)	(58.5)	1.7	7.0	(8.1)	(47.0)	4.1	9.3	(2.5)
Interest income and other income, net	—	0.2	0.1	—	0.1	0.1	—	0.3	0.6
Net income (loss)	(19.2)%	(58.3)%	1.8%	7.0%	(8.0)%	(46.9)%	4.1%	9.6%	(1.9)%

(1) Includes stock-based compensation as follows:

	Three Months Ended								
	Dec. 31, 2015	Mar. 31, 2016	June 30, 2016	Sep. 30, 2016	Dec. 31, 2016	Mar. 31, 2017	June 30, 2017	Sep. 30, 2017	Dec. 31, 2017
	(as a percentage of revenue)								
Cost of revenue	1.0%	1.2%	0.7%	0.7%	1.0%	1.2%	0.7%	0.7%	0.8%
Technology and development	0.9	1.3	0.7	0.7	1.1	1.2	0.7	0.7	1.1
Marketing	0.2	0.3	0.1	0.1	0.2	0.2	0.1	0.1	0.1
General and administrative	1.2	1.6	0.9	1.2	1.5	1.9	1.0	1.0	1.2
Total	3.3%	4.4%	2.4%	2.7%	3.8%	4.5%	2.5%	2.5%	3.2%

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

Cost of revenue has also reflected seasonality. Cost of revenue in 2016 and 2017 increased sequentially from the first quarter through the second quarter. In the third quarter of 2016, cost of revenue decreased sequentially as we kept the average number of lead agents flat with the second quarter. In the third quarter of 2017, cost of revenue increased sequentially as we continued to hire lead agents and our Redfin Now business grew. In the fourth quarters of 2016 and 2017, the cost of revenue declined sequentially due to lower real estate transaction volume.

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

### Quarterly Key Business Metrics

	Three Months Ended								
	Dec. 31, 2015	Mar. 31, 2016	June 30, 2016	Sep. 30, 2016	Dec. 31, 2016	Mar. 31, 2017	June 30, 2017	Sep. 30, 2017	Dec. 31, 2017
Monthly average visitors (in thousands)	11,142	13,987	17,021	17,795	16,058	20,162	24,400	24,518	21,377
Real estate transactions:									
Brokerage	4,510	4,005	7,497	7,934	6,432	5,692	10,221	10,527	8,598
Partner	2,273	1,936	2,602	2,663	2,281	2,041	2,874	3,101	2,739
Total	6,783	5,941	10,099	10,597	8,713	7,733	13,095	13,628	11,337
Real estate revenue per real estate transaction:									
Brokerage	\$ 9,242	\$ 9,485	\$ 9,524	\$ 9,333	\$ 9,428	\$ 9,570	\$ 9,301	\$ 9,289	\$ 9,659
Partner	1,177	1,224	1,633	1,932	1,991	1,911	1,945	1,960	2,056
Aggregate	\$ 6,539	\$ 6,793	\$ 7,491	\$ 7,474	\$ 7,481	\$ 7,548	\$ 7,687	\$ 7,621	\$ 7,822
Aggregate home value of real estate transactions (in millions)	\$ 2,984	\$ 2,599	\$ 4,684	\$ 4,898	\$ 4,018	\$ 3,470	\$ 6,119	\$ 6,341	\$ 5,350
U.S. market share by value	0.46%	0.48%	0.53%	0.57%	0.56%	0.58%	0.64%	0.71%	0.71%
Revenue from top-10 Redfin markets as a percentage of real estate revenue	73%	71%	74%	72%	71%	68%	69%	69%	69%
Average number of lead agents	667	743	756	756	796	935	1,010	1,028	1,118

Similar to our revenue, monthly average visitors to our website and mobile application has typically followed a seasonal pattern, increasing sequentially in 2016 and 2017 from the first quarter through the third quarter. Monthly average visitors fell sequentially during the fourth quarters of 2016 and 2017 following seasonality.

### Liquidity and Capital Resources

On August 2, 2017, we closed our IPO of 10,615,650 shares of our common stock at a public offering price of \$15.00 per share. We received approximately \$144.4 million in net proceeds after deducting underwriting discounts and commission, and offering costs.

Prior to our IPO, our principal sources of liquidity were the net proceeds we received through private sales of our equity securities. From our inception through our IPO, we completed several rounds of sales of shares of our redeemable convertible preferred stock to investors, with total gross proceeds of approximately \$167.5 million.

In the first quarter of 2017, we introduced Redfin Mortgage to originate and underwrite mortgage loans, and began testing a new service called Redfin Now, where we buy homes directly from home sellers, intending to resell those homes. To date, neither business has had a material impact on our liquidity. As of December 31, 2017, we held \$3.4 million of home inventory. If we decide to significantly expand these new product offerings, we may seek to raise additional capital through equity, equity-linked, or debt-financing arrangements to fund this expansion. We cannot assure you that any additional financing will be available to us on acceptable terms or at all.

### **Cash Flows**

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

	Year Ended December 31,		
	2015	2016	2017
	(in thousands)		
Net cash provided by (used in) operating activities	\$ (22,221)	\$ (9,352)	\$ 5,355
Net cash used in investing activities	(4,567)	(13,567)	(10,364)
Net cash provided by financing activities	\$ 3,545	\$ 1,744	\$ 149,822

#### *Cash Flows from Operating Activities*

Net cash provided by operating activities in 2017 consisted of \$15.0 million of net losses, an \$18.3 million positive impact from non-cash items, an \$8.4 million reduction in miscellaneous receivables when the landlord for our Seattle headquarters office reimbursed us for tenant improvements, and a \$4.9 million net increase in accrued expenses and accounts payable due to the timing of when amounts came due. These benefits were partially offset by a \$4.2 million increase in prepaid expenses, the introduction of \$3.4 million in home purchases from testing Redfin Now, a \$2.7 million increase in accrued revenue due to the collection and timing of real estate transactions that had closed, and \$1.9 million in mortgage loans funded but not yet sold.

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

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

#### *Cash Flows from Investing Activities*

Net cash used in investing activities in 2017 consisted of \$12.1 million of fixed asset purchases, including \$6.5 million of leasehold improvements, equipment and furnishings for our new Seattle headquarters office space and \$4.4 million of capitalized software development expenses. This was partially offset by a net \$1.8 million from the sale and maturity of short-term investments.

Net cash used in investing activities in 2016 consisted of \$13.6 million of fixed asset purchases, including \$8.0 million of construction in progress for our new Seattle headquarters office space and \$3.2 million of capitalized software development expenses.

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

#### *Cash Flows from Financing Activities*

Net cash provided by financing activities in 2017 consisted of \$144.5 million in net proceeds from our IPO, \$3.0 million in proceeds from the exercise of stock options and \$2.0 million in net borrowing from our warehouse credit facilities for mortgage origination.

Net cash provided by financing activities in 2016 consisted of \$1.5 million in proceeds from the exercise of stock options.

Net cash provided by financing activities in 2015 consisted of \$1.7 million from proceeds from the exercise of stock options.

#### **Contractual Obligations**

Contractual obligations are cash amounts that we are obligated to pay as part of certain contracts that we have entered into during the normal course of business. Below is a table that shows our contractual obligations as of December 31, 2017:

	Payments Due by Period:				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
	(in thousands)				
Operating leases	\$ 58,740	\$ 7,595	\$ 15,282	\$ 13,453	\$ 22,410
Purchase obligations	5,106	3,003	2,103	—	—
Total	\$ 63,846	\$ 10,598	\$ 17,385	\$ 13,453	\$ 22,410

In May 2016, we entered into a lease for a new corporate headquarters in Seattle, Washington, which was subsequently amended and restated in June 2017. This amendment had no effect on our contractual obligations. The minimum lease payments total \$43.8 million, which will be due over 133 months, beginning in mid-2017 and lasting through 2027.

Our purchase obligations primarily relate to the noncancelable portion of commitments related to our network infrastructure and annual employee meeting. We do not include in the table above obligations under contracts that we can cancel without significant penalty. We also include the purchase prices of homes that we are under contract to purchase through Redfin Now but that have not yet closed. There were three such homes as of December 31, 2017.

#### **Critical Accounting Policies and Estimates**

Discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with GAAP. Preparing these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and related disclosure of contingent assets and liabilities, revenue, and expenses at the date of



the financial statements. Generally, we base our estimates on historical experience and on various other assumptions in accordance with GAAP that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

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

### **Revenue Recognition**

Revenue primarily consists of commissions and fees charged on each real estate transaction completed by us or our partner agents. We recognize commission-based brokerage revenue upon closing of a real estate transaction, net of any commission refund, closing-cost adjustment, commission discount or transaction fee adjustment. Partner revenue consists of fees earned by referring customers to partner agents. Partner revenue is earned and recognized when partner agents close a referred transaction, net of any refund provided to customers. Revenue earned from selling homes previously purchased by Redfin Now is recorded at closing on a gross basis, representing the sales price of the home.

Revenue earned but not received is recorded as accrued revenue on the accompanying consolidated balance sheets. Fees and revenue from other services are recognized when the service is provided. We have completed our analysis of the new revenue standard, *Revenue from Contracts with Customers (Topic 606)*, and determined the adoption will not have a material impact on our financial statements. For further discussion of the new revenue standard, please see Note 1 to our consolidated financial statements included elsewhere in Annual Report on Form 10-K.

### **Stock-based Compensation**

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

Determining the fair value of stock options at the grant date is highly complex and subjective and requires significant judgment. We use the Black-Scholes-Merton option-pricing model to determine the fair value of stock options, the output of which is affected by a number of variables.

These variables include the fair value of our common stock, our expected common stock price volatility over the expected life of the options, expected term of the stock option, risk-free interest rates and expected dividends, which are estimated as follows:

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

- *Risk-Free Rate.* The risk-free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the options for each option group.
- *Dividend Yield.* We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Consequently, we used an expected dividend yield of zero.

On January 1, 2017, we adopted Accounting Standards Update, or ASU, 2016-09 and elected to book forfeitures as they occur, using the modified retrospective approach through a cumulative-effect adjustment of approximately \$0.5 million to beginning accumulative deficit. The adoption of this guidance did not have a material impact on our financial position, results of operations or cash flows.

In late 2017, we began issuing restricted stock units (RSUs) as the primary form of equity compensation for our employees. Compensation cost for restricted stock units is measured at the fair value on the grant date and recognized as expense over the related service period.

***Valuation of Common Stock and Redeemable Convertible Preferred Stock***

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

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

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

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

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

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

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

The PWERM employs various market approach calculations depending upon the likelihood of various liquidation scenarios. For each of the various scenarios, an equity value is estimated and the rights and preferences for each stockholder class are considered to allocate the equity value to common shares. The common share value is then multiplied by a discount factor reflecting the calculated discount rate and the timing of the event. Lastly, the common share value is multiplied by an estimated probability for each scenario. The probability and timing of each scenario are based on discussions between our board of directors and our management team. Under the PWERM, the value of our common stock is based upon possible future exit events for our company.

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

Following our IPO, we have relied on the closing price of our common stock as reported by The NASDAQ Global Select Market on the date of grant to determine the fair value of our common stock.

### **Income Taxes**

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

We believe that it is currently more likely than not that our deferred tax assets will not be realized and as such, we have recorded a full valuation allowance for these assets of \$29.8 million. We evaluate the likelihood of the ability to realize deferred tax assets in future periods on a quarterly basis, and when appropriate evidence indicates we release our valuation allowance accordingly. The determination to provide a valuation allowance depends on the assessment of whether it is more likely than not that sufficient taxable income will be generated to utilize the deferred tax assets. Based on the weight of the available evidence, which includes our historical operating losses, lack of taxable income, and accumulated deficit, we provided a full valuation allowance against the U.S. tax assets resulting from the tax loss and credits carried forward.

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

On December 22, 2017, the U.S. government enacted comprehensive tax legislation that, among other changes, reduced the U.S. federal corporate tax rate from 35 percent to 21 percent. As a result of these changes, we recorded a \$12.7 million reduction in gross deferred tax assets with a corresponding net adjustment to deferred income tax expense of \$12.7 million. These adjustments are fully offset by a decrease in the valuation allowance for 2017. As such, there was no net impact to our tax expense.

### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

### **JOBS Act**

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

#### **Recent Accounting Standards**

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

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

The principal market risk we face is interest rate risk. We had cash, cash equivalents, and short-term investments of \$65.8 million as of December 31, 2016 and \$208.3 million as of December 31, 2017. The goals of our investment policy are liquidity and capital preservation. We do not enter into investments for trading or speculative purposes. Our investment policy allows us to maintain a portfolio of cash equivalents and investments in a variety of securities, including U.S. government treasury and agency issues, bank certificates of deposit that are 100% Federal Deposit Insurance Corporation insured, and SEC-registered money market funds that consist of a minimum of \$1 billion in assets and meet the above requirements. We believe that we do not have any material exposure to changes in the fair value of these assets as a result of changes in interest rates due to the short term nature of our cash, cash equivalents and short-term investments. Declines in interest rates, however, would reduce future investment income. A 100 basis-point decline in interest rates, occurring January 1, 2017 and sustained throughout the fourth quarter of 2017, would not have been material.

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

Item 8. Financial Statements and Supplementary Data

REDFIN CORPORATION  
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<b>Page</b>
<a href="#">Report of Independent Registered Public Accounting Firm</a>	<a href="#">56</a>
<a href="#">Consolidated Balance Sheets</a>	<a href="#">57</a>
<a href="#">Consolidated Statements of Operations</a>	<a href="#">58</a>
<a href="#">Consolidated Statements of Cash Flows</a>	<a href="#">59</a>
<a href="#">Consolidated Statements of Changes in Redeemable Convertible Preferred Stock and Stockholders' Equity/(Deficit)</a>	<a href="#">60</a>
<a href="#">Notes to Consolidated Financial Statements</a>	<a href="#">61</a>

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Redfin Corporation  
Seattle, Washington

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Redfin Corporation and subsidiaries (the "Company") as of December 31, 2016 and 2017, the related consolidated statements of operations, changes in redeemable convertible preferred stock and stockholders' equity/(deficit), and cash flows, for each of the three years in the period ended December 31, 2017, 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, 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

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

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

/s/ Deloitte & Touche LLP

Seattle, Washington

February 22, 2018

We have served as the Company's auditor since 2013.

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

	December 31,	
	2016	2017
<b>Assets:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 64,030	\$ 208,342
Restricted cash	3,815	4,316
Short-term investments	1,749	—
Prepaid expenses	4,388	8,613
Accrued revenue, net	10,625	13,334
Other current assets	8,781	3,710
Loans held for sale	—	1,891
Total current assets	93,388	240,206
Property and equipment, net	19,226	22,318
Intangible assets, net	3,782	3,294
Goodwill	9,186	9,186
Deferred offering costs	720	—
Other assets	7,175	6,951
Total assets:	\$ 133,477	\$ 281,955
<b>Liabilities, redeemable convertible preferred stock and stockholders' equity/(deficit):</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 5,385	\$ 1,901
Accrued liabilities	22,253	26,605
Other payables	3,793	4,068
Loan facility	—	2,016
Current portion of deferred rent	1,512	1,267
Total current liabilities	32,943	35,857
Deferred rent, net of current portion	8,852	10,668
Total liabilities	41,795	46,525
<b>Commitments and contingencies (Note 10)</b>		
Redeemable convertible preferred stock—par value \$0.001 per share; As of December 31, 2016: 166,266,114 shares authorized; 55,422,002 issued and outstanding; and aggregate liquidation preference of \$167,488. As of December 31, 2017: no shares authorized, issued, and outstanding.	655,416	—
<b>Stockholders' equity/(deficit):</b>		
Common stock—par value \$0.001 per share; 290,081,638 and 500,000,000 shares authorized, respectively; 14,687,024 and 81,468,891 shares issued and outstanding, respectively	15	81
Preferred stock—par value \$0.001 per share; As of December 31, 2016: no shares authorized, issued and outstanding. As of December 31, 2017: 10,000,000 shares authorized and no shares issued and outstanding.	—	—
Additional paid-in capital	—	364,352
Accumulated deficit	(563,749)	(129,003)
Total stockholders' equity/(deficit)	(563,734)	235,430
Total liabilities, redeemable convertible preferred stock and stockholders' equity/(deficit):	\$ 133,477	\$ 281,955

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



**Redfin Corporation and Subsidiaries**  
**Consolidated Statements of Operations**  
(in thousands, except share and per share amounts)

	Year End December 31,		
	2015	2016	2017
Revenue	\$ 187,338	\$ 267,196	\$ 370,036
Cost of revenue	138,492	184,452	258,216
Gross profit	48,846	82,744	111,820
Operating expenses:			
Technology and development	27,842	34,588	42,532
Marketing	19,899	28,571	32,251
General and administrative	31,394	42,369	53,009
Total operating expenses	79,135	105,528	127,792
Income (loss) from operations	(30,289)	(22,784)	(15,972)
Interest income and other income, net:			
Interest income	46	173	882
Other income, net	7	85	88
Total interest income and other income, net	53	258	970
Net income (loss)	\$ (30,236)	\$ (22,526)	\$ (15,002)
Accretion of redeemable convertible preferred stock	\$ (102,224)	\$ (55,502)	\$ (175,915)
Net income (loss) attributable to common stock—basic and diluted	\$ (132,460)	\$ (78,028)	\$ (190,917)
Net income (loss) per share attributable to common stock—basic and diluted	\$ (9.87)	\$ (5.42)	\$ (4.47)
Weighted average shares used to compute net income (loss) per share attributable to common stock—basic and diluted	13,416,411	14,395,067	42,722,114

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

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

	Year End December 31,		
	2015	2016	2017
<b>Operating Activities</b>			
Net income (loss)	\$ (30,236)	\$ (22,526)	\$ (15,002)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	4,395	6,293	7,176
Stock-based compensation	5,562	8,413	11,101
Change in assets and liabilities:			
Prepaid expenses	(3,963)	2,244	(4,225)
Accrued revenue	(2,685)	(5,021)	(2,709)
Other current assets	721	(8,778)	5,070
Other long-term assets	(36)	(5,964)	223
Accounts payable	152	638	(252)
Accrued expenses	3,890	6,581	5,115
Deferred lease liability	(21)	8,768	749
Origination of loans held for sale	—	—	(11,008)
Proceeds from sale of loans held for sale	—	—	9,117
Net cash provided by (used in) operating activities	(22,221)	(9,352)	5,355
<b>Investing activities</b>			
Sales and maturities of short-term investments	1,590	1,744	2,741
Purchases of short-term investments	(1,550)	(1,744)	(992)
Purchases of property and equipment	(4,607)	(13,567)	(12,113)
Net cash used in investing activities	(4,567)	(13,567)	(10,364)
<b>Financing activities</b>			
Issuance costs of redeemable convertible preferred stock	(9)	—	—
Proceeds from tender offer	2,659	—	—
In-substance dividend paid in relation to tender offer	(2,659)	—	—
Proceeds from exercise of stock options	1,732	1,495	3,003
Payment of initial public offering costs	—	(150)	(3,558)
Proceeds from initial public offering, net of underwriting discounts	—	—	148,088
Borrowings from warehouse credit facilities	—	—	10,746
Repayments of warehouse credit facilities	—	—	(8,730)
Other payables - customer escrow deposits related to title services	1,822	399	273
Net cash provided by financing activities	3,545	1,744	149,822
Net change in cash, cash equivalents, and restricted cash	(23,243)	(21,175)	144,813
Cash, cash equivalents, and restricted cash:			
Beginning of period	112,263	89,020	67,845
End of period	\$ 89,020	\$ 67,845	\$ 212,658
<b>Supplemental disclosure of non-cash investing and financing activities</b>			
Conversion of redeemable convertible preferred stock to common stock	\$ —	\$ —	\$ 831,331
Accretion of redeemable convertible preferred stock	\$ (102,224)	\$ (55,502)	\$ (175,915)
Stock-based compensation capitalized in property and equipment	\$ (49)	\$ (100)	\$ (268)
Deferred initial public offering cost accruals	\$ —	\$ (570)	\$ —
Property and equipment additions in accounts payable and accrued expenses	\$ —	\$ (3,466)	\$ (31)
Leasehold improvements paid directly by lessor	\$ —	\$ (520)	\$ (822)

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

**Redfin Corporation and Subsidiaries**  
**Consolidated Statements of Changes in Redeemable Convertible Preferred Stock and Stockholders' Equity/(Deficit)**  
(in thousands, except for shares)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balance, January 1, 2015	55,422,002	\$ 497,699	12,629,479	\$ 13	\$ —	\$ (370,608)	\$ (370,595)
Exercise of stock options	—	—	1,430,122	1	1,730	—	1,731
Redeemable convertible preferred stock issuance costs	—	(9)	—	—	—	—	—
Stock-based compensation	—	—	—	—	5,611	—	5,611
In-substance dividend issued in tender offer	—	—	—	—	2,659	(2,659)	—
Accretion of redeemable convertible preferred stock	—	102,224	—	—	(10,000)	(92,224)	(102,224)
Net income (loss)	—	—	—	—	—	(30,236)	(30,236)
Balance, December 31, 2015	<u>55,422,002</u>	<u>\$ 599,914</u>	<u>14,059,601</u>	<u>\$ 14</u>	<u>\$ —</u>	<u>\$ (495,727)</u>	<u>\$ (495,713)</u>
Exercise of stock options	—	—	627,423	1	1,494	—	1,495
Stock-based compensation	—	—	—	—	8,512	—	8,512
Accretion of redeemable convertible preferred stock	—	55,502	—	—	(10,006)	(45,496)	(55,502)
Net income (loss) (unaudited)	—	—	—	—	—	(22,526)	(22,526)
Balance, December 31, 2016	<u>55,422,002</u>	<u>\$ 655,416</u>	<u>14,687,024</u>	<u>\$ 15</u>	<u>\$ —</u>	<u>\$ (563,749)</u>	<u>\$ (563,734)</u>
Cumulative stock-based compensation adjustment	—	—	—	—	522	(522)	—
Proceeds from initial public offering, net of underwriters' discounts	—	—	10,615,650	10	148,078	—	148,088
Initial public offering costs	—	—	—	—	(3,708)	—	(3,708)
Exercise of stock options	—	—	744,215	1	3,000	—	3,001
Stock-based compensation	—	—	—	—	11,369	—	11,369
Accretion of redeemable convertible preferred stock	—	175,915	—	—	(8,690)	(167,225)	(175,915)
Conversion of redeemable convertible preferred stock to common stock	(55,422,002)	(831,331)	55,422,002	55	213,781	617,495	831,331
Net income (loss)	—	—	—	—	—	(15,002)	(15,002)
Balance, December 31, 2017	<u>—</u>	<u>\$ —</u>	<u>81,468,891</u>	<u>\$ 81</u>	<u>\$ 364,352</u>	<u>\$ (129,003)</u>	<u>\$ 235,430</u>

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

**Redfin Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**(in thousands)**

**Note 1: Description of Business and Summary of Significant Accounting Policies:**

**Description of Business**—Redfin Corporation (“Redfin” or the “Company”) was incorporated in October 2002 and is headquartered in Seattle, Washington. The Company operates an online real estate marketplace and provides real estate services, including assisting individuals in the purchase or sale of their residential property. The Company also provides title and settlement services, originates and sells mortgages, and buys and sells residential property. The Company has operations located in multiple states nationwide.

**Basis of Presentation**—The consolidated financial statements and accompanying notes have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”). The Company had no components of other comprehensive income (loss) during any of the years presented, as such, a consolidated statement of comprehensive income (loss) is not presented. All amounts are presented in thousands, except share and per share data.

**Principles of Consolidation**—The consolidated financial statements include the accounts of Redfin and its wholly owned subsidiaries. Intercompany transactions and balances have been eliminated.

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

The Company operates in the online real estate marketplace and, accordingly, can be affected by a variety of factors. For example, management of the Company believes that any of the following factors could have a significant negative effect on the Company's future financial position, results of operations, and cash flows: unanticipated fluctuations in operating results due to seasonality and cyclicalities in the real estate industry, changes in home sale prices and transaction volumes, the Company's ability to increase market share, competition and U.S. economic conditions. Since inception through December 31, 2017, the Company has incurred losses from operations and accumulated a deficit of \$129,003, and has been dependent on equity financing to fund operations.

**Reverse Stock Split**—On July 8, 2017, the Company's board of directors approved an amendment to its certificate of incorporation to effect a reverse split of shares of the issued and outstanding common stock and redeemable convertible preferred stock at a 3-to-1 ratio. The reverse stock split was approved by the Company's stockholders and effected on July 10, 2017. The par value of the common stock and the par value of the redeemable convertible preferred stock were not adjusted as a result of the reverse stock split. All issued and outstanding shares of common stock and redeemable convertible preferred stock, dividend rates, conversion rates, options to purchase common stock, exercise prices, and the related per-share amounts contained in these consolidated financial statements have been retroactively adjusted to reflect this reverse stock split for all periods presented.

**Initial Public Offering**—On August 2, 2017, the Company completed an initial public offering (the "IPO") whereby 10,615,650 shares of common stock were sold at a price of \$15.00 per share, which included 1,384,650 shares pursuant to the underwriters' option to purchase additional shares. The Company received net proceeds of \$144,380 after deducting the underwriting discount and offering expenses directly attributable to the IPO. Upon the closing of the IPO, all shares of the outstanding redeemable convertible preferred stock automatically converted into 55,422,002 shares of common stock on a one-for-one basis.

**Initial Public Offering Costs**—Costs, including legal, accounting and other fees and costs relating to the IPO are accounted for a reduction in additional paid-in capital. Costs incurred prior to the IPO were

capitalized and included as a noncurrent asset in the consolidated balance sheets. There were \$720 of capitalized deferred offering costs as of December 31, 2016. Aggregate offering expenses totaled \$3,708.

**Use of Estimates**—The preparation of consolidated financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and results of operations during the respective periods. The Company's more significant estimates include, but are not limited to, valuation of deferred income taxes, stock-based compensation, fair value of common stock and redeemable convertible preferred stock, capitalization of website development costs, recoverability of intangible assets with finite lives, and the fair value of reporting units for purposes of evaluating goodwill for impairment. The amounts ultimately realized from the affected assets or ultimately recognized as liabilities will depend on, among other factors, general business conditions and could differ materially in the near term from the carrying amounts reflected in the consolidated financial statements.

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

**Restricted Cash and Other Payables**—Restricted cash primarily consists of cash held in escrow on behalf of real estate buyers using the Company's title and settlement services. Since the Company does not have rights to the cash, a corresponding customer deposit liability in the same amount is recognized in the consolidated balance sheets in other payables. When a real estate transaction closes, the restricted cash transfers from escrow and the corresponding deposit liability is reduced.

**Short-Term Investments**—The Company's short-term investments consisted of certificates of deposit with maturities of 12 months or less from the balance sheet date. Short-term investments are reported at cost, which approximates fair value, as of each balance sheet date. As of December 31, 2017 the Company no longer held any short-term investments.

**Concentration of Credit Risk**—Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents. The Company generally places its cash and cash equivalents and short-term investments with high-credit-quality counterparties to make sure the financial institutions are stable when the Company's deposits exceed Federal Deposit Insurance Corporation limits, and by policy, limit the amount of credit exposure to any one counterparty based on the Company's analysis of the counterparty's relative credit standing. The Company maintains its cash accounts with financial institutions where, at times, deposits exceed federal insurance limits.

**Other Assets and Other Current Assets**—Other assets consists primarily of leased building security deposits. In May 2016, the Company signed a new lease for its corporate headquarters with a security deposit of \$5,424.

At December 31, 2016 other current assets consisted primarily of a receivable, for \$8,470, due from the landlord related to the Company's corporate headquarters leasehold improvements. The Company collected the receivable in April 2017. Additionally, in January 2017, RDFN Ventures, Inc. ("Redfin Now"), a wholly owned subsidiary of the Company, began purchasing residential properties with the intent of resale. Direct property acquisition and improvement costs are capitalized and tracked directly with each specific property. Home inventories are stated at cost unless the utility of the properties is no longer as great as their cost, in which case it is written down to "market." As of December 31, 2017 there were \$3,382 in home inventories included in other current assets. Of the \$3,382 in home inventories, \$2,335 were listed for sale and \$1,047 were in process and being made ready for sale. As of December 31, 2017, all properties were carried at cost.

**Loans Held for Sale**—Redfin Mortgage, LLC ("Redfin Mortgage"), a wholly owned subsidiary of the Company, began originating residential mortgage loans in March 2017. Such mortgage loans are intended to be sold in the secondary mortgage market within a short period of time following origination. Mortgage loans held for sale consist of single-family residential loans collateralized by the underlying property. Mortgage

loans held for sale are stated at the lower of cost or market value. As of December 31, 2017 there were \$1,891 of mortgage loans held for sale.

**Property and Equipment**—Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life of two to seven years. Depreciation and amortization is included in cost of revenue, technology and development, and general and administrative and is allocated based on estimated usage for each class of asset.

Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the related asset. Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statements of operations. Repair and maintenance costs are expensed as incurred.

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

Capitalized software development activities placed in service are amortized over the expected useful lives of those releases. The Company views capitalized software costs as either internal use or expansion. Currently, internal use and expansion useful lives are estimated at one year and three years, respectively.

Estimated useful lives of website and software development activities are reviewed annually or whenever events or changes in circumstances indicate that intangible assets may be impaired and adjusted as appropriate to reflect upcoming development activities that may include significant upgrades or enhancements to the existing functionality. The Company capitalized software development costs of \$2,824, \$3,194, and \$4,619 during the years ended December 31, 2015, 2016, and 2017, respectively.

