
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022
OR

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

For transition period from to
Commission File Number 001-40599

BLEND LABS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

45-5211045

(I.R.S. Employer
Identification Number)

**415 Kearny Street
San Francisco, California 94108
(650) 550-4810**

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

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A common stock, par value \$0.00001 per share	BLND	New York Stock Exchange

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

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

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

Large accelerated filer ☐
Non-accelerated filer ☒

Accelerated filer ☐
Smaller reporting company ☐
Emerging growth company ☒

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

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

As of May 6, 2022, there were 219,974,986 shares of the registrant's Class A common stock outstanding, 12,633,331 shares of the registrant's Class B common stock outstanding, and no shares of the registrant's Class C common stock outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “could,” “would,” “intend,” “target,” “project,” “contemplate,” “believe,” “estimate,” “predict,” “potential” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our future financial performance, including our expectations regarding our revenue, cost of revenue, operating expenses, our ability to determine reserves, and our ability to achieve and maintain future profitability;
- our ability to successfully execute our business and growth strategy;
- the sufficiency of our cash, cash equivalents, and marketable securities to meet our liquidity needs;
- the demand for our products and services;
- our ability to increase our transaction volume and to attract and retain customers;
- our ability to integrate more marketplaces into our end-to-end consumer journeys;
- our ability to develop new products, services, and features and bring them to market in a timely manner;
- our ability to make enhancements to our current products;
- our ability to compete with existing and new competitors in existing and new markets and offerings;
- our ability to successfully acquire and integrate companies and assets, including our ability to integrate Title365 with our operations and our software-enabled platform;
- our expectations regarding the migration of the Title365 legacy business to our software-enabled platform;
- our ability to maintain the security and availability of our platform;
- our expectations regarding the effects of existing and developing laws and regulations, including with respect to taxation, privacy, information security, and data protection;
- our ability to manage risk associated with our business;
- our expectations regarding new and evolving markets;
- our ability to develop and protect our brand and reputation;
- our expectations and management of future growth;
- our expectations concerning relationships with third parties;
- our ability to attract and retain employees and key personnel;
- our ability to service our existing debt;
- our ability to maintain, protect, and enhance our intellectual property;
- the increased expenses associated with being a public company;
- changes in economic conditions, especially those affecting the levels of real estate and mortgage activity, such as mortgage interest rates, credit availability, real estate prices, inflation, and consumer confidence; and
- the impact of the ongoing COVID-19 pandemic, or a similar public health threat, and the effects of the current war in Ukraine and related sanctions, on global markets, general economic conditions in the United States and abroad, and our business and operations.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors, including those described in the section titled “*Risk Factors*” and elsewhere in this Quarterly Report on Form 10-Q. Our Risk Factors are not guarantees that no such conditions exist as of the date of this report and should not be interpreted as an affirmative statement that such risks or conditions have not materialized, in whole or in part. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

Neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. Moreover, the forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Blend Labs, Inc. Condensed Consolidated Balance Sheets (In thousands, except per share amounts) (Unaudited)

	March 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 167,666	\$ 213,082
Marketable securities	331,714	334,147
Trade and other receivables, net of allowance for credit losses of \$1,669 and \$1,371, respectively	33,621	34,076
Prepaid expenses and other current assets	27,825	31,713
Total current assets	560,826	613,018
Property and equipment, net	5,895	6,155
Operating lease right-of-use assets	14,245	14,713
Intangible assets, net	168,935	173,008
Goodwill	287,228	287,228
Deferred contract costs	3,326	4,178
Restricted cash, non-current	5,358	5,358
Other non-current assets	8,617	8,828
Total assets	\$ 1,054,430	\$ 1,112,486
Liabilities, Redeemable Noncontrolling Interest and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,116	\$ 6,160
Deferred revenue	14,172	8,068
Accrued compensation	13,489	18,140
Other current liabilities	24,264	27,662
Total current liabilities	54,041	60,030
Operating lease liabilities, non-current	13,684	14,607
Other non-current liabilities	8,127	13,415
Debt, non-current, net	214,527	213,843
Total liabilities	290,379	301,895
Commitments and contingencies (Note 8)		
Redeemable noncontrolling interest	37,077	35,949
Stockholders' equity:		
Preferred stock, \$0.00001 par value: 200,000 shares authorized and no shares issued and outstanding as of March 31, 2022 and December 31, 2021	—	—
Class A, Class B and Class C Common Stock, \$0.00001 par value: 3,000,000 (Class A 1,800,000, Class B 600,000, Class C 600,000) shares authorized; 232,400 (Class A 219,767, Class B 12,633, Class C 0) and 230,324 (Class A 217,691, Class B 12,633, Class C 0) shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	2	2
Additional paid-in capital	1,244,466	1,218,213
Accumulated other comprehensive loss	(2,625)	(808)
Accumulated deficit	(514,869)	(442,765)
Total stockholders' equity	726,974	774,642
Total liabilities, redeemable noncontrolling interest and stockholders' equity	\$ 1,054,430	\$ 1,112,486

See accompanying notes to condensed consolidated financial statements

Blend Labs, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
Revenue	\$ 71,524	\$ 31,875
Cost of revenue	42,655	10,860
Gross profit	28,869	21,015
Operating expenses:		
Research and development	35,106	17,074
Sales and marketing	22,341	15,865
General and administrative	37,102	15,283
Amortization of acquired intangible assets	4,068	—
Total operating expenses	98,617	48,222
Loss from operations	(69,748)	(27,207)
Interest expense	(5,558)	—
Other income (expense), net	91	150
Loss before income taxes	(75,215)	(27,057)
Income tax benefit (expense)	2,797	(10)
Net loss	(72,418)	(27,067)
Less: Net loss attributable to noncontrolling interest	314	—
Net loss attributable to Blend Labs, Inc.	(72,104)	(27,067)
Less: Accretion of redeemable noncontrolling interest to redemption value	(1,442)	—
Net loss attributable to Blend Labs, Inc. common stockholders	\$ (73,546)	\$ (27,067)
Net loss per share attributable to Blend Labs, Inc. common stockholders:		
Basic and diluted	\$ (0.32)	\$ (0.60)
Weighted average shares used in calculating net loss per share:		
Basic and diluted	230,329	45,090
Comprehensive loss:		
Net loss	\$ (72,418)	\$ (27,067)
Unrealized (loss) gain on marketable securities	(1,845)	15
Foreign currency translation gain	28	—
Comprehensive loss	(74,235)	(27,052)
Less: Comprehensive loss attributable to noncontrolling interest	314	—
Comprehensive loss attributable to Blend Labs, Inc.	\$ (73,921)	\$ (27,052)

See accompanying notes to condensed consolidated financial statements

Blend Labs, Inc.
Condensed Consolidated Statements of Redeemable Noncontrolling Interest and Stockholders' Equity
(In thousands)
(Unaudited)

Three Months Ended March 31, 2022							
	Redeemable Noncontrolling Interest	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
		Shares	Amount				
Balances as of December 31, 2021	\$ 35,949	230,324	\$ 2	\$ 1,218,213	\$ (808)	\$ (442,765)	\$ 774,642
Issuance of common stock upon exercise of stock options, net of repurchases	—	1,553	—	1,740	—	—	1,740
Vesting of early exercised stock options	—	—	—	1,913	—	—	1,913
Vesting of restricted stock units	—	523	—	—	—	—	—
Stock-based compensation	—	—	—	24,312	—	—	24,312
Unrealized loss on investments in marketable securities	—	—	—	—	(1,845)	—	(1,845)
Foreign currency translation gain	—	—	—	—	28	—	28
Accretion of redeemable noncontrolling interest to redemption value	1,442	—	—	(1,442)	—	—	(1,442)
Other	—	—	—	(270)	—	—	(270)
Net loss	(314)	—	—	—	—	(72,104)	(72,104)
Balances as of March 31, 2022	<u>\$ 37,077</u>	<u>232,400</u>	<u>\$ 2</u>	<u>\$ 1,244,466</u>	<u>\$ (2,625)</u>	<u>\$ (514,869)</u>	<u>\$ 726,974</u>

See accompanying notes to condensed consolidated financial statements

Blend Labs, Inc.
Condensed Consolidated Statements of Redeemable Noncontrolling Interest and Stockholders' Equity (Continued)
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2021							
	Founders Preferred and Convertible Preferred		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balances as of December 31, 2020	122,379	\$ 385,225	47,948	\$ 1	\$ 50,968	\$ (5)	\$ (272,852)	163,337
Issuance of Series G Convertible Preferred Stock, net of issuance costs of \$299	22,419	309,701	—	—	—	—	—	309,701
Exercise of Convertible Preferred Stock warrants	2,075	8,014	—	—	—	—	—	8,014
Issuance of common stock upon exercise of stock options, net of repurchases	—	—	4,773	—	4,172	—	—	4,172
Vesting of early exercised stock options	—	—	—	—	157	—	—	157
Vesting of performance-based Convertible Preferred Stock warrants	—	—	—	—	118	—	—	118
Stock-based compensation	—	—	—	—	4,016	—	—	4,016
Other comprehensive income	—	—	—	—	—	15	—	15
Net loss	—	—	—	—	—	—	(27,067)	(27,067)
Balances as of March 31, 2021	146,873	\$ 702,940	52,721	\$ 1	\$ 59,431	\$ 10	\$ (299,919)	\$ 462,463

See accompanying notes to condensed consolidated financial statements

Blend Labs, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
Operating activities		
Net loss	\$ (72,418)	\$ (27,067)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	24,312	4,016
Depreciation and amortization	4,601	823
Amortization of deferred contract costs	1,244	1,319
Amortization of debt discount and issuance costs	709	—
Amortization of operating lease right-of-use assets	785	593
Release of valuation allowance and change in deferred taxes	(2,864)	—
Other	1,049	481
Changes in operating assets and liabilities:		
Trade and other receivables	409	133
Prepaid expenses and other assets, current and non-current	2,830	(3,728)
Deferred contract costs, non-current	852	858
Accounts payable	(4,314)	509
Deferred revenue	6,104	777
Accrued compensation	(4,651)	(1,804)
Operating lease liabilities	(958)	(665)
Other liabilities, current and non-current	(3,532)	3,361
Net cash used in operating activities	(45,842)	(20,394)
Investing activities		
Purchases of marketable securities	(30,450)	(25,400)
Maturities of marketable securities	30,035	34,850
Purchases of property and equipment	(268)	(302)
Purchase of other investment	—	(3,000)
Net cash (used in) provided by investing activities	(683)	6,148
Financing activities		
Proceeds from exercises of stock options, including early exercises, net of repurchases	1,202	5,750
Proceeds from issuance of Convertible Preferred Stock, net of issuance costs	—	309,701
Payment of initial public offering costs	(121)	(158)
Proceeds from exercises of Convertible Preferred Stock warrants	—	10,172
Net cash provided by financing activities	1,081	325,465
Effect of exchange rates on cash, cash equivalents, and restricted cash	28	—
Net (decrease) increase in cash, cash equivalents, and restricted cash	(45,416)	311,219
Cash, cash equivalents, and restricted cash at beginning of period	218,440	46,288
Cash, cash equivalents, and restricted cash at end of period	\$ 173,024	\$ 357,507
Reconciliation of cash, cash equivalents, and restricted cash within the consolidated balance sheets:		
Cash and cash equivalents	\$ 167,666	\$ 352,311
Restricted cash	5,358	5,196
Total cash, cash equivalents, and restricted cash	\$ 173,024	\$ 357,507
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 11	\$ 25
Cash paid for interest	\$ 4,944	\$ —
Supplemental disclosure of non-cash investing and financing activities:		
Vesting of early exercised stock options	\$ 1,913	\$ 157
Right-of-use assets obtained in exchange for lease obligations	\$ 317	\$ —
Accretion of redeemable noncontrolling interest to redemption value	\$ 1,442	\$ —

See accompanying notes to condensed consolidated financial statements

Blend Labs, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Description of Business and Basis of Presentation

Description of Business

Blend Labs, Inc. (the “Company,” “Blend,” “we,” “us,” or “our”) was incorporated on April 17, 2012. The Company offers a cloud-based software platform for financial services firms that is designed to power the end-to-end consumer journey for banking products. The Company’s solutions make the journey from application to close fast, simple, and transparent for consumers, while helping financial services firms increase productivity, deepen customer relationships, and deliver exceptional consumer experiences.

On June 30, 2021, the Company acquired a 90.1% interest in Title365, an underwritten title insurance agency engaged in selling title insurance policies and escrow services throughout the United States. Integrating Title365 with the Company’s software platform enables financial services firms to automate title commitments and streamline communication with consumers and settlement teams, enabling the customers to accelerate the title, settlement, and closing process at scale for mortgages, home equity lines of credit, and home equity loans.

Basis of Presentation, Principles of Consolidation, and Use of Estimates

The accompanying unaudited condensed consolidated balance sheets as of March 31, 2022 and December 31, 2021, the unaudited condensed consolidated statements of operations and comprehensive loss for the three months ended March 31, 2022 and 2021, the unaudited condensed consolidated statements of redeemable noncontrolling interest and stockholders’ equity for the three months ended March 31, 2022 and 2021, and the unaudited condensed consolidated statements of cash flows for the three months ended March 31, 2022 and 2021 reflect all adjustments that are of a normal, recurring nature and that are considered necessary for a fair presentation of the results for the periods shown in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and the applicable rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) for interim financial reporting periods. Accordingly, certain information and footnote disclosures have been condensed or omitted that would ordinarily be required under U.S. GAAP for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

The accompanying unaudited condensed consolidated financial statements include the accounts of Blend Labs, Inc. and its subsidiaries in which the Company holds a controlling financial interest. Noncontrolling interest represents the minority stockholder’s share of the net income and equity in a consolidated subsidiary. All intercompany balances and transactions have been eliminated in consolidation.

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make, on an ongoing basis, estimates and assumptions that affect the amounts reported in the consolidated financial statements and the notes thereto. Actual results may differ from those estimates. Such estimates include, but are not limited to, estimates of variable consideration, estimates of standalone selling prices of performance obligations in customer contracts with multiple performance obligations, evaluation of contingencies, evaluation of collectability of accounts receivable, determination of reserves for title and escrow losses, determination of period of benefit for deferred contract costs, determination of the incremental borrowing rates used in calculations of lease liabilities, determination of fair value of stock-based compensation, determination of fair value of warrants, valuation of deferred tax assets, valuation of acquired intangible assets, valuation of the redeemable noncontrolling interest, determination of useful lives of tangible and intangible assets, and assessment of impairment of goodwill and intangible assets.

Initial Public Offering and Capital Structure Change

On July 20, 2021, the Company completed its initial public offering (the “IPO”), with a subsequent partial exercise of the underwriters’ option to purchase additional shares on August 17, 2021. The Company issued and sold an aggregate of 22,468,111 shares of Class A common stock, par value \$0.00001, at an offering price of \$18.00 per share, and received aggregate net proceeds of \$366.7 million, after deducting underwriters’ discounts and commissions of \$27.3 million and offering expenses of \$10.4 million.

Blend Labs, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Immediately prior to the completion of the IPO, the Company filed an Amended and Restated Certificate of Incorporation, which authorized the issuance of 3,200,000,000 shares of capital stock, \$0.00001 par value per share, consisting of: 1,800,000,000 shares of Class A common stock; 600,000,000 shares of Class B common stock; 600,000,000 shares of Class C common stock; and 200,000,000 shares of preferred stock.

Upon the effectiveness of the filing of the Amended and Restated Certificate of Incorporation, (i) all outstanding shares of Convertible Preferred Stock converted into 146,872,568 shares of Class A common stock, (ii) all outstanding shares of Class A common stock converted into shares of Class B common stock on a one-for-one basis, (iii) all shares of Class A common stock were reclassified as Class B common stock and all shares of Class B common stock were reclassified as Class A common stock, and (iv) 12,883,331 shares of Class A common stock (as reclassified) beneficially owned by the Co-Founder and Head of Blend were exchanged for an equivalent number of shares of Class B common stock.

At the completion of the IPO, 214,132,175 shares of Class A common stock and 12,883,331 shares of Class B common stock were issued and outstanding. No shares of Class C common stock or preferred stock were issued and outstanding.

The following is a summary of the rights of the holders of the Company's capital stock:

Common Stock

Subsequent to the IPO, the Company has three classes of authorized common stock: Class A common stock, Class B common stock, and Class C common stock. The rights of the holders of Class A common stock, Class B common stock, and Class C common stock are identical, except with respect to voting and conversion.

Dividend Rights

Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of the Company's common stock will be entitled to receive dividends out of funds legally available if the Company's board of directors, in its discretion, determines to issue dividends and then only at the times and in the amounts that the Company's board of directors may determine.

Voting Rights

Holders of the Class A common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders, holders of the Class B common stock are entitled to 40 votes for each share held on all matters submitted to a vote of stockholders, and holders of the Class C common stock are not entitled to vote on any matter that is submitted to a vote of stockholders, except as otherwise required by law. The holders of the Class A common stock and Class B common stock will vote together as a single class, unless otherwise required by law. At the completion of the IPO, the Co-Founder and Head of Blend held all of the issued and outstanding shares of the Company's Class B common stock.

No Preemptive or Similar Rights

The Company's common stock is not entitled to preemptive rights and is not subject to conversion, redemption, or sinking fund provisions.

Right to Receive Liquidation Distributions

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

Blend Labs, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Conversion of Class B Common Stock

Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. Shares of Class B common stock will automatically convert into shares of Class A common stock upon sale or transfer except for certain transfers described in the Amended and Restated Certificate of Incorporation, such as certain transfers effected for estate planning or charitable purposes.

Conversion of Class C Common Stock

After the conversion or exchange of all outstanding shares of the Company's Class B common stock into shares of Class A common stock, all outstanding shares of Class C common stock will convert automatically into Class A common stock, on a share-for-share basis, on the date or time specified by the holders of a majority of the outstanding shares of Class A common stock, voting as a separate class.

Preferred Stock

The Company's board of directors has the authority to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series and to fix the designation, powers, preferences, and rights of the shares of each series and any of its qualifications, limitations, or restrictions, in each case without further vote or action by the Company's stockholders.

Reverse Stock Split

On June 29, 2021, the Company's board of directors approved a three-for-one reverse stock split of its capital stock, which the Company's stockholders subsequently approved on July 2, 2021 and which became effective on July 2, 2021. The authorized number of shares of each class and series of the Company's capital stock was proportionally decreased in accordance with the three-for-one reverse stock split, and the par value of each class of capital stock was not adjusted as a result of the reverse stock split. All common stock, Convertible Preferred Stock, stock options, warrants, and per share information presented within these consolidated financial statements have been adjusted to reflect this reverse stock split on a retroactive basis for all periods presented.

2. Summary of Significant Accounting Policies

The Company's significant accounting policies are described in Note 2, *Summary of Significant Accounting Policies* in the Notes to the Consolidated Financial Statements in its Annual Report on Form 10-K for the year ended December 31, 2021. There have been no significant changes to these policies during the three months ended March 31, 2022.

Cash and Cash Equivalents

The Company places its cash with high credit quality and federally insured institutions. Cash with any one institution may be in excess of federally insured limits. The Company has not experienced any losses in such accounts and management believes the exposure to credit risk is not significant. The Company considers all highly liquid investments with an original maturity date of three months or less at the time of purchase to be cash equivalents. As of March 31, 2022 and December 31, 2021, cash and cash equivalents consisted of cash, money market accounts, and highly liquid investments. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents approximate fair value due to the short-term nature of the maturities.

Restricted Cash

The Company has classified cash that is not available for use in its operations as restricted cash. Restricted cash consists primarily of collateral for letters of credit related to security deposits for the Company's office facility lease arrangements. As of both March 31, 2022 and December 31, 2021, the Company had restricted cash of \$5.4 million, all of which was classified as non-current.

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Escrow or Trust Funds

The Company administers escrow and trust deposits held at third-party financial institutions representing funds received under real estate contracts, escrowed funds received under escrow agreements, and undisbursed amounts received for settlement of mortgage and home equity loans. Cash held by the Company for these purposes was approximately \$21.1 million, net of outstanding checks in transit of \$56.4 million as of March 31, 2022. Cash held by the Company for these purposes was approximately \$27.0 million, net of outstanding checks in transit of \$56.2 million as of December 31, 2021. These funds are not considered assets of the Company and, therefore, are not included in the accompanying unaudited condensed consolidated balance sheets; however, the Company remains contingently liable for the disposition of these funds on behalf of its customers.

Trade and Other Receivables and Credit Loss Reserves

The Company reports trade and other receivables net of the allowance for credit losses, in accordance with Accounting Standards Codification (“ASC”) 326, *Financial Instruments—Credit Losses*. ASC 326 requires an entity to recognize an allowance that reflects the entity’s current estimate of credit losses expected to be incurred over the life of the financial instrument. The Company’s estimate of expected credit losses is determined based on expected lifetime loss rates calculated from historical data and adjusted for the impact of current and future conditions, such as the age of outstanding receivables, historical payment patterns, any known or expected changes to the customers’ ability to fulfill their payment obligations, or assessment of broader economic conditions that may impact the customers’ ability to pay the outstanding balances. As of March 31, 2022, the reserve for expected credit losses was \$1.7 million. The provision for expected credit losses was \$0.3 million for the three months ended March 31, 2022. The uncollectible portion of the receivables written off against reserve for expected credit losses was not material for the three months ended March 31, 2022. As of December 31, 2021, the reserve for expected credit losses was \$1.4 million.

Concentrations of Credit Risk and Significant Customers

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, marketable securities, and trade accounts receivable. The Company maintains its cash equivalents primarily in money market funds and highly liquid investments that are issued or guaranteed by the United States government or its agencies. Collateral is not required for trade accounts receivable.

Title365 has agreements with insurance underwriters authorizing the Company to issue title insurance policies on behalf of the insurance underwriters. During the three months ended March 31, 2022, the policies were underwritten by two title insurance companies, which accounted for approximately 62% and 38%, respectively, of title policy fees earned during the period.

The following customers, which generate revenue in both Blend Platform and Title365 segments, comprised 10% or more of the Company’s revenue for the following periods.

Customer	Three Months Ended March 31,	
	2022	2021
A	N/A ¹	13%
B	36%	N/A ¹
<i>(1) revenue from this customer did not exceed 10% for the period presented</i>		

The following customers comprised 10% or more of the Company’s trade and unbilled receivables:

Customer	March 31, 2022	December 31, 2021
A	10%	N/A ¹
B	31%	29%
<i>(1) trade and unbilled receivable balance from this customer did not exceed 10% as of the date presented</i>		

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Cloud Computing Arrangements

The Company capitalizes certain implementation costs incurred under cloud computing arrangements that are service contracts. Capitalized costs incurred during the application development stage related to the implementation of the hosting arrangements were \$1.1 million as of March 31, 2022, of which \$0.7 million is presented within prepaid expenses and other current assets, and \$0.4 million is presented within other non-current assets on the unaudited condensed consolidated balance sheets. Capitalized costs incurred during the application development stage related to the implementation of the hosting arrangements were \$0.7 million as of December 31, 2021, of which \$0.3 million is presented within prepaid expenses and other current assets, and \$0.4 million is presented within other non-current assets on the unaudited condensed consolidated balance sheets. Amortization of capitalized implementation costs is recognized on a straight-line basis over the term of the associated hosting arrangement when it is ready for its intended use. Costs related to preliminary project activities and post-implementation activities are expensed as incurred.

Title and Escrow Loss Reserve

In the Title365 segment, the Company performs title insurance services and issues a title insurance policy as an agent for a third-party title insurance underwriter. The Company pays part of the title insurance policy fee charged to its customers to the third-party title insurance underwriter as compensation for accepting the risk associated with issuing the title policy. The Company may incur a loss if it does not follow the guidelines outlined in the agency agreements, and in the state of California, the Company is obligated to reimburse the insurance company for up to the first \$5,000 in losses related to a claim on a policy issued through Title365. Reserves for estimated future losses on policies issued are established at the time the title insurance revenue is recognized in accordance with ASC 450, *Contingencies*, and are based on claim loss history, industry trends, legal environment, geographic considerations, and the type of title insurance policies written. As of March 31, 2022 and December 31, 2021, title and escrow loss reserves were \$1.6 million, of which \$0.2 million is presented within other current liabilities and \$1.4 million is presented within other non-current liabilities on the unaudited condensed consolidated balance sheets.

Redeemable Noncontrolling Interest

The Company's 90.1% ownership of Title365 results in recognition of 9.9% noncontrolling interest, which represents the minority stockholder's share of the net income and equity in Title365. The Title365 stockholders agreement includes a provision whereby the Company has a call option to purchase the 9.9% noncontrolling interest at a purchase price equal to the greater of (1) \$49.5 million plus an amount of interest calculated using an interest rate of 5.0% per annum compounding annually; or (2) 4.4 multiplied by the trailing 12-month EBITDA multiplied by the noncontrolling interest ownership percentage (the "Title365 Call Option"). The Title365 Call Option is exercisable beginning 2 years following the acquisition closing date. The noncontrolling interest holder also holds an option to compel the Company to purchase the remaining 9.9% noncontrolling interest at a price calculated in the same manner as the Title365 Call Option (the "Title365 Put Option"). The Title365 Put Option is exercisable beginning 5 years following the acquisition closing date. Neither the Title365 Call Option nor the Title365 Put Option have an expiration date. As the Title365 Put Option is not solely within the Company's control, the Company classified this interest as redeemable noncontrolling interest ("RNCI") within the mezzanine equity section of the unaudited condensed consolidated balance sheets. The RNCI is accreted to the redemption value under the interest method from the acquisition date through the date the Title365 Put Option becomes exercisable. At each balance sheet date, the RNCI is reported at the greater of the initial carrying amount adjusted for the RNCI's share of earnings or losses and other comprehensive income or loss, or its accreted redemption value. The changes in the redemption amount are recorded with corresponding adjustments against retained earnings or, in the absence of retained earnings, additional paid-in-capital. For each reporting period, the entire periodic change in the redemption amount is reflected in the computation of net loss per share under the two-class method as being akin to a dividend. As of March 31, 2022, the redemption amount of the Title365 Put Option as if it was currently redeemable was \$51.4 million.

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JOBS Act Accounting Election

As an emerging growth company (“EGC”), the Jumpstart Our Business Startups Act (“JOBS Act”) allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are applicable to private companies (that is, those that have not had a Securities Act of 1933, as amended (the “Securities Act”), registration statement declared effective or do not have a class of securities registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Company intends to use this extended transition period under the JOBS Act until such time as the Company is no longer considered to be an EGC. The adoption dates discussed below reflect this election.

Recently Issued Accounting Standards Not Yet Adopted

In March 2020, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2020-04, *Reference Rate Reform (Topic 848)*, with amendments in 2021. This update provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by the discontinuation of London Interbank Offered Rate (“LIBOR”) or by another reference rate expected to be discontinued. The guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)*. The guidance simplifies the accounting for convertible debt instruments and convertible preferred stock by removing the existing guidance in ASC 470-20 that requires entities to account for beneficial conversion features and cash conversion features in equity separately from the host convertible debt or preferred stock. The guidance is effective for the Company for annual reporting periods, and interim reporting periods within those annual periods, beginning January 1, 2024. ASU 2020-06 should be applied on a full or modified retrospective basis and early adoption is permitted. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements.