**Intangible Assets**—Intangible assets are finite lived and mainly consist of trade names, developed technology and customer relationships and are amortized over their estimated useful lives of ten years. The useful lives were determined by estimating future cash flows generated by the acquired intangible assets. Amortization expense is included in cost of revenue.

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

**Goodwill**—Goodwill represents the excess of the purchase price over the fair value of the net tangible assets and identifiable intangible assets acquired in a business combination. Goodwill is not amortized, but is subject to impairment testing. The Company assesses the impairment of goodwill on an annual basis, on October 1, or whenever events or changes in circumstances indicate that goodwill may be impaired. The Company assesses goodwill for possible impairment by performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If the Company qualitatively determines that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then no additional impairment steps are necessary.

For the Company's most recent impairment assessment performed as of October 1, 2017, the Company performed a qualitative assessment and determined that it was not more likely than not that the fair value of its reporting unit for which goodwill has been assigned was less than its carrying amount. In evaluating whether it was more likely than not that the fair value of its reporting unit was less than its carrying

amount the Company considered macroeconomic conditions, industry and market considerations, cost factors, its overall financial performance, other relevant entity-specific events, potential events affecting its reporting unit, and changes in the fair value of the Company's common stock. The primary qualitative factors the Company considered in its analysis as of October 1, 2017 were the Company's overall financial performance and the fair value of the reporting unit for which goodwill was assigned, which was substantially in excess of its book value. The aggregate carrying value of goodwill was \$9,186 at December 31, 2016 and 2017. Goodwill is assigned to the Company's real estate services reporting unit, and there have been no accumulated impairments to goodwill.

**Leases**—The Company categorizes leases at their inception as either operating or capital leases. On certain lease agreements, the Company may receive rent holidays and other incentives. The Company recognizes lease costs on a straight-line basis without regard to deferred payment terms, such as rent holidays, that defer the commencement date of required payments. Additionally, incentives the Company receives are treated as a reduction of rent expense over the term of the agreement and are presented in leasehold improvements and deferred rent on the balance sheet.

**Derivative Instruments**—Redfin Mortgage is party to interest rate lock commitments ("IRLCs") with customers resulting from mortgage origination operations. IRLCs for single family mortgage loans that Redfin Mortgage intends to sell are considered free-standing derivatives. All free-standing derivatives are required to be recorded on the Company's consolidated balance sheets at fair value. Because Redfin Mortgage can terminate a loan commitment if the borrower does not comply with the terms of the contract, and some loan commitments may expire without being drawn upon, these commitments do not necessarily represent future cash requirements. The Company does not use derivatives for trading purposes.

Interest rate market risk, related to the residential mortgage loans held for sale and IRLCs, is offset using investor loan commitments. Changes in the fair value of IRLCs and forward sales commitments are recognized in revenue, and the fair values are reflected in other current assets and accrued liabilities, as applicable. The Company considers several factors in determining the fair value including the fair value in the underlying loan resulting from the exercise of the commitment and the probability that the loan will not fund according to the terms of the commitment (referred to as a pull-through factor). The value of the underlying loan is affected primarily by changes in interest rates.

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

The Company believes that it is currently more likely than not that its deferred tax assets will not be realized and as such, it has recorded a full valuation allowance for these assets. The Company evaluates the likelihood of the ability to realize deferred tax assets in future periods on a quarterly basis, and when appropriate evidence indicates it would release its valuation allowance accordingly. The determination to provide a valuation allowance is dependent upon the assessment of whether it is more likely than not that sufficient taxable income will be generated to utilize the deferred tax assets. Based on the weight of the available evidence, which includes the Company's historical operating losses, lack of taxable income, and accumulated deficit, the Company provided a full valuation allowance against the U.S. tax assets resulting from the tax losses and credits carried forward.

In addition, current tax laws impose substantial restrictions on the utilization of research and development credit and net operating loss ("NOL") carryforwards in the event of an ownership change, as defined by Internal Revenue Code Sections 382 and 383. Such an event, having occurred in the past or in the future, may significantly limit the Company's ability to utilize its NOLs and research and development tax credit carryforwards. In 2017, the Company completed a Section 382 study. The study determined that the

Company underwent an ownership change in 2006. Due to the Section 382 limitation determined on the date of the ownership change in 2006, NOL and R&D credits were reduced by \$1,506 and \$32, respectively.

**Revenue Recognition**—Revenue primarily consists of commissions and fees charged on each real estate transaction completed by the Company or its partner agents. The Company's key revenue components are brokerage revenue, partner revenue, and other revenue. The Company recognizes commission-based brokerage revenue upon closing of a real estate transaction, net of any commission refund or any closing-cost reduction. Partner revenue consists of fees earned by referring customers to partner agents. Partner revenue is earned and recognized when partner agents close a referred transaction, net of any refund provided to customers. Fees and revenue from other services are recognized when the service is provided. Revenue earned from selling homes previously purchased by Redfin Now is recorded at closing on a gross basis, representing the sales price of the home.

Revenue earned but not received is recorded as accrued revenue on the accompanying consolidated balance sheets, net of an allowance for doubtful accounts. Commission revenue is known and is clearing escrow, and therefore it is not estimated.

The Company establishes an allowance for doubtful accounts after reviewing historical experience, age of accounts receivable balances and any other known conditions that may affect collectability. The allowance for doubtful accounts balance was \$150 as of December 31, 2016 and \$160 as of December 31, 2017. During the year ended December 31, 2016 there were \$290 of charges and \$140 of write-offs to the allowance. During the year ended December 31, 2017 there were \$81 of charges and \$71 of write-offs to the allowance.

**Cost of Revenue**—Cost of revenue consists of personnel costs (including base pay and benefits), stock-based compensation, transaction bonuses, home-touring and field expenses, listing expenses, office and occupancy expenses, depreciation and amortization related to fixed assets and acquired intangible assets, and, for Redfin Now, the cost of homes including the purchase price and capitalized improvements.

**Technology and Development**—Technology and development costs, which include research and development costs, are expensed as incurred and primarily include personnel costs (including base pay and benefits), stock-based compensation, data licenses, software and equipment, and infrastructure such as for data centers and hosted services. Technology and development expenses also include amortization of capitalized internal-use software and website and mobile application development costs.

**Advertising and Advertising Production Costs**—The Company expenses advertising costs as they are incurred and production costs as of the first date the advertisement takes place. Advertising costs totaled \$8,394, \$17,570, and \$21,902 in 2015, 2016, and 2017 respectively, and are included in marketing expenses. Advertising production costs totaled \$1,661, \$1,640, and \$1,609 in 2015, 2016, and 2017, respectively, and are included in marketing expenses.

**Stock-based Compensation**—The Company measures expense for options to purchase common stock and restricted stock units at fair value on the grant date and recognizes the expense over the requisite service period on a straight-line basis. The fair value of options to purchase common stock was calculated using the Black-Scholes-Merton option-pricing model. Through December 31, 2016, the Company recognized compensation expense for only the portion of options expected to vest using an estimated forfeiture rate that is derived from historical employee termination behavior. On January 1, 2017, the Company adopted Accounting Standards Update ("ASU") 2016-09 and elected to recognize forfeitures as they occur rather than estimate forfeitures. The Company has a stock-based compensation plan that is more fully described in Note 7.

**Recently Adopted Accounting Pronouncements**—In November 2016, the Financial Accounting Standards Board ("FASB") issued guidance on the classification and presentation of changes in restricted cash on the statement of cash flows. This guidance is effective for interim and annual reporting periods beginning after December 15, 2017, and early adoption is permitted. The adoption of this guidance requires a



retrospective transition method to each period presented. The Company early adopted this guidance on October 1, 2017. Upon adoption, the following balances were reclassified: restricted cash to the reconciliation of change in cash, cash equivalents and restricted cash, and other payables related to cash held in escrow on behalf of customers to financing activities. In the Company's capacity as fiduciary, the cash receipt is a function of providing the customer with a service (title). Therefore, the escrow funds payable are akin to a repayment of debt, a financing activity, whereby the Company in its role as fiduciary is temporarily holding cash in its restricted accounts on behalf of its customers and subsequently releases the cash to settle the customers' contractual obligation. This reclassification will maintain an accurate reflection of the Company's cash flows from operating activities. The reconciliation of amounts previously reported to the revised amounts upon adoption are as follows:

	Previously reported		Adjustments		As revised
<b>Year Ended December 31, 2015</b>					
Operating activities	\$ (22,160)	\$	(61)	\$	(22,221)
Financing activities	1,723		1,822		3,545
Net change in cash, cash equivalents, and restricted cash (1)	\$ (25,004)	\$	(1,761)	\$	(23,243)
<b>Year Ended December 31, 2016</b>					
Operating activities	\$ (9,345)	\$	(7)	\$	(9,352)
Financing activities	1,345		399		1,744
Net change in cash, cash equivalents, and restricted cash (1)	\$ (21,567)	\$	(392)	\$	(21,175)

(1) Previously titled: net change in cash and cash equivalents

In January 2017, the FASB issued guidance simplifying the test for goodwill impairment. Step 2 from the goodwill impairment test is no longer required, instead requiring an entity to recognize a goodwill impairment charge for the amount by which the goodwill carrying amount exceeds the reporting unit's fair value. This guidance is effective for interim and annual goodwill impairment tests in fiscal years beginning after December 15, 2019, and early adoption is permitted. This guidance must be applied on a prospective basis. The Company adopted this guidance for interim and annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company performs its goodwill assessment annually on October 1 of each year or as events merit, with the last test performed on October 1, 2017. The adoption of this guidance did not have any impact on the Company's financial position, results of operations or cash flows.

In March 2016, the FASB issued guidance on several aspects of the accounting for share-based payment transactions, including the income tax consequences, impact of forfeitures, classification of awards as either equity or liabilities and classification on the statement of cash flows. This guidance is effective for interim and annual reporting periods beginning after December 15, 2016, and early adoption is permitted. The Company adopted this guidance on January 1, 2017 using the modified retrospective approach through a cumulative-effect adjustment of \$522 to beginning accumulated deficit, and the Company elected to account for forfeitures as they occur beginning on January 1, 2017. The adoption of this guidance did not have a material impact on the Company's financial position, results of operations or cash flows.

**Recently Issued Accounting Pronouncements**—In August 2016, the FASB issued guidance on the classification of certain cash receipts and cash payments in the statement of cash flows. This new standard will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The new standard is effective for fiscal years beginning after December 15, 2017, which means that it will be effective for the Company in its fiscal year beginning January 1, 2018. The new standard will require adoption on a retrospective basis unless it is impracticable to apply, in which case the Company would be required to apply the amendments prospectively as of the earliest date practicable. The adoption of this standard is not expected to have a material impact on the Company's statement of cash flows.

In February 2016, the FASB issued a new standard to account for leases. This standard requires the recognition of a right-of-use asset and lease liability on the balance sheet for all leases. This standard also requires more detailed disclosures to enable users of financial statements to understand the amount, timing, and uncertainty of cash flows arising from leases. This guidance is effective for interim and annual reporting periods beginning after December 15, 2018, and should be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, and early adoption is permitted. The Company expects to adopt this guidance on January 1, 2019. Although the Company is in the process of evaluating the impact of adoption of the ASU on its consolidated financial statements, the Company currently believes the most significant changes will be related to the recognition of new right-of-use assets and lease liabilities on the Company's balance sheet for real estate operating leases.

In May 2014, the FASB issued a new standard to account for revenue. This guidance provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company will adopt this guidance on January 1, 2018, using the modified retrospective adoption methodology. Both real estate and other revenue contain single performance obligations and the Company believes the timing of the satisfaction of the performance obligations, triggering the recognition of revenue, will not differ from the Company's current timing for recognizing revenue. The assessment of the policy changes and quantitative and qualitative impacts is complete and as the amounts and timing of real estate and other revenue will not change, the Company will not recognize a cumulative adjustment to retained earnings upon adoption.

## **Note 2: Fair Value of Financial Instruments:**

The Company's financial instruments consist of cash and cash equivalents, short-term investments, accrued revenue, restricted cash, accounts payable, certain accrued liabilities, interest rate lock commitments, forward sales commitments, and redeemable convertible preferred stock. The fair value of the Company's financial instruments approximates their recorded values due to their short period to maturity. Fair value is defined as the exchange price that would be received for an asset or an exit price paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The current accounting guidance for fair value measurements defines a three-level valuation hierarchy for disclosures as follows:

*Level I*—Unadjusted quoted prices in active markets for identical assets or liabilities.

*Level II*—Inputs other than quoted prices included within Level I that are observable, unadjusted quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

*Level III*—Unobservable inputs that are supported by little or no market activity, requiring the Company to develop its own assumptions.

The categorization of a financial instrument within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's financial instruments consist of Level I and Level II assets and liabilities. Level I assets include highly liquid money market funds that are included in cash and cash equivalents and Level II assets include certificates of deposit that are included as short-term investments, IRLCs and forward sales commitments, included in other current

assets and other current liabilities. The certificates of deposit are measured by observable market data for substantially the full term of the assets or liabilities. Interest rate lock commitments and forward sales commitments are measured by observable marketplace prices. The Company's redeemable convertible preferred stock is categorized as Level III. Redeemable convertible preferred stock is valued at each reporting date based on unobservable inputs and management's judgment due to the absence of quoted market prices, inherent lack of liquidity and the long-term nature of such financial instruments.

The Company's redeemable convertible preferred stock is measured at fair value using a weighted average of the probability weighted expected return method ("PWERM"), the income approach, and the market approach. Specifically, the income and market approach models are weighted in relation to the probability of a private company scenario, whereas the PWERM method is weighted in relation to the probability of future exit scenarios.

The income approach incorporates the use of the discounted cash flow method, whereas the market approach incorporates the use of the guideline public company method. Application of the discounted cash flow method requires estimating the annual cash flows that the business enterprise is expected to generate in the future with the application of a discount rate and terminal value. In the guideline public company method, valuation multiples, including total invested capital, are calculated based on financial statements and stock price data from selected guideline publicly traded companies. A comparative analysis is then performed for factors including, but not limited to size, profitability and growth to determine fair value.

Under the PWERM, value is determined based upon an analysis of future values for the enterprise under different potential outcomes (e.g., sale, merger, IPO, dissolution). The value determined for the enterprise is then allocated to each class of stock based upon the assumption that each class will look to maximize its value. The values determined for each class of stock under each scenario are weighted by the probability of each scenario and then discounted to a present value.

Any change in the fair value is recognized as accretion expense (income) and included as an adjustment to net loss to arrive at net income (loss) attributable to common stock on the consolidated statements of operations. Summary of changes in fair value are reflected in the consolidated balance sheets, consolidated statements of changes in redeemable convertible preferred stock and stockholders' deficit, and Note 6. The Company used the value of the common stock at the IPO price of \$15.00 per share to determine the accretion amount through conversion of the redeemable convertible preferred stock to common stock.

Significant unobservable inputs used in the determination of fair value of the Company's redeemable convertible preferred stock for the years ended December 31, 2015 and 2016 included the following:

	Year Ended December 31,	
	2015	2016
Valuation Methodology:		
Income approach (private company)	12.5%	12.5%-15.0%
Market approach (private company)	12.5%	12.5%-15.0%
PWERM (IPO)	56.3%	52.5%-60.0%
PWERM (M&A)	18.8%	15.0%-17.5%
IPO revenue multiple	4.0x-5.0x	3.0x-4.5x
Forecasted revenue growth rate	30.0%-50.3%	28.0%-41.80%
Discount rate	20.0%-30.0%	20.0%-30.0%

A summary of assets, (liabilities), and (mezzanine equity) at December 31, 2016 and 2017, related to our financial instruments, measured at fair value on a recurring basis, is set forth below:

Financial Instrument	Fair Value Hierarchy	Fair Value December 31,	
		2016	2017
Money market funds (included in cash and cash equivalents)	Level I	46,357	177,235
Certificates of deposit (included in short-term investments)	Level II	1,749	—
Interest rate lock commitments	Level II	—	29
Forward loan commitments	Level II	—	(4)
Redeemable convertible preferred stock (mezzanine equity)	Level III	(655,416)	—

### Note 3: Property and Equipment:

A summary of property and equipment at December 31, 2016 and 2017 is as follows:

	Useful Lives (years)	December 31,	
		2016	2017
Leasehold improvements	Shorter of lease term or economic life	\$ 4,911	\$ 16,039
Website and software development costs	1-3	10,114	14,501
Computer and office equipment	3	2,846	2,192
Software	3	1,367	685
Furniture	7	2,406	3,039
Construction in progress		10,856	—
		32,500	36,456
Accumulated depreciation and amortization		(13,274)	(14,138)
Property and equipment, net		\$ 19,226	\$ 22,318

Depreciation and amortization expense for property and equipment amounted to \$3,907, \$5,805, and \$6,688 for the years ended December 31, 2015, 2016, and 2017, respectively.

**Note 4: Acquired Intangible Assets:**

As part of a business acquisition in 2014, the Company recorded \$4,880 in intangible assets, measured at fair value, and reflected in the table below. Acquired intangible assets are amortized using the straight-line method over their estimated useful life, which approximates the expected use of these assets. Amortization expense amounted to \$488 for each year ended December 31, 2015, 2016, and 2017, respectively. Amortization expense of \$2,440 will be recognized over the next five years, or \$488 per year.

	Useful Live (years)	December 31, 2016			December 31, 2017		
		Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Trade Names	10	\$ 1,040	\$ (234)	\$ 806	\$ 1,040	\$ (338)	\$ 702
Developed technology	10	2,980	(670)	2,310	2,980	(968)	2,012
Customer relationships	10	860	(194)	666	860	(280)	580
		<u>\$ 4,880</u>	<u>\$ (1,098)</u>	<u>\$ 3,782</u>	<u>\$ 4,880</u>	<u>\$ (1,586)</u>	<u>\$ 3,294</u>

**Note 5: Operating Segments:**

Operating segments are defined as components of an enterprise for which separate financial information is available and evaluated regularly by the chief operating decision maker ("CODM") in deciding how to make operating decisions, allocate resources and in assessing performance. The Company has five operating segments and one reportable segment, real estate. Real estate revenue is derived from commissions and fees charged on real estate transactions closed by us or partner agents. Other revenue consists of fees charged for title and settlement services, mortgage banking operations, Walk Score licensing and advertising fees, homes sold through Redfin Now, and other services. The Company's CODM is its Chief Executive Officer. The CODM evaluates the performance of the Company's operating segments based on revenue and gross profit. The Company does not analyze discrete segment balance sheet information related to long-term assets, all of which are located in the United States. All other financial information is presented on a consolidated basis.

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

	Year End December 31,		
	2015	2016	2017
<b>Real estate</b>			
Revenue	\$ 181,446	\$ 260,383	\$ 351,570
Cost of revenue	131,522	176,408	237,832
Gross profit	<u>\$ 49,924</u>	<u>\$ 83,975</u>	<u>\$ 113,738</u>
<b>Other</b>			
Revenue	5,892	6,813	18,466
Cost of revenue	6,970	8,044	20,384
Gross profit	<u>\$ (1,078)</u>	<u>\$ (1,231)</u>	<u>\$ (1,918)</u>
<b>Consolidated</b>			
Revenue	187,338	267,196	370,036
Cost of revenue	138,492	184,452	258,216
Gross profit	<u>\$ 48,846</u>	<u>\$ 82,744</u>	<u>\$ 111,820</u>
Operating expenses	79,135	105,528	127,792
Net income (loss)	<u>\$ (30,236)</u>	<u>\$ (22,526)</u>	<u>\$ (15,002)</u>

Real estate revenue consisted of the following:

	Year End December 31,		
	2015	2016	2017
<b>Real estate revenue</b>			
Brokerage revenue	\$ 171,276	\$ 244,079	\$ 330,372
Partner revenue	10,170	16,304	21,198
Total real estate revenue	<u>\$ 181,446</u>	<u>\$ 260,383</u>	<u>\$ 351,570</u>

**Note 6: Redeemable Convertible Preferred Stock and Stockholders' Equity/(Deficit):**

**Redeemable Convertible Preferred Stock**—The Company's redeemable convertible preferred stock automatically converted into common stock at a rate of one-for-one on the closing of the Company's IPO on August 2, 2017. As such, no shares of redeemable convertible preferred stock were authorized, issued and outstanding as of December 31, 2017. As of December 31, 2016, the Company had outstanding redeemable convertible preferred stock as follows:

	As of December 31, 2016			
	Shares Authorized	Shares Issued and Outstanding	Aggregate Liquidation Preference	Proceeds, Net of Issuance Costs
Series A-1	4,378,284	1,459,427	\$ 500	\$ 462
Series A-2	109,552	36,517	11	11
Series A-3	9,099,610	3,033,202	259	241
Series B	36,338,577	12,112,853	7,998	7,952
Series C	33,388,982	11,129,656	12,000	11,950
Series D	28,574,005	9,524,665	10,269	10,201
Series E	12,041,148	4,013,712	14,924	14,841
Series F	20,808,580	6,936,186	50,536	50,453
Series G	21,527,376	7,175,784	70,991	68,062
Total	<u>166,266,114</u>	<u>55,422,002</u>	<u>\$ 167,488</u>	<u>\$ 164,173</u>

The terms of all redeemable convertible preferred stock are summarized below:

*Conversion*—Each share of redeemable convertible preferred stock is convertible at the option of the holder into such number of common stock as is determined by dividing the original issue price by the conversion price in effect at the time of conversion. The original issue prices, adjusted for the reverse split, are as follows: \$0.3426 for Series A-1 preferred, \$0.2913 for Series A-2 preferred, \$0.0855 for Series A-3 preferred, \$0.6603 for Series B preferred, \$1.0782 for Series C preferred, \$1.0782 for Series D preferred, \$3.7182 for Series E preferred, \$7.2858 for Series F preferred, and \$9.8931 for Series G preferred. Under the terms of the Company's Amended and Restated Certificate of Incorporation, redeemable convertible preferred stock shall be automatically converted into shares of common stock upon the occurrence of specific events, including a firm commitment underwritten public offering with aggregate net proceeds of not less than \$50,000.

*Liquidation Preference*—In the event of a voluntary or involuntary liquidation, dissolution, or winding-up of the Company, the holders of redeemable convertible preferred stock will be entitled to receive, prior and in preference to any distribution of any of the assets of the Company to the holders of common stock, an amount per share equal to the greater of (1) the original issue price (as adjusted for stock splits, stock dividends, reclassifications, and the like) for each share of redeemable convertible preferred stock held by them, plus declared but unpaid dividends, and (2) the amount such holder would have received if, immediately prior to such event, such holder had converted such share of redeemable convertible preferred stock into common stock. After payment of all preferential amounts, the remaining assets shall be distributed ratably among all holders of common stock on a pro rata basis based on the number of shares of common stock outstanding held by each such holder.

*Redemption*—At any time after December 15, 2021, the holders of not less than 67% of outstanding redeemable convertible preferred stock may request the Company to redeem all the outstanding shares of redeemable convertible preferred stock by paying in cash a sum per share with respect to each share of redeemable convertible preferred stock equal to the greater of (1) the original issue price of each share of preferred stock plus all declared but unpaid dividends or (2) the fair market value of each share of redeemable convertible preferred stock as determined by an appraisal performed by an independent third party approved by holders of at least 67% of the then outstanding shares of redeemable convertible preferred stock and the Company.

Accretion represents the increase or decrease in the redemption value of the Company's redeemable convertible preferred stock. The redemption value increased for all periods presented. The recognized accretion related to the increase in the redemption value of the redeemable convertible preferred stock was reclassified upon the successful completion of the IPO, which occurred during the period ended December 31, 2017.

The following table presents the accretion of the redeemable convertible preferred stock to its redemption value recorded within the consolidated statements of changes in redeemable convertible preferred stock and stockholders' deficit during the periods presented:

	Year End December 31,		
	2015	2016	2017
Series A-1	\$ (2,674)	\$ (1,618)	\$ (4,904)
Series A-2	(67)	(40)	(123)
Series A-3	(5,650)	(3,360)	(10,192)
Series B	(22,561)	(13,416)	(40,336)
Series C	(20,390)	(12,333)	(37,062)
Series D	(17,450)	(10,555)	(31,717)
Series E	(7,353)	(4,086)	(12,884)
Series F	(12,494)	(6,025)	(20,184)
Series G	(13,585)	(4,069)	(18,513)
Total	<u>\$ (102,224)</u>	<u>\$ (55,502)</u>	<u>\$ (175,915)</u>

**Voting**—The holder of each share of redeemable convertible preferred stock has the right to one vote for each full share of common stock into which its respective shares of redeemable convertible preferred stock would be convertible on the record date for the vote.

**Dividends**—The holders of redeemable convertible preferred stock are entitled to receive noncumulative dividends out of any funds legally available, prior and in preference to any declaration or payment of any dividends to holders of common stock. Dividends are payable when, as and if declared by the board of directors at a rate of \$0.0273 per share for Series A-1 preferred, \$0.0234 per share for Series A-2 preferred, \$0.0069 per share for Series A-3 preferred, \$0.0528 per share for Series B preferred, \$0.0864 per share for Series C preferred and Series D preferred, \$0.2976 per share for Series E preferred, \$0.5829 per share for Series F preferred, and \$0.7914 per share Series G preferred, per year (as adjusted for stock splits, stock dividends, reclassifications and the like). The holders of the redeemable convertible preferred stock also shall be entitled to participate pro rata in any dividends or other distributions paid on the common stock on an as-if-converted basis.

**Common Stock**—At December 31, 2016 and 2017, the Company was authorized to issue 290,081,638 and 500,000,000 shares of common stock with a par value of \$0.001 per share, respectively.

The Company has reserved shares of common stock, on an as-converted basis, for future issuance as follows:

	December 31,	
	2016	2017
Redeemable convertible preferred stock outstanding	55,422,002	—
Stock options issued and outstanding	13,291,684	13,180,950
Restricted stock units outstanding	—	981,276
Shares available for future equity grants	4,941,504	7,026,071
Total	<u>73,655,190</u>	<u>21,188,297</u>

**Preferred Stock**—As of December 31, 2017, the Company had authorized 10,000,000 shares of preferred stock, par value \$0.001, of which no shares were outstanding.

#### Note 7: Stock-based Compensation:

**2017 Employee Stock Purchase Plan**—The Company's 2017 Employee Stock Purchase Plan ("2017 ESPP") was approved by the board of directors on July 27, 2017 and enables eligible employees to purchase shares of the Company's common stock at a discount. Purchases will be accomplished



through participation in discrete offering periods. The Company initially reserved 1,600,000 shares of common stock for issuance under the 2017 ESPP. The number of shares reserved for issuance under the 2017 ESPP will increase automatically on January 1 of each calendar year beginning after the first offering date and continuing through January 1, 2028 by the number of shares equal to the lesser of 1% of the total outstanding shares of the Company's common stock as of the immediately preceding December 31 or an amount determined by the board of directors. On each purchase date, eligible employees will purchase the Company's common stock at a price per share equal to 85% of the lesser of (1) the fair market value of the Company's common stock on the first trading day of the offering period, and (2) the fair market value of the Company's common stock on the purchase date. No shares of common stock have been purchased under the 2017 ESPP as the initial offering period has yet to commence.

**2004 Equity Incentive Plan**—The Company granted options under its 2004 equity incentive plan, as amended, ("2004 Plan"), until July 26, 2017, when the plan was terminated in connection with the Company's IPO. Accordingly, no shares are available for future issuance under this plan. The 2004 Plan continues to govern outstanding equity awards granted thereunder. The term of each option under the plan shall be no more than 10 years and generally vest over a four-year period.

**2017 Equity Incentive Plan**—The Company's 2017 Equity Incentive Plan ("2017 EIP") became effective on July 26, 2017, and provides for the issuance of incentive and nonqualified common stock options and restricted stock units to employees, directors, officers, and consultants of the Company. The number of shares of common stock reserved for issuance under the 2017 EIP is 7,859,659. The number of shares reserved for issuance under the 2017 EIP will increase automatically on January 1 of each calendar year beginning on January 1, 2018 and continuing through January 1, 2028, by the number of shares equal to the lesser of 5% of the total outstanding shares of the Company's common stock as of the immediately preceding December 31 or an amount determined by the board of directors. On December 22, 2017, the board of directors determined that there would be no increase to the number of shares reserved for issuance under the 2017 EIP on January 1, 2018. The term of each restricted stock unit and option under the plan shall be no more than 10 years and generally vest over a four-year period. The term of each option grant shall be no more than 10 years.

**Black-Scholes-Merton option-pricing model**—The grant-date fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option-pricing model. The inputs used below are subjective and generally require significant analysis and judgment to develop. The Company has not declared or paid any cash dividends and does not currently expect to do so in the future. The risk-free interest rate used in the Black-Scholes-Merton option-pricing model is based on the implied yield currently available in U.S. Treasury securities at maturity with an equivalent term. Expected volatility is based on an average volatility of stock prices for a group of real estate and technology industry peers. The Company uses the "simplified method" to calculate expected life due to the lack of historical exercise data, which assumes a ratable rate of exercise over the contractual life to estimate the expected term for employee options. The expected term of options represents the period that the stock-based awards are expected to be outstanding for the remaining unexercised shares. The Company accounts for forfeitures as they occur. The range of assumptions for the years ended December 31, 2015, 2016, and 2017, are provided in the following table.

	Year End December 31,		
	2015	2016	2017
Expected life	7 years	7 years	7 years
Volatility	42.51%-49.62%	38.15%-41.36%	37.88%-40.97%
Risk-free interest rate	1.71%-2.01%	1.39%-2.32%	1.96%-2.26%
Dividend yield	—%	—%	—%
Weighted-average grant date fair value	\$3.99	\$4.11	\$4.86

The following table presents information regarding options granted, exercised, forfeited, or cancelled for the periods presented:

	Number Of Options	Weighted- Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
Outstanding at January 1, 2017	13,291,684	\$ 5.85	7.74	\$ 61,774
Options granted	1,137,046	10.78		
Options exercised	(744,215)	4.03		20,308
Options forfeited or canceled	(503,565)	7.95		
Outstanding at December 31, 2017	13,180,950	6.30	7.02	329,786
Options exercisable at December 31, 2017	8,754,523	4.94	6.25	230,914

The total grant date fair value of shares vested during 2015, 2016, and 2017 was \$4,917, \$9,817, \$10,571, respectively. The total grant date fair value of shares exercised during 2015, 2016, and 2017 was \$1,373, \$911, and \$3,002, respectively.

There was \$18,187 of total unrecognized stock-based compensation related to non-vested stock option arrangements granted under the 2004 Plan as of December 31, 2017. These costs are expected to be recognized over a weighted-average period of 2.30 years. The total fair value of options vested was \$71,592 and \$274,192 as of December 31, 2016 and December 31, 2017, respectively.

The following table summarizes activity for restricted stock units for the year ended December 31, 2017:

	Restricted Stock Units	Weighted Average Grant-Date Fair Value
Unvested outstanding at January 1, 2017	—	\$ —
Granted	981,929	22.78
Vested	—	—
Forfeited or canceled	(653)	22.78
Unvested outstanding at December 31, 2017	981,276	\$ 22.78

The fair value of the outstanding restricted stock units will be recorded as stock-based compensation over the vesting period. As of December 31, 2017, there was \$21,856 of total unrecognized compensation cost related to restricted stock units, which is expected to be recognized over a weighted-average period of 3.75 years. There were no restricted stock units authorized, issued, or outstanding as of December 31, 2016.

The following table presents the detail of stock-based compensation amounts included in the Company's consolidated statements of operations for the periods indicated below:

	Year End December 31,		
	2015	2016	2017
Cost of revenue	\$ 1,440	\$ 2,266	\$ 2,902
Technology and development	1,375	2,383	3,325
Marketing	298	469	487
General and administrative	2,449	3,295	4,387
Total stock-based compensation	\$ 5,562	\$ 8,413	\$ 11,101

Stock-based compensation of \$772 is included in general and administrative expenses attributable to the tender offer that closed in August 2015.

Existing investors acquired

1,593,409 shares of common stock at a premium of \$2.16 per share over the fair value at the time of the tender offer. Of the 1,593,409 shares, 358,330 were purchased from employees and 1,235,079 were purchased from non-employees. The premium attributable to the shares tendered from non-employees in the amount of \$2,659 was treated as an in-substance dividend.

The Company capitalizes stock-based compensation related to work performed on internally developed software. There was \$49, \$100, and \$268 of stock-based compensation that was capitalized in the years ended 2015, 2016, and 2017, respectively. All stock-based compensation is related to employees in technology and development.

**Note 8: Net Income (Loss) per Share Attributable to Common Stock:**

Net income (loss) per share attributable to common stock is computed by dividing the net income (loss) attributable to common stock by the weighted-average number of common shares outstanding. The Company has outstanding stock options and redeemable convertible preferred stock, which are included in the calculation of diluted net income (loss) attributable to common stock per share whenever doing so would be dilutive.

The Company calculates basic and diluted net income (loss) per share attributable to common stock in conformity with the two-class method required for companies with participating securities. The Company considers all series of redeemable convertible preferred stock to be participating securities. Under the two-class method, net loss attributable to common stock is not allocated to the redeemable convertible preferred stock as the holders of redeemable convertible preferred stock do not have a contractual obligation to share in losses. Upon the conversion of the redeemable convertible preferred stock to common stock on the date of the IPO, or August 2nd, 2017, the Company only had one class of participating security, common stock.

Diluted net income (loss) per share attributable to common stock is computed by giving effect to all potential dilutive common stock equivalents outstanding for the period. For purposes of this calculation, redeemable convertible preferred stock and options to purchase common stock are considered anti-dilutive securities for all periods presented. Basic and diluted net income (loss) per share attributable to common stock was the same for each period presented.

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

	Year End December 31,		
	2015	2016	2017
<b>Numerator:</b>			
Net income (loss)	\$ (30,236)	\$ (22,526)	\$ (15,002)
Accretion of preferred stock	(102,224)	(55,502)	(175,915)
Net income (loss) attributable to common stock—basic and diluted	<u>\$ (132,460)</u>	<u>\$ (78,028)</u>	<u>\$ (190,917)</u>
<b>Denominator:</b>			
Weighted average shares used to compute net income (loss) per share attributable to common stock—basic and diluted	13,416,411	14,395,067	42,722,114
Net income (loss) per share attributable to common stock—basic and diluted	<u>\$ (9.87)</u>	<u>\$ (5.42)</u>	<u>\$ (4.47)</u>

The following outstanding shares of common stock equivalents were excluded from the computation of the diluted net income (loss) per share attributable to common stock for the periods presented because their effect would have been anti-dilutive. For the year ended December 31, 2017 shares of the redeemable convertible preferred stock were anti-dilutive, but converted to common stock on a one-for-one basis on August 2, 2017 upon the successful completion of the IPO, and as such were included in the weighted average shares outstanding for the period they were outstanding as shares of common stock.

	Year End December 31,		
	2015	2016	2017
Redeemable convertible preferred stock	55,422,002	55,422,002	—
Options outstanding	10,406,277	13,291,684	13,180,950
Restricted stock units	—	—	981,276
Total	65,828,279	68,713,686	14,162,226

#### Note 9: Income Taxes:

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act incorporates broad and complex changes to the U.S. tax code. The main provision of the Tax Act that is applicable to the Company is the reduction of a maximum federal tax rate of 35% to a flat tax rate of 21%, effective January 1, 2018. The Company has incorporated the change in federal tax rates in its annual tax provision. Consequently, the Company has recorded a decrease in net deferred tax assets of \$12,658, with a corresponding net adjustment to deferred income tax expense of \$12,658. These adjustments are fully offset by a decrease in the valuation allowance for the year ended December 31, 2017. Therefore, the net impact to the Company's tax expense is \$0. The Company has completed and recorded the adjustments necessary under Staff Accounting Bulletin No. 118 related to the Tax Act.

The Company's deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following table represents the significant components of the Company's deferred tax assets and liabilities for the periods presented:

	December 31,	
	2016	2017
Deferred tax assets:		
Net operating loss carryforwards	\$ 31,618	\$ 21,627
Credit carryforwards	3,200	4,230
Stock-based compensation	1,801	2,806
Accruals and reserves	4,588	3,953
Gross deferred tax assets	41,207	32,616
Valuation allowance	(38,307)	(29,818)
Total deferred tax assets, net of valuation allowance	2,900	2,798
Deferred tax liabilities:		
Intangible assets	(1,419)	(847)
Prepaid expenses	(1,481)	(1,951)
Total deferred tax liabilities	(2,900)	(2,798)
Net deferred tax assets and liabilities	\$ —	\$ —

The valuation allowance increased by \$11,296 and \$6,800, during the years ended December 31, 2015 and 2016, respectively, and decreased by \$8,489 during the year ended December 31, 2017.

The following table represents the Company's NOL carryforwards as of December 31, 2016 and 2017:

	December 31,	
	2016	2017
Federal	84,973	87,071
Various states	4,133	4,231

Federal net operating loss carryforwards are available to offset future taxable income and begin to expire in 2025. State net operating loss carryforwards are available to offset future taxable income and begin to expire in 2018. Net operating loss carryforward periods for the various state jurisdictions range from 5 to 20 years. Additionally, net research and development credit carryforwards of \$3,200 and \$4,230 are available as of December 31, 2016 and 2017, respectively, to reduce future tax liabilities. The research and development credit carryforwards begin to expire in 2026.

Current tax laws impose substantial restrictions on the utilization of research and development credits and NOL carryforwards in the event of an ownership change, as defined by the Internal Revenue Code Section 382 and 383. Such an event may significantly limit the Company's ability to utilize its net NOLs and research and development tax credit carryforwards. During 2017 the Company completed a Section 382 study. The study determined that the Company underwent an ownership change in 2006. Due to the Section 382 limitation determined on the date of the ownership change in 2006, NOL and R&D credits were reduced by \$1,506 and \$32, respectively.

The components of loss before provision (benefit) for income taxes for the years ended December 31, 2015, 2016, and 2017 were \$(30,236), \$(22,526), and \$(15,002), respectively.

The reconciliation of the U.S. federal income tax at statutory rate with the Company's effective income tax rate:

	December 31,		
	2015	2016	2017
U.S. federal income tax at statutory rate	34.00 %	34.00 %	34.00 %
State taxes (net of federal benefit)	3.86	2.49	2.40
Permanent differences	(2.94)	(8.21)	(15.03)
Federal research and development credit	2.42	2.06	7.08
Change in valuation allowance	(37.36)	(30.19)	(27.79)
Non deductible expenses and others	0.02	(0.15)	(0.66)
Change in valuation allowance for Tax Act impact	—	—	84.37
Change in deferred balance before valuation allowance for Tax Reform impact	—	—	(84.37)
Effective income tax rate	— %	— %	— %

Permanent differences consist primarily of stock compensation expense related to incentive stock options in the amounts of (4.90)%, (7.87)%, and (14.74)% for the years ended December 31, 2015, 2016, and 2017, respectively.

The Company did not record any tax benefits for the years ended December 31, 2015, 2016, and 2017. The difference between the U.S. federal income tax at statutory rate of 34% and the Company's

effective tax rate in all periods is primarily due to a full valuation allowance related to the Company's U.S. deferred tax assets and the change in corporate tax rate effective for tax years beginning after December 31, 2017.

The Company accounts for uncertainty in income taxes in accordance with ASC 740. Tax positions are evaluated in a two-step process, whereby the Company first determines whether it is more likely than not that a tax position will be sustained upon examination by the tax authority, including resolutions of any related appeals or litigation processes, based on technical merit. If a tax position meets the more-likely-than-not recognition threshold it is then measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

The following table summarized the activity related to unrecognized tax benefits:

	December 31,	
	2016	2017
Unrecognized benefit—beginning of year	\$ 684	\$ 800
Gross increases (decreases)—prior year tax positions	—	(7)
Gross increases (decreases)—current year tax positions	116	264
Unrecognized benefit—end of year	<u>\$ 800</u>	<u>\$ 1,057</u>

All of the unrecognized tax benefits as of December 31, 2016 and 2017 are accounted for as a reduction in the Company's deferred tax assets. Due to the Company's valuation allowance, none of the \$800 and \$1,057 of unrecognized tax benefits would affect the Company's effective tax rate, if recognized. The Company does not believe it is reasonably possible that its unrecognized tax benefits will significantly change in the next twelve months.

The Company recognizes interest and penalties related to unrecognized tax benefits as income tax expense. There was no interest or penalties accrued related to unrecognized tax benefits for 2016 and 2017 and no liability for accrued interest or penalties related to unrecognized tax benefits as of December 31, 2017.

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

#### Note 10: Commitments and Contingencies:

**Legal Proceedings**—Third-party licensed sales associates filed three lawsuits against the Company in 2013 and 2014. Two of the actions, which are pled as "class actions," were removed to and are now pending in the Northern District of California. One of these cases also includes representative claims under California's Private Attorney General Act, Labor Code section 2698 et. seq ("PAGA"). The third action is pending in the Los Angeles County Superior Court and asserts representative claims under PAGA. All three complaints alleged that the Company had misclassified current and former third-party licensed sales associates in California as independent contractors and generally seek compensation for unpaid wages, overtime, and failure to provide meal and rest periods, as well as reimbursement of business expenses.

In June 2017, the Company entered into a definitive agreement to settle the lawsuits. The Company has recorded an accrual for \$1,800 as of December 31, 2016 and 2017. The settlement agreement does not contain any admission of liability, wrongdoing, or responsibility by any of the parties. The proposed settlement class contemplated by the agreement includes all current and former third party licensed sales associates engaged by the Company in California from January 16, 2009, through April 29, 2017. The settlement agreement has received preliminary court approval, but remains subject to final court approval.

As with all class action and representative litigation, these cases are inherently complex and subject to many uncertainties. In the event the settlement is not approved, the actions may continue and a class may be certified. If that happens, there can be no assurance the plaintiffs will not seek substantial damage awards, penalties, attorneys' fees, or other remedies. The Company believes it has complied with all applicable laws and regulations and that it properly classified the third-party licensed sales associates as independent contractors.

In addition, from time to time, the Company is involved in litigation, claims and other proceedings arising in the ordinary course of business. Such litigation and other proceedings may include, but are not limited to, actions relating to employment law and misclassification, intellectual property, commercial or contractual claims, brokerage or real estate disputes, claims related to the Real Estate Settlement Procedures Act of 1974, the Fair Housing Act of 1968, or other consumer protection statutes, ordinary-course brokerage disputes like the failure to disclose property defects, commission disputes, and vicarious liability based upon conduct of individuals or entities outside of our control, including partner agents and third-party contractor agents. Litigation and other disputes are inherently unpredictable and subject to substantial uncertainties and unfavorable resolutions could occur. Often these cases raise complex factual and legal issues, which are subject to risks and uncertainties and could require significant management time and resources.

**Facility Leases and Other Commitments**—The Company leases its office space under noncancelable operating leases with terms ranging from one to eleven years. The leases require a fixed minimum rent with contractual minimum rent increases over the lease term, and certain leases include escalation provisions. Rent expense totaled \$4,147, \$5,811, and \$7,833 for the years ended December 31, 2015, 2016, and 2017, respectively. Other commitments primarily relate to network infrastructure for the Company's data operations and commitments for the Company's annual corporate meeting. Also included are homes that the Company is under contract to purchase through Redfin Now but that have not closed. Future minimum payments due under these agreements as of December 31, 2016 and December 31, 2017 are as follows:

	December 31, 2017	
	Facility Leases	Other Commitments
2018	\$ 7,595	\$ 3,003
2019	8,100	2,028
2020	7,181	75
2021	6,790	—
2022 and thereafter	29,074	—
Total	\$ 58,740	\$ 5,106

**Mortgage Warehouse Agreement**—In December 2016, Redfin Mortgage entered into a Mortgage Warehouse Agreement with Texas Capital Bank, National Association ("Texas Capital") and in June 2017 Redfin Mortgage entered into a Master Repurchase Agreement with Western Alliance Bank. Pursuant to the Mortgage Warehouse Agreement and Master Repurchase Agreement, Texas Capital and Western Alliance Bank both agree to fund loans originated by Redfin Mortgage, in its discretion, up to \$10,000 each in the aggregate and to take a security interest in such loans. The per annum interest rate payable to Texas Capital is a fixed rate equal to the rate of interest accruing on the outstanding principal balance of the loan, minus 1.5%, or 3.0%, whichever is higher. The per annum interest rate payable to Western Alliance Bank is

a fixed rate equal to the LIBOR rate plus 3.00%, or 3.75%, whichever is higher. For each loan in which Texas Capital elects to purchase a participation interest, it will acquire an undivided 97% participation interest, by paying as the purchase price an amount equal to the participation interest multiplied by the principal balance of the loan. For each loan in which Western Alliance Bank elects to purchase, it will acquire an undivided 98% participation interest, by paying as the purchase price an amount equal to the participation interest multiplied by the principal balance of the loan. If a loan is not sold to a correspondent lender, Texas Capital and Western Alliance Bank's participation interests in the loans are to be repurchased in whole or in part by Redfin Mortgage. The Company has guaranteed Redfin Mortgage's obligations under the Mortgage Warehouse and Master Repurchase Agreements.

The Mortgage Warehouse Agreement and Master Repurchase Agreements require each of the Company and Redfin Mortgage to maintain certain financial covenants and to provide periodic financial and compliance reports. Redfin Mortgage failed to satisfy certain financial covenants under both agreements as of December 31, 2017, but has not received a notice of default related to such failure from either Texas Capital or Western Alliance Bank. As of December 31, 2017 there was \$833 outstanding under the Mortgage Warehouse Agreement and \$1,184 outstanding as of December 31, 2017 on the Master Repurchase Agreement. The Mortgage Warehouse Agreement expires on March 21, 2018 and the Master Repurchase Agreement expires on June 15, 2018.

**Note 11: Accrued Liabilities:**

The following table presents the detail of accrued liabilities as of the dates presented:

	December 31,	
	2016	2017
Accrued compensation and benefits	\$ 16,659	\$ 19,543
Legal fees and settlements	2,795	2,230
Miscellaneous accrued liabilities	2,799	4,832
Total accrued liabilities:	<u>\$ 22,253</u>	<u>\$ 26,605</u>

**Note 12: Retirement Plan:**

The Company adopted a 401(k) profit sharing plan effective January 2005. The plan covers eligible employees as of their hire date. The 401(k) component of the plan allows employees to elect to defer from 1% to 100% of their eligible compensation up to the federal limit per year. Company-matching and profit-sharing contributions are discretionary and are determined annually by Company management and approved by the board of directors. No matching or profit-sharing contributions were declared for the years ended December 31, 2015, 2016, or 2017.

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

None.

**Item 9A. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

We maintain "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized



and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2017. Based on the evaluation of our disclosure controls and procedures as of December 31, 2017, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

#### **Management's Report on Internal Control Over Financial Reporting**

This Annual Report on Form 10-K does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of our independent registered public accounting firm due to a transition period established by the rules of the SEC for newly public companies.

#### **Changes in Internal Control Over Financing Reporting**

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

#### **Inherent Limitations on Effectiveness of Controls**

Our management, including the Chief Executive Officer and Chief Financial Officer, recognizes that our disclosure controls or our internal control over financial reporting cannot prevent or detect all possible instances of errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

#### **Item 9B. Other Information**

None.

### **PART III**

#### **Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this Item is incorporated by reference from our Proxy Statement to be filed in connection with our 2018 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2017.

#### **Item 11. Executive Compensation**

The information required by this Item is incorporated by reference from our Proxy Statement to be filed in connection with our 2018 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2017.

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

The information required by this Item is incorporated by reference from our Proxy Statement to be filed in connection with our 2018 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2017.

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

The information required by this Item is incorporated by reference from our Proxy Statement to be filed in connection with our 2018 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2017.

**Item 14. Principal Accounting Fees and Services**

The information required by this Item is incorporated by reference from our Proxy Statement to be filed in connection with our 2018 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2017.

**PART IV****Item 15. Exhibits, Financial Statement Schedules**

(a) The following documents are filed as part of this Annual Report on Form 10-K.

1. Consolidated Financial Statements

The financial statements filed as part of this Annual Report on Form 10-K are listed in the "Index to Consolidated Financial Statements" under Part II, Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedules

All schedules are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or notes to consolidated financial statements under Part II, Item 8 of this Annual Report on Form 10-K.

3. Exhibits

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Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	<a href="#">Restated Certificate of Incorporation.</a>	10-Q	001-38160	3.1	Sept. 8, 2017	
3.2	<a href="#">Restated Bylaws.</a>	10-Q	001-38160	3.2	Sept. 8, 2017	
4.1	<a href="#">Form of Common Stock Certificate.</a>	S-1/A	219093	4.1	July 26, 2017	
4.2	<a href="#">Amended and Restated Investors' Rights Agreement by and among the Registrant and certain security holders of the Registrant dated December 15, 2014, as amended.</a>	S-1	333-219093	4.2	June 30, 2017	
10.1#	<a href="#">Form of Indemnification Agreement.</a>	S-1/A	333-219093	10.1	July 17, 2017	
10.2#	<a href="#">Amended and Restated 2004 Equity Incentive Plan, and forms of award agreements thereunder.</a>	S-1	333-219093	10.2	June 30, 2017	
10.3#	<a href="#">2017 Equity Incentive Plan, and forms of award agreements thereunder.</a>					X
10.4#	<a href="#">2017 Employee Stock Purchase Plan, and form of subscription agreement thereunder.</a>					X
10.5#	<a href="#">Amended and Restated Offer Letter by and between the Registrant and Glenn Kelman, dated June 27, 2017.</a>	S-1	333-219093	10.4	June 30, 2017	
10.6#	<a href="#">Amended and Restated Offer Letter by and between the Registrant and Chris Nielsen, dated June 27, 2017.</a>					X
10.7#	<a href="#">Amended and Restated Offer Letter by and between the Registrant and Bridget Frey, dated June 27, 2017.</a>	S-1	333-219093	10.5	June 30, 2017	
10.8#	<a href="#">Amended and Restated Offer Letter by and between the Registrant and Scott Nagel, dated June 27, 2017.</a>	S-1	333-219093	10.6	June 30, 2017	
10.9	<a href="#">Amended and Restated Office Lease by and between the Registrant and Hudson 1099 Stewart Street, LLC, as successor in interest to Hill7 Developers, LLC, dated effective as of May 9, 2016.</a>	S-1	333-219093	10.7	June 30, 2017	
10.10#	<a href="#">Form of Change in Control Severance Agreement.</a>	S-1/A	333-219093	10.12	July 17, 2017	
21.1	<a href="#">List of Subsidiaries.</a>					X
23.1	<a href="#">Consent of Deloitte &amp; Touche LLP, Independent Registered Public Accounting Firm.</a>					X
24.1	<a href="#">Power of Attorney (included on page 87).</a>					X
31.1	<a href="#">Certification of Principal Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>					X
31.2	<a href="#">Certification of Principal Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>					X
32.1*	<a href="#">Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					X
32.2*	<a href="#">Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					X
101.INS	XBRL Instance Document.					X
101.SCH	XBRL Taxonomy Extension Schema Document.					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase document.					X

# Management contract or compensatory plan or arrangement.

\* This certification is deemed not filed for purposes of section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

**Item 16. Form 10-K Summary**

None.

**SIGNATURES**

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

February 22, 2018

**REDFIN CORPORATION**

By: /s/ Glenn Kelman  
Glenn Kelman  
President and Chief Executive Officer

**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS, that each individual whose signature appears below constitutes and appoints Glenn Kelman and Chris Nielsen, and each of them, as his or her true and lawful attorneys-in-fact and agents with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the SEC, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or her or their substitute or substitutes, may lawfully do or cause to be done or by virtue hereof.

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

Name	Title	Date
<u>/s/ Glenn Kelman</u> Glenn Kelman	President, Chief Executive Officer and Director (Principal Executive Officer)	February 22, 2018
<u>/s/ Chris Nielsen</u> Chris Nielsen	Chief Financial Officer (Principal Financial and Accounting Officer)	February 22, 2018
<u>/s/ Robert Mylod, Jr.</u> Robert Mylod, Jr.	Chairman of the Board of Directors	February 22, 2018
<u>/s/ Robert Bass</u> Robert Bass	Director	February 22, 2018
<u>/s/ Julie Bornstein</u> Julie Bornstein	Director	February 22, 2018
<u>/s/ James Slavet</u> James Slavet	Director	February 22, 2018
<u>/s/ Austin Ligon</u> Austin Ligon	Director	February 22, 2018
<u>/s/ Selina Tobaccowala</u> Selina Tobaccowala	Director	February 22, 2018

**REDFIN CORPORATION**  
**2017 EQUITY INCENTIVE PLAN**

**1. PURPOSE.** The purpose of this Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of Redfin, and any Parents, Subsidiaries and Affiliates that exist now or in the future, by offering them an opportunity to participate in Redfin's future performance through the grant of Awards. Capitalized terms not defined elsewhere in the text are defined in Section 28.

**2. SHARES SUBJECT TO THE PLAN.**

**2.1. Number of Shares Available.** Subject to Sections 2.6 and 21 and any other applicable provisions hereof, the total number of Shares reserved and available for grant and issuance pursuant to this Plan as of the date of adoption of the Plan by the Board, is Three Million Seven Hundred Thousand (3,700,000) Shares, plus (a) any reserved shares not issued or subject to outstanding grants under Redfin's 2004 Amended and Restated Equity Incentive Plan (the "**Prior Plan**") on the Effective Date (as defined below), (b) shares that are subject to awards granted under the Prior Plan that cease to be subject to such awards by forfeiture or otherwise after the Effective Date, (c) shares issued under the Prior Plan before or after the Effective Date pursuant to the exercise of stock options that are, after the Effective Date, forfeited, (d) shares issued under the Prior Plan that are repurchased by Redfin at the original issue price and (e) shares that are subject to stock options or other awards under the Prior Plan that are used to pay the exercise price of an option or withheld to satisfy the tax withholding obligations related to any award.

**2.2. Lapsed, Returned Awards.** Shares subject to Awards, and Shares issued under the Plan under any Award, will again be available for grant and issuance in connection with subsequent Awards under this Plan to the extent such Shares: (a) are subject to issuance upon exercise of an Option or SAR granted under this Plan but which cease to be subject to the Option or SAR for any reason other than exercise of the Option or SAR; (b) are subject to Awards granted under this Plan that are forfeited or are repurchased by Redfin at the original issue price; (c) are subject to Awards granted under this Plan that otherwise terminate without such Shares being issued; or (d) are surrendered pursuant to an Exchange Program. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. Shares used to pay the exercise price of an Award or withheld to satisfy the tax withholding obligations related to an Award will become available for future grant or sale under the Plan. For the avoidance of doubt, Shares that otherwise become available for grant and issuance because of the provisions of this Section 2.2 will not include Shares subject to Awards that initially became available because of the substitution clause in Section 21.2 hereof.

**2.3. Minimum Share Reserve.** At all times Redfin will reserve and keep available a sufficient number of Shares as will be required to satisfy the requirements of all outstanding Awards granted under this Plan.

**2.4. Automatic Share Reserve Increase.** The number of Shares available for grant and issuance under the Plan will be increased on January 1, of each of the first ten (10) calendar years during the term of the Plan, by the lesser of (a) five (5%) of the number of Shares issued and outstanding on each December 31 immediately prior to the date of increase or (b) such number of Shares determined by the Board.

**2.5. Limitations.** No more than Thirty Seven Million (37,000,000) Shares will be issued pursuant to the exercise of ISOs.

**2.6. Adjustment of Shares.** If the number of outstanding Shares is changed by a stock dividend, extraordinary dividends or distributions (whether in cash, shares or other property, other than a regular cash dividend) recapitalization, stock split, reverse stock split, subdivision, combination, consolidation, reclassification, spin-off or similar change in the capital structure of Redfin, without consideration, then (a) the number and class of Shares reserved for issuance and future grant under the Plan set forth in Section 2.1, including shares reserved under sub-clauses (a)-(e) of Section 2.1, (b) the Exercise Prices of and number and class of Shares subject to outstanding Options and SARs, (c) the number and class of Shares subject to other outstanding Awards, (d) the maximum number and class of Shares that may be issued as ISOs set forth in Section 2.5, (e) the maximum number and class of Shares that may be issued to an individual or to a new Employee in any one calendar year set forth in Section 3 and (f) the number and class of Shares that may be granted as Awards to Non-Employee Directors as set forth in Section 12, will be proportionately adjusted, subject to any required action by the Board or the stockholders of Redfin and in compliance with applicable securities laws; provided that fractions of a Share will not be issued.

If, by reason of an adjustment pursuant to this Section 2.6, a Participant's Award Agreement or other agreement related to any Award or the Shares subject to such Award covers additional or different shares of stock or securities, then such additional or different shares, and the Award Agreement or such other agreement in respect thereof, will be subject to all of the terms, conditions and restrictions which were applicable to the Award or the Shares subject to such Award prior to such adjustment.

**3. ELIGIBILITY.** ISOs may be granted only to Employees. All other Awards may be granted to Employees, Consultants, Directors and Non-Employee Directors; provided such Consultants, Directors and Non-Employee Directors render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction. No Participant will be eligible to receive an Award or Awards for more than Two Million (2,000,000) Shares in any calendar year under this Plan except that new Employees of Redfin or of a Parent or Subsidiary of Redfin are eligible to be granted up to a maximum of an Award or Awards for Four Million (4,000,000) Shares in the calendar year in which they commence their employment.