In October 2021, the FASB issued ASU No. 2021-18, Business Combinations: *Accounting for Contract Assets and Contract Liabilities with Customers (Topic 805)*. This guidance requires an acquirer in a business combination to use principles in ASC 606 to recognize and measure contract assets and liabilities rather than fair value. The guidance is effective for the Company for annual reporting periods, and interim reporting periods within those annual periods, beginning January 1, 2023. ASU 2021-18 should be applied retrospectively to all business combinations that have occurred since the beginning of the annual period that includes the interim period of adoption. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements.

3. Revenue Recognition and Contract Costs

Disaggregation of Revenue

The following table provides information about disaggregated revenue by service offering:

	Three Months Ended March 31,	
	2022	2021
	<i>(In thousands)</i>	
Blend Platform revenue:		
Mortgage Banking	\$ 24,484	\$ 26,435
Consumer Banking and Marketplace	7,187	4,648
Professional Services	1,122	792
Total Blend Platform revenue	32,793	31,875
Title365 revenue	38,731	—
Total revenue	\$ 71,524	\$ 31,875

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Mortgage Banking revenue represents revenue related to mortgage transactions processed through the Company's software platform. Consumer Banking and Marketplace revenue represents revenue related to the Company's integrated software solutions outside of mortgage banking transactions, such as consumer banking revenue (home equity, personal loans, deposit accounts, and all other consumer banking products), ancillary product revenue (income verification and close products), and marketplace revenue (title, insurance, and realty products). Professional Services revenue represents revenue related to the deployment of the Company's software platform and consulting services. Title365 revenue represents revenue related to title, escrow and other closing and settlement services provided by the Title365 segment.

Contract Balances

The following table provides information about contract assets and contract liabilities from contracts with customers:

Contract Accounts	Balance Sheet Line Reference	As of March 31, 2022	As of December 31, 2021
<i>(In thousands)</i>			
Contract assets—current	Prepaid expenses and other current assets	\$ 2,559	\$ 5,359
Contract liabilities—current	Deferred revenue, current	\$ (14,172)	\$ (8,068)

There were no long-term contract assets or deferred revenue as of March 31, 2022 and December 31, 2021.

During the three months ended March 31, 2022 and 2021, the Company recognized \$4.4 million and \$6.9 million, respectively, of revenue that was included in the deferred revenue balances at the beginning of the respective periods.

During the three months ended March 31, 2022, revenue from performance obligations satisfied in previous periods was not material. During the three months ended March 31, 2021, the Company recognized approximately \$5.6 million of revenue from performance obligations satisfied in previous periods. The revenue recognized from performance obligations satisfied in the prior periods primarily related to changes in the transaction price, including changes in the estimate of variable consideration.

Remaining Performance Obligations

As of March 31, 2022, the aggregate amount of the transaction price allocated to the remaining performance obligations was \$64.6 million. These remaining performance obligations do not include estimates of variable consideration associated with usage-based contracts with termination rights and professional services. The expected timing of recognizing revenue for the transaction price allocated to the remaining performance obligations as of March 31, 2022 was as follows:

	<i>(In thousands)</i>
Within one year	\$ 36,733
More than one year	27,851
Total transaction price allocated to the remaining performance obligations	<u>\$ 64,584</u>

Deferred Contract Costs

As of March 31, 2022 and December 31, 2021, total unamortized deferred contract costs were \$7.5 million and \$8.7 million, respectively, of which \$4.2 million and \$4.5 million was recorded within prepaid expenses and other current assets and \$3.3 million and \$4.2 million was recorded within deferred contract costs, non-current, on the unaudited condensed consolidated balance sheets as of March 31, 2022 and December 31, 2021, respectively.

The amortization of deferred contract costs was \$1.2 million and \$1.3 million for the three months ended March 31, 2022 and 2021, respectively, and is included in sales and marketing expense in the accompanying unaudited condensed consolidated statements of operations.

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4. Investments in Marketable Securities and Fair Value Measurements

The carrying amount, unrealized gain and loss, and fair value of investments in marketable securities by major security type were as follows:

March 31, 2022					
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value	Fair Value Hierarchy
<i>(In thousands)</i>					
Cash equivalents:					
Money market funds	\$ 2,572	\$ —	\$ —	\$ 2,572	Level 1
Commercial paper	2,898	—	—	2,898	Level 2
Total cash equivalents	5,470	—	—	5,470	
Marketable securities:					
U.S. treasury and agency securities	270,719	—	(2,506)	268,213	Level 2
Commercial paper	26,026	1	(12)	26,015	Level 2
Debt securities	32,612	—	(126)	32,486	Level 2
Certificates of deposit	5,000	—	—	5,000	Level 2
Total marketable securities	334,357	1	(2,644)	331,714	
Restricted cash, non-current:					
Certificates of deposit	335	—	—	335	Level 2
Total	\$ 340,162	\$ 1	\$ (2,644)	\$ 337,519	

December 31, 2021					
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value	Fair Value Hierarchy
<i>(In thousands)</i>					
Cash equivalents:					
Money market funds	\$ 2,357	\$ —	\$ —	\$ 2,357	Level 1
Commercial paper	2,150	—	—	2,150	Level 2
Total cash equivalents	4,507	—	—	4,507	
Marketable securities:					
U.S. treasury and agency securities	269,393	—	(745)	268,648	Level 2
Commercial paper	27,187	—	(7)	27,180	Level 2
Debt securities	33,366	—	(47)	33,319	Level 2
Certificates of deposit	5,000	—	—	5,000	Level 2
Total marketable securities	334,946	—	(799)	334,147	
Restricted cash, non-current:					
Certificates of deposit	335	—	—	335	Level 2
Total	\$ 339,788	\$ —	\$ (799)	\$ 338,989	

The Company reports its investments in marketable securities at fair value on the consolidated balance sheets based upon the level of judgment associated with inputs used to measure their fair value. The categories are as follows:

Level 1—Observable inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

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Level 2—Observable inputs are quoted prices for similar assets and liabilities in active markets or inputs other than quoted prices which are observable for the assets or liabilities, either directly or indirectly through market corroboration, for substantially the full term of the financial instruments.

Level 3—Unobservable inputs which are supported by little or no market activity and which are significant to the fair value of the assets or liabilities. These inputs are based on the Company's assumptions used to measure assets and liabilities at fair value and require significant management judgment or estimation.

The fair value of the Company's marketable securities classified as Level 2 of the fair value hierarchy is based on quoted market prices for similar instruments.

The following table summarizes the stated maturities of the Company's marketable securities:

	March 31, 2022	December 31, 2021
	<i>(In thousands)</i>	
Due within one year	\$ 331,714	\$ 202,895
Due after one year through two years	—	131,252
Total marketable securities	\$ 331,714	\$ 334,147

The Company evaluates marketable securities in unrealized loss position to determine whether the impairment is due to credit-related factors or other factors. The Company considers the extent to which the fair value is less than cost, the financial condition and near-term prospects of the security issuer, and the intent and ability of the Company to retain its investment in the security for a period of time sufficient to allow for any anticipated recovery in fair value.

The Company does not have an intent to sell any of these securities prior to maturity and believes that it is more likely than not that the Company will not have to sell any such securities before a recovery of cost. The fair value is expected to recover as the securities approach their maturity date. Accordingly, as of March 31, 2022, the Company believes that the unrealized losses are due to noncredit-related factors, including changes in interest rates and other market conditions, and therefore no impairment losses have been recognized in the Company's unaudited condensed consolidated statements of operations for the three months ended March 31, 2022 and 2021. As of March 31, 2022 and December 31, 2021, the number of investment positions that are in an unrealized loss position were 65 and 57, respectively. As of March 31, 2022 and December 31, 2021, the Company had no securities that have been in a continuous unrealized loss position for twelve months or greater. The Company determines realized gains or losses on the sale of marketable securities based on a specific identification method.

Accrued interest receivable related to marketable securities was \$1.0 million and \$1.2 million, as of March 31, 2022 and December 31, 2021, respectively, and is presented within prepaid expenses and other current assets on the unaudited condensed consolidated balance sheets. The Company does not measure an allowance for credit losses on accrued interest receivable and recognizes interest receivable write offs as a reversal of interest income. No accrued interest was written off during the three months ended March 31, 2022 and 2021.

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5. Goodwill and Intangible Assets

Goodwill

There have been no changes in the carrying amount of goodwill for the three months ended March 31, 2022.

Intangible Assets

Intangible assets consisted of the following:

March 31, 2022				
	Weighted Average Remaining Amortization		Accumulated Amortization	Net Book Value
	(In Years)		(In thousands)	
Intangible assets subject to amortization:				
Acquired customer relationships	10.3	\$ 179,000	\$ (12,205)	\$ 166,795
Internally developed software	—	11,391	(11,391)	—
Domain name	9.3	210	(70)	140
Total finite-lived intangible assets, net	10.2	190,601	(23,666)	166,935
Indefinite-lived intangible assets:				
Acquired licenses		2,000	—	2,000
Total intangible assets, net		\$ 192,601	\$ (23,666)	\$ 168,935

December 31, 2021				
	Weighted Average Remaining Amortization		Accumulated Amortization	Net Book Value
	(In Years)		(In thousands)	
Intangible assets subject to amortization:				
Acquired customer relationships	10.5	\$ 179,000	\$ (8,136)	\$ 170,864
Internally developed software	—	11,391	(11,391)	—
Domain name	9.5	210	(66)	144
Total finite-lived intangible assets, net	10.5	190,601	(19,593)	171,008
Indefinite-lived intangible assets:				
Acquired licenses		2,000	—	2,000
Total intangible assets, net		\$ 192,601	\$ (19,593)	\$ 173,008

Amortization of intangible assets for the three months ended March 31, 2022 and 2021 was \$4.1 million and \$0.5 million, respectively.

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Total future amortization expense as of March 31, 2022 was as follows:

	<i>(In thousands)</i>
Remainder of 2022	\$ 12,216
2023	16,289
2024	16,289
2025	16,289
2026	16,289
Thereafter	89,563
Total future amortization expense	<u>\$ 166,935</u>

6. Significant Balance Sheet Components

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	March 31, 2022	December 31, 2021
	<i>(In thousands)</i>	
Contract assets	\$ 2,559	\$ 5,359
Deferred contract costs	4,229	4,564
Prepaid insurance	3,551	6,521
Prepaid other	8,601	7,743
Recording fee advances	4,651	4,243
Other current assets	4,234	3,283
Total prepaid expenses and other current assets	<u>\$ 27,825</u>	<u>\$ 31,713</u>

Recording fee advances represent amounts advanced on behalf of customers in the Title365 segment associated with the recording of mortgage documents. These amounts are primarily recouped within 30 days from funds in the escrow accounts the Company administers.

Property and Equipment, Net

Property and equipment, net, consisted of the following:

	March 31, 2022	December 31, 2021
	<i>(In thousands)</i>	
Computer and software	\$ 4,413	\$ 4,287
Furniture and fixtures	1,542	1,559
Leasehold improvements	5,068	4,940
Total property and equipment, gross	11,023	10,786
Accumulated depreciation and amortization	(5,128)	(4,631)
Total property and equipment, net	<u>\$ 5,895</u>	<u>\$ 6,155</u>

Depreciation expense for the three months ended March 31, 2022 and 2021 was \$0.5 million and \$0.3 million, respectively.

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Note Receivable

In January 2021, the Company made a \$3.0 million investment in a privately-held company via a convertible promissory note. Interest accrues at 2% per annum and outstanding principal and accrued interest is due and payable at the earliest of (i) 60 months from the execution of the note, (ii) an initial public offering, or (iii) change in control, unless otherwise converted to shares of the issuer. The outstanding principal and unpaid accrued interest are convertible into 4,500,000 shares of the issuer's Series Seed Preferred Stock at the option of the issuer, upon a change in control, upon the issuer's initial public offering, or upon a qualified equity financing. The conversion option is not bifurcated from the promissory note as the option does not meet the net settlement criteria of a derivative instrument due to the option not being readily convertible to cash. The Company also has a call option to merge the issuer with the Company for aggregate consideration of \$500.0 million. The value of the call option was determined to be inconsequential. The note receivable is presented within other non-current assets on the unaudited condensed consolidated balance sheets.

Investments in Non-Marketable Equity Securities

In September 2021, the Company made a \$2.5 million equity investment in a privately-held company in exchange for 103,611 shares of Series Growth 1a Preferred Stock. This investment in the equity securities without readily determinable fair value was initially recorded at cost. Subsequently, this investment is measured at cost, less impairment, if any, plus or minus observable price changes in orderly transactions of an identical or similar investment of the same issuer. There were no impairments or adjustments for observable price changes for the three months ended March 31, 2022. This investment is presented within other non-current assets on the unaudited condensed consolidated balance sheets.

Other Current Liabilities

Other current liabilities consisted of the following:

	March 31, 2022	December 31, 2021
	<i>(In thousands)</i>	
Accrued expenses	\$ 5,615	\$ 5,798
Accrued interest	3,222	3,397
Accrued professional fees	4,402	3,085
Accrued connectivity fees	3,800	4,753
Operating lease liabilities, current portion	4,138	3,856
Payable to Title365 noncontrolling interest holder under transition services agreement	2,201	5,549
Other	886	1,224
Total other current liabilities	<u>\$ 24,264</u>	<u>\$ 27,662</u>

Other Long-Term Liabilities

Other long-term liabilities consisted of the following:

	March 31, 2022	December 31, 2021
	<i>(In thousands)</i>	
Deferred tax liabilities	\$ —	\$ 2,864
Early exercise liabilities	4,547	6,998
Payroll tax liabilities	1,513	1,457
Other liabilities	2,067	2,096
Total other long-term liabilities	<u>\$ 8,127</u>	<u>\$ 13,415</u>

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7. Leases

The Company leases its facilities under non-cancelable operating leases with various expiration dates. Leases may contain escalating payments. Restricted cash that is not available for use in operations consists of collateral for standby letters of credit related to the Company's office lease facilities. Restricted cash balances related to lease obligations as of March 31, 2022 and December 31, 2021 were \$5.0 million.

The Company's total operating lease costs were \$1.8 million and \$1.3 million for the three months ended March 31, 2022 and 2021, respectively. The Company's total operating lease costs include variable costs in the amount of \$0.5 million and \$0.4 million for the three months ended March 31, 2022 and 2021, respectively. Variable lease costs are primarily comprised of maintenance costs and are determined based on the actual costs incurred during the period. Variable lease payments are expensed in the period incurred and not included in the measurement of lease assets and liabilities.

As of March 31, 2022 and December 31, 2021, the weighted average remaining operating lease term was 4.0 years and 4.3 years, respectively. The weighted average discount rate used to estimate operating lease liabilities for leases that existed as of March 31, 2022 and December 31, 2021 was 7.4% and 7.3%, respectively. Cash paid for amounts included in the measurement of operating lease liabilities was \$1.3 million and \$0.9 million for the three months ended March 31, 2022 and 2021, respectively.

As of March 31, 2022, maturities of operating lease liabilities were as follows:

	<i>(In thousands)</i>
Remainder of 2022	\$ 3,652
2023	5,525
2024	5,249
2025	3,744
2026	1,048
Thereafter	1,605
Total lease payments	<u>20,823</u>
Less: imputed interest	<u>(3,001)</u>
Total operating lease liabilities	<u>\$ 17,822</u>

8. Commitments and Contingencies

Contingencies

From time to time and in the normal course of business, the Company may be subject to various legal matters, such as threatened or pending claims or proceedings. There were no such material matters as of March 31, 2022 or December 31, 2021.

Warranties, Indemnifications, and Contingent Obligations

The Company's platform, products, and services are generally warranted to perform substantially as described in the associated documentation and to satisfy defined levels of uptime reliability. The service-level agreements that provide for defined levels of uptime reliability and performance permit the customers to receive credits or to terminate their agreements in the event that the Company fails to meet those levels. To date, the Company has not experienced any significant failures to meet defined levels of reliability and performance as a result of those agreements and historically the Company has not incurred any material costs associated with warranties. Accordingly, the Company has not accrued any liabilities related to these agreements in the unaudited condensed consolidated financial statements.

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The Company enters into indemnification provisions under (i) its agreements with other companies in the ordinary course of business, typically with business partners, contractors, customers, and landlords and (ii) its agreements with investors. Under these provisions, the Company generally indemnifies and holds harmless the indemnified party for losses suffered or incurred by the indemnified party as a result of the Company's activities or, in some cases, as a result of the indemnified party's activities under the agreement. These indemnification provisions often include indemnifications relating to representations made by the Company with regard to intellectual property rights. These indemnification provisions generally survive termination of the underlying agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is unlimited. The Company has not incurred material costs to defend lawsuits or settle claims related to these indemnification agreements. Accordingly, the Company has no liabilities recorded for these agreements as of March 31, 2022 or December 31, 2021.

The Company has agreed to indemnify its officers and directors to the fullest extent permitted by its amended and restated bylaws and the General Corporation Law of the State of Delaware for certain events or occurrences arising as a result of the officers or directors serving in such capacity. The coverage applies only to acts that occurred during the tenure of the officer or director and has an unlimited term. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. The Company believes the estimated fair value of these indemnification agreements is minimal and has no liabilities recorded for these agreements as of March 31, 2022 or December 31, 2021.

9. Business Combinations

On June 30, 2021, the Company acquired 90.1% of the shares of common stock of Title365, an underwritten title insurance company engaged in the business of selling title insurance policies and escrow services throughout the United States, from Mr. Cooper Group Inc ("Mr. Cooper"). The Title365 acquisition will enable the Company's customers to streamline the title, settlement, and closing process at scale for mortgages, home equity lines of credit, and home equity loans.

The total purchase consideration was \$417.7 million, of which \$416.8 million was cash consideration. The preliminary purchase price allocation is as follows:

	June 30, 2021
	<i>(In thousands)</i>
Preliminary identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	\$ 16,500
Trade and other receivables	13,848
Prepaid expenses and other current assets	7,906
Property and equipment, net	1,048
Operating lease right-of-use assets	3,520
Intangible assets	181,000
Restricted cash, non-current	335
Accounts payable	(1,165)
Accrued compensation	(3,492)
Other current liabilities	(10,911)
Operating lease liabilities, non-current	(1,963)
Other long-term liabilities	(42,403)
Net identifiable assets	164,223
Redeemable noncontrolling interest	(33,748)
Goodwill	287,228
Total purchase consideration	\$ 417,703

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	June 30, 2021
	(In thousands)
Fair value of consideration transferred	
Cash consideration	\$ 416,848
Fair value of replacement share-based payment awards	855
Total purchase consideration	\$ 417,703

The acquisition was accounted for as a business combination using the acquisition method of accounting in accordance with ASC 805, *Business Combinations*. The purchase price was allocated to the assets acquired and liabilities assumed based on the estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of the net identifiable assets acquired was allocated to goodwill, which is not expected to be deductible for tax purposes. However, ASC 805-740-30-3 requires that changes in assumptions about the realizability of an acquirer's valuation allowance as a result of a business combination are recorded separately from the business combination accounting. The goodwill, which was recorded to the Title365 segment, predominantly arises due to synergies the Company expects to achieve through integration of Title365 with the Company's existing software platform, enabling financial services firms to automate title commitments and streamline communication with consumers and settlement teams.

The acquired intangible assets consist of the following:

	Fair Value	Estimated Useful Life
	(In thousands)	(In years)
Customer relationships	\$ 179,000	11
Licenses	2,000	Indefinite
Total intangible assets	\$ 181,000	

Customer relationships represent the fair value of future projected revenue that will be derived from sales of products to existing customers of the Title365 business. The fair value of customer relationships was estimated using the multi-period excess earnings method. The significant assumptions used in the valuation included the estimated annual net cash flows expected to be generated from the acquired customer portfolio (including appropriate revenue and profit attributable to the asset, attrition curve, tax rate, contributory asset charges, among other factors) and the discount rate. The economic useful life was determined by evaluating several factors, including the estimated cash flows used in the valuation.

Licenses represent intangible assets that legally entitle the Company to conduct business in certain states. The fair value of licenses was determined using the replacement cost method. The significant assumptions used in the valuation included the estimated employee costs and other costs per license application.

Restricted cash consists of certificates of deposit maintained to comply with regulatory requirements.

Other long-term liabilities represents the deferred tax liability resulting primarily from the allocation of a portion of the purchase consideration to non-deductible identifiable intangible assets.

The redemption value of the noncontrolling interest is based on the greater of (1) \$49.5 million plus an amount of interest calculated using an interest rate of 5.0% per annum compounding annually; or (2) 4.4 multiplied by the trailing 12-month EBITDA multiplied by the noncontrolling interest ownership percentage. As such, the fair value of the redeemable noncontrolling interest in Title365 was determined using a Monte Carlo simulation whereby a range of possible scenarios of future EBITDA was considered. In each scenario an analysis was performed to determine the optimal decision for the Company on the timing to exercise the call option. Based on the optimal decision in each simulation, the payoff was discounted to the acquisition date and the average of the discounted payoff across the simulation paths was determined to represent the fair value of the noncontrolling interest.

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The allocation of purchase price to acquired net identifiable assets is preliminary as the review of tax returns that provide the underlying tax basis of Title365 assets and liabilities is not yet complete, thus the provisional measurements of fair value of deferred tax liabilities set forth above are subject to change. The Company expects to finalize the allocation of the purchase price as soon as practical, but not later than one year from the acquisition date.

Title365 revenue for three months ended March 31, 2022 was approximately \$38.7 million, and Title365 net loss was approximately \$3.2 million.

Unaudited Pro Forma Financial Information

The following unaudited pro forma information gives effect to the acquisition of Title365 as if it had been completed on January 1, 2021 (the beginning of the comparable prior reporting period). The pro forma financial information presented below is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of fiscal year 2021, nor does it attempt to represent the results of future operations of the combined entities under the ownership and operation of the Company. The pro forma results of operations also do not include any cost savings or other synergies that may result from this business combination or any estimated costs that have been or will be incurred by the Company to integrate the acquired assets. These pro forma results are based on estimates and assumptions, and include the business combination accounting effects resulting from the transaction, including the amortization charges from acquired intangible assets, employee retention costs, interest expense associated with the credit facility proceeds, which were utilized to partially fund the payment of the purchase consideration, and other purchase accounting adjustments and the related tax effects as though the Company and Title365 were combined as of the beginning of January 1, 2021.

	Three Months Ended March 31,	
	2022	2021
	<i>(In thousands)</i>	
Revenues ⁽¹⁾	\$ 71,524	\$ 99,662
Net loss	\$ (71,627)	\$ (19,109)
Net (loss) income attributable to redeemable noncontrolling interest	\$ (220)	\$ 1,147
Net loss attributable to Blend Labs, Inc.	\$ (71,407)	\$ (20,256)

(1) As part of the Company's evaluation of Title365 accounting policies post-acquisition, Title365 revenue was adjusted to be presented net of insurance premiums paid to the underwriters, in accordance with Principal vs. Agent considerations included in ASC 606, Revenue Recognition.

10. Debt Financing

Debt consisted of the following:

	March 31, 2022	December 31, 2021
	<i>(In thousands)</i>	
Term Loan - principal	\$ 225,000	\$ 225,000
Term Loan - exit fee	4,500	4,500
Less: unamortized debt discounts and issuance costs	(14,973)	(15,657)
Total debt	<u>\$ 214,527</u>	<u>\$ 213,843</u>

On June 30, 2021, in connection with the closing of the acquisition of Title365, the Company entered into a credit agreement (the "Credit Agreement"), which provides for a \$225.0 million senior secured term loan (the "Term Loan") and a \$25.0 million senior secured revolving credit facility (the "Revolving Facility"). The Revolving Facility includes \$10.0 million sublimit for the issuance of letters of credit. The Revolving Facility also includes a swingline sub-facility (the "Swingline Facility") that accommodates same-day borrowing of base rate loans. The sublimit for the Swingline Facility is \$5.0 million.

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The Term Loan was fully drawn at closing to provide, in part, the cash consideration paid in connection with the acquisition of Title365. The Term Loan was funded and the cash consideration was transferred on July 1, 2021. The Revolving Facility remained available and undrawn as of March 31, 2022.

The borrowings under the Term Loan and Revolving Facility accrue interest at a floating rate which can be, at the Company's option, either (i) an adjusted LIBOR rate for a specified interest period plus an applicable margin of 7.50% or (ii) a base rate plus an applicable margin of 6.50%. The LIBOR rate applicable to the Term Loan and the Revolving Facility is subject to a floor of 1.00%, and the base rate is subject to a floor of 2.00%. The base rate for any day is a fluctuating rate per annum equal to the highest of (i) the federal funds effective rate in effect on such day, plus 0.50%, (ii) the rate of interest for such day as published in the Wall Street Journal as the "prime rate," and (iii) the adjusted LIBOR rate for a one-month interest period, plus 1.00%. Interest is payable in cash on a quarterly basis.

In addition to paying interest on amounts outstanding under the Term Loan and the Revolving Facility, the Company is required to pay a commitment fee of 0.50% per annum of the unused commitments under the Revolving Facility. The Company is also required to pay letter of credit fees, customary fronting fees, and other customary documentary fees in connection with the issuance of letters of credit.

The Company incurred approximately \$5.7 million of debt issuance costs in connection with the Term Loan, which have been deferred, and the remaining unamortized portion of these costs is presented as a reduction of long-term debt. Debt issuance costs related to the Revolving Facility amounted to \$0.5 million, and the remaining unamortized portion of these costs is presented within other current assets on the unaudited condensed consolidated balance sheets.

In connection with the Credit Agreement, the Company issued a Series G preferred stock warrant to purchase 598,431 shares of Class A common stock at an exercise price per share of \$13.827822. The terms of the warrant agreement provide the holder with an option to net settle if the fair value of Class A common stock is greater than the exercise price. The net shares to be issued in a cashless exercise are based on the fair value of the Company's Class A common stock at the time the warrant is exercised. As of March 31, 2022, the warrant has not been exercised. The warrant will expire 10 years from the issue date. The proceeds from the issuance of debt were allocated between the Term Loan and the warrant based on their relative fair values, resulting in a debt discount of approximately \$6.8 million for the amount allocated to the warrant and accounted for as paid-in capital.

Under the terms of the Credit Agreement, the lender is entitled to an exit fee in an amount equal to 2.00% of the signing date term facility commitment. The exit fee resulted in an additional debt discount of \$4.5 million. The exit fee shall be due and payable on the earliest to occur:

- a) The maturity date of the Term Loan;
- b) The date on which all amounts then outstanding under the Term Loan are paid in full;
- c) The acceleration of the obligations with respect to the Term Loan for any reason;
- d) Any event of default as defined by the Term Loan; and
- e) Any repayment resulting from or in connection with a change of control.

Including the impact of the deferred debt issuance costs and the debt discounts resulting from the exit fee and the warrant, the effective interest rate on the Term Loan was approximately 10.20%. Debt issuance costs, debt discounts, and the Revolving Facility issuance costs are being amortized as interest expense over the term of the Credit Agreement.

The fair value of the Term Loan was approximately \$221.1 million and \$220.5 million as of March 31, 2022 and December 31, 2021, respectively, and is classified as Level 2 in the fair value hierarchy. The fair value of the Term Loan was measured by applying the income approach, which discounts the future contractual cash flows using a current risk-adjusted rate available to borrowers with similar credit ratings.

The Term Loan and Revolving Facility will mature on June 30, 2026, and the full principal amount of each is due at maturity. No amortization payments are required with respect to either the Term Loan or the Revolving Facility.

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The obligations under the Credit Agreement are guaranteed by all of the Company's domestic subsidiaries (other than Title365 and its direct and indirect subsidiaries, and subject to certain thresholds and other exceptions), and secured by a lien on substantially all of the Company's and its subsidiaries' assets (other than the equity issued by, and the assets of, Title365 and its direct and indirect subsidiaries, and subject to certain thresholds and other exceptions).