#### **4. ADMINISTRATION.**

**4.1. Committee Composition; Authority.** This Plan will be administered by the Committee or by the Board acting as the Committee. Subject to the general purposes, terms and conditions of this Plan, and to the direction of the Board, the Committee will have full power to implement and carry out this Plan, except, however, the Board will establish the terms for the grant of an Award to Non-Employee Directors. The Committee will have the authority to:

- (a) construe and interpret this Plan, any Award Agreement and any other agreement or document executed pursuant to this Plan;
- (b) prescribe, amend and rescind rules and regulations relating to this Plan or any Award;
- (c) select persons to receive Awards;

(d) determine the form and terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the Exercise Price, the time or times when Awards may vest and be exercised (which may be based on performance criteria) or settled, any vesting acceleration or waiver of forfeiture restrictions, the method to satisfy tax withholding obligations or any other tax liability legally due and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Committee will determine;



- (e) determine the number of Shares or other consideration subject to Awards;
- (f) determine the Fair Market Value in good faith and interpret the applicable provisions of this Plan and the definition of Fair Market Value in connection with circumstances that impact the Fair Market Value, if necessary;
- (g) determine whether Awards will be granted singly, in combination with, in tandem with, in replacement of, or as alternatives to, other Awards under this Plan or any other incentive or compensation plan of Redfin or any Parent, Subsidiary or Affiliate;
- (h) grant waivers of Plan or Award conditions;
- (i) determine the vesting, exercisability and payment of Awards;
- (j) correct any defect, supply any omission or reconcile any inconsistency in this Plan, any Award or any Award Agreement;
- (k) determine whether an Award has been vested and/or earned;
- (l) determine the terms and conditions of any, and to institute any Exchange Program;
- (m) reduce or waive any criteria with respect to Performance Factors;
- (n) adjust Performance Factors to take into account changes in law and accounting or tax rules as the Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships provided that such adjustments are consistent with the regulations promulgated under Section 162(m) of the Code with respect to persons whose compensation is subject to Section 162(m) of the Code;
- (o) adopt rules and/or procedures (including the adoption of any subplan under this Plan) relating to the operation and administration of the Plan to accommodate requirements of local law and procedures outside of the United States;
- (p) exercise negative discretion on Performance Awards, reducing or eliminating the amount to be paid to Participants;
- (q) make all other determinations necessary or advisable for the administration of this Plan; and
- (r) delegate any of the foregoing to one or more executive officers pursuant to a specific delegation as permitted by applicable law, including Section 157(c) of the Delaware General Corporation Law.

**4.2. Committee Interpretation and Discretion.** Any determination made by the Committee with respect to any Award will be made in its sole discretion at the time of grant of the Award or, unless in contravention of any express term of the Plan or Award, at any later time, and such determination will be final and binding on Redfin and all persons having an interest in any Award under the Plan. Any dispute regarding the interpretation of the Plan or any Award Agreement will be submitted by the Participant or Redfin to the Committee for review. The resolution of such a dispute by the Committee will be final and binding on Redfin and the Participant. The Committee may delegate to one or more executive officers the

authority to review and resolve disputes with respect to Awards held by Participants who are not Insiders, and such resolution will be final and binding on Redfin and the Participant.

**4.3. Section 162(m) of the Code and Section 16 of the Exchange Act.** When necessary or desirable for an Award to qualify as “performance-based compensation” under Section 162(m) of the Code, the Committee administering the Plan in accordance with the requirements of Rule 16b-3 and Section 162(m) of the Code will consist of at least two individuals, each of whom qualifies as (a) a Non-Employee Director under Rule 16b-3, and (b) an “outside director” pursuant to Code Section 162(m) and the regulations issued thereunder. At least two (or a majority if more than two then serve on the Committee) such “outside directors” will approve the grant of such Award and timely determine (as applicable) the Performance Period and any Performance Factors upon which vesting or settlement of any portion of such Award is to be subject. When required by Section 162(m) of the Code, prior to settlement of any such Award at least two (or a majority if more than two then serve on the Committee) such “outside directors” then serving on the Committee will determine and certify in writing the extent to which such Performance Factors have been timely achieved and the extent to which the Shares subject to such Award have thereby been earned. Awards granted to Participants who are subject to Section 16 of the Exchange Act must be approved by two or more “non-employee directors” (as defined in the regulations promulgated under Section 16 of the Exchange Act). With respect to Participants whose compensation is subject to Section 162(m) of the Code, and provided that such adjustments are consistent with the regulations promulgated under Section 162(m) of the Code, the Committee may adjust the performance goals to account for changes in law and accounting and to make such adjustments as the Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships, including without limitation (a) restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring charges, (b) an event either not directly related to the operations of Redfin or not within the reasonable control of Redfin’s management, or (c) a change in accounting standards required by generally accepted accounting principles.

**4.4. Documentation.** The Award Agreement for a given Award, the Plan and any other documents may be delivered to, and accepted by, a Participant or any other person in any manner (including electronic distribution or posting) that meets applicable legal requirements.

**4.5. Foreign Award Recipients.** Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws and practices in other countries in which Redfin, its Subsidiaries and Affiliates operate or have Employees or other individuals eligible for Awards, the Committee, in its sole discretion, will have the power and authority to: (a) determine which Subsidiaries and Affiliates will be covered by the Plan; (b) determine which individuals outside the United States are eligible to participate in the Plan, which may include individuals who provide services to Redfin, Subsidiary or Affiliate under an agreement with a foreign nation or agency; (c) modify the terms and conditions of any Award granted to individuals outside the United States or foreign nationals to comply with applicable foreign laws, policies, customs and practices; (d) establish subplans and modify exercise procedures and other terms and procedures, to the extent the Committee determines such actions to be necessary or advisable (and such subplans and/or modifications will be attached to this Plan as appendices); provided, however, that no such subplans and/or modifications will increase the share limitations contained in Section 2.1 hereof; and (e) take any action, before or after an Award is made, that the Committee determines to be necessary or advisable to obtain approval or comply with any local governmental regulatory exemptions or approvals. Notwithstanding the foregoing, the Committee may not take any actions hereunder, and no Awards will be granted, that would violate the Exchange Act or any other applicable United States securities law, the Code, or any other applicable United States governing statute or law.

**5. OPTIONS.** An Option is the right but not the obligation to purchase a Share, subject to certain conditions, if applicable. The Committee may grant Options to eligible Employees, Consultants and Directors and will determine whether such Options will be Incentive Stock Options within the meaning of the Code (“*ISOs*”) or Nonqualified Stock Options (“*NSOs*”), the number of Shares subject to the Option, the Exercise Price of the Option, the period during which the Option may vest and be exercised, and all other terms and conditions of the Option, subject to the following terms of this section.

**5.1. Option Grant.** Each Option granted under this Plan will identify the Option as an ISO or an NSO. An Option may be, but need not be, awarded upon satisfaction of such Performance Factors during any Performance Period as are set out in advance in the Participant’s individual Award Agreement. If the Option is being earned upon the satisfaction of Performance Factors, then the Committee will: (a) determine the nature, length and starting date of any Performance Period for each Option; and (b) select from among the Performance Factors to be used to measure the performance, if any. Performance Periods may overlap and Participants may participate simultaneously with respect to Options that are subject to different performance goals and other criteria.

**5.2. Date of Grant.** The date of grant of an Option will be the date on which the Committee makes the determination to grant such Option, or a specified future date. The Award Agreement and a copy of this Plan will be delivered to the Participant within a reasonable time after the granting of the Option.

**5.3. Exercise Period.** Options may be vested and exercisable within the times or upon the conditions as set forth in the Award Agreement governing such Option; provided, however, that no Option will be exercisable after the expiration of ten (10) years from the date the Option is granted; and provided further that no ISO granted to a person who, at the time the ISO is granted, directly or by attribution owns more than ten percent (10%) of the total combined voting power of all classes of stock of Redfin or of any Parent or Subsidiary (“*Ten Percent Stockholder*”) will be exercisable after the expiration of five (5) years from the date the ISO is granted. The Committee also may provide for Options to become exercisable at one time or from time to time, periodically or otherwise, in such number of Shares or percentage of Shares as the Committee determines.

**5.4. Exercise Price.** The Exercise Price of an Option will be determined by the Committee when the Option is granted; provided that: (a) the Exercise Price of an Option will be not less than one hundred percent (100%) of the Fair Market Value of the Shares on the date of grant and (b) the Exercise Price of any ISO granted to a Ten Percent Stockholder will not be less than one hundred ten percent (110%) of the Fair Market Value of the Shares on the date of grant. Payment for the Shares purchased may be made in accordance with Section 11 and the Award Agreement and in accordance with any procedures established by Redfin.

**5.5. Method of Exercise.** Any Option granted hereunder will be vested and exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Committee and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share. An Option will be deemed exercised when Redfin receives: (a) notice of exercise (in such form as the Committee may specify from time to time) from the person entitled to exercise the Option (and/or via electronic execution through the authorized third party administrator), and (b) full payment for the Shares with respect to which the Option is exercised (together with applicable withholding taxes). Full payment may consist of any consideration and method of payment authorized by the Committee and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant. Until the Shares are issued (as evidenced by the appropriate entry on the books of Redfin or of a duly authorized transfer agent of Redfin), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares, notwithstanding the exercise of the Option. Redfin will issue (or cause to be

issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 2.6 of the Plan. Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

**5.6. Termination of Service.** If the Participant's Service terminates for any reason except for Cause or the Participant's death or Disability, then the Participant may exercise such Participant's Options only to the extent that such Options would have been exercisable by the Participant on the date Participant's Service terminates no later than three (3) months after the date Participant's Service terminates (or such shorter time period not less than thirty (30) days or longer time period as may be determined by the Committee, with any exercise beyond three (3) months after the date Participant's Service terminates deemed to be the exercise of an NSO), but in any event no later than the expiration date of the Options.

(a) **Death.** If the Participant's Service terminates because of the Participant's death (or the Participant dies within three (3) months after Participant's Service terminates other than for Cause or because of the Participant's Disability), then the Participant's Options may be exercised only to the extent that such Options would have been exercisable by the Participant on the date Participant's Service terminates and must be exercised by the Participant's legal representative, or authorized assignee, no later than eighteen (18) months after the date Participant's Service terminates (or such shorter time period not less than six (6) months or longer time period as may be determined by the Committee), but in any event no later than the expiration date of the Options.

(b) **Disability.** If the Participant's Service terminates because of the Participant's Disability, then the Participant's Options may be exercised only to the extent that such Options would have been exercisable by the Participant on the date Participant's Service terminates and must be exercised by the Participant (or the Participant's legal representative or authorized assignee) no later than twelve (12) months after the date Participant's Service terminates (or such shorter time period not less than six (6) months or longer time period as may be determined by the Committee, with any exercise beyond (a) three (3) months after the date Participant's Service terminates when the termination of Service is for a Disability that is not a "permanent and total disability" as defined in Section 22(e)(3) of the Code, or (b) twelve (12) months after the date Participant's Service terminates when the termination of Service is for a Disability that is a "permanent and total disability" as defined in Section 22(e)(3) of the Code, deemed to be exercise of an NSO), but in any event no later than the expiration date of the Options.

(c) **Cause.** If the Participant's Service terminates for Cause, then Participant's Options will expire on such Participant's date of termination of Service, or at such later time and on such conditions as are determined by the Committee, but in any event no later than the expiration date of the Options. Unless otherwise provided in an employment agreement or Award Agreement, Cause will have the meaning set forth in the Plan.

**5.7. Limitations on Exercise.** The Committee may specify a minimum number of Shares that may be purchased on any exercise of an Option, provided that such minimum number will not prevent any Participant from exercising the Option for the full number of Shares for which it is then exercisable.

**5.8. Limitations on ISOs.** With respect to Awards granted as ISOs, to the extent that the aggregate Fair Market Value of the Shares with respect to which such ISOs are exercisable for the first time by the Participant during any calendar year (under all plans of Redfin and any Parent or Subsidiary) exceeds one hundred thousand dollars (\$100,000), such Options will be treated as NSOs. For purposes of this Section 5.8,

ISOs will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted. In the event that the Code or the regulations promulgated thereunder are amended after the Effective Date to provide for a different limit on the Fair Market Value of Shares permitted to be subject to ISOs, such different limit will be automatically incorporated herein and will apply to any Options granted after the effective date of such amendment.

**5.9. Modification, Extension or Renewal.** The Committee may modify, extend or renew outstanding Options and authorize the grant of new Options in substitution therefor, provided that any such action may not, without the written consent of a Participant, impair any of such Participant's rights under any Option previously granted. Any outstanding ISO that is modified, extended, renewed or otherwise altered will be treated in accordance with Section 424(h) of the Code. Subject to Section 18 of this Plan, by written notice to affected Participants, the Committee may reduce the Exercise Price of outstanding Options without the consent of such Participants; provided, however, that the Exercise Price may not be reduced below the Fair Market Value on the date the action is taken to reduce the Exercise Price.

**5.10. No Disqualification.** Notwithstanding any other provision in this Plan, no term of this Plan relating to ISOs will be interpreted, amended or altered, nor will any discretion or authority granted under this Plan be exercised, so as to disqualify this Plan under Section 422 of the Code or, without the consent of the Participant affected, to disqualify any ISO under Section 422 of the Code.

**6. RESTRICTED STOCK AWARDS.** A Restricted Stock Award is an offer by Redfin to sell to an eligible Employee, Consultant, or Director Shares that are subject to restrictions ("***Restricted Stock***"). The Committee will determine to whom an offer will be made, the number of Shares the Participant may purchase, the Purchase Price, the restrictions under which the Shares will be subject and all other terms and conditions of the Restricted Stock Award, subject to the Plan.

**6.1. Restricted Stock Purchase Agreement.** All purchases under a Restricted Stock Award will be evidenced by an Award Agreement. Except as may otherwise be provided in an Award Agreement, a Participant accepts a Restricted Stock Award by signing and delivering to Redfin an Award Agreement with full payment of the Purchase Price, within thirty (30) days from the date the Award Agreement was delivered to the Participant. If the Participant does not accept such Award within thirty (30) days, then the offer of such Restricted Stock Award will terminate, unless the Committee determines otherwise.

**6.2. Purchase Price.** The Purchase Price for a Restricted Stock Award will be determined by the Committee and may be less than Fair Market Value on the date the Restricted Stock Award is granted. Payment of the Purchase Price must be made in accordance with Section 11 of the Plan, and the Award Agreement and in accordance with any procedures established by Redfin.

**6.3. Terms of Restricted Stock Awards.** Restricted Stock Awards will be subject to such restrictions as the Committee may impose or are required by law. These restrictions may be based on completion of a specified number of years of service with Redfin or upon completion of Performance Factors, if any, during any Performance Period as set out in advance in the Participant's Award Agreement. Prior to the grant of a Restricted Stock Award, the Committee will: (a) determine the nature, length and starting date of any Performance Period for the Restricted Stock Award; (b) select from among the Performance Factors to be used to measure performance goals, if any; and (c) determine the number of Shares that may be awarded to the Participant. Performance Periods may overlap and a Participant may participate simultaneously with respect to Restricted Stock Awards that are subject to different Performance Periods and having different performance goals and other criteria.

**6.4. Termination of Service.** Except as may be set forth in the Participant's Award Agreement, vesting ceases on such date Participant's Service terminates (unless determined otherwise by the Committee).

**7. STOCK BONUS AWARDS.** A Stock Bonus Award is an award to an eligible Employee, Consultant, or Director of Shares for Services to be rendered or for past Services already rendered to Redfin or any Parent, Subsidiary or Affiliate. All Stock Bonus Awards will be made pursuant to an Award Agreement. No payment from the Participant will be required for Shares awarded pursuant to a Stock Bonus Award.

**7.1. Terms of Stock Bonus Awards.** The Committee will determine the number of Shares to be awarded to the Participant under a Stock Bonus Award and any restrictions thereon. These restrictions may be based upon completion of a specified number of years of service with Redfin or upon satisfaction of performance goals based on Performance Factors during any Performance Period as set out in advance in the Participant's Stock Bonus Agreement. Prior to the grant of any Stock Bonus Award the Committee will: (a) determine the nature, length and starting date of any Performance Period for the Stock Bonus Award; (b) select from among the Performance Factors to be used to measure performance goals; and (c) determine the number of Shares that may be awarded to the Participant. Performance Periods may overlap and a Participant may participate simultaneously with respect to Stock Bonus Awards that are subject to different Performance Periods and different performance goals and other criteria.

**7.2. Form of Payment to Participant.** Payment may be made in the form of cash, whole Shares, or a combination thereof, based on the Fair Market Value of the Shares earned under a Stock Bonus Award on the date of payment, as determined in the sole discretion of the Committee.

**7.3. Termination of Service.** Except as may be set forth in the Participant's Award Agreement, vesting ceases on such date Participant's Service terminates (unless determined otherwise by the Committee).

**8. STOCK APPRECIATION RIGHTS.** A Stock Appreciation Right ("**SAR**") is an award to an eligible Employee, Consultant, or Director that may be settled in cash, or Shares (which may consist of Restricted Stock), having a value equal to (a) the difference between the Fair Market Value on the date of exercise over the Exercise Price multiplied by (b) the number of Shares with respect to which the SAR is being settled (subject to any maximum number of Shares that may be issuable as specified in an Award Agreement). All SARs will be made pursuant to an Award Agreement.

**8.1. Terms of SARs.** The Committee will determine the terms of each SAR including, without limitation: (a) the number of Shares subject to the SAR; (b) the Exercise Price and the time or times during which the SAR may be settled; (c) the consideration to be distributed on settlement of the SAR; and (d) the effect of the Participant's termination of Service on each SAR. The Exercise Price of the SAR will be determined by the Committee when the SAR is granted, and may not be less than Fair Market Value of the Shares on the date of grant. A SAR may be awarded upon satisfaction of Performance Factors, if any, during any Performance Period as are set out in advance in the Participant's individual Award Agreement. If the SAR is being earned upon the satisfaction of Performance Factors, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for each SAR; and (y) select from among the Performance Factors to be used to measure the performance, if any. Performance Periods may overlap and Participants may participate simultaneously with respect to SARs that are subject to different Performance Factors and other criteria.

**8.2. Exercise Period and Expiration Date.** A SAR will be exercisable within the times or upon the occurrence of events determined by the Committee and set forth in the Award Agreement governing such SAR. The SAR Agreement will set forth the expiration date; provided that no SAR will be exercisable after the expiration of ten (10) years from the date the SAR is granted. The Committee may also provide for

SARs to become exercisable at one time or from time to time, periodically or otherwise (including, without limitation, upon the attainment during a Performance Period of performance goals based on Performance Factors), in such number of Shares or percentage of the Shares subject to the SAR as the Committee determines. Except as may be set forth in the Participant's Award Agreement, vesting ceases on the date Participant's Service terminates (unless determined otherwise by the Committee). Notwithstanding the foregoing, the rules of Section 5.6 also will apply to SARs.

**8.3. Form of Settlement.** Upon exercise of a SAR, a Participant will be entitled to receive payment from Redfin in an amount determined by multiplying (a) the difference between the Fair Market Value of a Share on the date of exercise over the Exercise Price; times (b) the number of Shares with respect to which the SAR is exercised. At the discretion of the Committee, the payment from Redfin for the SAR exercise may be in cash, in Shares of equivalent value, or in some combination thereof. The portion of a SAR being settled may be paid currently or on a deferred basis with such interest or Dividend Equivalent Right, if any, as the Committee determines, provided that the terms of the SAR and any deferral satisfy the requirements of Section 409A of the Code.

**8.4. Termination of Service.** Except as may be set forth in the Participant's Award Agreement, vesting ceases on such date Participant's Service terminates (unless determined otherwise by the Committee).

**9. RESTRICTED STOCK UNITS.** A Restricted Stock Unit ("**RSU**") is an award to an eligible Employee, Consultant, or Director covering a number of Shares that may be settled in cash, or by issuance of those Shares (which may consist of Restricted Stock). All RSUs will be made pursuant to an Award Agreement.

**9.1. Terms of RSUs.** The Committee will determine the terms of an RSU including, without limitation: (a) the number of Shares subject to the RSU; (b) the time or times during which the RSU may be settled; (c) the consideration to be distributed on settlement; and (d) the effect of the Participant's termination of Service on each RSU; provided that no RSU will have a term longer than ten (10) years. An RSU may be awarded upon satisfaction of such performance goals based on Performance Factors during any Performance Period as are set out in advance in the Participant's Award Agreement. If the RSU is being earned upon satisfaction of Performance Factors, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for the RSU; (y) select from among the Performance Factors to be used to measure the performance, if any; and (z) determine the number of Shares deemed subject to the RSU. Performance Periods may overlap and participants may participate simultaneously with respect to RSUs that are subject to different Performance Periods and different performance goals and other criteria.

**9.2. Form and Timing of Settlement.** Payment of earned RSUs will be made as soon as practicable after the date(s) determined by the Committee and set forth in the Award Agreement. The Committee, in its sole discretion, may settle earned RSUs in cash, Shares, or a combination of both. The Committee may also permit a Participant to defer payment under a RSU to a date or dates after the RSU is earned provided that the terms of the RSU and any deferral satisfy the requirements of Section 409A of the Code.

**9.3. Termination of Service.** Except as may be set forth in the Participant's Award Agreement, vesting ceases on such date Participant's Service terminates (unless determined otherwise by the Committee).

**10. PERFORMANCE AWARDS.** A Performance Award is an award to an eligible Employee, Consultant, or Director of a cash bonus or an award of Performance Shares or Performance Units denominated in Shares that may be settled in cash, or by issuance of those Shares (which may consist of Restricted Stock). Grants of Performance Awards will be made pursuant to an Award Agreement.



**10.1. Types of Performance Awards.** Performance Awards will include Performance Shares, Performance Units, and cash-based Awards as set forth in Sections 10.1(a), 10.1(b), and 10.1(c) below.

(a) **Performance Shares.** The Committee may grant Awards of Performance Shares, designate the Participants to whom Performance Shares are to be awarded and determine the number of Performance Shares and the terms and conditions of each such Award. Performance Shares will consist of a unit valued by reference to a designated number of Shares, the value of which may be paid to the Participant by delivery of Shares or, if set forth in the instrument evidencing the Award, of such property as the Committee will determine, including, without limitation, cash, Shares, other property, or any combination thereof, upon the attainment of performance goals, as established by the Committee, and other terms and conditions specified by the Committee. The amount to be paid under an Award of Performance Shares may be adjusted on the basis of such further consideration as the Committee will determine in its sole discretion.

(b) **Performance Units.** The Committee may grant Awards of Performance Units, designate the Participants to whom Performance Units are to be awarded and determine the number of Performance Units and the terms and conditions of each such Award. Performance Units will consist of a unit valued by reference to a designated amount of property other than Shares, which value may be paid to the Participant by delivery of such property as the Committee will determine, including, without limitation, cash, Shares, other property, or any combination thereof, upon the attainment of performance goals, as established by the Committee, and other terms and conditions specified by the Committee.

(c) **Cash Performance Awards.** The Committee may also grant cash-based Performance Awards to Participants under the terms of this Plan. Such awards will be based on the attainment of performance goals using the Performance Factors within this Plan that are established by the Committee for the relevant performance period.

**10.2. Terms of Performance Awards.** The Committee will determine, and each Award Agreement will set forth, the terms of each Performance Award including, without limitation: (a) the amount of any cash bonus, (b) the number of Shares deemed subject to an award of Performance Shares; (c) the Performance Factors and Performance Period that will determine the time and extent to which each award of Performance Shares will be settled; (d) the consideration to be distributed on settlement, and (e) the effect of the Participant's termination of Service on each Performance Award. In establishing Performance Factors and the Performance Period the Committee will: (x) determine the nature, length and starting date of any Performance Period; (y) select from among the Performance Factors to be used; and (z) determine the number of Shares deemed subject to the award of Performance Shares. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the date of grant. Prior to settlement the Committee will determine the extent to which Performance Awards have been earned. Performance Periods may overlap and Participants may participate simultaneously with respect to Performance Awards that are subject to different Performance Periods and different performance goals and other criteria. No Participant will be eligible to receive more than Five Million Dollars (\$5,000,000) in Performance Awards in any calendar year under this Plan.

**10.3. Termination of Service.** Except as may be set forth in the Participant's Award Agreement, vesting ceases on the date Participant's Service terminates (unless determined otherwise by the Committee).

**11. PAYMENT FOR SHARE PURCHASES.** Payment from a Participant for Shares purchased pursuant to this Plan may be made in cash or by check or, where expressly approved for the Participant by the Committee and where permitted by law (and to the extent not otherwise set forth in the applicable Award Agreement):

- (a) by cancellation of indebtedness of Redfin to the Participant;



(b) by surrender of shares of Redfin held by the Participant that have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Award will be exercised or settled;

(c) by waiver of compensation due or accrued to the Participant for services rendered or to be rendered to Redfin or a Parent or Subsidiary;

(d) by consideration received by Redfin pursuant to a broker-assisted or other form of cashless exercise program implemented by Redfin in connection with the Plan;

(e) by any combination of the foregoing; or

(f) by any other method of payment as is permitted by applicable law.

**12. GRANTS TO NON-EMPLOYEE DIRECTORS.** Non-Employee Directors are eligible to receive any type of Award offered under this Plan except ISOs. Awards pursuant to this Section 12 may be automatically made pursuant to policy adopted by the Board, or made from time to time as determined in the discretion of the Board. The aggregate number of Shares subject to Awards granted to a Non-Employee Director pursuant to this Section 12 in any calendar year will not exceed such number of Shares with an aggregate grant date value of Three Hundred Thousand Dollars (\$300,000); provided, however, that with respect to a Non-Employee Director's first year of Service, Awards granted pursuant to this Section 12 will not exceed such number of Shares with an aggregate grant date value of Six Hundred Thousand Dollars (\$600,000).

**12.1. Eligibility.** Awards pursuant to this Section 12 will be granted only to Non-Employee Directors. A Non-Employee Director who is elected or re-elected as a member of the Board will be eligible to receive an Award under this Section 12.

**12.2. Vesting, Exercisability and Settlement.** Except as set forth in Section 21, Awards will vest, become exercisable and be settled as determined by the Board. With respect to Options and SARs, the exercise price granted to Non-Employee Directors will not be less than the Fair Market Value of the Shares at the time that such Option or SAR is granted.

**12.3. Election to receive Awards in Lieu of Cash.** A Non-Employee Director may elect to receive his or her annual retainer payments and/or meeting fees from Redfin in the form of cash or Awards or a combination thereof, as determined by the Committee. Such Awards will be issued under the Plan. An election under this Section 12.3 will be filed with Redfin on the form prescribed by Redfin.

### **13. WITHHOLDING TAXES.**

**13.1. Withholding Generally.** Whenever Shares are to be issued in satisfaction of Awards granted under this Plan or a tax event occurs, Redfin may require the Participant to remit to Redfin, or to the Parent, Subsidiary or Affiliate, as applicable, employing the Participant, an amount sufficient to satisfy applicable U.S. federal, state, local and international tax or any other tax or social insurance liability (the "*Tax-Related Items*") legally due from the Participant prior to the delivery of Shares pursuant to exercise or settlement of any Award. Whenever payments in satisfaction of Awards granted under this Plan are to be made in cash, such payment will be net of an amount sufficient to satisfy applicable withholding obligations for Tax-Related Items. Unless otherwise determined by the Committee, the Fair Market Value of the Shares will be determined as of the date that the taxes are required to be withheld and such Shares will be valued based on

the value of the actual trade or, if there is none, the Fair Market Value of the Shares as of the previous trading day.

**13.2. Stock Withholding.** The Committee, or its delegate(s), as permitted by applicable law, in its sole discretion and pursuant to such procedures as it may specify from time to time and to limitations of local law, may require or permit a Participant to satisfy such Tax Related Items legally due from the Participant, in whole or in part by (without limitation) (a) paying cash, (b) having Redfin withhold otherwise deliverable cash or Shares having a Fair Market Value equal to the Tax-Related Items to be withheld, (c) delivering to Redfin already-owned shares having a Fair Market Value equal to the Tax-Related Items to be withheld or (d) withholding from the proceeds of the sale of otherwise deliverable Shares acquired pursuant to an Award either through a voluntary sale or through a mandatory sale arranged by Redfin. Redfin may withhold or account for these Tax-Related Items by considering applicable statutory withholding rates or other applicable withholding rates, including up to the maximum permissible statutory tax rate for the applicable tax jurisdiction, to the extent consistent with applicable laws.

#### **14. TRANSFERABILITY.**

**14.1. Transfer Generally.** Unless determined otherwise by the Committee or pursuant to Section 14.2, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution. If the Committee makes an Award transferable, including, without limitation, by instrument to an inter vivos or testamentary trust in which the Awards are to be passed to beneficiaries upon the death of the trustor (settlor) or by gift or by domestic relations order to a Permitted Transferee, such Award will contain such additional terms and conditions as the Committee deems appropriate. All Awards will be exercisable: (a) during the Participant's lifetime only by (i) the Participant, or (ii) the Participant's guardian or legal representative; (b) after the Participant's death, by the legal representative of the Participant's heirs or legatees; and (c) in the case of all awards except ISOs, by a Permitted Transferee.

**14.2. Award Transfer Program.** Notwithstanding any contrary provision of the Plan, the Committee will have all discretion and authority to determine and implement the terms and conditions of any Award Transfer Program instituted pursuant to this Section 14.2 and will have the authority to amend the terms of any Award participating, or otherwise eligible to participate in, the Award Transfer Program, including (but not limited to) the authority to (a) amend (including to extend) the expiration date, post-termination exercise period and/or forfeiture conditions of any such Award, (b) amend or remove any provisions of the Award relating to the Award holder's continued Service to Redfin or any Parent, Subsidiary or Affiliate, (c) amend the permissible payment methods with respect to the exercise or purchase of any such Award, (d) amend the adjustments to be implemented in the event of changes in the capitalization and other similar events with respect to such Award, and (e) make such other changes to the terms of such Award as the Committee deems necessary or appropriate in its sole discretion.