The Credit Agreement contains certain customary affirmative and negative covenants, which, in the event of default, may require a mandatory prepayment of amounts due thereunder. The Credit Agreement also contains a minimum liquidity covenant. As of March 31, 2022, the Company was in compliance with these covenants.

11. Stock-Based Compensation

2012 Stock Option Plan

Effective May 1, 2012, the Company adopted the 2012 Stock Plan (the "2012 Plan"). Options granted under the 2012 Plan may be either incentive stock options or nonqualified stock options. Incentive stock options ("ISOs") may be granted only to employees (including officers and directors). Non-qualified stock options ("NSOs") may be granted to employees and consultants. The exercise price of ISOs and NSOs shall not be less than 100% of the estimated fair value of the common shares on the date of grant, respectively, as determined by the Company's board of directors. The exercise price of an ISO granted to a 10% or greater stockholder shall not be less than 110% of the estimated fair value of the common shares on the date of grant. Options generally vest over a period of four years.

2021 Equity Incentive Plan

In July 2021, the Company's board of directors adopted, and the Company's stockholders approved, the 2021 Equity Incentive Plan (the "2021 Plan"), which became effective on July 14, 2021. The Company's prior plan, 2012 Stock Option Plan (the "2012 Plan"), was terminated immediately prior to the effectiveness of the 2021 Plan with respect to the grant of future awards.

The 2021 Plan provides for the grant of incentive stock options, within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), to the Company's employees and any parent and subsidiary corporations' employees, and for the grant of nonstatutory stock options, stock appreciation rights, restricted stock, restricted stock units ("RSUs"), and performance awards to the Company's employees, directors, and consultants and the Company's parent and subsidiary corporations' employees and consultants.

Subject to the adjustment provisions of and the automatic increase described in the 2021 Plan, a total of 23,000,000 shares of the Company's Class A common stock were reserved for issuance pursuant to the 2021 Plan, plus 36,101,718 shares of the Company's Class A common stock reserved for future issuance under the 2012 Plan. Subject to the adjustment provisions of the 2021 Plan, the number of shares available for issuance under the 2021 Plan will also include an annual increase on the first day of each fiscal year beginning on January 1, 2022, equal to the least of (a) 34,500,000 shares of Class A common stock, (b) 5% of the total number of shares of all classes of the Company's common stock outstanding on the last day our immediately preceding fiscal year, or (c) such other amount as the Company's board of directors (or its committee) may determine. Options granted under the 2021 Plan vest over periods ranging from one to four years.

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A summary of the stock option activity is as follows:

	Number of options <i>(In thousands)</i>	Weighted average exercise price	Weighted average remaining contractual life <i>(In years)</i>	Aggregate intrinsic value <i>(In thousands)</i>
Balance as of December 31, 2021	31,675	\$ 5.81	8.01	\$ 108,826
Granted	378	\$ 7.98		
Exercised	(1,654)	\$ 0.90		\$ 7,984
Cancelled and forfeited	(1,677)	\$ 10.20		
Balance as of March 31, 2022	<u>28,722</u>	\$ 5.86	7.65	\$ 67,456
Vested and exercisable as of March 31, 2022	11,491	\$ 3.00	6.60	\$ 40,385

The weighted average grant-date fair value of options granted during the three months ended March 31, 2022 and 2021 was \$3.68 and \$7.20 per share, respectively. The total fair value of options vested during the three months ended March 31, 2022 and 2021 was \$9.0 million and \$2.5 million, respectively.

The estimated grant date fair values of the employee stock options granted under the 2012 Plan and 2021 Plan were calculated using the Black-Scholes Merton Option pricing model, based on the following weighted average assumptions:

	Three Months Ended March 31,	
	2022	2021
Expected term (years)	5.28	6.07
Expected volatility	49.82%	32.86%
Risk-free interest rate	1.82%	1.13%
Expected dividend yield	—	—

Risk-Free Interest Rate. The risk-free interest rate is based on U.S. treasury zero-coupon issues with remaining terms similar to the expected term of the options at the date of grant.

Expected Term. The expected term represents the period that the Company's share-based awards are expected to be outstanding. The Company applies the simplified method in determining the expected life of the stock options as the Company has limited historical basis upon which to determine historical exercise periods.

Expected Dividend Yield. The Company has never declared or paid any cash dividends and does not plan to pay cash dividends in the foreseeable future, and, therefore, used an expected dividend yield of zero in the valuation model.

Expected Volatility. Expected volatility of the stock is based on the average historical volatility of the Company's peer group after consideration of their size, maturity, profitability, growth, risk, and return on investment as the Company has limited historical volatility.

Fair Value. Prior to the IPO, the Company's board of directors and in part based upon a valuation provided by a third-party valuation firm, determined the fair value of the Company's common stock in connection with the grant of stock options and stock awards. Due to there being no public market for the Company's common stock, its board of directors considered the third-party valuation and other factors, including but not limited to, secondary sales of the Company's common stock, revenue growth, the current status of its operations, its financial condition, its stage of development, and its competition to establish the fair market value of the Company's common stock at the time of grant of the stock option or stock award. For grants issued subsequent to the Company's IPO, the Company used the closing market price of its stock on the date of grant.

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As of March 31, 2022, the total unrecognized stock-based compensation expense for stock options issued under the 2012 Plan and the 2021 Plan was approximately \$61.1 million, which is expected to be recognized over a weighted average period of 2.6 years.

Early Exercise of Common Stock Options

The Company's board of directors has authorized certain stock option holders to exercise unvested options to purchase shares of Class A common stock. Shares received from such early exercises are subject to repurchase in the event of the optionee's termination of service as a service provider (as defined in the 2012 Plan and the 2021 Plan), at the lower of the fair market value on the date of the repurchase or the original exercise price, until the options are fully vested.

As of March 31, 2022 and December 31, 2021, 1,187,869 and 1,819,558 shares of Class A common stock were subject to repurchase. As of March 31, 2022 and December 31, 2021, the cash proceeds received for unvested shares of Class A common stock presented within other long-term liabilities in the unaudited condensed consolidated balance sheets were \$4.5 million and \$7.0 million, respectively.

Restricted Stock Units

A summary of the Company's RSU activity and related information is as follows:

	Number of RSUs (In thousands)	Weighted average grant date fair value per share
Balance as of December 31, 2021	2,589	\$ 8.91
Granted	6,259	\$ 8.35
Vested	(523)	\$ 8.79
Cancelled and forfeited	(313)	\$ 9.07
Balance as of March 31, 2022	8,012	\$ 8.47

As of March 31, 2022, there was \$58.4 million of unrecognized stock-based compensation expense related to unvested RSUs, which is expected to be recognized over a weighted average period of 0.8 year. RSUs granted under the 2021 Plan generally vest quarterly over a period of one year from the grant date.

The total fair value of RSUs vested during the three months ended March 31, 2022 was \$4.7 million.

Performance Stock Award

In March 2022, the Company's board of directors granted a performance stock award that provides for the issuance of up to 125,732 shares of Class A common stock that will vest in February 2023 upon satisfaction of a performance condition. As of March 31, 2022, the Company believes it is probable that the performance condition will be satisfied and estimates that 40,888 shares will vest. The expense recognized for the three months ended March 31, 2022 was not material.

Non-Plan Co-Founder and Head of Blend Options

In March 2021, the Company's board of directors granted to its Co-Founder and Head of Blend a stand-alone stock option issued outside of the 2012 Plan covering a maximum of 26,057,181 shares of Class B common stock with an exercise price of \$8.58 per share. The award has a 15-year term (subject to earlier termination when shares subject to the award are no longer eligible to vest) and vests upon the satisfaction of a service condition, liquidity event-related performance condition, and performance-based market conditions.

The terms of the award stipulated that if an IPO is completed within 15 months of the date of grant, the first tranche of 1,954,289 shares will vest. The remaining tranches of shares will vest dependent on performance goals tied to the Company's stock price hurdles with specified expiration dates for each tranche.

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On June 30, 2021, the Company's board of directors approved a modification to the Co-Founder and Head of Blend award related to market-based performance targets that impact the Company stock price hurdles. The impact of the modification did not result in stock-based compensation expense as of the modification date as the satisfaction of the IPO performance condition was not probable at that time.

The estimated fair value of the first tranche as of the modification date was determined using Black-Scholes Merton Option pricing model, which resulted in fair value of \$12.27 per share based on the following assumptions:

Fair value of common stock	\$18.00
Expected term (years)	7.44
Expected volatility	45.00%
Risk-free interest rate	1.71%
Expected dividend yield	—

The remaining tranches were valued using a Monte Carlo simulation model. The weighted average estimated fair value of the remaining tranches as of the modification date was \$3.80 per share based on the following assumptions:

Fair value of common stock	\$18.00
Remaining contractual term (years)	14.75
Expected volatility	40.00%
Risk-free interest rate	1.71%
Expected dividend yield	—

In July 2021, the first tranche of 1,954,289 shares of the Co-Founder and Head of Blend stock option award vested upon completion of the IPO. The total stock-based compensation expense recognized for this award for the three months ended March 31, 2022 was \$4.8 million. No expense was recorded for the three months ended March 31, 2021 because the satisfaction of the IPO performance condition was not yet probable. The total unrecognized compensation expense related to the award for all tranches was \$41.1 million as of March 31, 2022, which will be recognized over an estimated weighted average remaining period of 3.3 years.

Stock-Based Compensation Expense

The Company's stock-based compensation expense was as follows:

	Three Months Ended March 31,	
	2022	2021
	<i>(In thousands)</i>	
Cost of revenue	\$ 493	\$ 58
Research and development	9,866	1,386
Sales and marketing	2,523	1,373
General and administrative	11,430	1,199
Total	<u>\$ 24,312</u>	<u>\$ 4,016</u>

12. Income Taxes

The Company recorded a benefit for income taxes of \$2.8 million for the three months ended March 31, 2022 consisting of a \$2.9 million deferred tax benefit resulting from an adjustment to the valuation allowance and a current tax expense of \$67 thousand consisting of state and foreign income taxes. The Company recorded a provision for income taxes of \$10 thousand for the three months ended March 31, 2021, consisting primarily of U.S. state income taxes.

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The Company reassessed the ability to realize deferred tax assets by considering the available positive and negative evidence. As of March 31, 2022, the Company concluded that its net deferred tax assets are not more-likely-than-not to be realized and maintained a full valuation allowance against such net deferred tax assets. Primarily as a result of changes in U.S. tax law requiring capitalization and amortization of research and development costs for tax purposes, the Company reduced its valuation allowance by \$2.9 million resulting in a corresponding reduction in the net deferred tax liability as of March 31, 2022.

As of March 31, 2022, the Company files tax returns in the U.S. federal and various state jurisdictions. Due to the Company's U.S. net operating loss carryforwards, its income tax returns generally remain subject to examination by federal and most state tax authorities. Beginning in 2022, the Company's subsidiary files income taxes returns in India which are subject to examination by tax authorities in India.

13. Net Loss Per Share

The Company computes net loss per share using the two-class method required for multiple classes of common stock. The Company has three classes of authorized common stock for which voting rights differ by class.

Basic net loss per share is computed by dividing net loss attributable to each class of stockholders by the weighted average number of shares of stock outstanding during the period, adjusted for options early exercised and subject to repurchase.

For the calculation of diluted net loss per share, net loss per share attributable to the Company for basic net loss per share is adjusted by the effect of dilutive securities, including awards issued under the Company's equity compensation plans. Diluted net loss per share attributable to the Company is computed by dividing the resulting net loss attributable to the Company by the weighted average number of fully diluted common shares outstanding.

In connection with the IPO, upon the effectiveness of the filing of the Amended and Restated Certificate of Incorporation, all shares of the Company's pre-IPO Class A common stock were reclassified as Class B common stock and all shares of the Company's pre-IPO Class B common stock were reclassified as Class A common stock. All weighted average common stock outstanding and net loss per share amounts presented within these unaudited condensed consolidated financial statements have been adjusted to reflect this reclassification on a retroactive basis for all periods presented.

The following table presents the calculation of basic and diluted net loss per share for Class A and Class B common stock. No shares of Class C common stock were issued and outstanding during the periods presented.

	Three Months Ended March 31,			
	2022		2021	
	Class A Common	Class B Common	Class A Common	Class B Common
<i>(In thousands, except per share data)</i>				
Numerator:				
Net loss attributable to Blend Labs, Inc.	\$ (68,149)	\$ (3,955)	\$ (18,039)	\$ (9,028)
Less: accretion of RNCI to redemption value	(1,363)	(79)	—	—
Net income (loss) attributable to Blend Labs, Inc common stockholders	<u>\$ (69,512)</u>	<u>\$ (4,034)</u>	<u>\$ (18,039)</u>	<u>\$ (9,028)</u>
Denominator:				
Weighted average common stock outstanding, basic and diluted	217,696	12,633	30,051	15,039
Net loss per share attributable to Blend Labs, Inc.:				
Basic and diluted	\$ (0.32)	\$ (0.32)	\$ (0.60)	\$ (0.60)

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The following potential shares of common stock were excluded from the computation of diluted net earnings per share attributable to the Company for the periods presented because including them would have been antidilutive as the Company has reported net loss for each of the periods presented:

	As of March 31,	
	2022	2021
	<i>(In thousands)</i>	
Outstanding stock options	28,722	34,716
Early exercised options subject to repurchase	1,188	748
Options exercised via promissory note	—	4,000
Non-plan Co-Founder and Head of Blend options	26,057	26,057
Unvested restricted stock units	8,012	—
Unvested performance stock award	126	—
Common stock warrants	598	—
Convertible preferred stock warrants	—	1,270
Founders convertible preferred stock	—	692
Convertible preferred stock	—	146,181
Total antidilutive securities	64,703	213,664

14. Segment Information

The Company's operating segments are defined in a manner consistent with how the Company manages its operations and how the Company's Chief Operating Decision Maker ("CODM") evaluates the results and allocates the Company's resources.

Segment profit, which is the measure used by the Company's CODM to evaluate the performance of and allocate resources to its segments, is calculated as segment revenue less segment cost of revenue. The Company does not evaluate performance or allocate resources based on segment assets, and therefore, such information is not presented.

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The following table provides information about each reportable segment:

	Three Months Ended March 31,	
	2022	2021
	<i>(in thousands)</i>	
Segment revenue:		
Blend Platform	\$ 32,793	\$ 31,875
Title365	38,731	—
Total revenue	<u>\$ 71,524</u>	<u>\$ 31,875</u>
Segment gross profit:		
Blend Platform	\$ 18,591	\$ 21,015
Title365	10,278	—
Total gross profit	<u>28,869</u>	<u>21,015</u>
Operating expenses:		
Research and development	35,106	17,074
Sales and marketing	22,341	15,865
General and administrative	37,102	15,283
Amortization of acquired intangible assets	4,068	—
Total operating expenses	<u>98,617</u>	<u>48,222</u>
Loss from operations	<u>(69,748)</u>	<u>(27,207)</u>
Interest expense	(5,558)	—
Other income (expense), net	91	150
Loss before income taxes	<u>\$ (75,215)</u>	<u>\$ (27,057)</u>

15. Subsequent Events

In April 2022, the Company committed to a workforce reduction plan (the “Plan”) as part of its broader efforts to improve cost efficiency and better align its operating structure with its business activities. The focus of the Plan is on streamlining the Company’s title operations as well as its general and administrative functions. The Plan includes the elimination of approximately 200 positions across the Company, or approximately 10% of the Company’s current workforce. The Company estimates that it will incur approximately \$6.7 million in charges in connection with the Plan, including approximately \$6.5 million in cash expenditures for employee benefits, severance payments, payroll taxes and related facilitation costs and approximately \$0.2 million in stock-based compensation. The Company expects that execution of the Plan, including cash payments, will be substantially complete in the second quarter of 2022. In addition to the elimination of certain positions, the Company is implementing non-personnel related cost reductions.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes appearing elsewhere in this Quarterly Report on Form 10-Q and in our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2021. This discussion contains forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to such differences include those identified below and those discussed in the section titled "Risk Factors" and other parts of this Form 10-Q and in our Annual Report on Form 10-K. Our historical results are not necessarily indicative of the results that may be expected for any period in the future.

Overview

Blend Labs, Inc. was founded in 2012, with a vision to bring simplicity and transparency to financial services, so everyone can gain access to the capital they need to lead better lives. To realize this vision, we have built a market-leading cloud-based software platform for financial services firms that is designed to power the end-to-end consumer journey for any banking product. Our software platform was built in an extensible, modular, and configurable fashion to support continued product expansion. We have technology, data, and service providers on our software platform, including an extensive marketplace of insurance carriers, realtors, and settlement agencies. Our products and marketplaces provide multiple opportunities for us to serve financial services firms and consumers and drive revenue growth.

Our rapid growth reflects continued product innovation and increased transaction volume as we continue to attract financial services firms to our software platform and grow with them as they serve consumers. Financial services firms have been shifting for years to a digital-first approach to acquiring consumers, delivering products, and deepening existing consumer relationships. This imperative to compete through digital-first consumer experiences creates a compelling opportunity for Blend. We believe there is a large, untapped opportunity to provide additional product offerings and drive increased transaction volume for financial institutions and consumers using our software platform.

We are continually seeking to enhance the end-to-end banking journeys we power through our software platform. To accelerate the adoption of innovations in our mortgage and home equity products, on June 30, 2021 we acquired 90.1% ownership of Title365, a leading title insurance agency that offers title, escrow and other trustee services.

Recent Developments

Industry Trends and COVID-19 Update

We are now in the third year of the COVID-19 pandemic. While the impact of the pandemic is lessening, new COVID-19 variants are continuing to cause concern and economic disruption. The pandemic has caused us to modify our business practices, including restricting travel, requiring our employees and contractors to work remotely, limiting non-essential visitors to our facilities, and establishing a variety of safety protocols at our facilities.

We believe that the COVID-19 pandemic has accelerated the transformation of financial services firms into digital businesses. It is continuing to cause the regulatory environment to shift in favor of digitization (such as through the use of digital signatures and online notarization) and is driving consumer behavior away from traditional branches and toward digital channels for banking services, which we expect will generate additional opportunities for us in the future. Since the onset of the COVID-19 pandemic and through the end of 2021, we have experienced an increase in demand for our software platform offerings, and we have continued to partner with our financial services customers to expand the scope and availability of products through our platform.

For the three months ended March 31, 2022, we have seen a 7% increase in total banking transactions on our software platform compared to the three months ended March 31, 2021, and we attribute a portion of this increase to the ongoing need for digital transformation at financial services firms. This increase was driven in particular by an increase in consumer banking transactions, which underscores the diversification of our platform's product suite as the banking industry continues to digitize in order to meet consumers' expectations on delivering a single platform across all products, channels, and parts of the transaction.

However, the mortgage market is heavily influenced by government policies and overall economic conditions. The real estate environment, including interest rates and general economic activity, typically impact the demand for mortgage and mortgage related products. Changes in either of these areas would likely impact our results of operations. Purchase volume and refinance activity were strong in 2021 and 2020 relative to historical averages over the preceding decade; however, variability of interest rates combined with ongoing supply constraints and volatility in the cost and availability of building materials in recent months could result in reductions in future periods.

In January 2022, and subsequently in April 2022, the Mortgage Bankers Association (“MBA”) released its U.S mortgage originations forecast, which indicated that the residential mortgage originations are expected to steadily decline in 2022 and 2023 before leveling out in 2024. In March 2022, for the first time since 2018, the U.S. Federal Reserve raised the federal funds rate by one quarter percentage point and in May 2022 raised it again by another half percentage point, while indicating it expects to raise that interest rate again in the future. The federal funds rate is the benchmark for most interest rates and is the average interest rate that banks pay for overnight borrowing in the federal funds market. As a large portion of our revenue is driven by mortgage and mortgage related transaction volumes, declines in the mortgage origination volumes due to rising interest rates have had, and are likely to continue to have, adverse effects on our business.

For the three months ended March 31, 2022, we have seen a 16% decrease in mortgage transactions on our software platform compared to the three months ended March 31, 2021, and we attribute a portion of this decrease to rapidly rising interest rates, rising inflation, and uncertain worldwide political and economic conditions. Overall industry dollar volumes, as reported by Fannie Mae, have decreased by 44% for that same period.

The future impact of the economic slowdown and COVID-19 pandemic on our business remains uncertain. See the section titled “*Risk Factors*” for further discussion of the challenges and risks we have encountered and could encounter related to the conditions in our industry, global economy, and COVID-19 pandemic.

Workforce Reduction Plan

In April 2022, we committed to a workforce reduction plan (the “Workforce Reduction Plan” or the “Plan”) as part of our broader efforts to improve cost efficiency and better align our operating structure with our business activities. The focus of the Plan is on streamlining our title operations as well as our general and administrative functions. The Plan includes the elimination of approximately 200 positions across the Company, or approximately 10% of our current workforce. We estimate that we will incur approximately \$6.7 million in charges in connection with the Plan, including approximately \$6.5 million in cash expenditures for employee benefits, severance payments, payroll taxes and related facilitation costs and approximately \$0.2 million in stock-based compensation. The execution of the Plan, including cash payments, is expected to be substantially complete in the second quarter of 2022. The eliminated positions represent an annualized compensation expense of approximately \$35.4 million. We expect to start realizing these cost savings in the third quarter of 2022. In addition to the elimination of certain positions, we are implementing non personnel related cost reductions.

We may incur other charges or cash expenditures not currently contemplated due to unanticipated events that may occur as a result of or in connection with the implementation of the Plan. Our implementation of the Plan and related initiatives is subject to risks and uncertainties, including the possibility that there are impediments to our ability to execute the Plan or related initiatives as currently contemplated, the actual charges in implementing the Plan or related initiatives are higher than anticipated, there are changes to the assumptions on which the estimated charges associated with the Plan or related initiatives are based, we are unable to achieve our projected cost savings in connection with the Plan or related initiatives, or there are unintended consequences from the Plan or related initiatives that impact our business.

Key Business Metrics

In addition to the measures presented in our consolidated financial statements, we use the following key business metrics to help us evaluate our business, identify trends affecting our business, formulate business plans, and make strategic decisions.

Blend Platform - Number of Transactions

Our success in the Blend Platform segment depends in part on increasing the volume of mortgage and consumer banking transactions that take place on our software platform. This occurs as we add new customers and complete more transactions with existing customers, including when our existing customers adopt additional products. Our software platform is built to be extensible, modular, and configurable, so that our customers can easily utilize our pre-built workflow technology, our

marketplaces, and our integrations with technology, data, and service providers. We design our new offerings to be highly complementary to existing ones in order to increase the speed of adoption and efficiently scale our revenue. This increasing attachment contributes further to our growth.

Title365 - Closed Orders

In our Title365 segment, closed orders represent the number of orders for title insurance and escrow services that were successfully fulfilled in each period with the issuance of a title insurance policy and provision of escrow services. The volume of closed orders is affected by the overall level of real estate activity, which is cyclical in nature and is affected by a number of factors, including the availability of mortgage credit, the cost of real estate, interest rate volatility, consumer confidence, employment and family income levels, and general economic conditions.

We also believe that the continued growth in commercial use of the internet will lead to the continued migration of traditional offline markets and industries online. Accordingly, we expect there to be a migration of the Title365 legacy business to our software-enabled platform over time, and as a result, we expect the Title365 closed orders within the Title365 segment to decrease in future periods and the volume of software-enabled title, escrow, and settlement orders within the Blend Platform segment to increase.

The following tables set forth our key business metrics:

	Three Months Ended March 31,	
	2022	2021
	<i>(In thousands)</i>	
Blend Platform banking transactions:		
Mortgage banking transactions ⁽¹⁾	376	447
Consumer banking transactions ⁽¹⁾	155	48
Total Blend Platform banking transactions	531	495
Title365 closed orders	27	N/A

(1) Includes estimated transactions for funded loans not yet reported for the first quarter 2022.

Key Components of Results of Operations

Revenue

Blend Platform

In our Blend Platform segment, we generate revenue from fees paid by customers to access our platform. Fees are assessed based on completed transactions, such as a funded loan, new account opening, or closing transaction. We do not charge for abandoned applications or rejected applications, even though they cause us to incur costs related to these applications. Arrangements with our customers do not provide the contractual right to take possession of our software at any point in time. Revenue is recognized when access to our platform is provisioned to our customers for an amount that reflects the consideration we expect to be entitled to in exchange for those services. To a lesser extent, we generate revenue from professional services related to the deployment of our platform, premium support services, and consulting services. We also earn revenue through commissions or service fees when consumers use our Blend Platform integrated marketplaces to select property and casualty insurance carrier, title and settlement services entity, or real estate agent.

Our customers have the ability to access our platform under subscription arrangements, in which customers commit to a minimum number of completed transactions at specified prices over the contract term, or under usage-based arrangements, in which customers pay in arrears a variable amount for completed transactions at specified prices. Our subscription arrangements are generally noncancelable, and we may also earn additional overage fees if the number of completed transactions exceeds the contractual amounts. Our usage-based arrangements generally can be terminated at any time by the customer. We recognize revenue ratably for our subscription arrangements because the customer receives and consumes the benefits of our platform throughout the contract period. We recognize fees for usage-based arrangements as the completed transactions are processed using our platform. Revenue from usage-based arrangements represented 48% and 19% of our Blend Platform segment revenue for three months ended March 31, 2022 and March 31, 2021, respectively.

Title365

In our Title365 segment, we earn revenue from title search services for title insurance policies, escrow, and other closing and settlement services. In performing title search services, we act as an agent to place and bind title insurance policies with third-party underwriters that ultimately provide the title insurance policy to our customers. Revenue related to title insurance is recognized net of the amount of consideration paid to the third-party insurance underwriters. Our revenues from escrow, closing, and settlement services are primarily associated with managing the closing of real estate transactions, including the processing of funds on behalf of the transaction participants, gathering and recording the required closing documents, and providing notary and other real estate or title-related activities. Revenue related to these services is recognized at the closing of the underlying real estate transaction. We also offer title services in connection with a borrower default and with the issuance of home equity lines of credit and home equity loans. Revenue for default title services and home equity services is recognized at the time of delivery of the title report.

We expect that rising mortgage interest rates in the near term will drive down transaction volume, which will adversely affect both Blend Platform and Title365 revenue. While we believe that the Blend Platform segment will continue to deliver positive growth, we expect that the title insurance and other services revenue within the Title365 segment will face significant headwinds to growth and a decline due to the projected mortgage industry origination volume decline as described above within *Recent Developments*. We are continuing to evaluate the rapid changes within the mortgage industry and the impact to our segments and their projected operating results, both in the near term and over a longer time horizon.

Cost of Revenue

Blend Platform

In our Blend Platform segment, cost of revenue consists primarily of costs of subscribed hosting, support, and professional services. Costs of subscribed hosting services and support revenue consist primarily of expenses related to hosting our services, third-party fees related to platform connectivity services, which include verification of income, assets, and employment, software licenses, and expenses related to providing support to our customers. Costs of professional services consist primarily of personnel-related expenses, including stock-based compensation expense, expenses associated with delivering implementation and other services, travel expenses, and allocated overhead costs. For each application submission, we incur third-party costs as described above, including costs for incomplete transactions for which we do not charge fees to our customers. The timing of those costs may not be aligned with the revenue recognized. We expect our cost of revenue to continue to increase in dollar amounts as we grow our business and revenue and decrease as a percentage of our revenue over the long term as we achieve greater scale in our business, although the percentage may fluctuate from period to period.