#### **15. PRIVILEGES OF STOCK OWNERSHIP; RESTRICTIONS ON SHARES.**

**15.1. Voting and Dividends.** No Participant will have any of the rights of a stockholder with respect to any Shares until the Shares are issued to the Participant, except for any Dividend Equivalent Rights permitted by an applicable Award Agreement. Any Dividend Equivalent Rights will be subject to the same vesting or performance conditions as the underlying Award. In addition, the Committee may provide that any Dividend Equivalent Rights permitted by an applicable Award Agreement will be deemed to have been reinvested in additional Shares or otherwise reinvested. After Shares are issued to the Participant, the Participant will be a stockholder and have all the rights of a stockholder with respect to such Shares, including

the right to vote and receive all dividends or other distributions made or paid with respect to such Shares; provided, that if such Shares are Restricted Stock, then any new, additional or different securities the Participant may become entitled to receive with respect to such Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of Redfin will be subject to the same restrictions as the Restricted Stock; provided, further, that the Participant will have no right to such stock dividends or stock distributions with respect to Unvested Shares, and any such dividends or stock distributions will be accrued and paid only at such time, if any, as such Unvested Shares become vested Shares. The Committee, in its discretion, may provide in the Award Agreement evidencing any Award that the Participant will be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Shares underlying an Award during the period beginning on the date the Award is granted and ending, with respect to each Share subject to the Award, on the earlier of the date on which the Award is exercised or settled or the date on which it is forfeited provided, that no Dividend Equivalent Right will be paid with respect to the Unvested Shares, and such dividends or stock distributions will be accrued and paid only at such time, if any, as such Unvested Shares become vested Shares. Such Dividend Equivalent Rights, if any, will be credited to the Participant in the form of additional whole Shares as of the date of payment of such cash dividends on Shares.

**15.2. Restrictions on Shares.** At the discretion of the Committee, Redfin may reserve to itself and/or its assignee(s) a right to repurchase (a “*Right of Repurchase*”) a portion of any or all Unvested Shares held by a Participant following such Participant’s termination of Service at any time within ninety (90) days (or such longer or shorter time determined by the Committee) after the later of the date Participant’s Service terminates and the date the Participant purchases Shares under this Plan, for cash and/or cancellation of purchase money indebtedness, at the Participant’s Purchase Price or Exercise Price, as the case may be.

**16. CERTIFICATES.** All Shares or other securities whether or not certificated, delivered under this Plan will be subject to such stock transfer orders, legends and other restrictions as the Committee may deem necessary or advisable, including restrictions under any applicable U.S. federal, state or foreign securities law, or any rules, regulations and other requirements of the SEC or any stock exchange or automated quotation system upon which the Shares may be listed or quoted and any non-U.S. exchange controls or securities law restrictions to which the Shares are subject.

**17. ESCROW; PLEDGE OF SHARES.** To enforce any restrictions on a Participant’s Shares, the Committee may require the Participant to deposit all certificates representing Shares, together with stock powers or other instruments of transfer approved by the Committee, appropriately endorsed in blank, with Redfin or an agent designated by Redfin to hold in escrow until such restrictions have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions to be placed on the certificates. Any Participant who is permitted to execute a promissory note as partial or full consideration for the purchase of Shares under this Plan will be required to pledge and deposit with Redfin all or part of the Shares so purchased as collateral to secure the payment of the Participant’s obligation to Redfin under the promissory note; provided, however, that the Committee may require or accept other or additional forms of collateral to secure the payment of such obligation and, in any event, Redfin will have full recourse against the Participant under the promissory note notwithstanding any pledge of the Participant’s Shares or other collateral. In connection with any pledge of the Shares, the Participant will be required to execute and deliver a written pledge agreement in such form as the Committee will from time to time approve. The Shares purchased with the promissory note may be released from the pledge on a pro rata basis as the promissory note is paid.

**18. REPRICING; EXCHANGE AND BUYOUT OF AWARDS.** Without prior stockholder approval the Committee may (a) reprice Options or SARs (and where such repricing is a reduction in the Exercise Price of outstanding Options or SARs, the consent of the affected Participants is not required provided written

notice is provided to them, notwithstanding any adverse tax consequences to them arising from the repricing), and (b) with the consent of the respective Participants (unless not required pursuant to Section 5.9 of the Plan), pay cash or issue new Awards in exchange for the surrender and cancellation of any, or all, outstanding Awards.

**19. SECURITIES LAW AND OTHER REGULATORY COMPLIANCE.** An Award will not be effective unless such Award is in compliance with all applicable U.S. and foreign federal and state securities, exchange control or other laws, rules and regulations of any governmental body, and the requirements of any stock exchange or automated quotation system upon which the Shares may then be listed or quoted, as they are in effect on the date of grant of the Award and also on the date of exercise or other issuance. Notwithstanding any other provision in this Plan, Redfin will have no obligation to issue or deliver certificates for Shares under this Plan prior to: (a) obtaining any approvals from governmental agencies that Redfin determines are necessary or advisable; and/or (b) completion of any registration or other qualification of such Shares under any state or federal or foreign law or ruling of any governmental body that Redfin determines to be necessary or advisable. Redfin will be under no obligation to register the Shares with the SEC or to effect compliance with the registration, qualification or listing requirements of any foreign or state securities laws, exchange control laws, stock exchange or automated quotation system, and Redfin will have no liability for any inability or failure to do so.

**20. NO OBLIGATION TO EMPLOY.** Nothing in this Plan or any Award granted under this Plan will confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, Redfin or any Parent, Subsidiary or Affiliate or limit in any way the right of Redfin or any Parent, Subsidiary or Affiliate to terminate Participant's employment or other relationship at any time.

**21. CORPORATE TRANSACTIONS.**

**21.1. Assumption or Replacement of Awards by Successor.** In the event of a Corporate Transaction any or all outstanding Awards may be assumed or replaced by the successor corporation, which assumption or replacement will be binding on all Participants. In the alternative, the successor corporation may substitute equivalent Awards or provide substantially similar consideration to Participants as was provided to stockholders (after taking into account the existing provisions of the Awards). The successor corporation may also issue, in place of outstanding Shares of Redfin held by the Participant, substantially similar shares or other property subject to repurchase restrictions no less favorable to the Participant. In the event such successor or acquiring corporation (if any) refuses to assume, convert, replace or substitute Awards, as provided above, pursuant to a Corporate Transaction, then notwithstanding any other provision in this Plan to the contrary, such Awards will have their vesting accelerate as to all shares subject to such Award (and any applicable right of repurchase fully lapse) immediately prior to the Corporate Transaction. In addition, in the event such successor or acquiring corporation (if any) refuses to assume, convert, replace or substitute Awards, as provided above, pursuant to a Corporate Transaction, the Committee will notify the Participant in writing or electronically that such Award will be exercisable for a period of time determined by the Committee in its sole discretion, and such Award will terminate upon the expiration of such period. Awards need not be treated similarly in a Corporate Transaction.

**21.2. Assumption of Awards by Redfin.** Redfin, from time to time, also may substitute or assume outstanding awards granted by another company, whether in connection with an acquisition of such other company or otherwise, by either; (a) granting an Award under this Plan in substitution of such other company's award; or (b) assuming such award as if it had been granted under this Plan if the terms of such assumed award could be applied to an Award granted under this Plan. Such substitution or assumption will be

permissible if the holder of the substituted or assumed award would have been eligible to be granted an Award under this Plan if the other company had applied the rules of this Plan to such grant. In the event Redfin assumes an award granted by another company, the terms and conditions of such award will remain unchanged (except that the Purchase Price or the Exercise Price, as the case may be, and the number and nature of Shares issuable upon exercise or settlement of any such Award will be adjusted appropriately pursuant to Section 424(a) of the Code). In the event Redfin elects to grant a new Option in substitution rather than assuming an existing option, such new Option may be granted with a similarly adjusted Exercise Price. Substitute Awards will not reduce the number of Shares authorized for grant under the Plan or authorized for grant to a Participant in a calendar year.

**21.3. Non-Employee Directors' Awards.** Notwithstanding any provision to the contrary herein, in the event of a Corporate Transaction, the vesting of all Awards granted to Non-Employee Directors will accelerate and such Awards will become exercisable (as applicable) in full prior to the consummation of such event at such times and on such conditions as the Committee determines.

**22. ADOPTION AND STOCKHOLDER APPROVAL.** This Plan will be submitted for the approval of Redfin's stockholders, consistent with applicable laws, within twelve (12) months before or after the date this Plan is adopted by the Board.

**23. TERM OF PLAN/GOVERNING LAW.** Unless earlier terminated as provided herein, this Plan will become effective on the Effective Date and will terminate ten (10) years from the date this Plan is adopted by the Board. This Plan and all Awards granted hereunder will be governed by and construed in accordance with the laws of the State of Delaware (excluding its conflict of laws rules).

**24. AMENDMENT OR TERMINATION OF PLAN.** The Board may at any time terminate or amend this Plan in any respect, including, without limitation, amendment of any form of Award Agreement or instrument to be executed pursuant to this Plan; provided, however, that the Board will not, without the approval of the stockholders of Redfin, amend this Plan in any manner that requires such stockholder approval; provided further, that a Participant's Award will be governed by the version of this Plan then in effect at the time such Award was granted. No termination or amendment of the Plan will affect any then-outstanding Award unless expressly provided by the Committee. In any event, no termination or amendment of the Plan or any outstanding Award may adversely affect any then outstanding Award without the consent of the Participant, unless such termination or amendment is necessary to comply with applicable law, regulation or rule.

**25. NONEXCLUSIVITY OF THE PLAN.** Neither the adoption of this Plan by the Board, the submission of this Plan to the stockholders of Redfin for approval, nor any provision of this Plan will be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of stock awards and bonuses otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

**26. INSIDER TRADING POLICY.** Each Participant who receives an Award will comply with any policy adopted by Redfin from time to time covering transactions in Redfin's securities by Employees, officers and/or directors of Redfin, as well as with any applicable insider trading or market abuse laws to which the Participant may be subject.

**27. ALL AWARDS SUBJECT TO COMPANY CLAWBACK OR RECOUPMENT POLICY.** All Awards, subject to applicable law, will be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Board or required by law during the term of Participant's

employment or other service with Redfin that is applicable to executive officers, employees, directors or other service providers of Redfin, and in addition to any other remedies available under such policy and applicable law, may require the cancellation of outstanding Awards and the recoupment of any gains realized with respect to Awards.

**28. DEFINITIONS.** As used in this Plan, and except as elsewhere defined herein, the following terms will have the following meanings:

**28.1. “Affiliate”** means (i) any entity that, directly or indirectly, is controlled by, controls or is under common control with, Redfin and (ii) any entity in which Redfin has a significant equity interest, in either case as determined by the Committee, whether now or hereafter existing.

**28.2. “Award”** means any award under the Plan, including any Option, Restricted Stock, Stock Bonus, Stock Appreciation Right, Restricted Stock Unit or award of Performance Shares.

**28.3. “Award Agreement”** means, with respect to each Award, the written or electronic agreement between Redfin and the Participant setting forth the terms and conditions of the Award, and country-specific appendix thereto for grants to non-U.S. Participants, which will be in substantially a form (which need not be the same for each Participant) that the Committee (or in the case of Award agreements that are not used for Insiders, the Committee’s delegate(s)) has from time to time approved, and will comply with and be subject to the terms and conditions of this Plan.

**28.4. “Award Transfer Program”** means any program instituted by the Committee which would permit Participants the opportunity to transfer any outstanding Awards to a financial institution or other person or entity approved by the Committee.

**28.5. “Board”** means the Board of Directors of Redfin.

**28.6. “Cause”** means a determination by Redfin that the Participant has committed an act or acts constituting any of the following: (i) dishonesty, fraud, misconduct or negligence in connection with Redfin duties, (ii) unauthorized disclosure or use of Redfin’s confidential or proprietary information, (iii) misappropriation of a business opportunity of Redfin, (iv) materially aiding a Redfin competitor, (v) a felony conviction; or (vi) failure or refusal to attend to the duties or obligations of the Participant’s position, or to comply with Redfin’s rules, policies or procedures. The determination as to whether a Participant is being terminated for Cause will be made in good faith by Redfin and will be final and binding on the Participant. The foregoing definition does not in any way limit Redfin’s ability to terminate a Participant’s employment or consulting relationship at any time as provided in Section 20 above, and the term “Redfin” will be interpreted to include any Subsidiary or Parent, as appropriate. Notwithstanding the foregoing, the foregoing definition of “Cause” may, in part or in whole, be modified or replaced in each individual employment agreement, Award Agreement or other applicable agreement with any Participant, provided that such document supersedes the definition provided in this Section 28.6.

**28.7. “Code”** means the United States Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

**28.8. “Committee”** means the Compensation Committee of the Board or those persons to whom administration of the Plan, or part of the Plan, has been delegated as permitted by law.

**28.9. “Common Stock”** means the common stock of Redfin.

**28.10.** “*Consultant*” means any natural person, including an advisor or independent contractor, engaged by Redfin or a Parent, Subsidiary or Affiliate to render services to such entity.

**28.11.** “*Corporate Transaction*” means the occurrence of any of the following events: (a) any “Person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of Redfin representing more than fifty percent (50%) of the total voting power represented by Redfin’s then-outstanding voting securities; provided, however, that for purposes of this subclause (a) the acquisition of additional securities by any one Person who is considered to own more than fifty percent (50%) of the total voting power of the securities of Redfin will not be considered a Corporate Transaction; (b) the consummation of the sale or disposition by Redfin of all or substantially all of Redfin’s assets; (c) the consummation of a merger or consolidation of Redfin with any other corporation, other than a merger or consolidation which would result in the voting securities of Redfin outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of Redfin or such surviving entity or its parent outstanding immediately after such merger or consolidation; (d) any other transaction which qualifies as a “corporate transaction” under Section 424(a) of the Code wherein the stockholders of Redfin give up all of their equity interest in Redfin (except for the acquisition, sale or transfer of all or substantially all of the outstanding shares of capital stock of Redfin) or (e) a change in the effective control of Redfin that occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by members of the Board whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purpose of this subclause (e), if any Person is considered to be in effective control of Redfin, the acquisition of additional control of Redfin by the same Person will not be considered a Corporate Transaction. For purposes of this definition, Persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with Redfin. Notwithstanding the foregoing, to the extent that any amount constituting deferred compensation (as defined in Section 409A of the Code) would become payable under this Plan by reason of a Corporate Transaction, such amount will become payable only if the event constituting a Corporate Transaction would also qualify as a change in ownership or effective control of Redfin or a change in the ownership of a substantial portion of the assets of Redfin, each as defined within the meaning of Code Section 409A, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and IRS guidance that has been promulgated or may be promulgated thereunder from time to time.

**28.12.** “*Director*” means a member of the Board.

**28.13.** “*Disability*” means in the case of incentive stock options, total and permanent disability as defined in Section 22(e)(3) of the Code and in the case of other Awards, that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

**28.14.** “*Dividend Equivalent Right*” means the right of a Participant, granted at the discretion of the Committee or as otherwise provided by the Plan, to receive a credit for the account of such Participant in an amount equal to the cash, stock or other property dividends in amounts equal equivalent to cash, stock or other property dividends for each Share represented by an Award held by such Participant.

**28.15.** “*Effective Date*” means the day immediately prior to the date of the underwritten initial public offering of Redfin’s Common Stock pursuant to a registration statement that is declared effective by the SEC.

**28.16.** “*Employee*” means any person, including Officers and Directors, providing services as an employee to Redfin or any Parent, Subsidiary or Affiliate. Neither service as a Director nor payment of a director’s fee by Redfin will be sufficient to constitute “employment” by Redfin.

**28.17.** “*Exchange Act*” means the United States Securities Exchange Act of 1934, as amended.

**28.18.** “*Exchange Program*” means a program pursuant to which (a) outstanding Awards are surrendered, cancelled or exchanged for cash, the same type of Award or a different Award (or combination thereof) or (b) the exercise price of an outstanding Award is increased or reduced.

**28.19.** “*Exercise Price*” means, with respect to an Option, the price at which a holder may purchase the Shares issuable upon exercise of an Option and with respect to a SAR, the price at which the SAR is granted to the holder thereof.

**28.20.** “*Fair Market Value*” means, as of any date, the value of a share of Redfin’s Common Stock determined as follows:

(a) if such Common Stock is publicly traded and is then listed on a national securities exchange, its closing price on the date of determination on the principal national securities exchange on which the Common Stock is listed or admitted to trading as reported in *The Wall Street Journal* or such other source as the Committee deems reliable;

(b) if such Common Stock is publicly traded but is neither listed nor admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the date of determination as reported in *The Wall Street Journal* or such other source as the Committee deems reliable;

(c) in the case of an Option or SAR grant made on the Effective Date, the price per share at which Shares are initially offered for sale to the public by Redfin’s underwriters in the initial public offering of Redfin’s Common Stock pursuant to a registration statement filed with the SEC under the Securities Act; or

(d) if none of the foregoing is applicable, by the Board or the Committee in good faith.

**28.21.** “*Insider*” means an officer or director of Redfin or any other person whose transactions in Redfin’s Common Stock are subject to Section 16 of the Exchange Act.

**28.22.** “*IRS*” means the United States Internal Revenue Service.

**28.23.** “*Non-Employee Director*” means a Director who is not an Employee of Redfin or any Parent, Subsidiary or Affiliate.

**28.24.** “*Option*” means an award of an option to purchase Shares pursuant to Section 5.

**28.25.** “*Parent*” means any corporation (other than Redfin) in an unbroken chain of corporations ending with Redfin if each of such corporations other than Redfin owns stock possessing fifty percent (50%)



or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

**28.26.** “*Participant*” means a person who holds an Award under this Plan.

**28.27.** “*Performance Award*” means cash or Shares granted pursuant to Section 10 or Section 12 of the Plan.

**28.28.** “*Performance Factors*” means any of the factors selected by the Committee and specified in an Award Agreement, from among the following objective measures, either individually, alternatively or in any combination, applied to Redfin as a whole or any business unit or Subsidiary, either individually, alternatively, or in any combination, on a GAAP or non-GAAP basis, and measured, to the extent applicable on an absolute basis or relative to a pre-established target, to determine whether the performance goals established by the Committee with respect to applicable Awards have been satisfied:

- (a) Profit Before Tax;
- (b) Billings;
- (c) Revenue;
- (d) Net revenue;
- (e) Earnings (which may include earnings before interest and taxes, earnings before taxes, net earnings, stock-based compensation expenses, depreciation and amortization);
- (f) Operating income;
- (g) Operating margin;
- (h) Operating profit;
- (i) Controllable operating profit, or net operating profit;
- (j) Net Profit;
- (k) Gross margin;
- (l) Operating expenses or operating expenses as a percentage of revenue;
- (m) Net income;
- (n) Earnings per share;
- (o) Total stockholder return;
- (p) Market share;
- (q) Return on assets or net assets;
- (r) Redfin’s stock price;

- (s) Growth in stockholder value relative to a pre-determined index;
- (t) Return on equity;
- (u) Return on invested capital;
- (v) Cash Flow (including free cash flow or operating cash flows);
- (w) Cash conversion cycle;
- (x) Economic value added;
- (y) Individual confidential business objectives;
- (z) Contract awards or backlog;
- (aa) Overhead or other expense reduction;
- (bb) Credit rating;
- (cc) Strategic plan development and implementation;
- (dd) Succession plan development and implementation;
- (ee) Improvement in workforce diversity;
- (ff) Customer indicators and/or satisfaction;
- (gg) New product invention or innovation;
- (hh) Attainment of research and development milestones;
- (ii) Improvements in productivity;
- (jj) Bookings;
- (kk) Attainment of objective operating goals and employee metrics;
- (ll) Sales;
- (mm) Expenses;
- (nn) Balance of cash, cash equivalents and marketable securities;
- (oo) Completion of an identified special project;
- (pp) Completion of a joint venture or other corporate transaction;
- (qq) Employee satisfaction and/or retention;
- (rr) Traffic to Redfin's website and/or mobile application;

- (ss) Measures of agent efficiency and/or productivity;
- (tt) Brokerage transaction costs;
- (uu) Customer satisfaction;
- (vv) Research and development expenses;
- (ww) Working capital targets and changes in working capital; and
- (xx) Any other metric that is capable of measurement as determined by the Committee.

The Committee may, in recognition of unusual or non-recurring items such as acquisition-related activities or changes in applicable accounting rules, provide for one or more equitable adjustments (based on objective standards) to the Performance Factors to preserve the Committee's original intent regarding the Performance Factors at the time of the initial award grant. It is within the sole discretion of the Committee to make or not make any such equitable adjustments.

**28.29. "Performance Period"** means one or more periods of time, which may be of varying and overlapping durations, as the Committee may select, over which the attainment of one or more Performance Factors will be measured for the purpose of determining a Participant's right to, and the payment of, a Performance Award.

**28.30. "Performance Share"** means an Award granted pursuant to Section 10 or Section 12 of the Plan, the payment of which is contingent upon achieving certain performance goals established by the Committee.

**28.31. "Performance Unit"** means a right granted to a Participant pursuant to Section 10 or Section 12, to receive Shares, the payment of which is contingent upon achieving certain performance goals established by the Committee.

**28.32. "Permitted Transferee"** means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law (including adoptive relationships) of the Employee, any person sharing the Employee's household (other than a tenant or employee), a trust in which these persons (or the Employee) have more than 50% of the beneficial interest, a foundation in which these persons (or the Employee) control the management of assets, and any other entity in which these persons (or the Employee) own more than 50% of the voting interests.

**28.33. "Plan"** means this Redfin Corporation 2017 Equity Incentive Plan.

**28.34. "Purchase Price"** means the price to be paid for Shares acquired under the Plan, other than Shares acquired upon exercise of an Option or SAR.

**28.35. "Redfin"** means Redfin Corporation, a Delaware corporation, or any successor corporation.

**28.36. "Restricted Stock Award"** means an award of Shares pursuant to Section 6 or Section 12 of the Plan, or issued pursuant to the early exercise of an Option.

28.37. “*Restricted Stock Unit*” means an Award granted pursuant to Section 9 or Section 12 of the Plan.

28.38. “*SEC*” means the United States Securities and Exchange Commission.

28.39. “*Securities Act*” means the United States Securities Act of 1933, as amended.

28.40. “*Service*” will mean service as an Employee, Consultant, Director or Non-Employee Director, to Redfin or a Parent, Subsidiary or Affiliate, subject to such further limitations as may be set forth in the Plan or the applicable Award Agreement. An Employee will not be deemed to have ceased to provide Service in the case of (a) sick leave, (b) military leave, or (c) any other leave of absence approved by Redfin; provided, that such leave is for a period of not more than 90 days unless reemployment upon the expiration of such leave is guaranteed by contract or statute. Notwithstanding anything to the contrary, an Employee will not be deemed to have ceased to provide Service if a formal policy adopted from time to time by Redfin and issued and promulgated to employees in writing provides otherwise. In the case of any Employee on an approved leave of absence or a reduction in hours worked (for illustrative purposes only, a change in schedule from that of full-time to part-time), the Committee may make such provisions respecting suspension or modification of vesting of the Award while on leave from the employ of Redfin or a Parent, Subsidiary or Affiliate or during such change in working hours as it may deem appropriate, except that in no event may an Award be exercised after the expiration of the term set forth in the applicable Award Agreement. In the event of military or other protected leave, if required by applicable laws, vesting will continue for the longest period that vesting continues under any other statutory or Redfin-approved leave of absence and, upon a Participant’s returning from military leave, he or she will be given vesting credit with respect to Awards to the same extent as would have applied had the Participant continued to provide Service to Redfin throughout the leave on the same terms as he or she was providing Service immediately prior to such leave. An Employee will have terminated employment as of the date he or she ceases to provide Service (regardless of whether the termination is in breach of local employment laws or is later found to be invalid) and employment will not be extended by any notice period or garden leave mandated by local law, *provided however*, that a change in status from an Employee to a Consultant or a Non-Employee Director (or vice versa) will not terminate a Participant’s Service, unless determined by the Committee, in its discretion. The Committee will have sole discretion to determine whether a Participant has ceased to provide Service and the effective date on which the Participant ceased to provide Service.

28.41. “*Shares*” means shares of Redfin’s Common Stock and the common stock of any successor entity.

28.42. “*Stock Appreciation Right*” means an Award granted pursuant to Section 8 or Section 12 of the Plan.

28.43. “*Stock Bonus*” means an Award granted pursuant to Section 7 or Section 12 of the Plan.

28.44. “*Subsidiary*” means any corporation (other than Redfin) in an unbroken chain of corporations beginning with Redfin if each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

28.45. “*Treasury Regulations*” means regulations promulgated by the United States Treasury Department.

**28.46.** “*Unvested Shares*” means Shares that have not yet vested or are subject to a right of repurchase in favor of Redfin (or any successor thereto).

**REDFIN CORPORATION  
2017 EQUITY INCENTIVE PLAN  
NOTICE OF STOCK OPTION GRANT**

Unless otherwise defined herein, the terms defined in the Redfin Corporation (“*Redfin*”) 2017 Equity Incentive Plan (the “*Plan*”) will have the same meanings in this Notice of Stock Option Grant and the electronic representation of this Notice of Stock Option Grant established and maintained by Redfin or a third party designated by Redfin (this “*Notice*”).

**Name:**

**Address:**

You (the “*Participant*”) have been granted an option to purchase shares of Common Stock of Redfin under the Plan subject to the terms and conditions of the Plan, this Notice and the Stock Option Award Agreement (the “*Option Agreement*”), including any applicable country-specific provisions in any appendix attached hereto (the “*Appendix*”), which constitutes part of the Option Agreement.

**Grant Number:**

**Date of Grant:**

**Vesting Commencement Date:**

**Exercise Price per Share:**

**Total Number of Shares:**

**Type of Option:**  Non-Qualified Stock Option

Incentive Stock Option

**Expiration Date:** \_\_\_\_\_, 20\_\_; This Option expires earlier if Participant’s Service terminates earlier, as described in the Option Agreement.

**Vesting Schedule:** [Insert applicable vesting schedule]

By accepting (whether in writing, electronically or otherwise) the Option, Participant acknowledges and agrees to the following:

Participant understands that Participant’s employment or consulting relationship or Service with Redfin or a Parent or Subsidiary or Affiliate is for an unspecified duration, can be terminated at any time (*i.e.*, is “at-will”), except where otherwise prohibited by applicable law and that nothing in this Notice, the Option Agreement or the Plan changes the nature of that relationship. Participant acknowledges that the vesting of the Options pursuant to this Notice is subject to Participant’s continuing Service as an Employee, Director or Consultant. Participant acknowledges that the Vesting Schedule may change prospectively in the event that Participant’s service status changes between full- and part-time status and/or in the event Participant is on a leave of absence, in accordance with Redfin’s policies relating to work schedules and vesting or as determined by the Committee. Furthermore, the period during which Participant may exercise the Option after a termination of Service will commence on the Termination Date (as defined in the Option Agreement). Participant also understands that this Notice is subject to the terms and conditions of both the Option Agreement and the Plan, both of which are incorporated herein by reference. Participant has read both the Option Agreement and the Plan. By accepting the Option, Participant consents to electronic delivery as set forth in the Option Agreement.

**PARTICIPANT**

**REDFIN CORPORATION**

Signature: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Its: \_\_\_\_\_

**REDFIN CORPORATION  
2017 EQUITY INCENTIVE PLAN  
STOCK OPTION AWARD AGREEMENT**

Unless otherwise defined in this Stock Option Award Agreement (this “*Option Agreement*”), any capitalized terms used herein will have the meaning ascribed to them in the Redfin Corporation 2017 Equity Incentive Plan (the “*Plan*”).

Participant has been granted an option to purchase Shares (the “*Option*”) of Redfin Corporation (“*Redfin*”), subject to the terms and conditions of the Plan, the Notice of Stock Option Grant (the “*Notice*”) and this Option Agreement, including any applicable country-specific provisions in any appendix attached hereto (the “*Appendix*”), which constitutes part of this Option Agreement.

**1. Vesting Rights.** Subject to the applicable provisions of the Plan and this Option Agreement, this Option may be exercised, in whole or in part, in accordance with the Vesting Schedule set forth in the Notice. Participant acknowledges and agrees that the Vesting Schedule may change prospectively in the event Participant’s service status changes between full and part-time status and/or in the event Participant is on an approved leave of absence in accordance with Redfin policies relating to work schedules and vesting of awards or as determined by the Committee. Participant acknowledges that the vesting of the Options pursuant to this Notice and Agreement is subject to Participant’s continuing Service.

**2. Grant of Option.** Participant has been granted an Option for the number of Shares set forth in the Notice at the exercise price per Share in U.S. Dollars set forth in the Notice (the “*Exercise Price*”). In the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Option Agreement, the terms and conditions of the Plan will prevail. If designated in the Notice as an Incentive Stock Option (“*ISO*”), this Option is intended to qualify as an Incentive Stock Option under Section 422 of the Code. However, if this Option is intended to be an ISO, to the extent that it exceeds the U.S. \$100,000 rule of Code Section 422(d) it will be treated as a Nonqualified Stock Option (“*NSO*”).

**3. Termination Period.**

(a) General Rule. If Participant’s Service terminates for any reason except death or Disability, and other than for Cause (as defined in the Plan), then this Option will expire at the close of business at Redfin headquarters on the date three (3) months after Participant’s Termination Date (as defined below) (or such shorter time period not less than thirty (30) days or longer time period as may be determined by the Committee, with any exercise beyond three (3) months after the date Participant’s Service terminates deemed to be the exercise of an NSO). If Participant’s Service is terminated for Cause, this Option will expire upon the date of such termination. Redfin determines when Participant’s Service terminates for all purposes under this Option Agreement.