Title365

In our Title365 segment, cost of revenue consists of costs of title, escrow and other trustee services, which represent primarily personnel-related expenses of our Title365 segment as well as title abstractor, notary, and the cost of recording services provided by external vendors. In future periods, we expect that cost of revenue as a percentage of revenue will increase in the near term primarily due to the anticipated decline in revenue driven by the decrease in projected mortgage industry origination volume caused by the increase in interest rates.

Operating Expenses

Research and Development

Research and development expenses consist primarily of personnel-related expenses, including stock-based compensation expense, associated with our engineering personnel responsible for the design, development, and testing of new products and features, professional and outside services fees, software and hosting costs, and allocated overhead costs.

Research and development costs are expensed as incurred. We expect that our research and development expenses will increase in dollar amount as our business grows but will decrease as a percentage of our revenue over the long term as we achieve greater scale in our business, although the percentage may fluctuate from period to period depending on the timing and extent of our research and development activities.

Sales and Marketing

Sales and marketing expenses consist primarily of personnel-related expenses, including stock-based compensation expense, costs of general marketing activities and promotional activities, travel-related expenses, and allocated overhead costs. Sales commissions that are incremental costs of acquiring a contract with a customer as well as associated payroll taxes, are deferred and amortized on a straight-line basis over the estimated period of benefit, which we have determined to be three years. Sales commissions that are not incremental costs of acquiring a contract with a customer are expensed in the period incurred.

We plan to increase the dollar amount of our investment in sales and marketing for the foreseeable future, primarily for increased headcount for our direct sales organization and investment in brand and product marketing efforts. We expect, however, that our sales and marketing expenses will decrease as a percentage of our revenue over time as we achieve greater scale in our business, although the percentage may fluctuate from period to period depending on fluctuations in the timing and extent of our sales and marketing activities.

General and Administrative

General and administrative expenses consist primarily of personnel-related expenses, including stock-based compensation expense for our finance, accounting, legal and compliance, human resources, and other administrative teams, certain executives, as well as stock-based compensation expense related to the stand-alone stock option award granted to our Co-Founder and Head of Blend in March 2021, and professional fees, including audit, legal and compliance, and recruiting services.

Following our IPO, which was completed in July 2021, we have incurred, and expect to continue to incur additional expenses as a result of operating as a public company, including costs to comply with the rules and regulations applicable to publicly listed companies and costs related to compliance and reporting obligations pursuant to the rules and regulations of the SEC. As a public company, we have incurred, and expect to continue to incur increased expenses in the areas of insurance, investor relations, internal audit, and professional services. In addition, general and administrative expenses have increased, and we expect will continue to increase as a result of integrating and operating Title365. As a result, the dollar amount of our general and administrative expenses has increased, but we are taking action to manage further increases in the foreseeable future. We expect, however, that these expenses will decrease as a percentage of our revenue as we achieve greater scale in our business, although the percentage may fluctuate from period to period depending on the timing and extent of our general and administrative activities.

Amortization of acquired intangible assets

Amortization of acquired intangible assets relates to customer relationships acquired in connection with the Title365 business combination, which are amortized over the estimated useful life on a straight-line basis.

Other Income (Expense), Net

Other income (expense), net consists primarily of interest income earned from our investment portfolio.

Interest Expense

Interest expense relates primarily to debt financing used to fund our acquisition of Title365 and includes interest payable under the terms of the Credit Agreement entered into in connection with the closing of the acquisition of Title365 and amortization of debt discounts and debt issuance costs.

Provision for Income Taxes

Provision for income taxes consists primarily of U.S. state income taxes and adjustments to the valuation allowance. We maintain a full valuation allowance on our net federal and state deferred tax assets as we have concluded that it is not more likely than not that such net deferred tax assets will be realized. For the three months ended March 31, 2022, we recognized a benefit for income taxes of \$2.8 million, consisting of a \$2.9 million deferred tax benefit resulting from a partial release of the valuation allowance and a current tax expense of \$67 thousand consisting of state and foreign income taxes. The partial release of the valuation allowance was primarily due to changes in U.S. tax law requiring capitalization and amortization of research and development costs for tax purposes.

Results of Operations

The following tables set forth our results of operations for the periods presented in dollars and as a percentage of our revenue:

	Three Months Ended March 31,	
	2022	2021
	<i>(In thousands)</i>	
Revenue	\$ 71,524	\$ 31,875
Cost of revenue ⁽¹⁾	42,655	10,860
Gross profit	28,869	21,015
Operating expenses:		
Research and development ⁽¹⁾	35,106	17,074
Sales and marketing ⁽¹⁾	22,341	15,865
General and administrative ⁽¹⁾	37,102	15,283
Amortization of acquired intangible assets	4,068	—
Total operating expenses	98,617	48,222
Loss from operations	(69,748)	(27,207)
Interest expense	(5,558)	—
Other income (expense), net	91	150
Loss before income taxes	(75,215)	(27,057)
Income tax (expense) benefit	2,797	(10)
Net loss	\$ (72,418)	\$ (27,067)

(1) Includes stock-based compensation as follows:

	Three Months Ended March 31,	
	2022	2021
	<i>(In thousands)</i>	
Cost of revenue	\$ 493	\$ 58
Research and development	9,866	1,386
Sales and marketing	2,523	1,373
General and administrative	11,430	1,199
Total stock-based compensation	\$ 24,312	\$ 4,016

	Three Months Ended March 31,	
	2022	2021
	<i>(as a % of revenue)*</i>	
Revenue	100 %	100 %
Cost of revenue	60	34
Gross margin	40	66
Operating expenses:		
Research and development	49	54
Sales and marketing	31	50
General and administrative	52	48
Amortization of acquired intangible assets	6	—
Total operating expenses	138	151
Loss from operations	(98)	(85)
Interest expense	(8)	—
Other income (expense), net	—	—
Loss before income taxes	(105)	(85)
Income tax (expense) benefit	4	—
Net loss	(101)%	(85)%

* Certain percentages may not foot due to rounding

Comparison of the Three Months Ended March 31, 2022 and 2021

Revenue and Cost of Revenue

	Three Months Ended March 31,			
	2022	2021	\$ Change	% Change
	(In thousands)			
Segment revenue:				
Blend Platform:				
Mortgage Banking	\$ 24,484	\$ 26,435	\$ (1,951)	(7 %)
Consumer Banking and Marketplace	7,187	4,648	2,539	55 %
Professional Services	1,122	792	330	42 %
Total Blend Platform	32,793	31,875	918	3 %
Title365	38,731	—	38,731	N/A
Total revenue	\$ 71,524	\$ 31,875	\$ 39,649	124 %
Segment cost of revenue:				
Blend Platform	\$ 14,202	\$ 10,860	\$ 3,342	31 %
Title365	28,453	—	28,453	N/A
Total cost of revenue	\$ 42,655	\$ 10,860	\$ 31,795	293 %
Segment gross profit:				
Blend Platform	\$ 18,591	\$ 21,015	\$ (2,424)	(12 %)
Title365	10,278	—	10,278	N/A
Total gross profit	\$ 28,869	\$ 21,015	\$ 7,854	37 %

Revenue increased \$39.6 million, or 124%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021, driven by an increase of \$38.7 million due to the inclusion of revenue from Title365 and an increase in Blend Platform revenue of \$0.9 million, or 3%. Within Blend Platform revenue, Mortgage Banking revenue decreased \$2.0 million, or (7%), primarily due to the lower volume of mortgage banking transactions with our customers, Consumer Banking and Marketplace revenue increased \$2.5 million, or 55%, primarily due to an increase in the volume of transactions related to our integrated software solutions outside of mortgage, including ancillary products and marketplace offerings, and Professional Services revenue increased by \$0.3 million or 42%, primarily due to an increase in professional services associated with the deployment and support of our platform.

Cost of revenue increased \$31.8 million, or 293%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021, driven by an increase of \$28.5 million due to the inclusion of costs associated with the operations of Title365, and an increase in Blend Platform cost of revenue of \$3.3 million, or 31%. The increase in Blend Platform cost of revenue was primarily due to a \$2.5 million increase in hosting costs to support the volume of transactions on our platform, and a \$1.7 million increase in personnel-related expenses attributable to increased headcount.

Operating Expenses

	Three Months Ended March 31,		\$ Change	% Change
	2022	2021		
	(In thousands)			
Operating expenses:				
Research and development	\$ 35,106	\$ 17,074	\$ 18,032	106 %
Sales and marketing	22,341	15,865	6,476	41 %
General and administrative	37,102	15,283	21,819	143 %
Amortization of acquired intangible assets	4,068	—	4,068	N/A
Total operating expenses	\$ 98,617	\$ 48,222	\$ 50,395	105 %

Research and Development

Research and development expenses increased \$18.0 million, or 106%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The increase was primarily due to a \$8.5 million increase in personnel-related expenses primarily attributable to an increase in research and development headcount dedicated to the ongoing investment in our products, a \$8.5 million increase in stock-based compensation, and a \$0.9 million increase in software and hosting services to support the growth in our business and the increased volume of transactions on our platform.

Sales and Marketing

Sales and marketing expenses increased \$6.5 million, or 41%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The increase was primarily due to a \$2.9 million increase in personnel-related expenses primarily attributable to an increase in sales and marketing headcount, a \$1.8 million increase due to the inclusion of sales and marketing expenses from the operations of Title365, a \$1.1 million increase in stock-based compensation, and a \$0.5 million increase in trade shows and conference events.

General and Administrative

General and administrative expenses increased \$21.8 million, or 143% for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The increase was primarily due to \$10.2 million increase in stock-based compensation, of which \$4.8 million related to the stock option award with market-based performance targets granted to our Co-Founder and Head of Blend, \$2.9 million increase in insurance related to our public company structure, a \$3.9 million increase in personnel-related expenses primarily attributable to an increase in our administrative, finance and accounting, legal, and human resources headcount necessary to support the growth in our business, and a \$7.6 million increase due to the inclusion of general and administrative expenses from the operations of Title365. The amounts are offset by a \$2.9 million decrease in costs related to Title365 acquisition, primarily due to transaction and diligence costs that were incurred in the first quarter of 2021 and a \$0.5 million decrease in professional fees.

Amortization of acquired intangible assets

Amortization of acquired intangibles assets increased \$4.1 million for the three months ended March 31, 2022 compared to the three months ended March 31, 2021, due to the amortization of the customer relationships intangible asset acquired in the Title365 business combination.

Liquidity and Capital Resources

As of March 31, 2022, our principal sources of liquidity were cash, cash equivalents, marketable securities of \$499.4 million, and availability of credit under our \$25.0 million senior secured revolving credit facility. Cash and cash equivalents are comprised of bank deposits and money market funds. Marketable securities are comprised of U.S. treasury and agency securities, commercial paper, and corporate debt securities. Most of our cash and cash equivalents are held in the United States. Since our inception, we have financed our operations primarily through proceeds from the issuance of our stock and warrants and cash generated from the sale of our product offerings.

We have generated significant losses from operations and negative cash flows from operating activities in the past as reflected in our accumulated deficit of \$514.9 million as of March 31, 2022. We expect to continue to incur operating losses for the foreseeable future due to the investments that we intend to make in our business and, as a result, we may require additional capital resources to grow our business.

Credit Agreement

In connection with our acquisition of Title365, on June 30, 2021, we entered into a credit agreement that provides for a \$225.0 million term facility and a \$25.0 million revolving facility. The term facility was funded on July 1, 2021, and was fully drawn upon to provide, in part, the acquisition consideration being paid in connection with the purchase of a 90.1% interest in Title365. The revolving facility is currently available and undrawn.

There is no amortization of the outstanding principal amount under our credit facility; all principal amounts thereunder are payable on the maturity date (which is the fifth anniversary of the closing of the credit facility).

The obligations under our credit facility are guaranteed by all of our domestic subsidiaries (other than Title365 and its direct and indirect subsidiaries and subject to certain thresholds and other exceptions), and secured by a lien on substantially all of our and our subsidiaries' assets (other than the equity issued by, and the assets of, Title365 and its direct and indirect subsidiaries and subject to certain thresholds and other exceptions).

Our credit facility subjects us to certain affirmative and negative covenants, financial reporting obligations, and a minimum liquidity threshold that is tested quarterly. It also requires mandatory prepayment of all or a portion of the outstanding debt thereunder in certain circumstances.

Material Cash Requirements

Our material cash requirements arising from known contractual and other obligations primarily relate to our obligations under our Credit Agreement, leases for our office locations, and purchase commitments. There have been no significant changes in our material cash requirements from the contractual obligations described in our Annual Report on Form 10-K for the year ended December 31, 2021.

In April 2022, we committed to a workforce reduction plan as part of our broader efforts to improve cost efficiency and better align our operating structure with our business activities. We estimate that we will incur approximately \$6.7 million in charges in connection with the Plan, including approximately \$6.5 million in cash expenditures for employee benefits, severance payments, payroll taxes and related facilitation costs and approximately \$0.2 million in stock-based compensation. We expect that execution of the Plan, including cash payments, will be substantially complete in the second quarter of 2022. In addition to the elimination of certain positions, we are implementing non-personnel related cost reductions.

We believe that current cash, cash equivalents, marketable securities, and the availability of credit under our revolving credit facility will be sufficient to fund our operations for at least the next 12 months. Our future capital requirements, however, will depend on continued growth in our customer base, the timing and extent of spending to support our research and development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced products and features, and the continuing market adoption of Blend's software platform. We may in the future enter into arrangements to acquire or invest in complementary businesses, services, and technologies, including intellectual property rights. In the event that additional financing is required from outside sources, we may seek to raise additional funds at any time through equity, equity-linked arrangements, and debt. If we are unable to raise additional capital when desired and at reasonable rates, our business, results of operations, and financial condition would be adversely affected. See the section titled "*Risk Factors*"—*Risks Related to Our Business—Our failure to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies in the future could reduce our ability to compete successfully and harm our results of operations.*"

Cash Flows

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

	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Net cash used in operating activities	\$ (45,842)	\$ (20,394)
Net cash (used in) provided by investing activities	(683)	6,148
Net cash provided by financing activities	1,081	325,465
Effect of exchange rates on cash, cash equivalents, and restricted cash	28	—
Net (decrease) increase in cash, cash equivalents, and restricted cash	<u>\$ (45,416)</u>	<u>\$ 311,219</u>

Cash Used in Operating Activities

During the three months ended March 31, 2022, we used \$45.8 million in cash for operating activities, as compared to \$20.4 million used during the three months ended March 31, 2021. Our largest source of operating cash is cash collections from our customers, and our primary uses of cash in operations are for employee-related expenditures, sales and marketing expenses, and third-party hosting costs. The increased use of cash in operating activities during three months ended March 31, 2022 compared to the three months ended March 31, 2021, was primarily due to an increase in our net loss, primarily driven by increased operating costs required to support the growth of our business. Historically, we have generated negative cash flows from operating activities and have supplemented working capital requirements through the sales of equity securities.

Cash (Used in) Provided by Investing Activities

Net cash used in investing activities during the three months ended March 31, 2022 was \$0.7 million, which was primarily due to \$30.5 million used in purchases of marketable securities, and \$0.3 million in purchases of property and equipment, mostly offset by maturities of marketable securities of \$30.0 million.

Net cash provided by investing activities during the three months ended March 31, 2021 was \$6.1 million, which was primarily the result of the sales and maturities of marketable securities of \$34.9 million, partially offset by purchases of marketable securities of \$25.4 million, purchase of other investment of \$3.0 million, and property and equipment purchases of \$0.3 million.

Cash Provided by Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2022 was \$1.1 million, primarily consisting of proceeds from the exercises of stock options of \$1.2 million, net of repurchases.

Net cash provided by financing activities for the three months ended March 31, 2021 was \$325.5 million, reflecting net proceeds from issuance of Series G convertible preferred stock of \$309.7 million, proceeds from the exercise of convertible preferred stock warrants of \$10.2 million, the exercise of stock options of \$5.8 million, partially offset by the payment of deferred offering costs of \$0.2 million.

Off-Balance Sheet Arrangements

We administer escrow and trust deposits held at third-party financial institutions representing funds received under real estate contracts, escrowed funds received under escrow agreements, and/or undisbursed amounts received for settlement of mortgage and home equity loans. Cash held for these purposes was approximately \$21.1 million, net of outstanding checks in transit of \$56.4 million as of March 31, 2022. These funds are not considered assets of ours and, therefore, are not included in our consolidated balance sheet; however, we are contingently liable for the disposition of these funds on behalf of consumers. As of March 31, 2022, we did not have any other relationships with unconsolidated entities or financial partnerships, such as structured finance or special purpose entities that were established for the purpose of facilitating off-balance sheet arrangements or other purposes.

Employee Compensation

We face significant competition for talent from other technology and high-growth companies. To attract and retain top talent, we have had to offer, and believe we will need to continue to offer, highly competitive compensation packages and provide a range of health, savings, retirement, time-off, and wellness benefits for our employees.

Additionally, we may consider adopting various employee compensation programs from time to time, including one possible program that would allow employees the opportunity to annually elect the proportion of their compensation that would be provided in the form of cash or equity. The details of any such program, and the extent to which we may implement any such program, have not been determined at this time. If we do decide to adopt a program like this in the future, it could result in us paying a greater percentage of our employees' compensation in the form of cash or equity, depending on how our employees elect to receive their compensation. This could result in us using a larger amount of our cash reserves for the payment of compensation in future periods or could result in us granting a greater number of our shares subject to equity awards, which could increase our overall dilution, increase our stock-based compensation expense for financial accounting purposes, and increase our tax withholding and remittance obligations. How we determine any such tax withholding obligations would be satisfied could further impact our cash position or increase dilution.

Indemnification Agreements

In the ordinary course of business, we enter into agreements of varying scope and terms pursuant to which we agree to indemnify customers, vendors, lessors, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of the breach of such agreements, services to be provided by us, or from intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with our directors and certain officers and employees that require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers, or employees. No demands have been made upon us to provide indemnification under such agreements, and there are no claims that we are aware of that could have a material effect on our consolidated balance sheets, consolidated statements of operations and comprehensive loss, or consolidated statements of cash flows.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q are prepared in accordance with the U.S. generally accepted accounting principles, or U.S. GAAP. The preparation of our condensed consolidated financial statements in accordance with GAAP requires us to make estimates, judgments, and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, and expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Our actual results may differ from these estimates under different assumptions or conditions. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows could be affected.

There have been no material changes to our critical accounting policies and estimates as described in our Annual Report on Form 10-K for the year ended December 31, 2021.

Recent Accounting Pronouncements

Refer to Note 2, "*Summary of Significant Accounting Policies*," of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks in the ordinary course of our business. These risks primarily include:

Interest Rate Risk

We had cash and cash equivalents of \$167.7 million and marketable securities of \$331.7 million as of March 31, 2022, which consisted of bank deposits, money market funds, U.S. treasury and agency securities, commercial paper, and corporate debt securities. The cash and cash equivalents are held primarily for working capital purposes. Such interest-earning instruments carry a degree of interest rate risk. To date, fluctuations in interest income have not been significant. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. Due to the short-term nature of our investments, we have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates. A hypothetical 100 basis points change in interest rates during any of the periods presented would not have had a material impact on our investments.

As of March 31, 2022, we had \$225.0 million of principal outstanding under our Term Loan. An increase of 100 basis points in the applicable interest rate would increase our annual interest expense by approximately \$2.3 million. A decrease of 100 basis points in the applicable rate would not have an impact on our annual interest expense as such reduction would be below the minimum rate specified in the Credit Agreement. In April 2022, The LIBOR rate applicable to our Term Loan exceeded the floor of 1.00%, and as result our interest rate increased from 8.50% to 8.74%, which will increase our annual interest expense by approximately \$0.5 million.

Our Term Loan carries a floating rate of interest linked to the London Inter-bank Offered Rate, or LIBOR. On July 27, 2017, the United Kingdom Financial Conduct Authority, or FCA, announced that it intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR after 2021. On March 5, 2021, the FCA announced that all LIBOR settings will either cease to be provided by any administrator, or no longer be representative immediately after December 31, 2021, for all GBP, EUR, CHF and JPY LIBOR settings and one-week and two-month US dollar LIBOR settings, and immediately after June 30, 2023 for the remaining US dollar LIBOR settings, including three-month US dollar LIBOR. As a result, while the FCA and the submitting LIBOR banks have indicated they will support the LIBOR indices through 2021 to allow for an orderly transition to an alternative reference rate, it is possible that beginning in 2022, LIBOR will no longer be available as a reference rate. In particular the borrowings under our credit facility accrue interest at a floating rate which can be, at our option, either (i) an adjusted LIBOR rate for a specified interest period plus an applicable margin of 7.50% or (ii) a base rate plus an applicable margin of 6.50%. While the Term Loan agreement includes an alternative rate to LIBOR, if a change in indices results in interest rate increases on our debt, debt service requirements will increase, which could adversely affect our cash flow and results of operations. We do not expect a materially adverse change to our financial condition or liquidity as a result of any such changes or any other reforms to LIBOR that may be enacted in the United Kingdom or elsewhere.

Inflation Risk

Inflationary factors such as increases in overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial condition or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of operating expenses as a percentage of revenue, if the selling prices of our products do not increase with these increased costs.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our principal executive officer and principal financial officer have concluded that, as of such date, our disclosure controls and procedures were not effective due to a material weakness in internal control over financial reporting that was disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

The material weakness occurred in connection with our acquisition of Title365, and was related to the accounting for the Company's business combination, including a lack of sufficient precision in the performance of reviews supporting the prospective financial information used in the customer relationship intangible asset valuation and a lack of adequate documentation to provide evidence of operating effectiveness of an associated management review control.

As previously described in Part II, Item 9A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, we are focused on designing and implementing effective internal controls over financial reporting that will operate in a manner necessary to satisfy the accounting and financial reporting requirements of a public company. In order to remediate the material weakness, we have taken and plan to take the following actions:

- the hiring of additional finance and accounting resources with public company experience; and
- implementation of additional management review controls and procedures that will challenge the inputs into the projected financial information and thoroughly vet the assumptions in the financial models.

These actions and planned actions are subject to ongoing evaluation by management and will require testing and validation of design and operating effectiveness of internal controls over financial reporting over future periods. The material weakness will not be considered remediated until the applicable controls operate and we conclude, through testing, that these controls are operating effectively. However, there is no assurance as to when such remediation will be completed.

Changes in Internal Control over Financial Reporting

As noted above, we have been implementing measures to remediate the material weakness in our internal control over financial reporting. Other than the remediation efforts underway, there were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our principal executive officer and principal financial officer, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, 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. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become involved in legal proceedings or be subject to claims arising in the normal course of business. We are not presently party to any litigation that, if determined adversely to us, we believe would be likely to have a material adverse effect on our business, financial condition, results of operations, or cash flows.

Future litigation may be necessary, among other things, to defend ourselves or our customers by determining the scope, enforceability, and validity of third-party proprietary rights or to establish our proprietary rights. The results of any litigation cannot be predicted with certainty, particularly in the areas of unsettled and evolving law in which we operate, and an unfavorable resolution in any legal proceedings could materially affect our future business, financial condition, or results of operations. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

ITEM 1A. RISK FACTORS

Our business involves significant risks, some of which are described below. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our unaudited condensed consolidated financial statements and related notes. Any of the following risks could have an adverse effect on our business, results of operations, financial condition, or prospects, and could cause the trading price of our Class A common stock to decline. Our business, financial condition, results of operations, or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material. If any of the risks actually occur, our business, financial condition, results of operations, and prospects could be adversely affected. In that event, the market price of our Class A common stock could decline, and you could lose part or all of your investment. Our Risk Factors are not guarantees that no such conditions exists as of the date of this report and should not be interpreted as an affirmative statement that such risks or conditions have not materialized, in whole or in part.

Risk Factors Summary

The risks and uncertainties to which our business is subject include, but are not limited to, the following:

- We have experienced rapid growth in recent periods, and we do not expect to grow at these historical rates in future periods;
- We have a history of net losses, and we may not be able to achieve or maintain profitability in the future;
- If we fail to retain our existing customers or to acquire new customers in a cost-effective manner, or if our customers fail to maintain their utilization of our products and services, our revenue may decrease and our business, financial condition, and results of operations could be adversely affected;
- A large percentage of our revenue is concentrated with a small number of key customers, and if our relationships with any of these key customers were to be terminated or the level of business with them significantly reduced over time, our business, financial condition, results of operations, and future prospects would be adversely affected;
- We face intense competition, and if we are unable to compete effectively, our business, financial condition, and results of operations could be adversely affected;
- We have a limited operating history in an evolving industry, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful;
- We expect to experience significant growth through strategic acquisitions and partnerships, including our acquisition of Title365, and we face risks related to the integration of such acquisitions and the management of such growth;
- Changes in economic conditions, especially those affecting the levels of real estate and mortgage activity, such as mortgage interest rates, credit availability, real estate prices, inflation, and consumer confidence, could adversely affect our business, financial condition, and results of operations;
- Our results of operations are likely to fluctuate from period to period, which could cause the market price of our Class A common stock to decline;
- A cyberattack, security breach or incident affecting us or the third parties we rely on or partner with could expose us or our customers and consumers to a risk of loss or misuse of confidential information and have an adverse effect on our reputation, brand, business, financial condition, and results of operations;

- We may be subject to claims, lawsuits, government investigations, and other proceedings that may adversely affect our business, financial condition, and results of operations;
- Our customers are, and in some cases we are or may be, subject to, and we facilitate compliance with, a variety of federal, state, and local laws, including those related to consumer protection and financial services;
- We depend on the interoperability of our platform across third-party applications and services that we do not control;
- Failure to adequately protect our intellectual property could adversely affect our business, financial condition, and results of operations;
- We have identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our consolidated financial statements or cause us to fail to meet our periodic reporting obligations;
- The trading price of our Class A common stock may be volatile, and you could lose all or part of your investment; and
- The multi-class structure of our common stock has the effect of concentrating voting power with Nima Ghamsari, Head of Blend, Co-Founder, and Chair of our board of directors, which will severely limit your ability to influence or direct the outcome of matters submitted to our stockholders for approval, including the election of our board of directors, the adoption of amendments to our certificate of incorporation (the “Amended and Restated Certificate of Incorporation”) and amended and restated bylaws, and the approval of any merger, consolidation, sale of all or substantially all of our assets or other major corporate transaction.

Risks Related to Our Business and Operations

We have experienced rapid growth in recent periods, and we do not expect to grow at these historical rates in future periods.

We have grown rapidly over the last several years, and therefore our recent revenue growth rate and financial performance should not be considered indicative of our future performance. In 2021 and 2020, our Blend Platform segment revenue was \$135.6 million and \$96.0 million, respectively, representing a 41% year-over-year growth rate. We expect our revenue growth rate to decline in future periods. We believe that growth of our revenue depends on a number of factors, including our ability to price our products and services effectively so that we are able to attract and retain customers without compromising our profitability, attract new customers, increase our existing customers’ use of our solutions, provide our customers with excellent support, and successfully identify and acquire or invest in businesses, products, or technology that we believe could complement or expand our solutions.