(b) Death; Disability. If Participant dies before Participant’s Service terminates (or Participant dies within three months of Participant’s termination of Service other than for Cause, then this Option will expire at the close of business at Redfin headquarters on the date 18 months



after the date of death (or such shorter time period not less than six (6) months or longer time period as may be determined by the Committee, subject to the expiration details in Section 7). If Participant's Service terminates because of Participant's Disability, then this Option will expire at the close of business at Redfin headquarters on the date 12 months after Participant's Termination Date (or such shorter time period not less than six (6) months or longer time period as may be determined by the Committee, subject to the expiration details in Section 7).

(c) No Notice. Participant is responsible for keeping track of these exercise periods following Participant's termination of Service for any reason. Redfin will not provide further notice of such periods. In no event will this Option be exercised later than the Expiration Date set forth in the Notice.

(d) Termination. For purposes of this Option, Participant's Service will be considered terminated as of the date Participant is no longer providing Services to Redfin, its Parent or one of its Subsidiaries or Affiliates (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any) (the "**Termination Date**"). The Committee will have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of Participant's Option (including whether Participant may still be considered to be providing services while on an approved leave of absence). Unless otherwise provided in this Option Agreement or determined by Redfin, Participant's right to vest in this Option under the Plan, if any, will terminate as of the Termination Date and will not be extended by any notice period (e.g., Participant's period of services would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any). Following the Termination Date, Participant may exercise the Option only as set forth in the Notice and this Section, provided that the period (if any) during which Participant may exercise the Option after the Termination Date, if any, will commence on the date Participant ceases to provide services and will not be extended by any notice period mandated under employment laws in the jurisdiction where Participant is employed or terms of Participant's employment agreement, if any. If Participant does not exercise this Option within the termination period set forth in the Notice or the termination periods set forth above, the Option will terminate in its entirety. In no event, may any Option be exercised after the Expiration Date of the Option as set forth in the Notice.

#### **4. Exercise of Option.**

(a) Right to Exercise. This Option is exercisable during its term in accordance with the Vesting Schedule set forth in the Notice and the applicable provisions of the Plan and this Option Agreement. In the event of Participant's death, Disability, termination for Cause or other cessation of Service, the exercisability of the Option is governed by the applicable provisions of the Plan, the Notice and this Option Agreement. This Option may not be exercised for a fraction of a Share.

(b) Method of Exercise. This Option is exercisable by delivery of an exercise notice in a form specified by Redfin (the "**Exercise Notice**"), which will state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised (the "**Exercised Shares**"), and such other representations and agreements as may be required by Redfin pursuant to

the provisions of the Plan. The Exercise Notice will be delivered in person, by mail, via electronic mail or facsimile or by other authorized method to the Secretary of Redfin or other person designated by Redfin. The Exercise Notice will be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares together with any applicable Tax-Related Items (as defined in Section 8 below). This Option will be deemed to be exercised upon receipt by Redfin of such fully executed Exercise Notice accompanied by such aggregate Exercise Price and payment of any Tax-Related Items. No Shares will be issued pursuant to the exercise of this Option unless such issuance and exercise complies with all relevant provisions of law and the requirements of any stock exchange or quotation service upon which the Shares are then listed. Assuming such compliance, for income tax purposes the Exercised Shares will be considered transferred to Participant on the date the Option is exercised with respect to such Exercised Shares.

(c) **Exercise by Another.** If another person wants to exercise this Option after it has been transferred to him or her in compliance with this Agreement, that person must prove to Redfin's satisfaction that he or she is entitled to exercise this Option. That person must also complete the proper Exercise Notice form (as described above) and pay the Exercise Price (as described below) and any applicable Tax-Related Items (as described below).

**5. Method of Payment.** Payment of the aggregate Exercise Price will be by any of the following, or a combination thereof, at the election of Participant:

(a) Participant's personal check (or readily available funds), wire transfer, or a cashier's check;

(b) certificates for shares of Redfin stock that Participant owns, along with any forms needed to effect a transfer of those shares to Redfin; the value of the shares, determined as of the effective date of the Option exercise, will be applied to the Option Exercise Price. Instead of surrendering shares of Redfin stock, Participant may attest to the ownership of those shares on a form provided by Redfin and have the same number of shares subtracted from the Option shares issued to Participant. However, Participant may not surrender, or attest to the ownership of, shares of Redfin stock in payment of the Exercise Price of Participant's Option if Participant's action would cause Redfin to recognize compensation expense (or additional compensation expense) with respect to this Option for financial reporting purposes;

(c) cashless exercise through irrevocable directions to a securities broker approved by Redfin to sell all or part of the Shares covered by this Option and to deliver to Redfin from the sale proceeds an amount sufficient to pay the Exercise Price and any applicable Tax-Related Items. The balance of the sale proceeds, if any, will be delivered to Participant. The directions must be given by signing a special notice of exercise form provided by Redfin; or

(d) other method authorized by Redfin.

**6. Non-Transferability of Option.** This Option may not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of other than by will or by the laws of descent or distribution or court order and may be exercised during the lifetime of Participant only by Participant or unless otherwise permitted by the Committee on a case-by-case basis. The terms of the Plan and

this Option Agreement will be binding upon the executors, administrators, heirs, successors and assigns of Participant.

7. **Term of Option.** This Option will in any event expire on the expiration date set forth in the Notice, which date is 10 years after the Date of Grant (five years after the Date of Grant if this option is designated as an ISO in the Notice of Stock Option Grant and Section 5.3 of the Plan applies).

8. **Tax Consequences.**

(a) **Responsibility for Taxes.** Participant acknowledges that, regardless of any action taken by Redfin or, if different, a Parent, Subsidiary or Affiliate employing or retaining Participant (the “**Employer**”), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to Participant’s participation in the Plan and legally applicable to Participant (“**Tax-Related Items**”) is and remains Participant’s responsibility and may exceed the amount actually withheld by Redfin or the Employer. Participant further acknowledges that Redfin and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of this Option, including, but not limited to, the grant, vesting or exercise of this Option, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of this Option to reduce or eliminate Participant’s liability for Tax-Related Items or achieve any particular tax result. Further, if Participant is subject to Tax-Related Items in more than one jurisdiction, Participant acknowledges that Redfin and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction. *PARTICIPANT SHOULD CONSULT A TAX ADVISER APPROPRIATELY QUALIFIED IN THE COUNTRY OR COUNTRIES IN WHICH PARTICIPANT RESIDES OR IS SUBJECT TO TAXATION BEFORE EXERCISING THE OPTION OR DISPOSING OF THE SHARES.*

(b) **Withholding.** Prior to any relevant taxable or tax withholding event, as applicable, Participant agrees to make adequate arrangements satisfactory to Redfin and/or the Employer to satisfy all Tax-Related Items. In this regard, Participant authorizes Redfin and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

(i) withholding from Participant’s wages or other cash compensation paid to Participant by Redfin and/or the Employer; or

(ii) withholding from proceeds of the sale of Shares acquired at exercise of this Option either through a voluntary sale or through a mandatory sale arranged by Redfin (on Participant’s behalf pursuant to this authorization); or

(iii) withholding in Shares to be issued upon exercise of the Option, provided Redfin only withholds the number of Shares necessary to satisfy no more than the maximum applicable statutory withholding amounts; or

(iv) Participant's payment of a cash amount (including by check representing readily available funds or a wire transfer); or

(v) any other arrangement approved by the Committee and permitted by applicable law;

all under such rules as may be established by the Committee and in compliance with Redfin's Insider Trading Policy and 10b5-1 Trading Plan Policy, if applicable.

Depending on the withholding method, Redfin may withhold or account for Tax-Related Items by considering applicable statutory withholding rates or other applicable withholding rates, including up to maximum applicable rates, in which case Participant will receive a refund of any over-withheld amount in cash and will have no entitlement to the Common Stock equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, Participant is deemed to have been issued the full number of Shares issued upon exercise of the Options; notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items. The Fair Market Value of these Shares, determined as of the effective date of the Option exercise, will be applied as a credit against the Tax-Related Items withholding.

Finally, Participant agrees to pay to Redfin or the Employer any amount of Tax-Related Items that Redfin or the Employer may be required to withhold or account for as a result of Participant's participation in the Plan that cannot be satisfied by the means previously described. Redfin may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

(c) Notice of Disqualifying Disposition of ISO Shares. For U.S. taxpayers, if Participant sells or otherwise disposes of any of the Shares acquired pursuant to an ISO on or before the later of (i) two years after the grant date, or (ii) one year after the exercise date, Participant will immediately notify Redfin in writing of such disposition. Participant agrees that he or she may be subject to income tax withholding by Redfin on the compensation income recognized from such early disposition of ISO Shares by payment in cash or out of the current earnings paid to Participant.

**9. Nature of Grant.** By accepting the Option, Participant acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by Redfin, it is discretionary in nature, and it may be modified, amended, suspended or terminated by Redfin at any time, to the extent permitted by the Plan;

(b) the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted in the past;

(c) all decisions with respect to future Option or other grants, if any, will be at the sole discretion of Redfin;

(d) the Option grant and Participant's participation in the Plan will not create a right to employment or be interpreted as forming an employment or services contract with Redfin, the Employer or any Parent or Subsidiary or Affiliate;

(e) Participant is voluntarily participating in the Plan;

(f) the Option and the Shares acquired under the Plan are not intended to replace any pension rights or compensation;

(g) the Option and any Shares acquired under the Plan and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

(h) the future value of the Shares underlying the Option is unknown, indeterminable, and cannot be predicted with certainty;

(i) if the underlying Shares do not increase in value, the Option will have no value;

(j) if Participant exercises the Option and acquires Shares, the value of such Shares may increase or decrease in value, even below the Exercise Price;

(k) no claim or entitlement to compensation or damages will arise from forfeiture of the Option resulting from Participant's termination of Service (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any), and in consideration of the grant of the Option to which Participant is otherwise not entitled, Participant irrevocably agrees never to institute any claim against Redfin, or any Parent or Subsidiary or Affiliate or the Employer, waives his or her ability, if any, to bring any such claim, and releases Redfin, any Parent or Subsidiary or Affiliate and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Participant will be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim;

(l) unless otherwise provided in the Plan or by Redfin in its discretion, the Option and the benefits evidenced by this Option Agreement do not create any entitlement to have the Option or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any Corporate Transaction affecting the Shares; and

(m) the following provisions apply only if Participant is providing services outside the United States:

(i) the Option and the Shares subject to the Option are not part of normal or expected compensation or salary for any purpose;

(ii) Participant acknowledges and agrees that neither Redfin, the Employer nor any Parent or Subsidiary or Affiliate will be liable for any foreign exchange rate fluctuation between

Participant's local currency and the United States Dollar that may affect the value of the Option or of any amounts due to Participant pursuant to the exercise of the Option or the subsequent sale of any Shares acquired upon exercise.

**10. No Advice Regarding Grant.** Redfin is not providing any tax, legal or financial advice, nor is Redfin making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

**11. Data Privacy.** *Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Option Agreement and any other Option grant materials by and among, as applicable, the Employer, Redfin and any Parent, Subsidiary or Affiliate for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.*

*Participant understands that Redfin and the Employer may hold certain personal information about Participant, including, but not limited to, Participant's name, home address, email address and telephone number, date of birth, social insurance number, passport number or other identification number, salary, nationality, job title, any shares of stock or directorships held in Redfin, details of all Options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.*

*Participant understands that Data will be transferred to the stock plan service provider as may be designated by Redfin from time to time or its affiliates or such other stock plan service provider as may be selected by Redfin in the future, which is assisting Redfin with the implementation, administration and management of the Plan. Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than Participant's country. Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. Participant authorizes Redfin, the stock plan service provider as may be designated by Redfin from time to time, and its affiliates, and any other possible recipients which may assist Redfin (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan. Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant understands that if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, Participant understands that he or she is providing the consents herein on a purely voluntary basis. If*

*Participant does not consent, or if Participant later seeks to revoke his or her consent, his or her employment status or service and career with the Employer will not be adversely affected; the only adverse consequence of refusing or withdrawing Participant's consent is that Redfin would not be able to grant Participant options or other equity awards or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that he or she may contact his or her local human resources representative.*

**12. Language.** If Participant has received this Option Agreement, or any other document related to the Option and/or the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

**13. Appendix.** Notwithstanding any provisions in this Option Agreement, the Option grant will be subject to any special terms and conditions set forth in any Appendix to this Option Agreement for Participant's country. Moreover, if Participant relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to Participant, to the extent Redfin determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Option Agreement.

**14. Imposition of Other Requirements.** Redfin reserves the right to impose other requirements on Participant's participation in the Plan, on the Option and on any Shares purchased upon exercise of the Option, to the extent Redfin determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

**15. Acknowledgement.** Redfin and Participant agree that the Option is granted under and governed by the Notice, this Option Agreement and by the provisions of the Plan (incorporated herein by reference). Participant: (a) acknowledges receipt of a copy of the Plan and the Plan prospectus, (b) represents that Participant has carefully read and is familiar with their provisions, and (c) hereby accepts the Option subject to all of the terms and conditions set forth herein and those set forth in the Plan and the Notice.

**16. Entire Agreement; Enforcement of Rights.** This Option Agreement, the Plan and the Notice constitute the entire agreement and understanding of the parties relating to the subject matter herein and supersede all prior discussions between them. Any prior agreements, commitments or negotiations concerning the purchase of the Shares hereunder are superseded. No modification of or amendment to this Option Agreement, nor any waiver of any rights under this Option Agreement, will be effective unless in writing and signed by the parties to this Option Agreement. The failure by either party to enforce any rights under this Option Agreement will not be construed as a waiver of any rights of such party.

**17. Compliance with Laws and Regulations.** The issuance of Shares and any restriction on the sale of Shares will be subject to and conditioned upon compliance by Redfin and Participant with all applicable state, federal and local laws and regulations and with all applicable requirements

of any stock exchange or automated quotation system on which Redfin's Common Stock may be listed or quoted at the time of such issuance or transfer. Participant understands that Redfin is under no obligation to register or qualify the Common Stock with any state, federal or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the Shares. Further, Participant agrees that Redfin will have unilateral authority to amend the Plan and this Option Agreement without Participant's consent to the extent necessary to comply with securities or other laws applicable to issuance of Shares. Finally, the Shares issued pursuant to this Option Agreement will be endorsed with appropriate legends, if any, determined by Redfin.

**18. Severability.** If one or more provisions of this Option Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (a) such provision will be excluded from this Option Agreement, (b) the balance of this Option Agreement will be interpreted as if such provision were so excluded and (c) the balance of this Option Agreement will be enforceable in accordance with its terms.

**19. Governing Law and Venue.** This Option Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto will be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.

Any and all disputes relating to, concerning or arising from this Option Agreement, or relating to, concerning or arising from the relationship between the parties evidenced by the Plan or this Option Agreement, will be brought and heard exclusively in the United States District Court for the Western District of Washington or the Superior Court of King County, Washington. Each of the parties hereby represents and agrees that such party is subject to the personal jurisdiction of said courts; hereby irrevocably consents to the jurisdiction of such courts in any legal or equitable proceedings related to, concerning or arising from such dispute, and waives, to the fullest extent permitted by law, any objection which such party may now or hereafter have that the laying of the venue of any legal or equitable proceedings related to, concerning or arising from such dispute which is brought in such courts is improper or that such proceedings have been brought in an inconvenient forum.

**20. No Rights as Employee, Director or Consultant.** Nothing in this Option Agreement will affect in any manner whatsoever the right or power of Redfin, or a Parent or Subsidiary or Affiliate, to terminate Participant's Service, for any reason, with or without Cause.

**21. Consent to Electronic Delivery of All Plan Documents and Disclosures.** By Participant's acceptance (whether in writing, electronically or otherwise) of the Notice, Participant and Redfin agree that this Option is granted under and governed by the terms and conditions of the Plan, the Notice and this Option Agreement. Participant has reviewed the Plan, the Notice and this Option Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement, and fully understands all provisions of the Plan, the Notice and this Option Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan, the Notice and the Option Agreement. Participant further agrees to notify Redfin upon any change in Participant's residence



address indicated on the Notice. By acceptance of this Option, Participant agrees to participate in the Plan through an on-line or electronic system established and maintained by Redfin or a third party designated by Redfin and consents to the electronic delivery of the Notice, this Option Agreement, the Plan, account statements, Plan prospectuses required by the U.S. Securities and Exchange Commission, U.S. financial reports of Redfin, and all other documents that Redfin is required to deliver to its security holders (including, without limitation, annual reports and proxy statements) or other communications or information related to the Option and current or future participation in the Plan. Electronic delivery may include the delivery of a link to Redfin intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other delivery determined at Redfin's discretion. Participant acknowledges that Participant may receive from Redfin a paper copy of any documents delivered electronically at no cost if Participant contacts Redfin by telephone, through a postal service or electronic mail to Stock Administration. Participant further acknowledges that Participant will be provided with a paper copy of any documents delivered electronically if electronic delivery fails; similarly, Participant understands that Participant must provide on request to Redfin or any designated third party a paper copy of any documents delivered electronically if electronic delivery fails. Also, Participant understands that Participant's consent may be revoked or changed, including any change in the electronic mail address to which documents are delivered (if Participant has provided an electronic mail address), at any time by notifying Redfin of such revised or revoked consent by telephone, postal service or electronic mail to Stock Administration. Finally, Participant understands that Participant is not required to consent to electronic delivery if local laws prohibit such consent.

**22. Insider Trading Restrictions/Market Abuse Laws.** Participant acknowledges that, depending on Participant's country, Participant may be subject to insider trading restrictions and/or market abuse laws, which may affect Participant's ability to acquire or sell the Shares or rights to Shares under the Plan during such times as Participant is considered to have "inside information" regarding Redfin (as defined by the laws in Participant's country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Redfin insider trading policy. Participant acknowledges that it is Participant's responsibility to comply with any applicable restrictions, and Participant is advised to speak to Participant's personal advisor on this matter.

**23. Award Subject to Redfin Clawback or Recoupment.** To the extent permitted by applicable law, the Option will be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Board or required by law during the term of Participant's employment or other Service that is applicable to Participant. In addition to any other remedies available under such policy and applicable law, Redfin may require the cancellation of Participant's Option (whether vested or unvested) and the recoupment of any gains realized with respect to Participant's Option.

**BY ACCEPTING THIS OPTION, PARTICIPANT AGREES TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.**

**APPENDIX**

**None**

**REDFIN CORPORATION  
2017 EQUITY INCENTIVE PLAN  
NOTICE OF RESTRICTED STOCK UNIT AWARD**

Unless otherwise defined herein, the terms defined in the Redfin Corporation (“*Redfin*”) 2017 Equity Incentive Plan (the “*Plan*”) will have the same meanings in this Notice of Restricted Stock Unit Award and the electronic representation of this Notice of Restricted Stock Unit Award established and maintained by Redfin or a third party designated by Redfin (this “*Notice*”).

**Name:**

**Address:**

You (the “*Participant*”) have been granted an award of Restricted Stock Units (“*RSUs*”) to acquire Shares of Redfin’s Common Stock under the Plan subject to the terms and conditions of the Plan, this Notice and the attached Restricted Stock Unit Award Agreement (the “*Agreement*”), including any applicable country-specific provisions in any appendix attached hereto (the “*Appendix*”), which constitutes part of the Agreement.

**Grant Number:**

**Number of RSUs:**

**Date of Grant:**

**Vesting Commencement Date:**

**Expiration Date:** The earlier to occur of: (a) the date on which settlement of all RSUs granted hereunder occurs and (b) the tenth anniversary of the Date of Grant. This RSU expires earlier if Participant’s Service terminates earlier, as described in the Agreement.

**Vesting Schedule:** [Insert applicable vesting schedule]

**Schedule:**

By accepting (whether in writing, electronically or otherwise) the RSUs, Participant acknowledges and agrees to the following:

Participant understands that Participant’s employment or consulting relationship or Service with Redfin or a Parent or Subsidiary or Affiliate is for an unspecified duration, can be terminated at any time (*i.e.*, is “at-will”), except where otherwise prohibited by applicable law and that nothing in this Notice, the Agreement or the Plan changes the nature of that relationship. Participant acknowledges that the vesting of the RSUs pursuant to this Notice is subject to Participant’s continuing Service as an Employee, Director or Consultant. Participant acknowledges that the Vesting Schedule may change prospectively in the event that Participant’s service status changes between full- and part-time status and/or in the event Participant is on a leave of absence, in accordance with Redfin’s policies relating to work schedules and vesting or as determined by the Committee. Participant also understands that this Notice is subject to the terms and conditions of both the Agreement and the Plan, both of which are incorporated herein by reference. Participant has read both

the Agreement and the Plan. By accepting the RSUs, Participant consents to electronic delivery as set forth in the Agreement.

**PARTICIPANTREDFIN  
CORPORATION**

Signature: \_\_\_ By:\_\_\_

Print Name: \_\_\_ Its: \_\_\_

**REDFIN CORPORATION**  
**2017 EQUITY INCENTIVE PLAN**  
**RESTRICTED STOCK UNIT AWARD AGREEMENT**

Unless otherwise defined in this Restricted Stock Unit Award Agreement (this “*Agreement*”), any capitalized terms used herein will have the meaning ascribed to them in the Redfin Corporation 2017 Equity Incentive Plan (the “*Plan*”).

Participant has been granted Restricted Stock Units (“*RSUs*”) to acquire Shares of Common Stock of Redfin Corporation (the “*Redfin*”), subject to the terms and conditions of the Plan, the Notice of Restricted Stock Unit Award (the “*Notice*”) and this Agreement, including any applicable country-specific provisions in any appendix attached hereto (the “*Appendix*”), which constitutes part of this Agreement.

1. **Settlement.** Settlement of RSUs will be made within 30 days following the applicable date of vesting under the Vesting Schedule set forth in the Notice. Settlement of RSUs will be in Shares. No fractional RSUs or rights for fractional Shares will be created pursuant to this Agreement.
2. **No Stockholder Rights.** Unless and until such time as Shares are issued in settlement of vested RSUs, Participant will have no ownership of the Shares allocated to the RSUs and will have no rights to dividends or to vote such Shares.
3. **Dividend Equivalents.** Dividends, if any (whether in cash or Shares), will not be credited to Participant.
4. **Non-Transferability of RSUs.** The RSUs and any interest therein will not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of in any manner other than by will or by the laws of descent or distribution or court order or unless otherwise permitted by the Committee on a case-by-case basis.
5. **Termination; Leave of Absence; Change in Status.** If Participant’s Service terminates for any reason, all unvested RSUs will be forfeited to Redfin immediately, and all rights of Participant to such RSUs automatically terminate without payment of any consideration to Participant. Participant’s Service will be considered terminated as of the date Participant is no longer providing services (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of Participant’s employment agreement, if any) and will not, subject to the laws applicable to Participant’s Award, be extended by any notice period mandated under local laws (e.g., Service would not include a period of “garden leave” or similar period). Participant acknowledges and agrees that the Vesting Schedule may change prospectively in the event Participant’s service status changes between full- and part-time status and/or in the event Participant is on an approved leave of absence in accordance Redfin’s policies relating to work schedules and vesting of awards or as determined by the Committee. Participant acknowledges that the vesting of the Shares pursuant to this Notice and Agreement is subject to Participant’s continued Service. In case of any dispute as to whether termination of Service has occurred, the Committee will have sole discretion to determine whether such termination of Service has occurred and the effective date of such termination (including whether Participant may still be considered to be providing services while on an approved leave of absence).

## 6. Withholding Taxes.

(a) Responsibility for Taxes. Participant acknowledges that, regardless of any action taken by Redfin or, if different, a Parent, Subsidiary or Affiliate employing or retaining Participant (the “**Employer**”), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to Participant’s participation in the Plan and legally applicable to Participant (“**Tax-Related Items**”), is and remains Participant’s responsibility and may exceed the amount actually withheld by Redfin or the Employer. Participant further acknowledges that Redfin and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including, but not limited to, the grant, vesting or settlement of the RSUs and the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the RSUs to reduce or eliminate Participant’s liability for Tax-Related Items or achieve any particular tax result. Further, if Participant is subject to Tax-Related Items in more than one jurisdiction, Participant acknowledges that Redfin and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction. *PARTICIPANT SHOULD CONSULT A TAX ADVISER APPROPRIATELY QUALIFIED IN THE COUNTRY OR COUNTRIES IN WHICH PARTICIPANT RESIDES OR IS SUBJECT TO TAXATION BEFORE DISPOSING OF THE SHARES.*

(b) Withholding. Prior to any relevant taxable or tax withholding event, as applicable, Participant agrees to make adequate arrangements satisfactory to Redfin and/or the Employer to satisfy all Tax-Related Items. In this regard, Participant authorizes Redfin and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

- (i) withholding from Participant’s wages or other cash compensation paid to Participant by Redfin and/or the Employer;  
or
- (ii) withholding from proceeds of the sale of Shares acquired upon settlement of the RSUs either through a voluntary sale or through a mandatory sale arranged by Redfin (on Participant’s behalf pursuant to this authorization); or
- (iii) withholding in Shares to be issued upon settlement of the RSUs, provided Redfin only withholds the number of Shares necessary to satisfy no more than the maximum applicable statutory withholding amounts; or
- (iv) Participant’s payment of a cash amount (including by check representing readily available funds or a wire transfer);  
or
- (v) any other arrangement approved by the Committee and permitted by applicable law;

all under such rules as may be established by the Committee and in compliance with Redfin’s Insider Trading Policy and 10b5-1 Trading Plan Policy, if applicable; provided however, that if Participant is a Section 16 officer of Redfin under the Exchange Act, then the Committee (as constituted in accordance with Rule 16b-3 under the Exchange Act) will establish the method of withholding from alternatives (i)-(v) above, and the Committee will establish the method prior to the Tax-Related Items withholding event. Unless determined otherwise by the Committee in advance of a Tax-Related Items withholding event, the method of withholding for this RSU will be (iii) above.

Depending on the withholding method, Redfin may withhold or account for Tax-Related Items by considering applicable statutory withholding rates or other applicable withholding rates, including up to maximum applicable rates, in which case Participant will receive a refund of any over-withheld amount in cash and will have no entitlement to the Common Stock equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, Participant is deemed to have been issued the full number of Shares subject to the vested RSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items. The Fair Market Value of these Shares, determined as of the effective date when taxes otherwise would have been withheld in cash, will be applied as a credit against the Tax-Related Items withholding.

Finally, Participant agrees to pay to Redfin or the Employer any amount of Tax-Related Items that Redfin or the Employer may be required to withhold or account for as a result of Participant's participation in the Plan that cannot be satisfied by the means previously described. Redfin may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

7. **Nature of Grant.** By accepting the RSUs, Participant acknowledges, understands and agrees that:

- (a) the Plan is established voluntarily by Redfin, it is discretionary in nature, and it may be modified, amended, suspended or terminated by Redfin at any time, to the extent permitted by the Plan;
- (b) the grant of the RSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of RSUs, or benefits in lieu of RSUs, even if RSUs have been granted in the past;
- (c) all decisions with respect to future RSU or other grants, if any, will be at Redfin's sole discretion;
- (d) the RSU grant and Participant's participation in the Plan will not create a right to employment or be interpreted as forming an employment or services contract with Redfin, the Employer or any Parent or Subsidiary or Affiliate;
- (e) Participant is voluntarily participating in the Plan;
- (f) the RSUs and the Shares subject to the RSUs are not intended to replace any pension rights or compensation;
- (g) the RSUs and the Shares subject to the RSUs, and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;
- (h) the future value of the Shares underlying the RSUs is unknown, indeterminable and cannot be predicted with certainty;
- (i) no claim or entitlement to compensation or damages will arise from forfeiture of the RSUs resulting from Participant's termination of Service (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any), and in consideration of the grant of the RSUs to which Participant is otherwise not entitled, Participant irrevocably agrees never to institute any claim against Redfin,

or any Parent or Subsidiary or Affiliate or the Employer, waives his or her ability, if any, to bring any such claim, and releases Redfin, any Parent or Subsidiary or Affiliate and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Participant will be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim;

(j) unless otherwise provided in the Plan or by Redfin in its discretion, the RSUs and the benefits evidenced by this Agreement do not create any entitlement to have the RSUs or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any Corporate Transaction affecting the Shares; and

(k) the following provisions apply only if Participant is providing services outside the United States:

- (i) the RSUs and the Shares subject to the RSUs are not part of normal or expected compensation or salary for any purpose;
- (ii) Participant acknowledges and agrees that neither Redfin, the Employer nor any Parent or Subsidiary or Affiliate will be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the RSUs or of any amounts due to Participant pursuant to the settlement of the RSUs or the subsequent sale of any Shares acquired upon settlement.

**8. No Advice Regarding Grant.** Redfin is not providing any tax, legal or financial advice, nor is Redfin making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

**9. Data Privacy.** *Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Agreement and any other RSU grant materials by and among, as applicable, the Employer, Redfin and any Parent, Subsidiary or Affiliate for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.*

*Participant understands that Redfin and the Employer may hold certain personal information about Participant, including, but not limited to, Participant's name, home address, email address and telephone number, date of birth, social insurance number, passport number or other identification number, salary, nationality, job title, any shares of stock or directorships held in Redfin, details of all RSUs or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.*

*Participant understands that Data will be transferred to the stock plan service provider as may be designated by Redfin from time to time or its affiliates or such other stock plan service provider as may be selected by Redfin in the future, which is assisting Redfin with the implementation, administration and management of the Plan. Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different*



*data privacy laws and protections than Participant's country. Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. Participant authorizes Redfin, the stock plan service provider as may be designated by Redfin from time to time, and its affiliates, and any other possible recipients which may assist Redfin (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan. Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant understands that if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, Participant understands that he or she is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, his or her employment status or service and career with the Employer will not be adversely affected; the only adverse consequence of refusing or withdrawing Participant's consent is that Redfin would not be able to grant Participant RSUs or other equity awards or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that he or she may contact his or her local human resources representative.*

**10. Language.** If Participant has received this Agreement, or any other document related to the RSU and/or the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

**11. Appendix.** Notwithstanding any provisions in this Agreement, the RSU grant will be subject to any special terms and conditions set forth in any Appendix to this Agreement for Participant's country. Moreover, if Participant relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to Participant, to the extent Redfin determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Agreement.

**12. Imposition of Other Requirements.** Redfin reserves the right to impose other requirements on Participant's participation in the Plan, on the RSUs and on any Shares acquired under the Plan, to the extent Redfin determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

**13. Acknowledgement.** Redfin and Participant agree that the RSUs are granted under and governed by the Notice, this Agreement and by the provisions of the Plan (incorporated herein by reference). Participant: (a) acknowledges receipt of a copy of the Plan and the Plan prospectus, (b) represents that Participant has carefully read and is familiar with their provisions, and (c) hereby accepts the RSUs subject to all of the terms and conditions set forth herein and those set forth in the Plan and the Notice.

**14. Entire Agreement; Enforcement of Rights.** This Agreement, the Plan and the Notice constitute the entire agreement and understanding of the parties relating to the subject matter herein and supersede all prior discussions between them. Any prior agreements, commitments or negotiations concerning the purchase of the Shares hereunder are superseded. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, will be effective unless in writing and signed by the parties to this

Agreement. The failure by either party to enforce any rights under this Agreement will not be construed as a waiver of any rights of such party.

**15. Compliance with Laws and Regulations.** The issuance of Shares and any restriction on the sale of Shares will be subject to and conditioned upon compliance by Redfin and Participant with all applicable state, federal and local laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which Redfin's Common Stock may be listed or quoted at the time of such issuance or transfer. Participant understands that Redfin is under no obligation to register or qualify the Common Stock with any state, federal or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the Shares. Further, Participant agrees that Redfin will have unilateral authority to amend the Plan and this RSU Agreement without Participant's consent to the extent necessary to comply with securities or other laws applicable to issuance of Shares. Finally, the Shares issued pursuant to this RSU Agreement will be endorsed with appropriate legends, if any, determined by Redfin.

**16. Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (a) such provision will be excluded from this Agreement, (b) the balance of this Agreement will be interpreted as if such provision were so excluded and (c) the balance of this Agreement will be enforceable in accordance with its terms.

**17. Governing Law and Venue.** This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto will be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.

Any and all disputes relating to, concerning or arising from this Agreement, or relating to, concerning or arising from the relationship between the parties evidenced by the Plan or this Agreement, will be brought and heard exclusively in the United States District Court for the Western District of Washington or the Superior Court of King County, Washington. Each of the parties hereby represents and agrees that such party is subject to the personal jurisdiction of said courts; hereby irrevocably consents to the jurisdiction of such courts in any legal or equitable proceedings related to, concerning or arising from such dispute, and waives, to the fullest extent permitted by law, any objection which such party may now or hereafter have that the laying of the venue of any legal or equitable proceedings related to, concerning or arising from such dispute which is brought in such courts is improper or that such proceedings have been brought in an inconvenient forum.

**18. No Rights as Employee, Director or Consultant.** Nothing in this Agreement will affect in any manner whatsoever the right or power of Redfin, or a Parent or Subsidiary or Affiliate, to terminate Participant's Service, for any reason, with or without Cause.

**19. Consent to Electronic Delivery of All Plan Documents and Disclosures.** By Participant's acceptance (whether in writing, electronically or otherwise) of the Notice, Participant and Redfin agree that the RSUs are granted under and governed by the terms and conditions of the Plan, the Notice and this Agreement. Participant has reviewed the Plan, the Notice and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement, and fully understands all provisions of the Plan, the Notice and this Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan, the Notice and this Agreement. Participant further agrees to notify Redfin upon any change in Participant's

residence address indicated on the Notice. By acceptance of the RSUs, Participant agrees to participate in the Plan through an on-line or electronic system established and maintained by Redfin or a third party designated by Redfin and consents to the electronic delivery of the Notice, this Agreement, the Plan, account statements, Plan prospectuses required by the U.S. Securities and Exchange Commission, U.S. financial reports of Redfin, and all other documents that Redfin is required to deliver to its security holders (including, without limitation, annual reports and proxy statements) or other communications or information related to the RSUs and current or future participation in the Plan. Electronic delivery may include the delivery of a link to Redfin intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other delivery determined at Redfin's discretion. Participant acknowledges that Participant may receive from Redfin a paper copy of any documents delivered electronically at no cost if Participant contacts Redfin by telephone, through a postal service or electronic mail to Stock Administration. Participant further acknowledges that Participant will be provided with a paper copy of any documents delivered electronically if electronic delivery fails; similarly, Participant understands that Participant must provide on request to Redfin or any designated third party a paper copy of any documents delivered electronically if electronic delivery fails. Also, Participant understands that Participant's consent may be revoked or changed, including any change in the electronic mail address to which documents are delivered (if Participant has provided an electronic mail address), at any time by notifying Redfin of such revised or revoked consent by telephone, postal service or electronic mail to Stock Administration. Finally, Participant understands that Participant is not required to consent to electronic delivery if local laws prohibit such consent.

**20. Insider Trading Restrictions/Market Abuse Laws.** Participant acknowledges that, depending on Participant's country, Participant may be subject to insider trading restrictions and/or market abuse laws, which may affect Participant's ability to acquire or sell the Shares or rights to Shares under the Plan during such times as Participant is considered to have "inside information" regarding Redfin (as defined by the laws in Participant's country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Redfin insider trading policy. Participant acknowledges that it is Participant's responsibility to comply with any applicable restrictions, and Participant is advised to speak to Participant's personal advisor on this matter.

**21. Code Section 409A.** For purposes of this Agreement, a termination of employment will be determined consistent with the rules relating to a "separation from service" as defined in Section 409A of the Internal Revenue Code and the regulations thereunder ("**Section 409A**"). Notwithstanding anything else provided herein, to the extent any payments provided under this RSU Agreement in connection with Participant's termination of employment constitute deferred compensation subject to Section 409A, and Participant is deemed at the time of such termination of employment to be a "specified employee" under Section 409A, then such payment will not be made or commence until the earlier of (i) the expiration of the six-month period measured from Participant's separation from service from Redfin or (ii) the date of Participant's death following such a separation from service; provided, however, that such deferral will only be effected to the extent required to avoid adverse tax treatment to Participant including, without limitation, the additional tax for which Participant would otherwise be liable under Section 409A(a)(1)(B) in the absence of such a deferral. To the extent any payment under this RSU Agreement may be classified as a "short-term deferral" within the meaning of Section 409A, such payment will be deemed a short-term deferral, even if it may also qualify for an exemption from Section 409A under another provision of Section 409A. Payments pursuant to this section are intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

**22. Award Subject to Redfin Clawback or Recoupment.** To the extent permitted by applicable law, the RSUs will be subject to clawback or recoupment pursuant to any compensation clawback or recoupment

policy adopted by the Board or required by law during the term of Participant's employment or other Service that is applicable to Participant. In addition to any other remedies available under such policy and applicable law, Redfin may require the cancellation of Participant's RSUs (whether vested or unvested) and the recoupment of any gains realized with respect to Participant's RSUs.

BY ACCEPTING THIS AWARD OF RSUS, PARTICIPANT AGREES TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.

**APPENDIX**

**None**

**REDFIN CORPORATION**  
**2017 EMPLOYEE STOCK PURCHASE PLAN**  
**AS AMENDED, NOVEMBER 7, 2017**

**1. Establishment of Plan.** Redfin Corporation, a Delaware corporation (the “*Redfin*”) proposes to grant options to purchase shares of Common Stock to eligible employees of Redfin and its Participating Corporations pursuant to this Plan. Redfin intends this Plan to qualify as an “employee stock purchase plan” under Code Section 423 (including any amendments to or replacements of such Section), and this Plan will be so construed. Any term not expressly defined in this Plan but defined for purposes of Code Section 423 will have the same definition herein. However, with regard to offers of options for purchase of the Common Stock under the Plan to employees outside the United States working for a Subsidiary or an Affiliate, the Board may offer a subplan or an option that is not intended to meet the Code Section 423 requirements, provided, if necessary under Code Section 423, that the other terms and conditions of the Plan are met. Subject to Section 14, a total of One Million Six Hundred Thousand (1,600,000) shares of Common Stock is reserved for issuance under this Plan. In addition, on each January 1 for the first ten (10) calendar years after the Effective Date, the aggregate number of shares of Common Stock reserved for issuance under the Plan will be increased automatically by the number of shares equal to one percent (1%) of the total number of outstanding shares of Redfin Common Stock on the immediately preceding December 31 (rounded down to the nearest whole share); provided, that the Board or the Committee may in its sole discretion reduce the amount of the increase in any particular year; and, provided further, that the aggregate number of shares issued over the term of this Plan will not exceed Eight Million (8,000,000) shares of Common Stock. The number of shares reserved for issuance under this Plan and the maximum number of shares that may be issued under this Plan will be subject to adjustments effected in accordance with Section 14 of this Plan. Capitalized terms not defined elsewhere in the text are defined in Section 27.

**2. Purpose.** The purpose of this Plan is to provide eligible employees of Redfin and Participating Corporations with a means of acquiring an equity interest in Redfin through payroll deductions, to enhance such employees’ sense of participation in the affairs of Redfin and Participating Corporations, and to provide an incentive for continued employment.

**3. Administration.** The Plan will be administered by the Compensation Committee of the Board or by the Board (either referred to herein as the “*Committee*”). Subject to the provisions of this Plan and the limitations of Section 423 of the Code or any successor provision in the Code, all questions of interpretation or application of this Plan will be determined by the Committee and its decisions will be final and binding upon all Participants. The Committee will have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to determine eligibility and decide upon any and all claims filed under the Plan. Every finding, decision and determination made by the Committee will, to the full extent permitted by law, be final and binding upon all parties. Notwithstanding any provision to the contrary in this Plan, the Committee may adopt rules and/or procedures relating to the operation and administration of the Plan, including, but not limited to, for the purposes of accommodating requirements of local law and procedures outside of the United States. The Committee will have the authority to determine the Fair Market Value of the Common Stock (which determination will be final, binding and conclusive for all purposes) in accordance with Section 8 below and to interpret Section 8 of the Plan in connection with circumstances that impact the Fair Market Value. Members of the Committee will receive no compensation for their services in connection with the administration of this Plan, other than standard fees as established from time to time by the Board for services rendered by Board members serving on the Board or its committees. All expenses incurred in connection with the administration of this Plan will be paid by Redfin. For purposes of this Plan, the Committee may designate separate offerings under the Plan (the terms of which need not be identical) in which eligible employees of one or more Participating Corporations will participate, even if the dates of the applicable Offering Periods of each such offering are identical.

**4. Eligibility.** Any employee of Redfin or the Participating Corporations is eligible to participate in an Offering Period under this Plan except the following (other than where exclusion of such employees is prohibited by applicable law):

(a) employees who are not employed by Redfin or a Participating Corporation prior to the beginning of such Offering Period or prior to such other time period as specified by the Committee;

(b) employees who are customarily employed for twenty (20) or less hours per week;

(c) employees who are customarily employed for five (5) months or less in a calendar year;

(d) employees who, together with any other person whose stock would be attributed to such employee pursuant to Section 424(d) of the Code, own stock or hold options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of Redfin or any of its Participating Corporations or who, as a result of being granted an option under this Plan with respect to such Offering Period, would own stock or hold options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of Redfin or any of its Participating Corporations;

(e) employees who do not meet any other eligibility requirements that the Committee may choose to impose (within the limits permitted by the Code); and

(f) individuals who provide services to Redfin or any of its Participating Corporations as independent contractors who are reclassified as common law employees for any reason except for federal income and employment tax purposes.

The foregoing notwithstanding, an individual will not be eligible if his or her participation in the Plan is prohibited by the law of any country that has jurisdiction over him or her, if complying with the laws of the applicable country would cause the Plan to violate Section 423 of the Code, or if he or she is subject to a collective bargaining agreement that does not provide for participation in the Plan.

#### **5. Offering Dates.**

While the Plan is in effect, the Committee will determine the duration and commencement date of each Offering Period and Purchase Period, provided that an Offering Period will in no event be longer than twenty-seven (27) months, except as otherwise provided by an applicable subplan. Offering Periods may be consecutive or overlapping. Each Offering Period may consist of one or more Purchase Periods during which payroll deductions of Participants are accumulated under this Plan. While the Plan is in effect, the Committee will determine the duration and commencement date of each Offering Period and Purchase Period, provided that a Purchase Period will in no event end later than the close of the Offering Period in which it begins. Purchase Periods will be consecutive.

#### **6. Participation in this Plan.**

(a) An eligible employee determined in accordance with Section 4 may elect to become a Participant by submitting a subscription agreement, or electronic representation thereof, to Redfin and/or via an authorized third party administrator's (the "**Third Party Administrator**") standard process, prior to the commencement of the Offering Period to which such agreement relates in accordance with such rules as the Committee may determine.

(b) Once an employee becomes a Participant in an Offering Period, then such Participant will automatically participate in each subsequent Offering Period commencing immediately following the last day of such prior Offering Period at the same contribution level unless the Participant withdraws or is deemed to withdraw from this Plan or terminates further participation in the Offering Period as set forth in Section 11 below or otherwise

notifies Redfin of a change in the Participant's contribution level by filing an additional subscription agreement or electronic representation thereof with Redfin and/or the Third Party Administrator, prior to the next Offering Period. A Participant that is automatically enrolled in a subsequent Offering Period pursuant to this section is not required to file any additional subscription agreement in order to continue participation in this Plan.

**7. Grant of Option on Enrollment.** Becoming a Participant with respect to an Offering Period will constitute the grant (as of the Offering Date) by Redfin to such Participant of an option to purchase on the Purchase Date up to that number of shares of Common Stock determined by a fraction, the numerator of which is the amount of the contribution level for such Participant multiplied by such Participant's Compensation (as defined in Section 9 below) during such Purchase Period and the denominator of which is the lower of (i) eighty-five percent (85%) of the Fair Market Value of a share of the Common Stock on the Offering Date (but in no event less than the par value of a share of Redfin's Common Stock), or (ii) eighty-five percent (85%) of the Fair Market Value of a share of the Common Stock on the Purchase Date (but in no event less than the par value of a share of the Common Stock) **provided, however**, that the number of shares of Common Stock subject to any option granted pursuant to this Plan will not exceed the lesser of (x) the maximum number of shares set by the Committee pursuant to Section 10(b) below with respect to the applicable Purchase Date, or (y) the maximum number of shares which may be purchased pursuant to Section 10(a) below with respect to the applicable Purchase Date.

**8. Purchase Price.** The Purchase Price in any Offering Period will be eighty-five percent (85%) of the lesser of:

- (a) The Fair Market Value on the Offering Date; or
- (b) The Fair Market Value on the Purchase Date.

**9. Payment of Purchase Price; Payroll Deduction Changes; Share Issuances .**

(a) The Purchase Price of the shares is accumulated by regular payroll deductions made during each Offering Period, unless the Committee determines that contributions may be, or are required to be, made in another form (including payment by check at the end of a Purchase Period or, due to local law requirements, in another form with respect to categories of Participants outside the United States). The deductions are made as a percentage of the Participant's compensation in one percent (1%) increments not less than one percent (1%), nor greater than fifteen percent (15%) or such lower limit set by the Committee. "**Compensation**" means base salary and regular hourly wages (or in foreign jurisdictions, equivalent cash compensation) and bonuses, commissions and other cash incentive compensation; however, the Committee may at any time prior to the beginning of an Offering Period determine that for that and future Offering Periods, Compensation means certain cash compensation reportable on the Participant's form W-2 or corresponding local country tax return, including without limitation base salary or regular hourly wages, bonuses, incentive compensation, commissions, overtime, shift premiums, plus draws against commissions (or in foreign jurisdictions, equivalent cash compensation). For purposes of determining a Participant's Compensation, any election by such Participant to reduce his or her regular cash remuneration under Sections 125 or 401(k) of the Code (or in foreign jurisdictions, equivalent salary deductions) will be treated as if the Participant did not make such election. Payroll deductions will commence on the first payday following the commencement of the Offering Period and will continue to the end of the Offering Period unless sooner altered or terminated as provided in this Plan. Notwithstanding the foregoing, the terms of any subplan may permit matching shares without the payment of any purchase price.

(b) Subject to Section 25 below and to the rules of the Committee, a Participant may decrease the rate of payroll deductions during an Offering Period by filing with Redfin or the Third Party Administrator a new authorization for payroll deductions, with the new rate to become effective as soon as reasonably practicable and continuing for the remainder of the Offering Period unless changed as described below. A decrease in the rate of payroll deductions may be made once during an Offering Period or more or less frequently under rules determined by the Committee. An increase in the rate of payroll deductions may not be made during an Offering Period unless otherwise determined by the Committee. A Participant may increase or decrease the rate of payroll

deductions for any subsequent Offering Period by filing with Redfin or a third party designated by Redfin a new authorization for payroll deductions prior to the beginning of such Offering Period, or such other time period as may be specified by the Committee.

(c) Subject to Section 25 below and to the rules of the Committee, a Participant may reduce his or her payroll deduction percentage to zero during an Offering Period by filing with Redfin a request for cessation of payroll deductions, and after such reduction becomes effective no further payroll deductions will be made for the duration of the Offering Period. Payroll deductions credited to the Participant's account prior to the effective date of the request will be used to purchase shares of Common Stock in accordance with Section (e) below. A reduction of the payroll deduction percentage to zero will be treated as such Participant's withdrawal from such Offering Period, and the Plan, effective as of the day after the next Purchase Date following the filing date of such request with Redfin.

(d) All payroll deductions made for a Participant are credited to his or her account under this Plan and are deposited with the general funds of Redfin, and Redfin will not be obligated to segregate such payroll deductions, except to the extent required to be segregated due to local legal restrictions outside the United States. No interest accrues on the payroll deductions except to the extent required due to local legal requirements outside the United States. All payroll deductions received or held by Redfin may be used by Redfin for any corporate purpose except to the extent necessary to comply with local legal requirements outside the United States.

(e) On each Purchase Date, so long as this Plan remains in effect and provided that the Participant has not submitted a signed and completed withdrawal form before that date which notifies Redfin and/or the Third Party Administrator that the Participant wishes to withdraw from that Offering Period under this Plan and have all payroll deductions accumulated in the account maintained on behalf of the Participant as of that date returned to the Participant, Redfin will apply the funds then in the Participant's account to the purchase of whole shares of Common Stock reserved under the option granted to such Participant with respect to the Offering Period to the extent that such option is exercisable on the Purchase Date. The Purchase Price will be as specified in Section 8 of this Plan. Any amount remaining in a Participant's account on a Purchase Date which is less than the amount necessary to purchase a full share of Common Stock will be carried forward into the next Purchase Period or Offering Period, as the case may be (except to the extent required due to local legal requirements outside the United States), or as otherwise determined by the Committee. In the event that this Plan has been oversubscribed, all funds not used to purchase shares on the Purchase Date will be returned to the Participant, without interest (except to the extent required due to local legal requirements outside the United States). No Common Stock will be purchased on a Purchase Date on behalf of any employee whose participation in this Plan has terminated prior to such Purchase Date (except to the extent required due to local legal requirements outside the United States).

(f) As promptly as practicable after the Purchase Date, Redfin will issue shares for the Participant's benefit representing the shares purchased upon exercise of his or her option

(g) Unless determined otherwise by the Committee, the shares issued pursuant to Section 9(f) above shall be deposited into an account established in the Participant's name at the ESPP Broker. A Participant shall be free to undertake a disposition (as that term is defined in Section 424(c) of the Code) of the shares in his or her ESPP Broker account at any time, whether by sale, exchange, gift, or other transfer of legal title, but in the absence of such a disposition of the shares, the shares must remain in the Participant's ESPP Broker account until the holding period set forth in Section 423(a) of the Code has been satisfied. With respect to shares for which the Section 423(a) holding period has been satisfied, the Participant may move those shares to another brokerage account of Participant's choosing. Notwithstanding the above, a Participant who is not subject to income taxation under the Code may move his or her shares to another brokerage account of his or her choosing at any time, without regard to the satisfaction of the Section 423(a) holding period.



(h) During a Participant's lifetime, his or her option to purchase shares hereunder is exercisable only by him or her. The Participant will have no interest or voting right in shares covered by his or her option until such option has been exercised.

(i) To the extent required by applicable federal, state, local or foreign law, a Participant will make arrangements satisfactory to Redfin and the Participating Corporation employing the Participant for the satisfaction of any withholding tax obligations that arise in connection with the Plan. Redfin or any Subsidiary or Affiliate, as applicable, may withhold, by any method permissible under applicable law, the amount necessary for Redfin or any Subsidiary or Affiliate, as applicable, to meet applicable withholding obligations, including up to the maximum permissible statutory rates and including any withholding required to make available to Redfin or any Subsidiary or Affiliate, as applicable, any tax deductions or benefits attributable to the sale or early disposition of shares of Common Stock by a Participant. Redfin will not be required to issue any shares of Common Stock under the Plan until such obligations are satisfied.

#### **10. Limitations on Shares to be Purchased.**

(a) No Participant will be entitled to purchase stock under any Offering Period at a rate which, when aggregated with such Participant's rights to purchase stock under all other employee stock purchase plans of a Participating Company intended to meet the requirements of Section 423 of the Code, that are also outstanding in the same calendar year(s) (whether under other Offering Periods or other employee stock purchase plans of Redfin, its Parent and its Subsidiaries), exceeds \$25,000 in Fair Market Value, determined as of the Offering Date (or such other limit as may be imposed by the Code) for each calendar year in which such Offering Period is in effect (hereinafter the "**Maximum Share Amount**"). Redfin may automatically suspend the payroll deductions of any Participant as necessary to enforce such limit provided that when Redfin automatically resumes such payroll deductions, Redfin must apply the rate in effect immediately prior to such suspension.

(b) The Committee may, in its sole discretion, set a lower maximum number of shares which may be purchased by any Participant during any Offering Period than that determined under Section 10(a) above, which will then be the Maximum Share Amount for subsequent Offering Periods; provided, however, in no event will a Participant be permitted to purchase more than Two Thousand Five Hundred (2,500) Shares during any one Purchase Period or such greater or lesser number as the Committee may determine, irrespective of the Maximum Share Amount set forth in (a) and (b) hereof. If a new Maximum Share Amount is set, then all Participants will be notified of such Maximum Share Amount prior to the commencement of the next Offering Period for which it is to be effective. The Maximum Share Amount will continue to apply with respect to all succeeding Offering Periods unless revised by the Committee as set forth above.

(c) If the number of shares to be purchased on a Purchase Date by all Participants exceeds the number of shares then available for issuance under this Plan, then Redfin will make a pro rata allocation of the remaining shares in as uniform a manner as will be reasonably practicable and as the Committee will determine to be equitable. In such event, Redfin will give written notice of such reduction of the number of shares to be purchased under a Participant's option to each Participant affected.

(d) Any payroll deductions accumulated in a Participant's account which are not used to purchase stock due to the limitations in this Section 10, and not covered by Section 9(e), will be returned to the Participant as soon as administratively practicable after the end of the applicable Purchase Period, without interest (except to the extent required due to local legal requirements outside the United States).

#### **11. Withdrawal.**

(a) Each Participant may withdraw from an Offering Period under this Plan pursuant to a method specified by Redfin. Such withdrawal may be elected at any time prior to the end of an Offering Period, or such other time period as specified by the Committee.

(b) Upon withdrawal from this Plan, the accumulated payroll deductions will be returned to the withdrawn Participant, without interest (except to the extent required due to local legal requirements outside the United States), and his or her interest in this Plan will terminate. In the event a Participant voluntarily elects to withdraw from this Plan, he or she may not resume his or her participation in this Plan during the same Offering Period, but he or she may participate in any Offering Period under this Plan which commences on a date subsequent to such withdrawal by filing a new authorization for payroll deductions in the same manner as set forth in Section 6 above for initial participation in this Plan.

(c) To the extent applicable, if the Fair Market Value on the first day of the current Offering Period in which a participant is enrolled is higher than the Fair Market Value on the first day of any subsequent Offering Period, Redfin will automatically enroll such participant in the subsequent Offering Period. Any funds accumulated in a participant's account prior to the first day of such subsequent Offering Period will be applied to the purchase of shares on the Purchase Date immediately prior to the first day of such subsequent Offering Period, if any.

**12. Termination of Employment.** Termination of a Participant's employment for any reason, including retirement, death, disability, or the failure of a Participant to remain an eligible employee of Redfin or of a Participating Corporation, immediately terminates his or her participation in this Plan (except to the extent required due to local legal requirements outside the United States). In such event, accumulated payroll deductions credited to the Participant's account will be returned to him or her or, in the case of his or her death, to his or her legal representative, without interest (except to the extent required due to local legal requirements outside the United States). For purposes of this Section 12, an employee will not be deemed to have terminated employment or failed to remain in the continuous employ of Redfin or of a Participating Corporation in the case of sick leave, military leave, or any other leave of absence approved by Redfin; provided that such leave is for a period of not more than ninety (90) days or reemployment upon the expiration of such leave is guaranteed by contract or statute. Redfin will have sole discretion to determine whether a Participant has terminated employment and the effective date on which the Participant terminated employment, regardless of any notice period or garden leave required under local law.

**13. Return of Payroll Deductions.** In the event a Participant's interest in this Plan is terminated by withdrawal, termination of employment or otherwise, or in the event this Plan is terminated by the Board, Redfin will deliver to the Participant all accumulated payroll deductions credited to such Participant's account. No interest will accrue on the payroll deductions of a Participant in this Plan (except to the extent required due to local legal requirements outside the United States).

**14. Capital Changes.** If the number of outstanding Shares is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of Redfin, without consideration, then the Committee will adjust the number and class of Common Stock that may be delivered under the Plan, the Purchase Price and the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised, and the numerical limits of Sections 1 and 10 will be proportionately adjusted, subject to any required action by the Board or the stockholders of Redfin and in compliance with applicable securities laws; provided that fractions of a Share will not be issued.

**15. Nonassignability.** Neither payroll deductions credited to a Participant's account nor any rights with regard to the exercise of an option or to receive shares under this Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 22 below) by the Participant. Any such attempt at assignment, transfer, pledge or other disposition will be void and without effect.

**16. Use of Participant Funds and Reports.** Redfin may use all payroll deductions received or held by it under the Plan for any corporate purpose, and Redfin will not be required to segregate Participant payroll deductions (except to the extent required due to local legal requirements outside the United States). Until Shares are issued, Participants will only have the rights of an unsecured creditor (except to the extent required due to local legal requirements outside the United States). Each Participant will receive, or have access to, promptly

after the end of each Purchase Period a report of his or her account setting forth the total payroll deductions accumulated, the number of shares purchased, the Purchase Price thereof and the remaining cash balance, if any, carried forward or refunded, as determined by the Committee, to the next Purchase Period or Offering Period, as the case may be.

**17. Notice of Disposition.** Each U.S. taxpayer Participant will notify Redfin in writing if the Participant disposes of any of the shares purchased in any Offering Period pursuant to this Plan if such disposition occurs within two (2) years from the Offering Date or within one (1) year from the Purchase Date on which such shares were purchased (the “*Notice Period*”). Redfin may, at any time during the Notice Period, place a legend or legends on any certificate representing shares acquired pursuant to this Plan requesting Redfin’s transfer agent to notify Redfin of any transfer of the shares. The obligation of the Participant to provide such notice will continue notwithstanding the placement of any such legend on the certificates.

**18. No Rights to Continued Employment.** Neither this Plan nor the grant of any option hereunder will confer any right on any employee to remain in the employ of Redfin or any Participating Corporation, or restrict the right of Redfin or any Participating Corporation to terminate such employee’s employment.

**19. Equal Rights And Privileges.** All eligible employees granted an option under this Plan that is intended to meet the Code Section 423 requirements will have equal rights and privileges with respect to this Plan or within any separate offering under the Plan so that this Plan qualifies as an “employee stock purchase plan” within the meaning of Section 423 or any successor provision of the Code and the related regulations. Any provision of this Plan which is inconsistent with Section 423 or any successor provision of the Code will, without further act or amendment by Redfin or the Committee, be reformed to comply with the requirements of Section 423. This Section 19 will take precedence over all other provisions in this Plan.

**20. Notices.** All notices or other communications by a Participant to Redfin under or in connection with this Plan will be deemed to have been duly given when received in the form specified by Redfin at the location, or by the person, designated by Redfin for the receipt thereof.

**21. Term; Stockholder Approval.** This Plan will become effective on the Effective Date. This Plan will be approved by the stockholders of Redfin, in any manner permitted by applicable corporate law, within twelve (12) months before or after the date this Plan is adopted by the Board. No purchase of shares that are subject to such stockholder approval before becoming available under this Plan will occur prior to stockholder approval of such shares and the Committee may delay any Purchase Date and postpone the commencement of any Offering Period subsequent to such Purchase Date as deemed necessary or desirable to obtain such approval (provided that if a Purchase Date would occur more than twenty-four (24) months after commencement of the Offering Period to which it relates, then such Purchase Date will not occur and instead such Offering Period will terminate without the purchase of such shares and Participants in such Offering Period will be refunded their contributions without interest). This Plan will continue until the earlier to occur of (a) termination of this Plan by the Board (which termination may be effected by the Board at any time pursuant to Section 25 below), (b) issuance of all of the shares of Common Stock reserved for issuance under this Plan, or (c) the tenth anniversary of the first Purchase Date under the Plan.