You should not rely on our revenue or key business metrics for any previous quarterly or annual period as any indication of our revenue, revenue growth, key business metrics, or key business metrics growth in future periods. In particular, our revenue growth rate has fluctuated in prior periods. We expect our revenue growth rate to continue to fluctuate over the short term and decline in the long term. Our revenue growth rate may decline in future periods as the size of our business grows and as we achieve higher market adoption rates. Our revenue growth may slow or revenue may decline for a number of other possible reasons, including reduced demand for our products and services, insufficient growth in the number of financial services firms that utilize our products and services or the lack of expansion of products and services within our existing customer base, transaction volume and mix, particularly with our significant customers, increased competition, a decrease in the growth or reduction in size of our overall market, unintended consequences from the Workforce Reduction Plan or related initiatives that impact our business, or if we fail for any reason to capitalize on growth opportunities, general economic conditions, and the maturation of our business, among others. We also expect to continue to make investments in the development and expansion of our business, which may not result in increased revenue or growth. If our revenue growth rate declines, investors' perceptions of our business and the trading price of our Class A common stock could be adversely affected.

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

We have incurred net losses in each period since our inception in 2012, and we may not be able to achieve or maintain profitability in the future. For example, we incurred a net loss of \$169.9 million in the year ended December 31, 2021 and \$74.6 million in 2020, respectively, and as of December 31, 2021 and December 31, 2020, we had an accumulated deficit of \$442.8 million and \$272.9 million, respectively. We expect our costs will increase over time and our losses to continue as we expect to invest significant additional funds towards growing our business and operating as a public company. We have expended and expect to continue to expend substantial financial and other resources on product development, including investments in our product, engineering, and design teams and the development of new products and new functionality for our existing products and our platform; our technology infrastructure, including systems architecture, management tools, scalability, availability, performance, and security, as well as disaster recovery measures; our sales, marketing, and customer success organizations; acquisitions or strategic investments; and general administration, including legal and accounting expenses. These efforts may be more costly than we expect and may not result in increased revenue or growth in our business. In addition, we expect to incur certain charges in connection with the Workforce Reduction Plan, including cash expenditures for employee benefits, severance payments, payroll taxes and related facilitation costs, as well as stock-based compensation. We may incur other charges or cash expenditures not currently contemplated due to unanticipated events that may occur as a result of or in connection with the implementation of the Workforce Reduction Plan, and there can be no assurance that we will be able achieve our projected cost savings in connection with the Workforce Reduction Plan or related initiatives. Any failure to increase our revenue sufficiently to keep pace with our investments and other expenses could prevent us from achieving or maintaining profitability or positive cash flows on a consistent basis. Additionally, in an inflationary environment, our costs may increase and we may not be able to increase the pricing of our products accordingly, which could adversely impact our financial performance. If we are unable to successfully address these risks and challenges as we encounter them, our business, financial condition, and results of operations could be adversely affected.

If we fail to retain our existing customers or to acquire new customers in a cost-effective manner, or if our customers fail to maintain their utilization of our products and services, our revenue may decrease and our business, financial condition, and results of operations could be adversely affected.

Our ability to continue our growth in the future will depend in part on our success in maintaining successful relationships with our customers. If any of our customers were to suspend, limit, or cease their operations or otherwise terminate their relationships with us, the number of transactions enabled through our platform could decrease and our revenue and revenue growth rates could be adversely affected. In addition, having a diversified mix of customers is important to mitigate risk associated with changing consumer spending behavior, economic conditions, and other factors that may affect a particular type of financial services firm or industry. While we expect that the revenue from our largest customers will decrease over time as a percentage of our total revenue as we generate more revenue from other customers, we also believe that revenue from our largest customers may continue to account for a significant portion of our revenue, at least in the near term.

If we are not able to retain our existing customers or acquire new customers in a cost-effective manner, or if our customers fail to maintain their utilization of our products and services, we will not be able to continue to grow our business. Our ability to retain and grow our relationships with our customers depends on the willingness of customers to partner with us. The attractiveness of our platform to customers depends upon, among other things: our brand and reputation, the amount of fees that we charge, our ability to sustain our value proposition to our customers, products and services offered by competitors, and our ability to perform under, and maintain, our customer agreements. Many of our customers do not have long-term contractual financial commitments to us and, therefore, many of our customers may reduce or cease their use of our products and services at any time without penalty or termination charges. Additionally, a subset of our customers can generally terminate their agreements with us without cause with limited requirements to provide prior notice. Our customers could decide to stop working with us and cease processing transactions through our platform or enter into exclusive or more favorable relationships with our competitors. Further, any downturn in the financial services industry may cause our customers to reduce their spending on lending technology or to seek to terminate or renegotiate their agreements with us. Our customers have no obligation to renew their subscriptions with us after the expiration of the initial or current subscription term, and our customers, if they choose to renew at all, may renew on pricing or other contract terms that are less favorable to us or otherwise ask to modify their agreement terms in a manner that is cost prohibitive to us. Our renewal rates may decline or fluctuate as a result of a number of factors, including our customers' satisfaction with our pricing or our products or their ability to continue their operations or spending levels. In addition, our customers' regulators may require that they terminate or otherwise limit their business with us, or impose regulatory pressure limiting their ability to do business with us. If any of our customers were to stop working with us, suspend, limit, or cease their operations, do not renew their subscriptions with us on similar pricing terms, or otherwise terminate their relationships with us, the number of loans and other transactions enabled through our platform could decrease and our revenue and revenue growth rates could be adversely affected.

Additionally, as the markets for our cloud-based banking software continue to develop, we may be unable to attract new customers based on the same pricing models that we have used historically. Large or influential financial services firms may demand more favorable pricing or other contract terms from us. As a result, we may in the future be required to change our pricing model, reduce our prices, or accept other unfavorable contract terms, any of which could adversely affect our revenue and revenue growth rate.

We could in the future have disagreements or disputes with any of our customers, which could negatively impact or threaten our relationship with them. In our agreements with customers, we make certain representations and warranties and covenants concerning our compliance with certain procedures and guidelines related to laws and regulations applicable to the services to be provided by us to our customers. If those representations and warranties were not accurate when made or if we fail to perform a covenant, we may be liable for any resulting damages, including potentially any losses associated with impacted transactions, and our reputation and ability to continue to attract new customers could be adversely affected. Additionally, our customers may engage in mergers, acquisitions or consolidations with each other, our competitors or with third parties, any of which could be disruptive to our existing and prospective relationships with our customers.

If we fail to retain any of our larger customers or a substantial number of our smaller customers, if we do not acquire new customers, if we do not continually expand revenue and volume from customers on our platform, or if we do not attract and retain a diverse mix of customers, our business, financial condition, results of operations, and future prospects could be adversely affected.

A large percentage of our revenue is concentrated with a small number of key customers, and if our relationships with any of these key customers were to be terminated or the level of business with them significantly reduced over time, our business, financial condition, results of operations, and future prospects would be adversely affected.

Historically, certain of our customers have accounted for a significant portion of our revenue. For example, for 2021, our top five customers in the Blend Platform segment accounted for 29.9% of the segment revenue, and as of December 31, 2021, we had 23 customers in the Blend Platform segment generating more than \$1 million in annual revenue, which represented 54.7% of the segment revenue in 2021. Additionally, we rely on certain of our customers, including Mr. Cooper, for a significant portion of our title transaction volumes. For example, for the six months from the closing of our Title365 acquisition through December 31, 2021, our top five customers in the Title365 segment accounted for 83.1% of the segment revenue, with Mr. Cooper accounting for 58.8% of the segment revenue, and as of December 31, 2021, we had 10 customers in the Title365 segment generating more than \$1 million in annual revenue, which represented 91.7% of the segment revenue in the six months ended December 31, 2021. We have experienced lower than anticipated title transaction volume since the closing of our Title365 acquisition and may experience further reductions in the future. Reductions in title transaction volume from any such customers, or a deterioration in our relationship with any such customers, could have a significant impact on our title business. The concentration of a significant portion of our business and transaction volume with a limited number of customers, or type of customer or industry, exposes us disproportionately to any of those customers choosing to no longer partner with us or choosing to partner with a competitor, to the economic performance or market share of those customers or industry, including as a result of challenger banks or technology disruptors, or to any events, circumstances, or risks affecting such customers or industry. Additionally, because we do not have long-term contractual financial commitments with many of our customers, a material modification in the financial operations of a key customer could affect our transaction volume with that customer and therefore our revenue growth. If we are unable to continue to increase the number of other customers on our platform or if any of our key customers were to suspend, limit, or cease their operations or otherwise terminate their relationship with us or lose market share, our business, financial condition, and results of operations would be adversely affected.

We face intense competition, and if we are unable to compete effectively, our business, financial condition, and results of operations could be adversely affected.

The market in which we operate is intensely competitive and characterized by shifting user preferences, fragmentation, and frequent introductions of new services and offerings. The primary competitors for our software platform include point solution vendors, providers of back office software with proprietary digital capabilities, and systems developed internally at financial services firms. Our current and future competitors may enjoy competitive advantages, such as greater name recognition, longer operating histories, greater category share in certain markets, market-specific knowledge, established relationships with financial services firms, including those with larger market share than our customers, and larger existing user bases in certain markets, more successful marketing capabilities, and substantially greater financial, technical, and other resources than we have. Greater financial resources and product development capabilities may allow these competitors to respond more quickly to new or emerging technologies and changes in financial services firm preferences that may render our platform less attractive or obsolete. Our competitors may also make acquisitions or establish cooperative or other strategic relationships among themselves or with others, introduce new offerings with competitive price and performance characteristics or undertake more aggressive marketing campaigns than ours. Additionally, many of our competitors are well capitalized and offer discounted services, lower pricing, incentives, discounts and promotions, and innovative platforms and offerings, which may be more attractive than those that we offer. Further, our customers may decide to develop their own solutions that compete with ours.

As we and our competitors introduce new offerings and invest more in digital capabilities, and as existing offerings evolve, we expect to become subject to additional competition. Our competitors may adopt certain of our platform features or may adopt innovations that our customers value more highly than ours, which would render our platform less attractive and reduce our ability to differentiate our platform. Increased competition could result in, among other things, a reduction of the revenue we generate from the use of our platform from reduced demand or pricing pressures, the number of customers, the frequency of use of our platform, and our margins. For all of these reasons, we may not be able to compete successfully. If we lose existing customers, fail to attract new customers, or are forced to make pricing concessions as a result of increased competition, our business, financial condition, and results of operations could be adversely affected.

We have a limited operating history in an evolving industry, which makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

We were founded in 2012 and have experienced rapid growth in recent years. Our limited operating history may make it difficult to make accurate predictions about our future performance. Assessing our business and future prospects may also be difficult because of the risks and difficulties we face. These risks and difficulties include our ability to:

- accurately forecast our revenue and plan our operating expenses;
- develop a scalable, high-performance technology infrastructure that can efficiently and reliably handle increased usage, as well as the deployment of new features and services;
- maintain and increase the volume of transactions enabled through our platform;
- enter into new and maintain existing customer relationships;
- successfully identify, negotiate, execute, and integrate strategic acquisitions and partnerships;
- successfully compete with current and future competitors;
- successfully build our brand and protect our reputation from negative publicity;
- increase the effectiveness of our marketing strategies;
- successfully adjust our proprietary technology, products, and services in a timely manner in response to changing macroeconomic conditions and fluctuations in the credit market;
- enter into new and maintain existing ecosystem partnerships;
- successfully introduce and integrate new products and services and enter new markets and geographies;
- adapt to rapidly evolving trends in the ways customers and consumers interact with technology;
- comply with and successfully adapt to complex and evolving regulatory environments;
- protect against fraud and online theft;
- avoid interruptions or disruptions in our service;
- effectively secure and maintain the confidentiality of the information received, accessed, stored, provided, and used across our systems;
- successfully obtain and maintain funding and liquidity to support continued growth and general corporate purposes;
- attract, integrate, and retain qualified employees; and
- effectively manage rapid growth in our personnel and operations.

If we fail to address the risks and difficulties that we face, including those associated with the challenges listed above as well as those described elsewhere in this “*Risk Factors*” section, our business, financial condition, and results of operations could be adversely affected. Further, because we have limited historical financial data and operate in a rapidly evolving market, any predictions about our future revenue and expenses may not be as accurate as they would be if we had a longer operating history or operated in a more predictable market. We have encountered in the past, and will encounter in the future, risks and uncertainties frequently experienced by growing companies with limited operating histories in rapidly changing industries. If our assumptions regarding these risks and uncertainties, which we use to plan and operate our business, are incorrect or change, or if we do not address these risks successfully, our results of operations could differ materially from our expectations and our business, financial condition, and results of operations could be adversely affected.

We expect to experience significant growth through strategic acquisitions and partnerships, including our acquisition of Title365, and we face risks related to the integration of such acquisitions and the management of such growth.

As part of our growth strategy, we have in the past acquired and made significant investments in, and may in the future acquire or make significant investments in, companies, businesses, personnel, and technologies. For example, on June 30, 2021, we completed our acquisition of Title365. Each acquisition requires unique approaches to integration due to, among other reasons, the structure of the acquisitions, the integration of technology, the size, locations, and cultural differences among their teams and ours, and has required, and will continue to require, attention from our management team. As we continue to grow, the size of our acquisitions and investments may increase. In addition to the larger purchase prices associated with such acquisitions and investments, larger acquisitions and investments may also require additional management resources to integrate more significant and often more complex businesses into our company. We will continue to explore and evaluate additional acquisitions, some of which may be the same size or even larger in scale and investment than our acquisition of Title365.

Our future success depends in part on our ability to integrate these acquisitions and manage these businesses, partnerships, and transactions effectively. If we are unable to obtain the anticipated benefits or synergies of such acquisitions, or we encounter difficulties integrating acquired businesses with ours, our business, financial condition, and results of operations could be adversely affected.

Challenges and risks from such strategic acquisitions and partnerships include:

- diversion of management’s attention in the acquisition and integration process, including oversight over acquired businesses which may continue their operations under contingent consideration provisions in acquisition agreements;
- declining employee morale and retention issues resulting from changes in compensation, or changes in management, reporting relationships, or future performance;
- the need to integrate the operations, systems, technologies, products, and personnel of each acquired company, the inefficiencies and lack of control that may result if such integration is delayed or not implemented, and unforeseen difficulties and expenditures that may arise in connection with integration;
- the need to implement internal controls, procedures, and policies appropriate for a larger, U.S.-based public company at companies that prior to acquisition may not have robust controls, procedures, and policies, in particular, with respect to the effectiveness of internal controls, cyber and information security practices, incident response plans, and business continuity and disaster recovery plans, compliance with privacy, data protection, information security, and other regulations, and compliance with U.S.-based economic policies and sanctions which may not have previously been applicable to the acquired company’s operations;

- the difficulty in accurately forecasting and accounting for the financial impact of an acquisition transaction, including accounting charges, write-offs of deferred revenue under purchase accounting, and integrating and reporting results for acquired companies that have not historically followed GAAP;
- the implementation of restructuring actions and cost reduction initiatives to streamline operations and improve cost efficiencies;
- the fact that we may be required to pay contingent consideration in excess of the initial fair value, and contingent consideration may become payable at a time when we do not have sufficient cash available to pay such consideration;
- in the case of foreign acquisitions or acquisitions that include a foreign entity or operations, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political, and regulatory risks associated with specific countries as well as tax risks that may arise from the acquisition;
- increasing legal, regulatory, and compliance exposure, and the additional costs related to mitigate each of those, as a result of adding new offices, employees, and other service providers, benefit plans, equity awards, job types, and lines of business globally; and
- liability for activities of the acquired company before the acquisition, including intellectual property, commercial, and other litigation claims or disputes, cyber and information security vulnerabilities and incidents, violations of laws, rules and regulations, including with respect to employee classification, tax liabilities, and other known and unknown liabilities.

If we are unable to successfully integrate and manage our acquisitions and strategic partnerships, we may not realize the expected benefits of such transactions or become exposed to additional liabilities, and our business, financial condition, and results of operations could be adversely affected.

Changes in market interest rates could adversely affect our business, financial condition, and results of operations.

Increased interest rates may adversely impact the spending levels of consumers and their ability and willingness to borrow money. Higher interest rates often lead to higher loan rates charged to consumers, which could adversely affect the ability of our customers to generate volume and in turn, the number of transactions enabled through our platform and thus our ability to generate revenue from such transactions. The U.S. Federal Reserve raised the federal funds interest rate in March 2022 and May 2022 and indicated it expects to raise that interest rate again in the future. As a result of this or other interest rate increases, financial services firms and consumers may be discouraged from engaging with our platform or using our services and as a result, reduce the volume of transactions enabled through our platform or the value of title orders processed, which could adversely affect our business, financial condition, and results of operations.

Our results of operations are likely to fluctuate from period to period, which could cause the market price of our Class A common stock to decline.

Our results of operations have historically varied from period to period, and we expect that our results of operations will continue to vary significantly from quarter to quarter and year to year because of a variety of factors, many of which are outside of our control and difficult to predict. As a result, you should not rely upon our historical results of operations as indicators of future performance. Numerous factors can influence our results of operations, including:

- our ability to attract and retain customers in a cost-effective manner;

- our ability to maintain or increase loan volumes, transactions processed, platform utilization, and title orders closed, and improve loan mix;
- our ability to successfully expand in existing markets and successfully enter new markets;
- changes in financial services firm behavior with respect to cloud-based software products and solutions;
- the amount and timing of operating expenses related to maintaining and expanding our business, operations, and infrastructure, including acquiring new and maintaining existing customers;
- the mix of revenue we generate from our products and our marketplace;
- the timing and success of new products and services;
- the impact of worldwide economic conditions, including economic slowdowns, recessions, and tightening of credit markets, including due to the economic impact of the COVID-19 pandemic;
- the seasonality of our business;
- our ability to maintain an adequate rate of growth and effectively manage that growth;
- our ability to keep pace with technology changes in our industry;
- the success of our sales and marketing efforts;
- the effects of negative publicity on our business, reputation, or brand;
- our ability to protect, maintain, and enforce our intellectual property;
- costs associated with defending claims, including intellectual property infringement claims, and related judgments or settlements;
- changes in governmental or other regulations, including state and federal banking laws and regulations or in federal monetary policies, affecting our business;
- interruptions in service and any related impact on our business, reputation, or brand;
- the attraction and engagement of qualified employees and key personnel;
- our ability to choose and effectively manage partners, vendors, and other service providers;
- the effects of natural or man-made catastrophic events;
- the effectiveness of our internal control over financial reporting; and
- changes in our tax rates or exposure to additional tax liabilities.

The variability and unpredictability of our results of operations could result in our failure to meet our expectations or those of analysts that cover us or investors with respect to revenue or other results of operations for a particular period. If we fail to meet or exceed such expectations, the market price of our Class A common stock could fall substantially, and we could face costly lawsuits, including securities class action suits.

A cyberattack, security breach, or incident affecting us or the third parties we rely on or partner with could expose us or our customers and consumers to a risk of loss or misuse of confidential information and have an adverse effect on our reputation, brand, business, financial condition, and results of operations.

We are increasingly dependent on information technology systems and infrastructure to operate our business. In the ordinary course of our business, we collect, receive, use, transmit, store, and otherwise process large amounts of sensitive information, including personal information, credit information, and other sensitive and confidential information of consumers. It is critical that we do so in a manner designed to maintain the confidentiality, integrity, and availability of such sensitive information. Additionally, in the ordinary course of our business, we collect, store, transmit, and otherwise process large amounts of confidential business information, including intellectual property, proprietary corporate and business information, and other confidential information. We also have arrangements in place with certain of our partners, vendors, and other service providers that require us to share certain of the information we maintain and otherwise process, including consumer information, with them. Certain elements of our operations (including elements of our information technology infrastructure) rely on third parties, and as a result, we manage a number of third-party service providers who may have access to our computer networks and sensitive or confidential information. In addition, many of those third parties may in turn subcontract or outsource some of their responsibilities to other third parties. Our information technology systems, including the functions of third parties that are involved or have access to those systems, are large and complex, with many points of entry and access. Our systems and those of our third-party service providers are potentially vulnerable to and may be subject to unintentional, inadvertent, or malicious, internal and external cyberattacks, including security breaches, incidents, exposures, intrusions, malware, ransomware, social engineering attacks, phishing and spearphishing attempts, fraudulent inducement, electronic fraud, wire fraud attempts to overload our servers with distributed denial-of-service attacks, employee theft, error, or malfeasance, unauthorized access by third parties (including foreign governments or state actors with significant financial and technological resources) or internal actors, or other attacks and similar disruptions. Any vulnerabilities can be exploited from inadvertent or intentional actions of our employees, partners, vendors, service providers, customers, or by malicious third parties. For example, in December 2021, a vulnerability in a popular logging software, Log4j, was publicly announced. If left unpatched, the Log4j vulnerability could be exploited to allow unauthorized actors to execute code remotely on a system using Log4j. We have taken steps to ensure these vulnerabilities have been patched in our systems, but we cannot guarantee that all vulnerabilities have been patched in every system upon which we are dependent or that additional critical vulnerabilities of Log4j or other open-source software upon which we rely will not be discovered. Additionally, to the extent manual processes are involved in the handling of sensitive information, such sensitive information could be inadvertently misdirected despite our training and quality assurance precautions. While we have taken steps to protect the sensitive and confidential information that we have access to and have implemented multiple overlapping controls to reduce risk of a single control failure, our security measures or those of our partners, vendors, or other service providers could be breached or we could suffer data loss or unauthorized access to our platform or the systems or networks used in our business.

Because cyberattacks of this nature are increasing in frequency, levels of persistence, sophistication and intensity, and techniques used to obtain unauthorized access or to sabotage systems change frequently and may not be known until they are launched against a target, we and our partners, vendors, and other service providers may be unable to anticipate or prevent these attacks, react in a timely manner, or implement adequate preventive measures, and we may face delays in our detection or remediation of, or other responses to, security breaches and other privacy- and security-related incidents. These security risks that we and our partners, vendors, and other service providers face have been heightened by an increase in employees and service providers working remotely in response to the COVID-19 pandemic.

In addition, consumers on our platform could have vulnerabilities on their own devices that are entirely unrelated to our systems and platform but could mistakenly attribute their own vulnerabilities to us. Consumers on our platform may also provide sensitive information to other third parties through their use of our platform, and consumers could mistakenly attribute any misuse of such information by other third parties to us. Further, breaches experienced by other companies may also be leveraged against us. For example, credential stuffing and business email compromise attacks are becoming increasingly common and sophisticated actors can mask their attacks, making them increasingly difficult to identify and prevent. Certain efforts may be state-sponsored or supported by significant financial and technological resources, making them even more difficult to detect, remediate, and otherwise respond to.

There also have been and may continue to be significant supply chain attacks, and we cannot guarantee that our or our partners', vendors', or service providers' systems and networks have not been breached or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our systems and networks or the systems and networks of third parties that support us and our services. In addition, laws, regulations, government guidance, and industry standards and practices in the United States and elsewhere are rapidly evolving to combat these threats. We may face increased compliance burdens regarding such requirements with regulators and customers regarding our products and services and also incur additional costs for oversight and monitoring of our own supply chain.

Although we have developed systems and processes that are designed to protect the confidential and sensitive information we maintain and our partners, vendors, and other service providers maintain on our behalf, including personal information of our customers, consumers, and employees, protect our systems, prevent data loss, and prevent security breaches and security incidents, these security measures may not have fully protected our systems in the past and cannot guarantee security in the future. The information technology systems and infrastructure used in our business may be vulnerable to cyberattacks or security breaches, and third parties may be able to access data, including personal information of our customers, consumers, or employees, or other sensitive and proprietary data, accessible through those systems. Employee error, malfeasance, or other errors in the storage, use, or transmission of any of these types of data could result in an actual or perceived privacy or security breach or other security incident. Although we have policies and technologies restricting access to the personal information we store, there is a risk that these policies and technologies may not be effective in all cases. Any actual or perceived breach of privacy, or any actual or perceived security breach or other incident, could interrupt our operations, result in our platform being unavailable, result in loss or improper access to, or acquisition or disclosure of sensitive or confidential information, personal information, or other data, result in fraudulent transfer of funds, harm our reputation, brand, and competitive position, damage our relationships with our customers, subject us to adverse media coverage, or result in claims, regulatory investigations, and proceedings and significant legal, regulatory, and financial exposure, including ongoing monitoring by regulators, and any such incidents or any perception that our security measures are inadequate could lead to loss of customer confidence in, or decreased use of, our platform, any of which could adversely affect our business, financial condition, and results of operations. Any actual or perceived breach of privacy or security, or other security incident, impacting any entities with which we share or disclose data (including, for example, our partners, vendors, or other service providers) could have similar effects. We also expect to incur significant costs in an effort to detect and prevent privacy and security breaches and other security incidents, and we may face increased costs and requirements to expend substantial resources in the event of an actual or perceived privacy or security breach or other incident.

Additionally, defending against claims or litigation based on any privacy or security breach or other security incident, regardless of their merit, could be costly and divert management's attention. We cannot ensure that any provisions in our agreements with customers, contracts with service providers and other contracts relating to limitations of liability, including those in connection with a privacy or security breach or other security incident, would be enforceable or adequate or would otherwise protect us from any liabilities or damages with respect to any particular claim. We cannot be certain that our insurance coverage will be adequate for data handling or information security costs or liabilities actually incurred, that insurance will continue to be available to us on commercially reasonable terms or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have an adverse effect on our reputation, brand, business, financial condition, and results of operations.

Growth of our business will depend on a trustworthy reputation and strong brand and any failure to maintain, protect, and enhance our brand would hurt our ability to retain or expand our base of customers and our ability to increase their level of engagement.

We believe maintaining a trustworthy reputation and strong brand is critical to our success and our ability to attract customers to our platform and maintain good relations with regulators. Our reputation, brand, and ability to build trust with existing and new customers may be adversely affected by complaints and negative publicity about us, our platform, partners, and customers that utilize our platform or our competitors' platforms, even if factually incorrect or based on isolated incidents. Negative perception of our platform or company may harm our reputation and brand, including as a result of:

- perceptions of cloud-based software and our industry and our company, including the quality, security, and reliability of our cloud-based software platform;
- the overall user experience of our platform;
- changes to our platform;
- a failure to provide a range of options sought by customers or consumers;
- our ability to effectively manage and resolve customer and consumer complaints;
- fraudulent, illegal, negligent, reckless, or otherwise inappropriate behavior by users or third parties;
- actual or perceived disruptions to, failures of, or defects, bugs, vulnerabilities, or errors in our platform or similar incidents, such as privacy or security breaches or other security incidents, site outages, payment disruptions, or other incidents that impact or may be perceived to impact the reliability of our services, including services provided by third parties we rely on;
- litigation over, or investigations by regulators into, our platform;
- customers' or consumers' lack of awareness of, or compliance with, our policies;
- a failure to comply with legal, tax, privacy, data protection, information security, or regulatory requirements;
- changes to our practices with respect to collection and use of customer and consumer data;
- a failure to enforce our policies in a manner that users perceive as effective, fair, and transparent;
- a failure to operate our business in a way that is consistent with our values and mission;
- inadequate or unsatisfactory support experiences for our customers;
- illegal or otherwise inappropriate behavior by our management team or other employees or contractors; or
- a failure to register and prevent misappropriation of our trademarks.

If we do not successfully develop, protect, and enhance our reputation and brand, our business, financial condition, and results of operations could be adversely affected.

If we fail to manage our growth effectively, our reputation, business, financial condition, and results of operations could be adversely affected.

Since 2012, we have experienced rapid growth in our customers, and our operations, and we expect to continue to experience growth in the future. We have also experienced significant growth in employee headcount in the past both at our San Francisco headquarters and in a number of our offices across the United States. Although we committed to a Workforce Reduction Plan in April 2022 to reduce operating expenses and adjust cash flows in light of the ongoing macroeconomic environment and its impact on our business, we may experience employee growth in the future. Steps we take to manage our business operations and future growth may adversely affect our reputation and brand, our ability to recruit, retain and motivate highly skilled personnel. Our growth has placed, and may continue to place, substantial demands on management and our operational and financial infrastructure. As with many companies in our growth stage, as of December 31, 2021, a majority of our Blend Platform segment employees have been with us for fewer than 12 months. We have made, and intend to continue to make, substantial investments in our technology, customer service, risk, sales and marketing infrastructure.