**22. Designation of Beneficiary.**

(a) If provided in the subscription agreement, a Participant may file a written or electronic designation of a beneficiary who is to receive any shares and cash, if any, from the Participant’s account under this Plan in the event of such Participant’s death subsequent to the end of a Purchase Period but prior to delivery to him of such shares and cash. In addition, a Participant may file a written or electronic designation of a beneficiary who is to receive any cash from the Participant’s account under this Plan in the event of such Participant’s death prior to a Purchase Date. Such form will be valid only if it was filed with Redfin and/or the Third Party Administrator at the prescribed location before the Participant’s death.

(b) Such designation of beneficiary may be changed by the Participant at any time by written notice filed with Redfin at the prescribed location before the Participant's death. In the event of the death of a Participant and in the absence of a beneficiary validly designated under this Plan who is living at the time of such Participant's death, Redfin will deliver such cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of Redfin), Redfin, in its discretion, may deliver such shares or cash to the spouse or, if no spouse is known to Redfin, then to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to Redfin, then to such other person as Redfin may designate.

**23. Conditions Upon Issuance of Shares; Limitation on Sale of Shares.** Shares will not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto will comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange or automated quotation system upon which the shares may then be listed, exchange control restrictions and/or securities law restrictions outside the United States, and will be further subject to the approval of counsel for Redfin with respect to such compliance. Shares may be held in trust or subject to further restrictions as permitted by any subplan.

**24. Applicable Law.** The Plan will be governed by the substantive laws (excluding the conflict of laws rules) of the State of Delaware.

**25. Amendment or Termination.** The Committee, in its sole discretion, may amend, suspend, or terminate the Plan, or any part thereof, at any time and for any reason. If the Plan is terminated, the Committee, in its discretion, may elect to terminate all outstanding Offering Periods either immediately or upon completion of the purchase of shares of Common Stock on the next Purchase Date (which may be sooner than originally scheduled, if determined by the Committee in its discretion), or may elect to permit Offering Periods to expire in accordance with their terms (and subject to any adjustment pursuant to Section 14). If an Offering Period is terminated prior to its previously-scheduled expiration, all amounts then credited to Participants' accounts for such Offering Period, which have not been used to purchase shares of Common Stock, will be returned to those Participants (without interest thereon, except as otherwise required under local laws) as soon as administratively practicable. Further, the Committee will be entitled to establish rules to change the Purchase Periods and Offering Periods, limit the frequency and/or number of changes in the amount contributed during a Purchase Period or an Offering Period, establish the exchange ratio applicable to amounts contributed in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a Participant in order to adjust for delays or mistakes in the administration of the Plan, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each Participant properly correspond with amounts contributed from the Participant's Compensation, and establish such other limitations or procedures as the Committee determines in its sole discretion advisable which are consistent with the Plan. Such actions will not require stockholder approval or the consent of any Participants. However, no amendment will be made without approval of the stockholders of Redfin (obtained in accordance with Section 21 above) within twelve (12) months of the adoption of such amendment (or earlier if required by Section 21) if such amendment would: (a) increase the number of shares that may be issued under this Plan; or (b) change the designation of the employees (or class of employees) eligible for participation in this Plan. In addition, in the event the Committee determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Committee may, in its discretion and, to the extent necessary or desirable, modify, amend or terminate the Plan to reduce or eliminate such accounting consequences including, but not limited to: (i) amending the definition of compensation, including with respect to an Offering Period underway at the time; (ii) altering the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price; (iii) shortening any Offering Period by setting a Purchase Date, including an Offering Period underway at the time of the Committee action; (iv) reducing the maximum percentage of compensation a participant may elect to set aside as payroll deductions; and (v) reducing the maximum number of shares of Common Stock a Participant may purchase during any Offering Period. Such modifications or amendments will not require approval of the stockholders of Redfin or the consent of any Participants.

**26. Corporate Transactions.** In the event of a Corporate Transaction (as defined below), each outstanding right to purchase Common Stock will be assumed or an equivalent option substituted by the successor corporation or a parent or a subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the purchase right, the Offering Period with respect to which such purchase right relates will be shortened by setting a new Purchase Date (the "**New Purchase Date**") and will end on the New Purchase Date. The New Purchase Date will occur on or prior to the consummation of the Corporate Transaction, and the Plan will terminate on the consummation of the Corporate Transaction.

**27. Definitions.**

(a) "**Affiliate**" means any entity, other than a Subsidiary or Parent, (i) that, directly or indirectly, is controlled by, controls or is under common control with, Redfin and (ii) in which Redfin has a significant equity interest, in either case as determined by the Committee, whether now or hereafter existing.

(b) "**Board**" means the Board of Directors of Redfin.

(c) "**Code**" means the Internal Revenue Code of 1986, as amended.

(d) "**Common Stock**" means the common stock of Redfin.

(e) "**Corporate Transaction**" means the occurrence of any of the following events: (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of Redfin representing fifty percent (50%) or more of the total voting power represented by Redfin's then outstanding voting securities; or (ii) the consummation of the sale or disposition by Redfin of all or substantially all of Redfin's assets; or (iii) the consummation of a merger or consolidation of Redfin with any other corporation, other than a merger or consolidation which would result in the voting securities of Redfin outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of Redfin or such surviving entity or its parent outstanding immediately after such merger or consolidation.

(f) "**Effective Date**" means the date on which the Registration Statement covering the initial public offering of the shares of Common Stock is declared effective by the U.S. Securities and Exchange Commission.

(g) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

(h) "**ESPP Broker**" means a stock brokerage or other entity designated by the Company to establish accounts for stock purchased under the Plan by Participants.

(i) "**Fair Market Value**" means, as of any date, the value of a share of Common Stock determined as follows:

(i) if such Common Stock is publicly traded and is then listed on a national securities exchange, its closing price on the date of determination on the principal national securities exchange on which the Common Stock is listed or admitted to trading as reported in *The Wall Street Journal* or such other source as the Committee deems reliable; or

(ii) if such Common Stock is publicly traded but is neither listed nor admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the date of determination as reported in *The Wall Street Journal* or such other source as the Committee deems reliable; or

(iii) if such Common Stock is publicly traded but is neither quoted on the Nasdaq Market nor listed or admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the date of determination as reported in *The Wall Street Journal* or such other source as the Committee deems reliable; or

(iv) if none of the foregoing is applicable, by the Committee in good faith.

(j) “**Offering Date**” means the first business day of each Offering Period.

(k) “**Offering Period**” means a period with respect to which the right to purchase Common Stock may be granted under the Plan, as determined by the Committee pursuant to Section 5(a).

(l) “**Parent**” will have the same meaning as “parent corporation” in Sections 424(e) and 424(f) of the Code.

(m) “**Participant**” means an eligible employee who meets the eligibility requirements set forth in Section 4 and who elects to participate in this Plan pursuant to Section 6.

(n) “**Participating Corporation**” means any Parent, Subsidiary or Affiliate that the Board designates from time to time as a corporation that will participate in this Plan.

(o) “**Plan**” means this Redfin Corporation 2017 Employee Stock Purchase Plan.

(p) “**Purchase Date**” means the last U.S. business day of each Purchase Period.

(q) “**Purchase Period**” means a period during which contributions may be made toward the purchase of Common Stock under the Plan, as determined by the Committee pursuant to Section 5(b).

(r) “**Purchase Price**” means the price at which Participants may purchase a share of Common Stock under the Plan, as determined pursuant to Section 8.

(s) “**Securities Act**” means the Securities Act of 1933, as amended.

(t) “**Subsidiary**” will have the same meaning as “subsidiary corporation” in Sections 424(e) and 424(f) of the Code.

**REDFIN CORPORATION (“REDFIN”)  
2017 EMPLOYEE STOCK PURCHASE PLAN**

**ENROLLMENT/CHANGE FORM**

SECTION 1: <b>ACTIONS</b>	<b>CHECK DESIRED ACTION: AND COMPLETE SECTIONS:</b> <input type="checkbox"/> Enroll in the ESPP 2 + 3 + 4 + 16 <input type="checkbox"/> Elect / Change Contribution Percentage 2 + 4 + 16 <input type="checkbox"/> Withdraw from Plan 2 + 5 + 16	
SECTION 2: <b>PERSONAL DATA</b>	Name: _____ Home Address: _____ _____ Work Email: _____	Employee ID: _____

<p>SECTION 3: <b>ENROLL</b></p>	<p>o I hereby elect to participate in the 2017 Employee Stock Purchase Plan, together with any sub-plan thereto for my country of residence (if any) (the “<b>Sub-Plan</b>”) (together, the “<b>ESPP</b>”), effective at the beginning of the next Offering Period (as defined in the ESPP). I elect to purchase shares of Redfin’s Common Stock pursuant to the ESPP, this Enrollment/Change Form and any appendix to this Enrollment/Change Form for my country (if any) (the “<b>Appendix</b>”). I understand that the shares purchased on my behalf will be issued in street name and deposited directly into my brokerage account at Redfin’s captive broker (the “<b>ESPP Broker</b>”). I hereby agree to take all steps, and sign all forms, required to establish an account with Redfin’s ESPP Broker for this purpose. I understand and agree that I will be required to utilize the ESPP Broker with respect to the shares purchased under this ESPP until the end of the time period described in Section 6 below.</p> <p>My participation will continue as long as I remain eligible, unless I withdraw from the ESPP by filing a new Enrollment/Change Form with Redfin or the Third Party Administrator (as defined in the ESPP). I understand that, if I am subject to tax in the U.S., I must notify Redfin of any disposition of shares purchased under the ESPP.</p>
<p>SECTION 4: <b>ELECT/CHANGE CONTRIBUTION PERCENTAGE</b></p>	<p>I hereby authorize Redfin or the Parent, Subsidiary or Affiliate employing me (the “<b>Employer</b>”) to withhold from each of my paychecks such amount as is necessary to equal at the end of the applicable Offering Period the percentage of my Compensation (as defined in the ESPP) paid to me during such Offering Period as indicated below, so long as I continue to participate in the ESPP. <b>The percentage must be a whole number (from 1%, up to a maximum of 15%, with respect to enrollment or an increase in contribution percentage; and from 0%, up to a maximum of 14%, for a decrease in contribution percentage).</b></p> <p>Designated contribution percentage: _____%</p> <p>If this is a change to my current enrollment, this represents an o increase o decrease to my contribution percentage.</p> <p><b>Note:</b> You may not increase your contributions at any time within an on-going Offering Period. An increase in your contribution percentage can only take effect with the next Offering Period. You may decrease your previously elected contribution percentage only once within an on-going Offering Period to be effective during that Offering Period. If you decrease your percentage to 0%, any previously accumulated contributions will be used to purchase shares on the next Purchase Date pursuant to Section 9 of the ESPP. A change will become effective as soon as reasonably practicable after the form is received by Redfin.</p>
<p>SECTION 5: <b>WITHDRAW FROM PLAN</b></p>	<p>o I hereby elect to <u>withdraw from, and discontinue my participation in,</u> the ESPP, effective as soon as reasonably practicable after this form is received by Redfin. Accumulated contributions will be returned to me without interest (except to the extent required due to local legal requirements outside the United States), pursuant to Section 11 of the ESPP.</p>
<p>SECTION 6: <b>ESPP BROKER</b></p>	<p>I hereby agree the shares issued to me under the ESPP shall be deposited into an account established in my name at the ESPP Broker. I shall be free to undertake a disposition (as that term is defined in Section 424(c) of the Internal Revenue Code of 1986, as amended (the “<b>Code</b>”) of the shares in my ESPP Broker account at any time, whether by sale, exchange, gift, or other transfer of legal title, but in the absence of such a disposition of the shares, the shares must remain in my ESPP Broker account until the holding period set forth in Section 423(a) of the Code has been satisfied. With respect to shares for which the Section 423(a) holding period has been satisfied, I may move those shares to another brokerage account of my choosing. Notwithstanding the above, if I am not subject to income taxation under the Code, I may move my shares to another brokerage account of my choosing at any time, without regard to the satisfaction of the Section 423(a) holding period.</p>

<p>SECTION 7: NATURE OF GRANT</p>	<p>By enrolling in the ESPP, I understand, acknowledge and agree that (a) the ESPP is established voluntarily by Redfin, it is discretionary in nature and it may be amended, terminated or modified at any time, to the extent permitted by the ESPP; (b) the grant of the right to purchase shares of Common Stock under the ESPP is voluntary and does not create any contractual or other right to receive future rights to purchase shares of Common Stock, or benefits in lieu of rights to purchase shares, even if rights to purchase shares have been granted in the past; (c) all decisions with respect to future grants of rights to purchase shares of Common Stock under the ESPP, if any, will be at the sole discretion of Redfin; (d) the grant of rights to purchase shares of Common Stock under the ESPP and my participation in the ESPP will not create a right to employment or be interpreted as forming an employment or service agreement with Redfin; (e) the grant of rights to purchase shares of Common Stock under the ESPP and my participation in the ESPP will not interfere with the ability of the Employer to terminate my employment relationship at any time with or without cause; (f) I am voluntarily participating in the ESPP; (g) the rights to purchase shares of Common Stock and the shares purchased under the ESPP, and the income and value of same, are not intended to replace any pension rights or compensation; (h) the rights to purchase shares of Common Stock and the shares purchased under the ESPP, and the income and value of same, are not part of normal or expected compensation for purposes of, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments; (i) unless otherwise agreed with Redfin, the rights to purchase shares of Common Stock and the shares purchased under the ESPP, and the income and value of same, are not granted as consideration for, or in connection with, any service I may provide as a director of the Subsidiary or Affiliate; (j) the future value of the underlying shares purchased or to be purchased under the ESPP is unknown, indeterminable and cannot be predicted with certainty, and the value of the shares of Common Stock purchased under the ESPP may increase or decrease in the future, even below the Purchase Price; (k) no claim or entitlement to compensation or damages will arise from termination of the right to purchase shares of Common Stock under the ESPP resulting from termination of my employment (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where I am employed or the terms of my employment agreement, if any) and in consideration of the grant of rights to purchase shares of Common Stock under the ESPP, I irrevocably agree never to institute any claim against Redfin, the Parent, the Employer or any other Subsidiary or Affiliate, I hereby waive my ability, if any, to bring any such claim, and I release Redfin, the Parent, the Employer or any other Subsidiary or Affiliate from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by enrolling in the ESPP, I will be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claims; (l) in the event of termination of my employment (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where I am employed or the terms of my employment agreement, if any), my right to participate in the ESPP and my right to purchase shares of Common Stock, if any, will terminate effective as of the date I cease to actively provide services and will not be extended by any notice period (<i>e.g.</i>, employment would not include any contractual notice or any period of “garden leave” or similar period mandated under employment laws in the jurisdiction where I am employed or the terms of my employment agreement, if any); the Committee will have exclusive discretion to determine when I am no longer actively employed for purposes of my participation in the ESPP (including whether I may still be considered to be providing services while on a leave of absence); (m) unless otherwise provided in the ESPP or by Redfin in its discretion, the right to purchase shares of Common Stock and the benefits evidenced by this Enrollment/Change Form do not create any entitlement to have the ESPP or any such benefits granted thereunder transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any Corporate Transaction affecting the Common Stock; and (n) if I am providing services outside the United States: (1) the rights to purchase shares of Common Stock and the shares purchased under the ESPP, and the income and value of same, are not part of normal or expected compensation or salary for any purpose, and (2) neither Redfin, the Parent, the Employer nor any other Subsidiary or Affiliate will be liable for any foreign exchange rate fluctuation between my local currency and the United States Dollar that may affect the value of the rights to purchase shares of Common Stock, the shares purchased under the ESPP or any amounts due to me pursuant to the sale of any shares of Common Stock acquired under the ESPP.</p>
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<p>SECTION 8: DATA PRIVACY</p>	<p><i>I hereby explicitly, voluntarily and unambiguously consent to the collection, use and transfer, in electronic or other form, of my personal data as described in this Enrollment/Change Form and any other ESPP grant materials by and among, as applicable, the Employer, Redfin, the Parent and any of its other Subsidiaries or Affiliates or any third parties assisting in the implementation, administration and management of my participation in the ESPP.</i></p> <p><i>I understand that Redfin and the Employer may hold certain personal information about me, including, but not limited to, my name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in Redfin, the fact and conditions of my participation in the ESPP, details of all rights to purchase shares or any other entitlement to shares of Common Stock awarded, cancelled, exercised, vested, unvested or outstanding in my favor (“Data”), for the exclusive purpose of implementing, administering and managing the ESPP.</i></p> <p><i>I also authorize any transfer of Data, as may be required, to the stock plan service provider that may be designated by Redfin from time to time, which is assisting Redfin with the implementation, administration and management of the ESPP and/or with whom any shares of Common Stock acquired under the ESPP are deposited. I acknowledge that these recipients may be located in my country or elsewhere, and that the recipient’s country (e.g., the United States) may have different data privacy laws and protections to my country, which may not give the same level of protection to Data. I understand that, if I reside outside the United States, I may request a list with the names and addresses of any potential recipients of Data by contacting my local human resources representative. I authorize Redfin, the designated broker and any other possible recipients which may assist Redfin (presently or in the future) with implementing, administering and managing my participation in the ESPP to receive, possess, use, retain and transfer Data, in electronic or other form, for the sole purpose of implementing, administering and managing my participation in the ESPP. I understand that Data will be held only as long as is necessary to implement, administer and manage my participation in the ESPP. I understand that, if I reside outside the United States, I may at any time view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case, without cost, by contacting in writing my local human resources representative. Further, I understand that I am providing the consents herein on a purely voluntary basis. If I do not consent, or if I later seek to revoke my consent, my employment status or service and career with Redfin and/or the Employer will not be adversely affected; the only adverse consequence of refusing or withdrawing my consent is that Redfin would not be able to grant future rights to purchase shares of Common Stock or other equity awards to me or administer or maintain such awards. Therefore, I understand that refusing or withdrawing my consent may affect my ability to participate in the ESPP. For more information on the consequences of my refusal to consent or withdrawal of consent, I understand that I may contact my local human resources representative.</i></p>
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<p>SECTION 9: <b>RESPONSIBILITY FOR TAXES</b></p>	<p>I acknowledge that, regardless of any action taken by Redfin or the Employer, the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to my participation in the ESPP and legally applicable to me ("<i>Tax-Related Items</i>") is and remains my responsibility and may exceed the amount actually withheld by Redfin or the Employer. I further acknowledge that Redfin and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the ESPP, including, but not limited to, my enrollment in the ESPP, the grant of rights to purchase shares of Common Stock, the purchase of shares of Common Stock, the issuance of Common Stock purchased, the sale of shares of Common Stock purchased under the ESPP or the receipt of any dividends; and (2) do not commit to and are under no obligation to structure the terms of the ESPP to reduce or eliminate my liability for Tax-Related Items or achieve any particular tax result. Further, if I am subject to Tax-Related Items in more than one jurisdiction, I acknowledge that Redfin and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.</p> <p>Prior to any relevant taxable or tax withholding event, as applicable, I agree to make adequate arrangements satisfactory to Redfin and/or the Employer to satisfy all Tax-Related Items. In this regard, I authorize Redfin and/or the Employer to satisfy their withholding obligations with regard to all Tax-Related Items by one or a combination of the following: (a) withholding from my wages or other cash compensation payable to me by Redfin and/or the Employer, (b) withholding from proceeds of the sale of shares of Common Stock purchased under the ESPP, either through a voluntary sale or through a mandatory sale arranged by Redfin (on my behalf pursuant to this authorization without further consent), and (c) withholding in shares to be issued upon purchase under the ESPP.</p> <p>Depending on the withholding method, Redfin may withhold or account for Tax-Related Items by considering applicable statutory withholding amounts or other applicable withholding rates, including up to the maximum applicable rates, in which case I will receive a refund of any over-withheld amount in cash and will have no entitlement to the Common Stock equivalent. If the obligation for Tax-Related Items is satisfied by withholding in shares of Common Stock, for tax purposes, I am deemed to have been issued the full number of shares of Common Stock, notwithstanding that a number of the shares of Common Stock are held back solely for the purpose of paying the Tax-Related Items.</p> <p>Finally, I agree to pay to Redfin or the Employer any amount of Tax-Related Items that Redfin or the Employer may be required to withhold or account for as a result of my participation in the ESPP that cannot be satisfied by the means previously described. Redfin may refuse to purchase or deliver the shares or the proceeds from the sale of shares of Common Stock, if I fail to comply with my obligations in connection with the Tax-Related Items.</p>
<p>SECTION 10: <b>GOVERNING LAW &amp; LANGUAGE</b></p>	<p>The rights to purchase shares and the provisions of this Enrollment/Change Form are governed by, and subject to, the laws of the State of Delaware, without regard to any conflict of law provisions.</p> <p>If I have received this or any other document related to the ESPP translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.</p>
<p>SECTION 11: <b>APPENDIX &amp; IMPOSITION OF OTHER REQUIREMENTS</b></p>	<p>Notwithstanding any provision herein, my participation in the ESPP will be subject to any special terms and conditions as set forth in the Appendix for my country, if any. Moreover, if I relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to me, to the extent Redfin determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Enrollment/Change Form.</p> <p>Redfin reserves the right to impose other requirements on my participation in the ESPP or on any shares of Common Stock purchased under the ESPP, to the extent Redfin determines it is necessary or advisable for legal or administrative reasons, and to require me to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.</p>
<p>SECTION 12: <b>ELECTRONIC DELIVERY AND ACCEPTANCE</b></p>	<p>Redfin may, in its sole discretion, decide to deliver any documents related to current or future participation in the ESPP by electronic means. I hereby consent to receive such documents by electronic delivery and agree to participate in the ESPP through an on-line or electronic system established and maintained by Redfin or a third party designated by Redfin.</p>

SECTION 13: <b>SEVERABILITY &amp; WAIVER</b>	The provisions of this Enrollment/Change Form are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions will nevertheless be binding and enforceable. I acknowledge that a waiver by Redfin of breach of any provision of this Enrollment/Change Form will not operate or be construed as a waiver of any other provision herein, or of any subsequent breach by me or any other Participant.
SECTION 14: <b>INSIDER TRADING RESTRICTIONS/MARKET ABUSE LAWS</b>	I acknowledge that I may be subject to insider trading restrictions and/or market abuse laws, which may affect my ability to acquire or sell shares of Common Stock or my rights to purchase shares under the ESPP during such times as I am considered to have “inside information” regarding Redfin (as defined by or determined under the laws in my country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Redfin insider trading policy. I acknowledge that it is my responsibility to comply with any applicable restrictions, and that I am advised to speak to my personal advisor on this matter.
SECTION 15: <b>NO ADVICE REGARDING GRANT</b>	Redfin is not providing any tax, legal or financial advice, nor is Redfin making any recommendations regarding my participation in the ESPP, or my purchase or sale of the shares of Common Stock. I am hereby advised to consult with my own personal tax, legal and financial advisors regarding my participation in the ESPP before taking any action related to the ESPP.
SECTION 16: <b>COMPLIANCE WITH LAW</b>	Unless there is an available exemption from any registration, qualification or other legal requirement applicable to the shares of Common Stock, Redfin will not be required to deliver any shares under the ESPP prior to the completion of any registration or qualification of the shares under any local, state, federal or foreign securities or exchange control law or under rulings or regulations of the U.S. Securities and Exchange Commission (“SEC”) or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any local, state, federal or foreign governmental agency, which registration, qualification or approval Redfin will, in its absolute discretion, deem necessary or advisable. I understand that Redfin is under no obligation to register or qualify the shares with the SEC or any state or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the shares. Further, I agree that Redfin will have unilateral authority to amend the ESPP and the Enrollment/Change Form without my consent to the extent necessary to comply with securities or other laws applicable to issuance of shares.
SECTION 17: <b>ACKNOWLEDGMENT AND SIGNATURE</b>	I acknowledge that I have received a copy of the ESPP Prospectus (which summarizes the major features of the ESPP). I have read the Prospectus and my signature below indicates that I hereby agree to be bound by the terms of the ESPP.  Signature: _____ Date: _____

**APPENDIX**

**NONE**

**Redfin Corporation Amended & Restated Employment Offer Letter**

June 27, 2017

Chris Nielsen  
C/O Redfin Corporation  
1099 Stewart St., Suite 600  
Seattle, WA 98101

Dear Chris:

This letter agreement amends and restates the employment offer letter entered into between you and Redfin Corporation ("Redfin"), dated May 6, 2013 (the "Prior Agreement").

We are pleased to have you continue to work in the full time position with our organization as our Chief Financial Officer in Seattle, Washington.

Your title, assignment, compensation, and the nature of your responsibilities may change from time to time at Redfin's discretion. You will also be expected to comply with Redfin's rules, policies and procedures, which may be modified from time to time. The terms of your employment are detailed below.

**Compensation:** Your gross salary annualized over one year will be \$300,000, subject to appropriate tax withholdings and deductions, and payable in accordance with Redfin's normal payroll cycle. You are classified as an exempt employee and your salary is intended to compensate you for all hours worked. Increases are based on your and Redfin's performance and are not guaranteed. This is a full-time position.

**Executive Bonus Plan:** Subject to the terms and conditions of Redfin's Executive Bonus Plan, you may be eligible to earn an annual bonus based on Redfin's satisfaction of a minimum revenue target and achievement of certain performance metrics pre-established by the Compensation Committee of Redfin's Board of Directors. The Executive Bonus Plan is subject to change as further described therein.

**Stock Options:** Redfin acknowledges that it has previously issued equity awards to you under Redfin's 2004 Equity Incentive Plan. Nothing in this letter agreement will amend or affect the terms of such awards.

**At-Will Employment:** The employment relationship between you and Redfin is and will continue to be at-will. This means that the employment relationship is for no specific term and may be terminated by either you or Redfin at any time for any or no reason, with or without advance notice. This letter and the Employee Assignment, Arbitration and Confidentiality Agreement ("Proprietary Information Agreement") supersede the Prior Agreement and any previous arrangements, both oral and written, expressed or implied, regarding the nature of your employment with Redfin. The at-will employment relationship cannot be changed or modified orally, and may only be modified by a formal written employment contract signed by you and the CEO of Redfin, expressly modifying the at-will employment relationship.

**Benefits & Other Redfin Policies:** During your employment, you may be eligible for employee benefits consistent with Redfin's practices and in accordance with the terms of applicable benefit plans as they currently exist and subject to any future modifications in Redfin's discretion. You agree to follow Redfin's rules and policies. Please understand that Redfin reserves the right to modify, supplement, and discontinue all policies, rules, benefit plans and programs at any time and in its sole discretion.

**Proprietary Information Agreement:** The protection of confidential and proprietary information relating to Redfin's business and operations is and will continue to be of central importance to Redfin. For this reason, your prior agreement to the terms and conditions set forth in the Proprietary Information Agreement, previously executed by you, will remain in effect.

**Withholdings:** All forms of compensation paid to you as an employee of Redfin will be less all applicable withholdings.

Sincerely,

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Redfin corporation

Accepted:

/s/ Chris Nielsen    6/27/17  
Chris Nielsen        Date

## Subsidiaries of Redfin Corporation

<b>Name of Subsidiary</b>	<b>Jurisdiction</b>
Walk Score Management, LLC	Washington
Redfin Mortgage, LLC	Delaware
Forward Settlement Solutions, Inc. dba Title Forward	Delaware
Forward Settlement Solutions of Texas, LLC	Texas
RDFN Ventures, Inc.	Delaware

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-219561 on Form S-8 of our report dated February 22, 2018, relating to the consolidated financial statements of Redfin Corporation and subsidiaries appearing in this Annual Report on Form 10-K of Redfin Corporation for the year ended December 31, 2017.

/s/ Deloitte & Touche LLP

Seattle, Washington

February 22, 2018

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

I, Glenn Kelman, certify that:

1. I have reviewed this annual report on Form 10-K of Redfin Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22,  
2018

/s/ Glenn Kelman

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Glenn Kelman  
President, Chief Executive Officer, and Director  
(Principal Executive Officer)



**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Chris Nielsen, certify that:

1. I have reviewed this annual report on Form 10-K of Redfin Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22,  
2018

/s/ Chris Nielsen

Chris Nielsen  
Chief Financial Officer  
*(Principal Financial and Accounting Officer)*

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Glenn Kelman, President, Chief Executive Officer and Director of Redfin Corporation, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Annual Report on Form 10-K of Redfin Corporation for the year ended December 31, 2017 (Annual Report), as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of Redfin Corporation.

Date: February 22, 2018

By: /s/ Glenn Kelman

Glenn Kelman  
President, Chief Executive Officer, and Director  
*(Principal Executive Officer)*

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Chris Nielsen, Chief Financial Officer of Redfin Corporation, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Annual Report on Form 10-K of Redfin Corporation for the year ended December 31, 2017 (Annual Report), as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of Redfin Corporation.

Date: February 22, 2018

By: /s/ Chris Nielsen

Chris Nielsen  
Chief Financial Officer  
*(Principal Financial and Accounting Officer)*