Our ability to manage our growth and business operations effectively and to integrate new employees, technologies, and acquisitions into our existing business will require us to continue to expand our operational and financial infrastructure and to continue to effectively integrate, develop, and motivate a large number of new employees, while maintaining the beneficial aspects of our culture. Continued growth could challenge our ability to develop and improve our information technology infrastructure and our operational, financial, and management controls, enhance our reporting systems and procedures, recruit, train, and retain highly skilled personnel and maintain user satisfaction. Additionally, if we do not manage the growth of our business and operations effectively, the quality of our platform and the efficiency of our operations could suffer, which could adversely affect our reputation, business, financial condition, and results of operations. For example, in connection with the audit of our consolidated financial statements as of and for the year ended December 31, 2021, we identified a material weakness in our internal control over financial reporting. Our failure to implement and maintain effective internal control over financial reporting could result in errors in our consolidated financial statements that could result in a restatement of our financial statements and could cause us to fail to meet our reporting obligations, any of which could diminish investor confidence in us and could cause a decline in the price of our Class A common stock. We will need to continue to improve our operational and financial infrastructure in order to manage our business effectively and accurately report our results of operations.

Systems failures and resulting interruptions in the availability of our website or platform, or other delays or slow response times from our website or platform, could adversely affect our business, financial condition, and results of operations.

We currently serve our customers and consumers on our platform from third-party data center hosting facilities. It is critical to our success that our customers (including their customers) and consumers be able to access our platform at all times, and that the performance of our platform is responsive and rapid. Our systems, or those of third parties upon which we rely, may experience service interruptions, outages, failures, or degradation or other performance problems because of hardware and software defects or malfunctions, distributed denial-of-service and other cyberattacks, infrastructure changes, human error, earthquakes, hurricanes, floods, fires, other natural disasters, power losses, disruptions in telecommunications services, fraud, military or political conflicts, terrorist attacks, computer viruses, ransomware, malware, or other events. Our systems also may be subject to break-ins, sabotage, theft, and intentional acts of vandalism, including by our own employees. Some of our systems are not fully redundant and our disaster recovery planning may not be sufficient for all eventualities. These eventualities could cause information, including information relating to our customers and consumers, to be lost, corrupted, altered, or delayed. Our business interruption insurance may not be sufficient to cover all of our losses that may result from interruptions in our service as a result of systems failures and similar events. Additionally, in some cases, partners, vendors, and other service providers run their own platforms that we access, and we are, therefore, vulnerable to their service interruptions. In the event that our data center arrangements are terminated, or if there are any lapses of service or damage to a center, we could experience lengthy interruptions in our service as well as delays and additional expenses in arranging new facilities and services.

We have experienced and will likely continue to experience system failures and other events or conditions from time to time that interrupt the availability or reduce or affect the speed or functionality of our platform. These system failures generally occur either as a result of software updates being deployed with unexpected errors or as a result of temporary infrastructure failures related to storage, network, or compute capacity being exhausted. These events have resulted in losses in revenue, though such losses have not been material to date. System failures in the future could result in significant losses of revenue. Moreover, we have in the past provided credits to customers per contractual obligations and/or voluntarily made payments to customers to compensate them for the system failure or similar event, and we may provide similar such credits in the future. In addition, the affected customer or consumer could seek monetary recourse from us for its losses and such claims, even if unsuccessful, would likely be time-consuming and costly for us to address. Further, in some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. A prolonged interruption in the availability or reduction in the availability, speed, or other functionality of our platform could adversely affect our business and reputation and could result in the loss of customers.

Further, we have service level agreements with a small number of our customers that require us to meet specific transaction response times. In the event that we fail to meet those requirements, whether because of system failures, slow platform performance, or otherwise, our customers may request credits from us, which could adversely impact our revenue and results of operations in a period where we provide such credits.

We operate under a success-based business model and often rely on self-reporting of completed transactions by our customers, which can make it difficult to estimate and forecast revenue.

We offer our banking products through software-as-a-service agreements where fees are assessed for each completed transaction, such as a funded loan, new account opening, or closing transaction. We do not charge for abandoned applications or rejected applications, even though they cause us to incur costs. Our customers have the ability to access our platform under subscription arrangements, in which customers commit to a minimum number of completed transactions at specified prices over the contract term, or under usage-based arrangements, in which customers pay in arrears a variable amount for completed transactions at a specified price. Our subscription arrangements are generally non-cancelable during the contract term, and we may also earn additional overage fees if the number of completed transactions exceeds contractual minimums. Our usage-based arrangements generally can be terminated at any time by the customer. We recognize revenue ratably for our subscription arrangements because the customer receives and consumes the benefits of our platform throughout the contract period. We recognize fees for usage-based arrangements as the completed transactions are processed using our platform.

We use and often rely on the reporting of completed transactions by our customers when invoicing them for usage and overage fees in connection with our arrangements. If the reporting of completed transactions by our customers is not timely or accurate, it may impact our ability to estimate revenue, which may impact the accuracy of our actual and forecasted revenue recognized from our customers. If we incorrectly forecast revenue from our customers and the amount of revenue is less than projections we provide to investors, the price of our Class A common stock could decline substantially and our business, financial condition, and results of operations could be adversely affected.

Our sales cycle can be unpredictable, time-consuming, and costly.

Our sales process involves educating prospective and existing customers about the benefits and technical capabilities of our products and services. Prospective customers often undertake a prolonged evaluation process, which typically involves not only our products and services, but also those of our competitors. Our sales cycles are typically lengthy, generally ranging from six to nine months for smaller financial services firms and ranging from twelve to eighteen months or more for larger financial services firms. We may spend substantial time, effort, and money on our sales and marketing efforts without any assurance that our efforts will produce any sales. Events affecting our customers' businesses may occur during the sales cycle that could affect the size or timing of a purchase, contributing to more unpredictability in our business and results of operations. As a result of these factors, we may face greater costs, longer sales cycles, and less predictability in the future, which could adversely affect our business, financial condition, and results of operations.

Our business is substantially dependent on revenue from the financial services industry and subject to risks related to the mortgage industry and the larger financial services industry. Our business may also be adversely affected by downturns in the mortgage industry.

A substantial majority of the transactions enabled through our platform and title closed orders processed relate to mortgage loans and refinances, and our financial prospects depend significantly on the financial services industry ecosystem. If financial services firms experience large or unexpected losses through the offering of financial products, these firms may choose to decrease the amount of money they spend with us. In addition, increased competition to financial services firms from challenger banks and technology disruptors as well as decreases in consumer demand in the financial services industry in general could adversely affect the demand for our product and, in turn, the number of customers and their consumers using our platform. In addition, the number of mortgage loans, refinances, and other loan products may decline during recessionary periods and other periods in which disposable income is adversely affected and may be affected by negative trends in the broader economy, including the cost of energy and gasoline, the availability and cost of credit, reductions in business and consumer confidence, stock market volatility, and increased unemployment.

We may encounter deployment challenges, which could adversely affect our business, financial condition, and results of operations.

We may face unexpected challenges related to the complexity of our customers' deployment and configuration requirements. Deployment of our software platform may be delayed or expenses may increase when customers have unexpected data, software, or technology challenges, or unanticipated business requirements, which could adversely affect our relationship with our customers and our business, financial condition, and results of operations. In general, our revenue related to deployment and other professional services we provide is recognized on a proportional performance basis, and delays and difficulties in these engagements could result in losses or the recognition of revenue later than expected. Further, because we do not fully control our customers' deployment schedules, if our customers do not allocate the internal resources necessary to meet deployment timelines or if there are otherwise unanticipated deployment delays or difficulties, our ability to take customers live and the overall customer experience could be adversely affected. We rely on existing customers to act as references for prospective customers, and difficulties in deployment and configuration could therefore adversely affect our ability to attract new customers. Any difficulties or delays in the deployment processes could cause customers to delay or forego future purchases of our products and services, which could adversely affect our business, financial condition, and results of operations.

Defects, errors, or vulnerabilities in our applications, backend systems, or other technology systems and those of third-party technology providers could harm our reputation and brand and adversely impact our business, financial condition, and results of operations.

Our platform and system infrastructure rely on software that is highly technical and complex and depend on the ability of such software to store, retrieve, process, and manage high volumes of data. The software on which we rely may contain undetected errors, defects, bugs, or vulnerabilities, some of which may only be discovered after the code has been released. Our practice is to affect frequent releases of software updates, sometimes multiple times per day. Further, as we create new products and services and enhance our existing products and services, we may encounter difficulties in achieving interoperability between our new products and services and our existing products and services. The third-party software that we incorporate into our platform or rely on may also be subject to errors, defects, bugs, or vulnerabilities. Any errors, defects, bugs, or vulnerabilities discovered in our code or from third-party software after release could result in negative publicity, a loss of users, increased regulatory scrutiny, fines or penalties, loss of revenue or liability for damages, and access or other performance issues. Such vulnerabilities could also be exploited by malicious actors and result in exposure of data of users on our platform, or otherwise result in a security breach or other security incident. We may need to expend significant financial and development resources to analyze, correct, eliminate, or work around errors, bugs, or defects or to address, analyze, correct, and eliminate software platform vulnerabilities. Any failure to timely and effectively resolve any such errors, defects, bugs, or vulnerabilities could adversely affect our business, reputation, brand, financial condition, and results of operations.

Any failure to offer high-quality customer support by us or by partners, vendors, and other service providers may adversely affect our relationships with our customers and could adversely affect our reputation, brand, business, financial condition, and results of operations.

Our ability to attract and retain customers is dependent in part on our ability to provide high-quality support. Our customers depend on our customer success organization to resolve any issues relating to our platform and products. As we continue to grow our business and improve our offerings, we will face challenges related to providing high-quality support services at scale. Additionally, to the extent we decide to grow our international business and the number of international users on our platform, our customer success organization will face additional challenges, including those associated with delivering support in languages other than English. Any failure to maintain high-quality support, or a market perception that we do not maintain high-quality support, could harm our reputation and adversely affect our ability to scale our platform and business, our financial condition, and our results of operations.

We experience significant seasonal fluctuations in our financial results, which could cause our Class A common stock price to fluctuate.

Our business is highly dependent on consumer borrowing patterns that have an impact on our results of operations. We generally experience changes in consumer activity over the course of the calendar year, although our rapid growth and the impact of the COVID-19 pandemic has made, and may continue to make, seasonal fluctuations difficult to detect. Historically, our revenue has been strongest during the second and third quarters of our fiscal year as a result of higher demand for mortgages and other loans during the summer months. Seasonality will likely cause fluctuations in our financial results on a quarterly basis. While our growth has obscured this seasonality in our overall financial results, we expect our results of operations to continue to be affected by such seasonality in the future. In addition, other seasonal trends may develop and the existing seasonal trends that we experience may become more pronounced and contribute to fluctuations in our results of operations as we continue to scale and our growth slows. As such, we may not accurately forecast our results of operations. However, we base our spending and investment plans on forecasts and estimates, and we may not be able to adjust our spending quickly enough if our revenue is less than expected, causing our results of operations to fail to meet our expectations or the expectations of investors.

The market for cloud-based banking software is still in relatively early stages of growth and if this market does not continue to grow, grows more slowly than we expect, or fails to grow as large as we expect, our business, financial condition, and results of operations could be adversely affected.

Use of, and reliance on, cloud-based banking software is still at an early stage, and we do not know whether financial services firms will continue to adopt cloud-based banking software in the future, or whether the market will change in ways we do not anticipate. Many financial services firms have invested substantial personnel and financial resources in legacy software, and these institutions may be reluctant, unwilling or unable to convert from their existing systems to our software platform. Furthermore, these financial services firms may be reluctant, unwilling or unable to use cloud-based banking software due to various concerns such as the security of their data and reliability of the delivery model. These concerns or other considerations may cause financial services firms to choose not to adopt cloud-based banking software such as our cloud-based software platform or to adopt them more slowly than we anticipate, either of which would adversely affect our business, financial condition, and results of operations. Our future success also depends on our ability to sell additional products, services, and functionality to our current and prospective customers. As we create new products and services and enhance our existing products and services, these applications and enhancements may not be attractive to customers or we may encounter difficulties in achieving interoperability between our new products and services and our existing products and services. In addition, promoting and selling new and enhanced functionality may require increasingly costly sales and marketing efforts, and if customers choose not to adopt this functionality our business and results of operations could suffer. If financial services firms are unwilling or unable to transition from their legacy systems, or if the demand for our software platform does not meet our expectations, our business, financial condition, and results of operations could be adversely affected.

Unfavorable conditions in our industry or the global economy or reductions in technology spending could limit our ability to grow our business and adversely affect our financial condition and results of operations.

Our results of operations may vary based on the impact of changes in our industry or the U.S. economy on us or our customers. The revenue growth and potential profitability of our business depend on demand for our solutions. Current or future economic uncertainties or downturns could adversely affect our business and results of operations. Negative conditions in the general economy in the United States and abroad, including conditions resulting from changes in gross domestic product growth, financial and credit market fluctuations, political turmoil, natural catastrophes, warfare, such as the current war in Ukraine and the potential effects of sanctions, and terrorist attacks on the United States, Europe, the Asia Pacific region or elsewhere, could cause a decrease in lending activity and business investments, including spending on technology, and negatively affect the growth of our business. For example, the COVID-19 pandemic has created and may continue to create significant uncertainty in global financial markets and the long-term economic impact of the COVID-19 pandemic is highly uncertain. To the extent our solutions are perceived by customers and potential customers as costly, or too difficult to deploy or migrate to, our revenue may be disproportionately affected by delays or reductions in general technology spending. Also, competitors, some of whom are larger and more established than we are, may respond to market conditions by lowering prices and attempting to lure away our customers. We cannot predict the timing, strength or duration of any economic slowdown, instability or recovery, generally or within any particular industry. If the economic conditions of the general economy or markets in which we operate worsen from present levels, our business, financial condition, and results of operations could be adversely affected.

Future revenue growth depends upon our ability to adapt to technological change as well as global trends in the way customers access cloud-based banking software and successfully introduce new and enhanced products, services and business models.

We operate in industries that are characterized by rapidly changing technology, evolving industry standards, and frequent new product introductions. We believe that the pace of innovation will continue to accelerate as customers increasingly base their technology investments on a broad range of factors, including products and markets addressed, performance and scale, consumer experience, data governance, and regulatory compliance. We must continue to innovate and develop new products and features to meet changing customer and consumer needs and attract and retain talented software developers.

Our business depends significantly on revenue from large and mid-sized financial services firms. As our existing platform components mature, we will need to successfully integrate new products on our platform, including by achieving interoperability between such new products and our existing products, as well as upgrade the decisioning, verification, and automation components of our existing platform in order to continue to help our customers adapt quickly to constantly changing market conditions. If we are not able to develop and clearly demonstrate the value of new products, upgraded components, or services to our customers, or effectively utilize our customers' data to provide them with value, our ability to retain and acquire customers could be adversely affected. If competitors introduce new offerings embodying new technologies, or if new industry standards and practices emerge, our existing technology, services, and website may become obsolete. Our future success could depend on our ability to respond to technological advances and emerging industry standards and practices in a cost-effective and timely manner.

We have scaled our business rapidly and significant new platform features and services have in the past resulted in, and in the future may continue to result in, operational challenges affecting our business. Developing and launching enhancements to our platform and new products and services on our platform may involve significant technical risks and upfront capital investments that may not generate return on investment. We may use new technologies ineffectively, or we may fail to adapt to emerging industry standards. If we face material delays in introducing new or enhanced platform features, products, and services or if our recently introduced offerings do not perform in accordance with our expectations, the customers and consumers that utilize our platform may forego the use of our services in favor of those of our competitors.

We depend on our senior management team and our other highly skilled employees to grow and operate our business, and if we are unable to hire, retain, manage, and motivate our employees, or if our new employees do not perform as we anticipate, we may not be able to grow effectively and our business, financial condition, and results of operations could be adversely affected.

Our future success will depend in part on the continued service of our founders, senior management team, key technical employees, and other highly skilled employees, including Nima Ghamsari, Head of Blend, Co-Founder, and Chair of our board of directors, and on our ability to continue to identify, hire, develop, motivate, and retain talented employees. We may not be able to retain the services of any of our employees or other members of senior management in the future. Also, all of our U.S.-based employees, including our senior management team and Mr. Ghamsari, work for us on an at-will basis, and there is no assurance that any such employee will remain with us. Our competitors may be successful in recruiting and hiring members of our management team or other key employees, and it may be difficult for us to find suitable replacements on a timely basis, on competitive terms, or at all. If we are unable to attract and retain the necessary employees, particularly in critical areas of our business, we may not achieve our strategic goals. Moreover, the implementation of the Workforce Reduction Plan or related initiatives may have adverse consequences on our employee morale, our culture and our ability to attract and retain employees. In addition, from time to time, there may be changes in our senior management team that may be disruptive to our business. If our senior management team fails to work together effectively and to execute its plans and strategies, our business, financial condition, and results of operations could be adversely affected.

We face intense competition for highly skilled employees, especially in the San Francisco Bay Area where we have a substantial presence and need for highly skilled employees. To attract and retain top talent, we have offered, and we believe we will need to continue to offer, competitive compensation and benefits packages. Job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. The trading price of our Class A common stock is likely to be volatile and could be subject to fluctuations in response to various factors and may not appreciate. If the perceived value of our equity awards declines for this or other reasons, it may adversely affect our ability to attract and retain highly qualified employees. Certain of our employees have received significant proceeds from sales of our equity in private transactions and many of our employees may receive significant proceeds from sales of our equity in the public markets, which may reduce their motivation to continue to work for us. We may need to invest significant amounts of cash and equity to attract and retain new employees and expend significant time and resources to identify, recruit, train, and integrate such employees, and we may never realize returns on these investments. If we are unable to effectively manage our hiring needs or successfully integrate new hires, our efficiency, ability to meet forecasts, and employee morale, productivity, and engagement could suffer, which could adversely affect our business, financial condition, and results of operations.

Misconduct and errors by our employees, partners, vendors, and other service providers could adversely affect our business, financial condition, results of operations, and reputation.

We are exposed to many types of operational risk, including the risk of misconduct and errors by our employees, partners, vendors, and other service providers. Our business depends on our employees, partners, vendors, and other service providers to enable the processing of a large number of increasingly complex transactions, including transactions that involve significant dollar amounts and loan and financial transactions that involve the collection, use, and disclosure of sensitive information, including personal information and confidential business information. We could be adversely affected if transactions were redirected, misappropriated, or otherwise improperly executed, sensitive information, including personal information and confidential business information, was accessible by or disclosed to unintended persons, or an operational breakdown or failure in the processing of other transactions occurred, whether as a result of human error, a purposeful sabotage or a fraudulent manipulation of our operations or systems. In addition, the manner in which we store and use certain personal information and interact with consumers, and the manner in which our customers interact with their customers through our platform is governed by various federal and state laws. It is not always possible to identify and deter misconduct or errors by employees, partners, vendors, or other service providers, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses. Any of these occurrences could result in our diminished ability to operate our business, potential liability to customers and consumers, inability to attract future customers and consumers, reputational damage, regulatory intervention, and financial harm, which could adversely affect our business, financial condition, results of operations, and reputation.

We plan to continue to expand and diversify our operations through strategic acquisitions and partnerships. We face a number of risks related to these transactions.

We plan to continue to expand and diversify our operations with additional strategic acquisitions or partnerships, strategic collaborations, joint ventures, or licensing arrangements. As we continue to grow, these transactions may be larger and require significant investments, such as our acquisition of Title365. We may be unable to identify or complete prospective acquisitions or partnerships for many reasons, potential acquirers, the effects of consolidation in our industries, potentially high valuations of acquisition candidates, and the availability of financing to complete larger acquisitions. Even if we do complete any such transactions, we may incur significant costs, such as professional service fees. In addition, applicable antitrust laws and other regulations may limit our ability to acquire targets, particularly larger targets, or force us to divest an acquired business. If we are unable to identify suitable targets or complete acquisitions, our growth prospects could be adversely affected, and we may not be able to realize sufficient scale and technological advantages to compete effectively in all markets.

Further, completing larger acquisitions or other strategic transactions is significantly riskier in that such transactions require additional consideration and management attention to complete, and could introduce additional exposure to regulatory and compliance risk. To complete these transactions, we may need to spend large amounts of cash, which may not be available to us on acceptable terms, if at all, or issue equity or equity-linked consideration, which may dilute our current stockholders. Further, we generally devote more time and resources towards performing diligence on larger transactions and may be required to devote more resources towards regulatory requirements in connection with such transactions. To the extent that we do not perform sufficient diligence on a larger acquisition or such a transaction does not generate the expected benefits, our business, financial condition, and results of operations would be adversely affected, and to a greater extent than would occur with a smaller transaction.

Additionally, we could face a variety of tax risks related to acquisitions or other strategic transactions, including that we may be required to make tax withholdings in various jurisdictions in connection with such transactions or as part of our continuing operations following a transaction, and that the companies or businesses we acquire may cause us to alter our international tax structure or otherwise create more complexity with respect to tax matters. Additionally, while we typically include indemnification provisions in our definitive agreements related to strategic acquisitions and partnerships, these indemnification provisions may be insufficient in the event that tax liabilities are greater than expected or are in areas that are not fully covered by indemnification. If we are unable to adequately predict and address such tax issues as they arise, our business, financial condition, and results of operations could be adversely affected.

Absent such strategic transactions, we would need to undertake additional development or commercialization activities at our own expense. If we elect to fund and undertake such additional efforts on our own, we may need to obtain additional expertise and additional capital, which may not be available to our company on acceptable terms, if at all. If we are unable to do any of the foregoing, we may not be able to further develop our platform effectively or achieve our expected product roadmap on a timely basis, which could adversely affect our business, financial condition, and results of operations.

The benefits of a strategic acquisition or partnership may also take considerable time to develop, and we cannot be certain that any particular strategic acquisition or partnership will produce the intended benefits. Further, acquisitions could result in potential dilutive issuances of equity securities, use of significant cash balances or incurrence of debt (and increased interest expense), contingent liabilities or amortization expenses related to intangible assets, or write-offs of goodwill and intangible assets. If we are unable to identify and complete strategic acquisitions or partnerships, our business, financial condition, and results of operations could be adversely affected.

We are committed to expanding our platform and enhancing the user experience, which may not maximize short-term financial results and may yield results that conflict with the market's expectations, which could result in our stock price being adversely affected.

We are passionate about expanding our platform and continually enhancing the user experience, with a focus on driving long-term engagement through innovation, the expansion of our platform, products, and services, and providing high-quality support, which may not necessarily maximize short-term financial results. We frequently make business decisions that may reduce our short-term financial results if we believe that the decisions are consistent with our goals to improve the user experience, which we believe will improve our financial results over the long term. These decisions may not be consistent with the short-term expectations of our stockholders and may not produce the long-term benefits that we expect, in which case our growth, business, financial condition, and results of operations could be adversely affected.

We rely on assumptions, estimates, and unaudited financial information to calculate certain of our key metrics and other figures presented herein, and real or perceived inaccuracies in such metrics could adversely affect our reputation and our business.

Certain of the metrics presented herein are calculated using internal company data that has not been independently verified, data from third-party attribution partners, or unaudited financial information of companies that we have acquired or partnered with. While these metrics and figures are based on what we believe to be reasonable calculations for the applicable period of measurement, there are inherent challenges in measuring these metrics and figures across our client base and user base. Additionally, certain figures relating to our strategic acquisitions and partnerships are based on unaudited financial information that has been prepared by the management of such companies and has not been independently reviewed or audited. We cannot assure you that such financial information would not be materially different if such information was independently reviewed or audited. We regularly review and may adjust our processes for calculating our metrics and other figures to improve their accuracy, but these efforts may not prove successful and we may discover material inaccuracies. In addition, our methodology for calculating these metrics may differ from the methodology used by other companies to calculate similar metrics and figures. We may also discover unexpected errors in the data that we are using that resulted from technical or other errors. If we determine that any of our metrics or figures are not accurate, we may be required to revise or cease reporting such metrics or figures. Any real or perceived inaccuracies in our metrics and other figures could adversely affect our reputation and our business.

Our marketing efforts to help grow our business may not be effective.

Promoting awareness of our business is important to our ability to grow our business and to attract new customers and consumers and can be costly. We believe that the importance of brand recognition will increase as competition in the consumer lending industry expands. Successful promotion of our brand will depend largely on the effectiveness of marketing efforts and the overall user experience of our customers and consumers on our platform, which factors are outside our control. The marketing channels that we employ may also become more crowded and saturated by other cloud-based software platforms, which may decrease the effectiveness of our marketing campaigns. Our marketing initiatives may become increasingly expensive and generating a meaningful return on these initiatives may be difficult. Even if we successfully increase revenue as a result of our paid marketing efforts, it may not offset the additional marketing expenses we incur. If our marketing efforts to help grow our business are not effective, we expect that our business, financial condition, and results of operations could be adversely affected.

Negative publicity about us, our partners, vendors, and other service providers, or the financial services technology industry, could adversely affect our business, results of operations, financial condition, and future prospects.

Negative publicity about us, our partners or the financial services technology industry, including the transparency, fairness, user experience, quality, and reliability of our platform, our or our partners' privacy, data and security practices, litigation, regulatory activity, misconduct by our employees, partners, vendors, or other service providers, or others in the financial services technology industry, the experience of consumers with our platform or services, or with our customers, even if inaccurate, could adversely affect our reputation and the confidence in, and the use of, our platform by customers and their consumers, which could harm our reputation and cause disruptions to our platform. Any such reputational harm could further affect the behavior of customers and their consumers, including their willingness to use our platform. As a result, our business, results of operations, financial condition, and future prospects would be materially and adversely affected.

Our company culture has contributed to our success and if we cannot maintain and evolve our culture as we grow, our business could be adversely affected.

We believe that our company culture has been critical to our success. We have invested substantial time and resources in building out our team with an emphasis on our shared beliefs and practices and a commitment to diversity and inclusion.

We face a number of challenges that may affect our ability to sustain our corporate culture, including:

- failure to identify, attract, reward, and retain people in leadership positions in our organization who share and further our culture, values, and mission;
- the increasing size and geographic diversity of our workforce;
- competitive pressures to move in directions that may divert us from our mission, vision, and values;
- the continued challenges of a rapidly evolving industry;
- the increasing need to develop expertise in new areas of business that affect us;
- any negative perception of our response to employee sentiment related to political or social causes or actions of management; and
- the integration of new personnel and businesses from acquisitions.

If we are not able to maintain and evolve our culture, our business, financial condition, and results of operations could be adversely affected.

The COVID-19 pandemic, or a similar public health threat, could adversely affect our business, financial condition, and results of operations.

The ongoing COVID-19 pandemic and resulting social distancing and shelter-in-place orders put in place around the world have caused widespread disruption in global economies, productivity, and financial markets and have altered the way in which we conduct our day-to-day business.

The full extent to which the COVID-19 pandemic and the various responses thereto impact our business, financial condition, and results of operations and impact our customers and partners, vendors, and other third parties will depend on numerous evolving factors that we may not be able to accurately predict, including: the duration and scope of the pandemic, including any potential future waves of the pandemic, governmental, business, and individual actions that have been and continue to be taken in response to the pandemic, the effect on our customers and on global IT spending disruptions, restrictions on our employees' ability to work and travel, and the availability and cost to access the capital markets. As a result of the COVID-19 pandemic, in March 2020, we temporarily closed our offices, required our employees and contractors to work remotely, and implemented travel restrictions, all of which represent a significant disruption in how we operate our business. The operations of our customers and partners have likewise been disrupted. While substantially all of our business operations can be performed remotely, many of our employees are juggling additional work-related and personal challenges. In addition, such remote operations could decrease the cohesiveness of our teams and our ability to maintain our culture, both of which are critical to our success. A remote working environment could impede our ability to undertake new business projects, to foster a creative environment, to hire new team members, and to retain existing team members. We will continue to actively monitor the issues raised by the COVID-19 pandemic and may take further actions that alter our business operations, including as may be required by federal, state, local, or foreign authorities or that we determine are in the best interests of our employees, customers, and stockholders. See "Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—COVID-19" for additional information about the impact of the COVID-19 pandemic on our business.

If we are unable to effectively combat the increasing number and sophistication of fraudulent activities by third parties using our platform, we may suffer losses, which may be substantial, and lose the confidence of our customers, and government agencies and our business, financial condition, and results of operations may be adversely affected.

The title industry has been experiencing an increasing number of fraudulent activities by third parties, and those fraudulent activities are becoming increasingly sophisticated. Although we do not believe that any of this activity is uniquely targeted at our platform or business, this type of fraudulent activity may adversely affect our title business. In addition to any losses that may result from such fraud, which may be substantial, a loss of confidence by our customers, or governmental agencies in our ability to prevent fraudulent activity that is perpetrated through our software platform or business may seriously harm our business and damage its brand. As fraudulent activities become more pervasive and increasingly sophisticated, and fraud detection and prevention measures must become correspondingly more complex to combat them across the various industries in which we operate, we may implement risk control mechanisms that could make it more difficult for legitimate users to obtain access to and use our platform, which could result in lost revenue and adversely affect our business, financial condition, and results of operations. High profile fraudulent activity or significant increases in fraudulent activity could also lead to regulatory intervention, negative publicity, and the erosion of trust from our customers and consumers, and our business, financial condition, and results of operations could be adversely affected.

Our presence outside the United States and any future international expansion strategy will subject us to additional costs and risks and our plans may not be successful.

We are considering expanding our presence internationally. We expect to eventually launch our platform internationally and, in connection with our acquisition of Title365, we acquired Title365's India operations. We expect to expand those operations. Operating outside of the United States may require significant management attention to oversee operations over a broad geographic area with varying cultural norms and customs, in addition to placing strain on our finance, analytics, compliance, legal, engineering, and operations teams. We may incur significant operating expenses and may not be successful in our international expansion for a variety of reasons, including:

- recruiting and retaining talented and capable employees in foreign countries and maintaining our company culture across all of our offices;
- an inability to attract and retain customers;
- complying with varying laws and regulatory standards, including with respect to financial services, labor and employment, data privacy, data protection, information security, tax, and local regulatory restrictions;
- obtaining any required government approvals, licenses, or other authorizations;
- varying levels of Internet and mobile technology adoption and infrastructure;
- currency exchange restrictions or costs and exchange rate fluctuations;
- operating in jurisdictions that do not protect intellectual property rights in the same manner or to the same extent as the United States;
- public health concerns or emergencies, such as the COVID-19 pandemic and other highly communicable diseases or viruses (which COVID-19 pandemic has had a disproportionate impact on India), outbreaks of which have from time to time occurred, and which may occur, in various parts of the world in which we operate or may operate in the future; and
- limitations on the repatriation and investment of funds as well as foreign currency exchange restrictions.

Our lack of experience in operating our business internationally increases the risk that any potential future expansion efforts that we may undertake may not be successful. If we invest substantial time and resources to expand our operations internationally and are unable to manage these risks effectively, our business, financial condition, and results of operations could be adversely affected.

In addition, international expansion may increase our risks in complying with various laws and standards, including with respect to anti-corruption, anti-bribery, export controls, and trade and economic sanctions.

We may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all.

Historically, we have financed our operations primarily through equity issuances and cash collections from our customers. In 2021, we also entered into a credit agreement that provides for a term facility and a revolving facility. The term facility was fully drawn at closing to provide, in part, the consideration being paid in connection with our acquisition of Title365. To support our growing business and to effectively compete, we must have sufficient capital to continue to make significant investments in our platform. We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new platform features and services or enhance our existing platform, improve our operating infrastructure, or acquire complementary businesses and technologies. Additionally, we may consider adopting various employee compensation programs from time to time, including one possible program that would allow employees the opportunity to annually elect the proportion of their compensation that would be provided in the form of cash or equity. The details of any such program, and the extent to which we may implement any such program, have not been determined at this time. If we do decide to adopt a program like this in the future, it could result in us paying a greater percentage of our employees' compensation in the form of cash or equity, depending on how our employees elect to receive their compensation. This could result in us using a larger amount of our cash reserves for the payment of compensation in future periods or could result in us granting a greater number of our shares subject to equity awards, which could increase our overall dilution, increase our stock-based compensation expense for financial accounting purposes, and increase our tax withholding and remittance obligations. How we determine any such tax withholding obligations would be satisfied could further impact our cash position or increase dilution.

Although we currently anticipate that our existing cash, cash equivalents, and marketable securities and cash collections from our customers will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months, we may require additional financing. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through future issuances of equity, equity-linked securities, or convertible debt securities, our existing stockholders could suffer significant dilution, and any new securities we issue could have rights, preferences, and privileges superior to those of holders of our Class A common stock.

We evaluate financing opportunities from time to time, and our ability to obtain financing will depend, among other things, on our development efforts, business plans, and operating performance and the condition of the capital markets at the time we seek financing. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be impaired, and our business, financial condition, and results of operations could be adversely affected.

We have identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our consolidated financial statements or cause us to fail to meet our periodic reporting obligations.

In recent periods, we have experienced rapid growth, and this growth has placed considerable strain on our systems, processes, and personnel. As a result, in connection with the audit of our consolidated financial statements as of and for the year ended December 31, 2021, we identified a material weakness in our internal control over financial reporting related to the valuation of intangible assets acquired in the Title365 business combination. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

After our acquisition of Title365, we determined that a material weakness existed in our internal controls over financial reporting related to the accounting for the Company's business combination, including a lack of sufficient precision in the performance of reviews supporting the prospective financial information used in the customer relationship intangible asset valuation and a lack of adequate documentation to provide evidence of operating effectiveness of an associated management review control. As part of our effort to remediate the material weakness, we hired additional finance and accounting resources and implemented enhancements to our processes around preparation and review of projected financial information. Although we believe the hiring of additional finance and accounting resources and implementation of enhancements to our processes around the preparation and review of projected financial information will remediate the material weakness, there can be no assurance that the material weakness will be remediated on a timely basis or at all, or that additional material weaknesses will not be identified in the future. If we are unable to remediate the material weakness, or if we experience additional material weaknesses, our ability to record, process, and report financial information accurately, and to prepare financial statements within the time periods specified by the rules of the SEC, could be adversely affected which, in turn, may adversely affect our reputation and business and the market price of our Class A common stock.

If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the rules and regulations of the applicable listing standards of the New York Stock Exchange. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming, and costly, and place significant strain on our systems, processes, and personnel.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that 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. We are also continuing to improve our internal control over financial reporting, which includes hiring additional accounting and financial personnel to implement such processes and controls. 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. If any of these new or improved controls and systems does not perform as expected, we may continue to experience material weaknesses in our controls.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, additional weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. In this regard, in connection with the audit of our consolidated financial statements as of and for the year ended December 31, 2021, we identified a material weakness in our internal control over financial reporting related to the valuation of intangible assets acquired in the Title365 business combination.

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 Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the New York Stock Exchange. As of December 31, 2021, we were not 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 provide an annual management report on the effectiveness of our internal control over financial reporting as of December 31, 2022, commencing with our second annual report on Form 10-K.

Our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal control over financial reporting until after we are no longer an emerging growth company as defined in the Jumpstart Our Business Startups Act (“JOBS Act”). At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed, or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could have an adverse effect on our business and results of operations and could cause a decline in the price of our Class A common stock.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect or financial reporting standards or interpretations change, our results of operations could be adversely affected.

The preparation of financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the amounts reported and disclosed in our consolidated financial statements and accompanying notes. We base our estimates and assumptions on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, stock-based compensation, valuations of acquired intangible assets and redeemable noncontrolling interest, and common stock valuations. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of industry or financial analysts and investors, resulting in a decline in the trading price of our Class A common stock.

Additionally, GAAP is subject to interpretation by the Financial Accounting Standards Board, or FASB, the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported results of operations and could affect the reporting of transactions completed before the announcement of a change. It is difficult to predict the impact of future changes to accounting principles or our accounting policies, any of which could adversely affect our reported results of operations.

Operating as a public company requires us to incur substantial costs and requires substantial management attention. In addition, key members of our management team have limited experience managing a public company.

As a public company, we have incurred and will continue to incur substantial legal, accounting, and other expenses that we did not incur as a private company. For example, we are subject to the reporting requirements of the Exchange Act, the applicable requirements of the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, the rules and regulations of the SEC, and the listing standards of the New York Stock Exchange. For example, the Exchange Act requires, among other things, we file annual, quarterly, and current reports with respect to our business, financial condition, and results of operations. Compliance with these rules and regulations has increased and will continue to increase our legal and financial compliance costs, and increase demand on our systems, particularly after we are no longer an emerging growth company. In addition, as a public company, we may be subject to stockholder activism, which can lead to additional substantial costs, distract management, and impact the manner in which we operate our business in ways we cannot currently anticipate. As a result of disclosure of information in this Annual Report on Form 10-K and in other filings required of a public company, our business and financial condition will become more visible, which may result in threatened or actual litigation, including by competitors.

Many members of our management team have limited experience managing a publicly traded company, interacting with public company investors, and complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our ongoing transition to being a public company subject to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, and our business, financial condition, and results of operations could be adversely affected.

Risks Related to Our Legal and Regulatory Environment

We may be subject to claims, lawsuits, government investigations, and other proceedings that may adversely affect our business, financial condition, and results of operations.

We face potential liability, expenses for legal claims, and harm to our business relating to the nature of our business generally, and with the lending and financial services we enable. We, or our partners, vendors, or other service providers, may be subject to claims, lawsuits, arbitration proceedings, government investigations and other legal, regulatory and other administrative proceedings in the ordinary course of business, including those involving compliance with regulatory requirements, personal injury, property damage, worker classification, labor and employment, anti-discrimination, commercial disputes, competition, consumer complaints, intellectual property disputes, and other matters, and we may become subject to additional types of claims, lawsuits, government investigations and legal or regulatory proceedings as our business grows and as we deploy new services.

In addition, a number of participants in the consumer financial and real estate settlement services industries have been the subject of putative class action lawsuits, state attorney general actions, other state regulatory actions, and federal regulatory enforcement actions, including actions relating to alleged unfair, deceptive, or abusive acts or practices, violations of state licensing and disclosure laws and actions alleging discrimination on the basis of race, ethnicity, gender, or other prohibited bases. The current regulatory environment, increased regulatory compliance efforts, and enhanced regulatory enforcement have resulted in us undertaking significant time-consuming and expensive operational and compliance efforts, which may delay or preclude our ability to provide certain new products and services to our customers and/or delay adoption of new products and services by our customers. There is no assurance that these regulatory matters or other factors will not, in the future, affect how we conduct our business and, in turn, have an adverse effect on our business, financial condition, and results of operations. In particular, legal proceedings brought under state consumer protection statutes or under several of the various federal consumer financial services statutes may result in a separate fine assessed for each statutory and regulatory violation or substantial damages from class action lawsuits, potentially in excess of the amounts we earned from the underlying activities.

The results of any such claims, lawsuits, arbitration proceedings, government investigations, or other legal or regulatory proceedings cannot be predicted with any degree of certainty. Any claims against us, or our partners, vendors, or other service providers, whether meritorious or not, could be time-consuming, result in costly litigation, be harmful to our reputation, subject us to adverse media coverage, require significant management attention and divert significant resources. Determining reserves for pending litigation is a complex and fact-intensive process that requires significant subjective judgment and speculation. It is possible that a resolution of one or more such proceedings could result in substantial damages, settlement costs, fines and penalties that could adversely affect our business, financial condition, and results of operations. These proceedings, including those involving our partners, vendors, and other third parties, could also result in harm to our reputation and brand, sanctions, consent decrees, injunctions or other orders requiring a change in our business practices. Any of these consequences could adversely affect our business, financial condition, and results of operations. Furthermore, under certain circumstances, we have contractual and other legal obligations to indemnify and to incur legal expenses on behalf of our business and partners and current and former directors and officers.

We also include arbitration and class action waiver provisions in our terms of service with many of our consumers. These provisions are intended to streamline the litigation process for all parties involved, as they can in some cases be faster and less costly than litigating disputes in state or federal court. However, arbitration can be costly and burdensome, and the use of arbitration and class action waiver provisions subjects us to certain risks to our reputation and brand, as these provisions have been the subject of increasing public scrutiny. In order to minimize these risks to our reputation and brand, we may limit our use of arbitration and class action waiver provisions or be required to do so in a legal or regulatory proceeding, either of which could cause an increase in our litigation costs and exposure.

Further, with the potential for conflicting rules regarding the scope and enforceability of arbitration and class action waivers on a state-by-state basis, as well as between state and federal law, there is a risk that some or all of our arbitration and class action waiver provisions could be subject to challenge or may need to be revised to exempt certain categories of protection. The enforceability of arbitration and class action waiver provisions has often been challenged, particularly recently, and if those challenges are successful, these provisions could be found to be unenforceable, in whole or in part, or specific claims could be required to be exempted. Any judicial decisions, legislation, or other rules or regulations that impair our ability to enter into and enforce our arbitration agreements and class action waivers could significantly increase our exposure to potentially costly lawsuits, our costs to litigate disputes, and the time involved in resolving such disputes, each of which could adversely affect our business, financial condition, and results of operations.

Our customers are, and in some cases we are or may be, subject to, and we facilitate compliance with, a variety of federal, state, and local laws, including those related to consumer protection and financial services.

Our customers and prospective customers are highly regulated and are generally required to comply with stringent regulations in connection with performing business functions that our products and services address; we facilitate compliance with these regulatory requirements. While we currently operate our business in an effort to ensure our business itself is not subject to extensive regulation, there is a risk that certain regulations could become applicable to us, including as we expand the functionality of and services offered through the platform. In addition, we and our partners, vendors, and other service providers must comply with laws and regulatory regimes that apply to us directly and our partners, vendors, and other service providers indirectly, including through certain of our products, as a technology provider to financial services firms, and in areas such as privacy, information security and data protection, and our contractual relationships with our customers.

In particular, certain laws, regulations, and rules our customers are subject to, and we facilitate compliance with, include the:

- TILA, and Regulation Z promulgated thereunder, and similar state laws, which require certain disclosures to borrowers regarding the terms and conditions of their loans and credit transactions, and require creditors to comply with certain lending practice restrictions as well as the TILA-RESPA Integrated Disclosure rule, or TRID, which imposes specific requirements around the collection of information, charging of fees, and disclosure of specific loan terms and costs upon receipt of an application for credit;
- RESPA, and Regulation X, which require certain disclosures to be made to the borrower at application, as to the financial services firm's good faith estimate of loan origination costs, and at closing with respect to the real estate settlement statement; prohibits giving or accepting any fee, kickback or a thing of value for the referral of real estate settlement services or accepting a portion or split of a settlement fee other than for services actually provided; for affiliated business relationships, prohibits receiving anything other than a legitimate return on ownership, requiring use of an affiliate, and failing to provide a disclosure of the affiliate relationship;
- ECOA, and Regulation B promulgated thereunder, and similar state fair lending laws, which prohibit creditors from discouraging or discriminating against credit applicants on the basis of race, color, sex, age, religion, national origin, marital status, the fact that all or part of the applicant's income derives from any public assistance program or the fact that the applicant has in good faith exercised any right under the federal Consumer Credit Protection Act;
- FCRA, and Regulation V promulgated thereunder, impose certain obligations on consumer reporting agencies, users of consumer reports and those that furnish information to consumer reporting agencies, including obligations relating to obtaining consumer reports, marketing using consumer reports, taking adverse action on the basis of information from consumer reports and protecting the privacy and security of consumer reports and consumer report information;
- Section 5 of the FTC Act, which prohibits unfair and deceptive acts or practices in or affecting commerce, and Section 1031 of the Dodd-Frank Act, which prohibits unfair, deceptive or abusive acts or practices in connection with any consumer financial product or service, and analogous state laws prohibiting unfair, deceptive or abusive acts or practices;
- GLBA, and Regulation P promulgated thereunder, which include limitations on financial services firms' disclosure of nonpublic personal information about a consumer to nonaffiliated third parties, in certain circumstances requires financial services firms to limit the use and further disclosure of nonpublic personal information by nonaffiliated third parties to whom they disclose such information, and requires financial

services firms to disclose certain privacy notices and practices with respect to information sharing with affiliated and unaffiliated entities as well as to safeguard personal borrower information, and other privacy laws and regulations;

- EFTA, and Regulation E promulgated thereunder, which provide guidelines and restrictions on the electronic transfer of funds from consumers' bank accounts, including requirements for overdraft services and a prohibition on a creditor requiring a consumer to repay a credit agreement in preauthorized (recurring) electronic fund transfers and disclosure and authorization requirements in connection with such transfers;
- HPA, which requires certain disclosures and the cancellation or termination of mortgage insurance once certain equity levels are reached;
- HMDA, and Regulation C, which require reporting of loan origination data, including the number of loan applications taken, approved, denied and withdrawn;
- Fair Housing Act, or FHA, which prohibits discrimination in housing on the basis of race, sex, national origin, and certain other characteristics;
- SAFE Act, which imposes state licensing requirements on mortgage loan originators;
- state laws and regulations impose requirements related to unfair or deceptive business practices and consumer protection, as well as other state laws relating to privacy, data protection, information security, and conduct in connection with data breaches;
- TCPA, and the regulations promulgated thereunder, which impose various consumer consent requirements and other restrictions in connection with telemarketing activity and other communication with consumers by phone, fax or text message, and which provide guidelines designed to safeguard consumer privacy in connection with such communications;
- CAN-SPAM, and the TSR, and analogous state laws, which impose various restrictions on marketing conducted by use of email, telephone, fax or text message;
- ESIGN Act, and similar state laws, particularly UETA, which authorize the creation of legally binding and enforceable agreements utilizing electronic records and signatures and which require financial services firms to obtain a consumer's consent to electronically receive disclosures required under federal and state laws and regulations;
- ADA, which has been interpreted to include websites as "places of public accommodations" that must meet certain federal requirements related to access and use;
- RFP, and similar state laws enacted to provide the financial records of financial services firms' customers a reasonable amount of privacy from government scrutiny;
- BSA, and the USA PATRIOT Act, which relate to compliance with anti-money laundering, borrower due diligence and record-keeping policies and procedures;
- the regulations promulgated by OFAC, under the U.S. Treasury Department related to the administration and enforcement of sanctions against foreign jurisdictions and persons that threaten U.S. foreign policy and national security goals, primarily to prevent targeted jurisdictions and persons from accessing the U.S. financial system; and
- other state-specific and local laws and regulations.

In addition to the laws, regulations, and rules that apply to our customers, and that we facilitate compliance with, we, in our capacity as a service provider to financial services firms and as a provider of marketplace services directly to consumers, and our partners, vendors, and other service providers, may be deemed to be subject to certain laws, regulations, and rules through our relationships with our customers including RESPA, FCRA, FTC Act, GLBA, FHA, TCPA, CAN-SPAM, TSR, ESIGN Act, ADA, OFAC, and state-specific laws and regulations, including those that impose requirements related to unfair or deceptive business practices and consumer protection, as well as other state laws relating to privacy, information security, and conduct in connection with data breaches. We may also be examined on a periodic basis by various regulatory agencies and may be required to review certain of our partners, vendors, or other service providers. These potential examinations may lead to increased regulatory compliance efforts that are time-consuming and expensive operationally. Matters subject to review and examination by federal and state regulatory agencies and external auditors include our internal information technology controls in connection with our performance of services, the agreements giving rise to these activities, and the design of our platform. Any inability to satisfy these examinations and maintain compliance with applicable regulations could adversely affect our ability to conduct our business, including attracting and maintaining customers.

In addition, 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 settlement services, consumer reporting agency services, and property and casualty insurance industries; mobile- and internet-based businesses; and information security, advertising, privacy, data protection, and consumer protection. 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.

Furthermore, federal and state officials are discussing various potential changes to laws and regulations that could impact us, including the reform of government-sponsored enterprises such as the Federal National Mortgage Association, or Fannie Mae, and the Federal Home Loan Mortgage Corporation, or Freddie Mac, and additional data privacy regulations, among others. Changes in these areas, generally in the regulatory environment in which we operate and our customers operate, could adversely impact the volume of mortgage originations in the United States and our competitive position and results of operations. In addition, in connection with the COVID-19 pandemic, certain parts of our title business have been deemed in most areas an essential business and have been permitted to operate. A change in this determination, particularly during a shelter-in-place order and in jurisdictions where we generate a large portion of our revenues, could adversely impact us.

While we have developed policies and procedures designed to assist in compliance with these laws and regulations, no assurance can be given that our compliance policies and procedures will be effective. Compliance with these requirements is also costly, time-consuming and limits our operational flexibility. Additionally, Congress, the states and regulatory agencies, as well as local municipalities, could further regulate the consumer financial services and adjacent industries in ways that make it more difficult or costly for us to offer our platform and related services. These laws also are often subject to changes that could severely limit the operations of our business model. Further, changes in the regulatory application or judicial interpretation of the laws and regulations applicable to financial services firms also could impact the manner in which we conduct our business.

The regulatory environment in which financial services firms operate has become increasingly complex, and following the financial crisis that began in 2008, supervisory efforts to apply relevant laws, regulations and policies have become more intense. For example, California has enacted legislation to create a “mini-CFPB,” which could strengthen state consumer protection authority of state regulators over unfair, deceptive, or abusive acts and practices. Nevertheless, if we or our partners, vendors or other service providers are found to not comply with applicable laws, we could become subject to greater scrutiny by federal and state regulatory agencies, or face other sanctions, which may have an adverse effect on our ability to continue to provide our services or make our platform available in particular states, or utilize the services of third-party providers, which may harm our business. In addition, non-compliance could subject us to damages, class action lawsuits, administrative enforcement actions,

rescission rights held by investors in securities offerings and civil and criminal liability, all of which would adversely affect our business, financial condition, and results of operations.

Changes in laws or regulations relating to privacy, information security, data protection, or the protection or transfer of personal information, or any actual or perceived failure by us to comply with such laws and regulations or any other obligations relating to privacy, information security, data protection, or the protection or transfer of personal information, could adversely affect our business.

We, and our partners, vendors, and other service providers, receive, collect, use, disclose, share, transfer, transmit, process, and store a large volume of personal information and other sensitive data relating to individuals, such as consumers and our employees. Our collection, use, receipt, and other processing of data in our business subjects us to numerous state, federal, and foreign laws and regulations, addressing privacy, information security, data protection, and the collection, storing, sharing, use, transfer, disclosure, protection, and processing of certain types of data. Such regulations include, for example, the GLBA, Children’s Online Privacy Protection Act, Personal Information Protection and Electronic Documents Act, CAN-SPAM, Canada’s Anti-Spam Law, TCPA, FCRA, FTC Act, and California Consumer Privacy Act, or CCPA. These laws, rules, and regulations evolve frequently and their scope may continually change, through new legislation, amendments to existing legislation, and changes in interpretation or enforcement, and may be inconsistent from one jurisdiction to another.

For example, on October 27, 2021, the Federal Trade Commission, or the FTC, issued a final rule to amend the GLBA’s Safeguards Rule, which requires financial services firms, like our customers, to develop, implement, and maintain a comprehensive information security program. The final rule provides more prescriptive security controls that financial services firms will be required to implement, such as specific access and authentication controls, risk assessment requirements, and oversight by designation of a Qualified Individual who will be required to provide annual written reports to the board of directors or equivalent governing body. In addition, the FTC has brought enforcement actions against service providers of financial services firms directly and against financial services firms for failures by service providers to implement appropriate controls to safeguard consumers’ personal information.

As another example, the CCPA went into effect on January 1, 2020, and, among other things, requires new disclosures to California consumers and affords such consumers new data privacy rights, including, among other things, the right to request a copy from a covered company of the personal information collected about them, the right to request deletion of such personal information, and the right to opt out of certain sales of personal information. The California Attorney General can enforce the CCPA, including seeking an injunction and civil penalties of up to \$7,500 per violation. The CCPA also provides a private right of action for certain data breaches that is expected to increase data breach litigation. Additionally, a new privacy law, the California Privacy Rights Act, or CPRA, was approved by California voters in the November 3, 2020 election, and significantly modifies the CCPA, including expanding California consumers’ rights with respect to certain personal information and creating a new state agency to oversee implementation and enforcement efforts. The CPRA creates obligations relating to consumer data beginning on January 1, 2022, with implementing regulations expected on or before July 1, 2022, and enforcement beginning July 1, 2023. Some observers have noted the CCPA and CPRA could mark the beginning of a trend toward more stringent privacy legislation in the United States, which could also increase our potential liability and adversely affect our business. For example, the CCPA has encouraged “copycat” or other similar laws to be considered and proposed in other states across the country, such as in Virginia, New Hampshire, Illinois and Nebraska. On March 2, 2021, Virginia enacted the Virginia Consumer Data Protection Act, or CDPA, a comprehensive privacy statute that becomes effective on January 1, 2023 and shares similarities with the CCPA, CPRA, and legislation proposed in other states. On June 8, 2021, Colorado enacted the Colorado Privacy Act, or CPA, which goes into effect on July 1, 2023 and similarly seeks to establish a comprehensive data privacy regime.

The CCPA, CPRA, CDPA, CPA and other changes in laws or regulations relating to privacy, data protection, and information security, particularly any new or modified laws or regulations, or changes to the interpretation or enforcement of laws or regulations like the GLBA, that require enhanced protection of certain types of data or new obligations with regard to data retention, transfer, or disclosure, could greatly increase the cost of providing our platform, require significant changes to our operations, or even prevent us from providing our platform in jurisdictions in which we currently operate and in which we may operate in the future. Certain other state laws impose similar privacy, data protection, and information security obligations and we also expect that more states may enact legislation similar to the CCPA, CPRA, CDPA, and CPA, which provide consumers with new privacy rights and increase the privacy, data protection, and information security obligations of entities handling certain personal information of such consumers. The CCPA has prompted a number of proposals for new federal and state-level privacy legislation. Such proposed legislation, if enacted, may add additional complexity, variation in requirements, restrictions, and potential legal risk, require additional investment of resources in compliance programs, impact strategies and the availability of previously useful data, and could result in increased compliance costs and/or changes in business practices and policies. In addition, some jurisdictions, such as New York, Massachusetts, and Nevada have enacted more generalized information security laws that apply to certain data that we process. We cannot yet fully determine the impact these or future laws, rules, regulations, and industry standards may have on our business or operations. Any such laws, rules, regulations, and industry standards may be inconsistent among different jurisdictions, subject to differing interpretations, or may conflict with our current or future practices. Additionally, our customers may be subject to differing privacy laws, rules, and legislation, which may mean that they require us to be bound by varying contractual requirements applicable to certain other jurisdictions. Adherence to such contractual requirements may impact our collection, use, processing, storage, sharing, and disclosure of various types of information including financial information and other personal information, and may mean we become bound by, or voluntarily comply with, self-regulatory or other industry standards relating to these matters that may further change as laws, rules, and regulations evolve. Complying with these requirements and changing our policies and practices may be onerous and costly, and we may not be able to respond quickly or effectively to regulatory, legislative and other developments. These changes may in turn impair our ability to offer our existing or planned products and services and/or increase our cost of doing business.

Additionally, we have incurred, and may continue to incur, significant expenses in an effort to comply with privacy, data protection, and information security standards and protocols imposed by law, regulation, industry standards, or contractual obligations. In particular, with laws and regulations such as the GLBA, CCPA, CPRA, CDPA, CPA and potentially other laws and regulations that may be proposed or amended, imposing new and relatively burdensome obligations, and with substantial uncertainty over the interpretation and application of these and other laws and regulations, we may face challenges in addressing their requirements and making necessary changes to our policies and practices and may incur significant costs and expenses in an effort to do so.

As our business grows, we may become subject to privacy, data protection, and information security laws from other jurisdictions outside of the United States, potentially including the General Data Protection Regulation, or the GDPR. The GDPR governs the collection, use, disclosure, transfer or other processing of personal data of European persons. Among other things, the GDPR imposes requirements regarding the security of personal data and notification of data processing obligations to competent national data processing authorities, provides for lawful bases on which personal data can be processed, provides for an expansive definition of personal data and requires changes to informed consent practices. In addition, the GDPR provides for heightened scrutiny of transfers of personal data from the European Economic Area, or EEA, to the United States and other jurisdictions that the European Commission does not recognize as having “adequate” data protection laws, and imposes substantial fines for breaches and violations (up to the greater of €20 million or 4% of an enterprise’s consolidated annual worldwide gross revenue). The GDPR also confers a private right of action on data subjects and consumer associations to lodge complaints with supervisory authorities, seek judicial remedies and obtain compensation for damages resulting from violations. Further, the United Kingdom has implemented legislation that substantially implements the GDPR in the United Kingdom, which legislation provides for penalties for violations of up to the greater of 17.5 million British pounds or 4% of an enterprise’s consolidated annual worldwide gross revenue. If we expand our business into the EEA and/or the United Kingdom, we will need to comply with the GDPR and data protection laws of the United

Kingdom. This will involve significant resources and expense and may also impair our ability to offer our existing or planned features, products and services and/or increase our cost of doing business.

Despite our efforts to comply with applicable laws, regulations, and other obligations relating to privacy, data protection, and information security, it is possible that our interpretations of the law, practices, or platform could be inconsistent with, or fail or be alleged to fail to meet all requirements of, such laws, regulations, or obligations. Our failure, or the failure by our partners, vendors, service providers, or customers, to comply with applicable laws or regulations, applicable policies or documentation, or any other actual or asserted obligations relating to privacy, data protection, or information security, or any compromise of security that results in unauthorized access to, or use, release, disclosure, or other processing of personal information or other data relating to consumers or other individuals, or the perception that any of the foregoing types of failure or compromise has occurred, could damage our reputation, discourage new and existing customers and consumers from using our platform, or result in fines, investigations, or proceedings by governmental agencies and private claims and litigation, any of which could adversely affect our business, financial condition, and results of operations. Even if not subject to legal challenge, the perception of privacy, data protection, or information security concerns, whether or not valid, may harm our reputation and brand and adversely affect our business, financial condition, and results of operations.

A heightened regulatory environment in the financial services industry may have an adverse impact on our customers and our business.

Since the enactment of the Dodd-Frank Act, a number of substantial regulations affecting the supervision and operation of the financial services industry within the United States have been adopted, including those that establish the CFPB. The CFPB has issued guidance that applies to, and conducts direct examinations of, “supervised banks and nonbanks” as well as “supervised service providers” like us. In addition, the CFPB regulates consumer financial products and services. Certain of our partners are also subject to regulation by federal and state authorities and, as a result, could pass through some of those compliance obligations to us.

To the extent this oversight or regulation negatively impacts our customers, our business, financial condition, and results of operations could be adversely affected because, among other matters, our customers could have less capacity to purchase products and services from us, could decide to avoid or abandon certain lines of business, or could seek to pass on increased costs to us by re-negotiating their agreements with us. Additional regulation, examination, and oversight of us could require us to modify the manner in which we contract with or provide products and services to our customers, directly or indirectly limit how much we can charge for our products and services, require us to invest additional time and resources to comply with such oversight and regulations, or limit our ability to update our existing products and services, or require us to develop new ones. Any of these events, if realized, could adversely affect our business, financial condition, and results of operations.

Failure to obtain or maintain state licenses or other regulatory infractions resulting in license revocation could impact our ability to offer products and services.

Our ability to obtain or maintain state licenses for the services offered through our platform, including for our property and casualty insurance agency, title insurance agency, and real estate brokerage business, depends on our ability to meet licensing requirements established by the applicable regulatory agency and adopted by each state, subject to variations across states. In addition, as we expand the functionality of and services offered through the platform, or if a regulator determines that the services offered through the platform require licensing, we may be required to obtain additional licensing and incur additional costs. If we are unable to satisfy the applicable licensing requirements of any particular state, we could lose our license to do business in such state, which would result in the temporary or permanent cessation of our operations in that state. Alternatively, if we are unable to satisfy, or if a regulator determines that we have not satisfied, applicable state licensing requirements, we may be subject to additional regulatory oversight, have our license suspended or may incur additional costs or regulatory infractions. Any such events could adversely affect our business, financial condition, and results of operations.

Regulation of title insurance rates and relationships with insurance underwriters could adversely affect our title insurance business.

We are subject to extensive rate regulation by the applicable state agencies in the jurisdictions in which our title insurance business operates. Title insurance rates are regulated differently in various states, with some states requiring us to file and receive approval of rates before such rates become effective and some states promulgating the rates that can be charged. These regulations could hinder our ability to promptly adapt to changing market dynamics through price adjustments, which could adversely affect our business, financial condition, and results of operations, particularly in a rapidly declining market.

Further, we derive a significant portion of our commission revenue from a limited number of insurance underwriters, the loss of which would result in additional expense and loss of market share. If we lose our relationships with insurance underwriters, fail to maintain good relationships with insurance underwriters, become dependent upon a limited number of insurance underwriters, or fail to develop new insurance underwriter relationships, our business, financial condition, and results of operations could be adversely affected.

Our position as an agent utilizing partners, vendors, and other service providers for issuing a significant amount of title and property and casualty insurance policies could adversely affect the frequency and severity of claims.

In our position as a licensed insurance agent, we may perform the search and examination function for policies we issue on behalf of underwriters or we may purchase a search product from another partner, vendor, or service provider. In either case, we are responsible for ensuring that the search and examination is completed. Our relationship with each title and property and casualty insurance underwriter is governed by an agency agreement defining how an insurance policy is issued on their behalf. The agency agreement also sets forth our liability to the underwriter for policy losses attributable to our errors. Periodic audits by our underwriters are also conducted. Despite our efforts to monitor partners, vendors, and other service providers with whom we transact business, there is no guarantee that they will comply with their contractual obligations. Furthermore, we cannot be certain that, due to changes in the regulatory environment and litigation trends, we will not be held liable for errors and omissions by these vendors. Accordingly, our use of partners, vendors, and other service providers could adversely impact the frequency and severity of claims, and any such impact could adversely affect our business, financial condition, and results of operations.

We and our insurance carriers and underwriters are subject to extensive insurance industry regulations.

In the United States, each state regulator retains the authority to license insurance agencies in their states, and an insurance agency generally may not operate in a state in which it is not licensed. Accordingly, we are not permitted to sell insurance to residents of states and territories of the United States in which we are not licensed.

Employees who engage in the solicitation, negotiation, or sale of insurance, or provide certain other insurance services, generally are required to be licensed individually. Insurance, including related laws and regulations, govern whether licensees may share commissions with unlicensed entities and individuals and, in the context of real estate settlement transactions, such payments are also subject to RESPA restrictions as it relates to splitting or sharing settlement service fees. We believe that any payments we make to third parties are in compliance with applicable laws. However, should any regulatory agency take a contrary position and prevail, we will be required to change the manner in which we pay fees to such employees or principals or require entities receiving such payments to become registered or licensed.

Our insurance products are subject to extensive regulation and supervision in the states in which we transact business by the individual state insurance departments. This regulation is generally designed to protect the interests of consumers, and not necessarily the interests of insurers or agents, their shareholders or other investors. For example, state insurance laws are generally prescriptive with respect to the content and timeliness of notices we must provide policyholders. States have also adopted legislation defining and prohibiting unfair methods of competition and unfair or deceptive acts and practices in the business of insurance that may apply to insurance agencies. Noncompliance with any of such state statutes may subject us to regulatory action by the relevant state

insurance regulator, and, in certain states, private litigation. In addition, we cannot predict the impact that any new laws, rules or regulations may have on our business and financial results. States also regulate various aspects of the contractual relationships between insurers and independent agents. The California Department of Insurance, the insurance regulatory authority in the State of California, as well as the insurance regulators of other states in which we are licensed to sell insurance may also conduct periodic examinations. The results of these examinations can give rise to regulatory orders requiring remedial, injunctive, or other corrective action.

Although state insurance regulators have primary responsibility for administering and enforcing insurance regulations in the United States, such laws and regulations are further administered and enforced by a number of additional governmental authorities, each of which exercises a degree of interpretive latitude, including state securities administrators, state attorneys general as well as federal agencies including the Federal Reserve Board, the Federal Insurance Office and the U.S. Department of Justice. Consequently, compliance with any particular regulator's or enforcement authority's interpretation of a legal issue may not result in compliance with another's interpretation of the same issue, particularly when compliance is judged in hindsight.

We may be subject to restrictions, actions and claims relating to the advertising, marketing and sale of insurance, including the suitability of such products and services. Actions and claims may result in the rescission of such sales; consequently, insurance carriers may seek to recoup commissions paid to us, which may lead to legal action against us. The outcome of such restrictions or actions cannot be predicted and such restrictions, claims or actions could have a material adverse effect on our business, financial condition and results of operations.

Additionally, regulations affecting insurance carriers and underwriters with which we place business may affect how we conduct our operations. Insurers are also regulated by state insurance departments for solvency issues and are subject to reserve requirements. We cannot guarantee that all insurance carriers and underwriters with whom we do business comply with regulations instituted by state insurance departments. We may need to expend resources to address questions or concerns regarding our relationships with these insurers and underwriters, diverting management resources away from operating our business, which could adversely affect our business, financial condition, and results of operations.

The CFPB is a relatively new agency that has sometimes taken expansive views of its authority to regulate consumer financial services, creating uncertainty as to how the agency's actions or the actions of any other new agency could adversely affect our business, financial condition, and results of operations.

The CFPB, which commenced operations in July 2011, has broad authority to create and modify regulations under federal consumer financial protection laws and regulations, such as TILA and Regulation Z, ECOA and Regulation B, FCRA and Regulation V, the EFTA and Regulation E, among other regulations, and to enforce compliance with those laws. The CFPB supervises banks, thrifts, and credit unions with assets over \$10 billion and examines certain of our customers. Further, the CFPB is charged with the examination and supervision of certain participants in the consumer financial services market, including larger participants in other areas of financial services. The CFPB is also authorized to prevent "unfair, deceptive or abusive acts or practices" through its rulemaking, supervisory, and enforcement authority. To assist in its enforcement, the CFPB maintains an online complaint system that allows consumers to log complaints with respect to various consumer finance products. This system could inform future CFPB decisions with respect to its regulatory, enforcement or examination focus. The CFPB may also request reports concerning our organization, business conduct, markets and activities and conduct on-site examinations of our business on a periodic basis if the CFPB were to determine, through its complaint system, that we were engaging in activities that pose risks to consumers.

Although we have committed resources to enhancing our compliance programs, actions by the CFPB (or other regulators) against us, our customers or our competitors could discourage the use of our services or those of our customers, which could result in reputational harm, a loss of customers, or discourage the use of our or their services and adversely affect our business. If the CFPB changes regulations that were adopted in the past by other regulators and transferred to the CFPB by the Dodd-Frank Act, or modifies through supervision or enforcement, past regulatory guidance or interprets existing regulations in a different or stricter manner than they have been interpreted

in the past by us, the industry or other regulators, our compliance costs and litigation exposure could increase materially. If the CFPB, or another regulator, were to issue a consent decree or other similar order against us, this could also directly or indirectly adversely affect our business, financial condition, and results of operations.

Our compliance and operational costs and litigation exposure could increase if and when the CFPB amends or finalizes any proposed regulations, including the regulations discussed above or if the CFPB or other regulators enact new regulations, change regulations that were previously adopted, modify, through supervision or enforcement, past regulatory guidance, or interpret existing regulations in a manner different or stricter than have been previously interpreted.

Our business could be adversely impacted by changes in the Internet and mobile device accessibility of consumers, and our software platform's failure to comply with existing or future laws governing the Internet and mobile devices.

Our business depends on consumers' access to our platform via the Internet and/or a mobile device. We may operate in jurisdictions that provide limited Internet connectivity, particularly if we expand internationally. Internet access and access to a mobile device are frequently provided by companies with significant market power that could take actions that degrade, disrupt, or increase the cost of consumers' ability to access our platform. In addition, the Internet infrastructure that we and users of our platform rely on in any particular geographic area may be unable to support the demands placed upon it. Any such failure in Internet or mobile device accessibility, even for a short period of time, could adversely affect our business, financial condition, and results of operations.

Moreover, the application of laws and regulations to online platforms is constantly evolving. Existing and future laws and regulations, or changes thereto, may impede the growth and availability of the Internet and online offerings, require us to change our business practices, or raise compliance costs or other costs of doing business. These laws and regulations, which continue to evolve, cover consumer protection, advertising practices and provision of disclosures, among other things. Any failure, or perceived failure, by us, or our software platform, as applicable, to comply with any of these laws or regulations could result in damage to our reputation and brand a loss in business and proceedings or actions against us by governmental entities or others, which could adversely affect our business, financial condition, and results of operations.

Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement, data protection and other losses.

Our agreements with customers and other third parties may include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement, data protection, damages caused by us to property or persons, or other liabilities relating to or arising from our platform, services, or other contractual obligations. Some of these indemnity agreements provide for uncapped liability for which we would be responsible, and some indemnity provisions survive termination or expiration of the applicable agreement. We also cannot be certain that any provisions in these agreements relating to limitations of liability would be enforceable or adequate or would otherwise protect us from any liabilities or damages with respect to any particular claim. Large indemnity payments could adversely affect our business, financial condition, and results of operations. Although we carry general liability insurance, our insurance may not cover potential claims of this type or may not be adequate to indemnify us for all liability that may be imposed. We generally contractually limit our liability with respect to such obligations, but we may still incur substantial liability related to such obligations and we may be required to cease use of certain functions of our platform or services as a result of any such claims. Any dispute with a customer or third party with respect to such obligations could harm our relationship with that customer or third party, as well as other existing customers and new customers, and adversely affect our business, financial condition and results of operations.

We are subject to various U.S. and international anti-corruption laws and other anti-bribery and anti-kickback laws and regulations.

We are subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended, or FCPA, and other anti-corruption, and anti-bribery laws in the jurisdictions in which we do business, both domestic and abroad. These laws generally prohibit us and our employees from improperly influencing government officials or commercial parties in order to obtain or retain business, direct business to any person, or gain any improper advantage. The FCPA and other applicable anti-bribery and anti-corruption laws also may hold us liable for acts of corruption and bribery committed by our partners, representatives, and agents who are acting on our behalf. We and our partners, representatives, and agents may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and we may be held liable for the corrupt or other illegal activities of these partners and intermediaries and our employees, representatives, contractors, and agents, even if we do not explicitly authorize such activities. These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. While we have policies and procedures to address compliance with such laws, we cannot assure you that our employees and agents will not take actions in violation of our policies or applicable law, for which we may be ultimately held responsible, and our exposure for violating these laws increases as our international presence expands and as we increase sales and operations in foreign jurisdictions.

Any violation of the FCPA or other applicable anti-bribery, and anti-corruption laws could result in whistleblower complaints, adverse media coverage, investigations, imposition of significant legal fees, loss of export privileges, severe criminal or civil sanctions, or suspension or debarment from U.S. government contracts, substantial diversion of management's attention, a drop in our stock price, or overall adverse consequences to our business, all of which may have an adverse effect on our reputation, business, financial condition, and results of operations.

Taxing authorities may successfully assert that we have not properly collected or remitted, or in the future should collect or remit, sales and use, gross receipts, value added, or similar taxes or withholding taxes, and may successfully impose additional obligations on us, and any such assessments, obligations, or inaccuracies could adversely affect our business, financial condition, and results of operations.

The application of indirect taxes, such as sales and use tax, value-added tax, goods and services tax, business tax and gross receipts tax, to platform businesses is a complex and evolving issue. Many of the fundamental statutes and regulations that impose these taxes were established before the adoption and growth of the Internet and e-commerce. Significant judgment is required on an ongoing basis to evaluate applicable tax obligations and as a result amounts recorded are estimates and are subject to adjustments. In many cases, the ultimate tax determination is uncertain because it is not clear how new and existing statutes might apply to our business. In addition, governments are increasingly looking for ways to increase revenue, which has resulted in discussions about tax reform and other legislative action to increase tax revenue, including through indirect taxes.

We may face various indirect tax audits in various U.S. jurisdictions. In certain jurisdictions, we collect and remit indirect taxes. However, tax authorities may raise questions about or challenge or disagree with our calculation, reporting or collection of taxes and may require us to collect taxes in jurisdictions in which we do not currently do so or to remit additional taxes and interest, and could impose associated penalties and fees. For example, after the U.S. Supreme Court decision in *South Dakota v. Wayfair Inc.*, certain states have adopted, or started to enforce, laws that may require the calculation, collection and remittance of taxes on sales in their jurisdictions, even if we do not have a physical presence in such jurisdictions. A successful assertion by one or more tax authorities requiring us to collect taxes in jurisdictions in which we do not currently do so or to collect additional taxes in a jurisdiction in which we currently collect taxes, could result in substantial tax liabilities, including taxes on past sales, as well as penalties and interest, could harm our business, financial condition, and results of operations.

As a result of these and other factors, the ultimate amount of tax obligations owed may differ from the amounts recorded in our financial statements and any such difference may adversely impact our results of operations in future periods in which we change our estimates of our tax obligations or in which the ultimate tax outcome is determined.

Changes in, or interpretations of, U.S. and international tax laws and regulations could have a material adverse effect on our business, financial condition and results of operations.

The tax regimes we are subject to or operate under are unsettled and may be subject to significant change. Changes in tax laws (including in response to the COVID-19 pandemic) or tax rulings, or changes in interpretations of existing laws, could cause us to be subject to additional income-based taxes and non-income taxes (such as payroll, sales, use, value-added, digital tax, net worth, property, and goods and services taxes), which in turn could materially affect our financial position and results of operations. Additionally, new, changed, modified, or newly interpreted or applied tax laws could increase our customers' and our compliance, operating and other costs, as well as the costs of our products. For example, in November 2021, the U.S. House of Representatives passed the legislation commonly known as the Build Back Better Act that proposed several significant modifications to key provisions, as well as introduced new provisions, to the U.S. tax laws. The likelihood of these changes being enacted or implemented is unclear. We are currently unable to predict whether such changes will occur and, if so, the ultimate impact on our business. As we expand the scale of our business activities, any changes in the U.S. and international taxation of such activities may increase our effective tax rate and harm our business, financial condition, and results of operations.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2021, we had net operating loss carryforwards, or NOLs, for federal and state income tax purposes of approximately \$406.5 million and \$278.1 million, respectively, available to reduce future taxable income. The federal net operating losses generated before 2018 will begin to expire in 2033. The federal net operating losses generated in and after 2018 may be carried forward indefinitely. The expiration of state NOL carryforwards vary by state and begin to expire in 2024. Further, as of December 31, 2021, we had research and development tax credits carryforwards for federal and state income tax purposes of approximately \$10.9 million and \$9.2 million, respectively, available to reduce future tax liabilities. Federal research and development tax credits will begin to expire in 2033 and the state research and development tax credits can be carried forward indefinitely. It is possible that we will not generate taxable income in time to use NOLs before their expiration, or at all. Under Section 382 and Section 383 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change NOLs and other tax attributes, including research and development tax credits, to offset its post-change income may be limited. In general, an "ownership change" will occur if there is a cumulative change in our ownership by "5 percent stockholders" that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. Our ability to use NOLs and other tax attributes to reduce future taxable income and liabilities may be subject to annual limitations as a result of ownership changes that may occur in the future (which may be outside our control).

Under the Tax Cuts and Jobs Act of 2017, or the Tax Act, as amended by the CARES Act, NOLs arising in tax years beginning after December 31, 2017 are subject to an 80% of taxable income limitation (as calculated before taking the NOLs into account) for tax years beginning after December 31, 2020. In addition, NOLs arising in tax years 2018, 2019, and 2020 are subject to a five-year carryback and indefinite carryforward, while NOLs arising in tax years beginning after December 31, 2020 also are subject to indefinite carryforward but cannot be carried back. Our NOLs may also be subject to limitations in other jurisdictions. In future years, if and when a net deferred tax asset is recognized related to our NOLs, the changes in the carryforward/carryback periods as well as the new limitation on use of NOLs may significantly impact our valuation allowance assessments for NOLs generated after December 31, 2017.

Risks Related to Our Acquisition of Title365

Integrating Title365 with our business may be more difficult, costly, or time-consuming than expected, and we may not realize the expected benefits of our acquisition of Title365, which may adversely affect our business, financial condition, and results of operations.

If we experience greater than anticipated costs to integrate, or are not able to successfully integrate, Title365 into our existing operations, we may not be able to achieve the anticipated benefits of our acquisition of Title365, including cost savings and other synergies and growth opportunities. Even if the integration of Title365's business is successful, we may not realize all of the anticipated benefits of our acquisition of Title365 during the anticipated time frame, or at all. For example, events outside our control, such as changes in regulation and laws, as well as economic trends, including as a result of the COVID-19 pandemic, could adversely affect our ability to realize the expected benefits from our acquisition of Title365.

An inability to realize the full extent of the anticipated benefits of our acquisition of Title365, as well as any delays encountered in the integration process, could have an adverse effect upon our revenue, level of expenses, and results of operations. In addition, it is possible that the integration process could result in the loss of key employees, errors or delays in the implementation of shared services, the disruption of our ongoing business, or inconsistencies in standards, controls, procedures, and policies that may adversely affect our ability to maintain relationships with other employees and customers or to achieve the anticipated benefits of our acquisition of Title365. Integration efforts also may divert management attention and resources.

For all of these reasons, we may not be able to achieve the anticipated benefits of our acquisition of Title365, which could adversely affect our business, financial condition, and results of operations, and could cause the price of our Class A common stock to decline.

We have incurred, and will continue to incur, significant costs and expenses in connection with our acquisition of Title365.

We have incurred significant costs, expenses, and fees, including fees for professional services and other transaction costs, in connection with our acquisition of Title365 which we completed on June 30, 2021. We expect to continue to incur significant costs as we integrate Title365 into our business, including costs that we may not currently anticipate. There are a number of factors beyond our control that could affect the total amount or the timing of these costs and expenses.

Title365 may have liabilities that are not known to us.

Title365 may have liabilities that we failed, or were unable, to discover in the course of performing our due diligence investigations in connection with our acquisition of Title365. We may learn additional information about Title365 that materially and adversely affects us and Title365, such as unknown or contingent liabilities and liabilities related to compliance with applicable laws. Any such liabilities, individually or in the aggregate, could have an adverse effect on our business, financial condition, and results of operations.

The terms of our credit facility require us to meet certain operating and financial covenants and place restrictions on our operating and financial flexibility. If we raise additional capital through debt financing, the terms of any new debt could further restrict our ability to operate our business.

Our credit facility contains customary affirmative and negative covenants that either limit our ability to, or require a mandatory prepayment in the event we incur certain additional indebtedness and liens, merge with other companies or consummate certain changes of control, acquire other companies, engage in new lines of business, make certain investments, pay dividends, transfer or dispose of assets, amend certain material agreements, and enter into various specified transactions. As a result, to the extent any transaction of the foregoing type is contemplated but not permitted by a carve-out or "basket" in the credit facility, we may not be able to engage in any such transaction unless we obtain the consent of our lender or prepay any outstanding amount under our credit facility. Our credit

facility also contains a minimum liquidity covenant and financial reporting requirements. Our obligations under our credit facility are secured by substantially all of our assets (other than Title365 and its direct and indirect subsidiaries), with limited exceptions. We may not be able to generate sufficient cash flow to pay the principal and interest under our credit facility. In the event of a liquidation, our lender would be repaid all outstanding principal and interest prior to the distribution of assets to unsecured creditors, and the holders of our Class A common stock would receive a portion of any liquidation proceeds only if all of our creditors, including our lenders, were first repaid in full. Any declaration by our lender of an event of default could significantly harm our business and prospects and could cause the price of our common stock to decline. If we raise any additional debt financing, the terms of such additional debt could further restrict our operating and financial flexibility.

Some of our borrowings carry a floating rate of interest linked to the London Inter-bank Offered Rate, or LIBOR. On July 27, 2017, the United Kingdom Financial Conduct Authority, or FCA, announced that it intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR after 2021. On March 5, 2021, the FCA announced that all LIBOR settings will either cease to be provided by any administrator, or no longer be representative immediately after December 31, 2021, for all GBP, EUR, CHF and JPY LIBOR settings and one-week and two-month US dollar LIBOR settings, and immediately after June 30, 2023 for the remaining US dollar LIBOR settings, including three-month US dollar LIBOR. As a result, while the FCA and the submitting LIBOR banks have indicated they will support the LIBOR indices through 2021 to allow for an orderly transition to an alternative reference rate, it is possible that beginning in 2022, LIBOR will no longer be available as a reference rate. In particular the borrowings under our credit facility accrue interest at a floating rate which can be, at our option, either (i) an adjusted LIBOR rate for a specified interest period plus an applicable margin of 7.50% or (ii) a base rate plus an applicable margin of 6.50%. While these agreements generally include alternative rates to LIBOR, if a change in indices results in interest rate increases on our debt, debt service requirements will increase, which could adversely affect our cash flow and results of operations. We do not expect a materially adverse change to our financial condition or liquidity as a result of any such changes or any other reforms to LIBOR that may be enacted in the United Kingdom or elsewhere.

We may be unable to generate sufficient cash flow to satisfy our significant debt service obligations, which could have an adverse effect on our business, financial condition, results of operations, and cash flows.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and results of operations, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory, and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, or interest on our indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay strategic acquisitions and partnerships, capital expenditures, and payments on account of other obligations, seek additional capital, restructure or refinance our indebtedness, or sell assets. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and could require us to comply with more onerous covenants, which could further restrict our business operations. In addition, we cannot assure you that we will be able to refinance any of our indebtedness on commercially reasonable terms, or at all.

If we are unable to repay or otherwise refinance our indebtedness when due, or if any other event of default is not cured or waived, the applicable lenders could accelerate our outstanding obligations or proceed against the collateral granted to them to secure that indebtedness, which could force us into bankruptcy or liquidation. In the event the applicable lenders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness. Any acceleration of amounts due under the agreements governing our credit facility or the exercise by the applicable lenders of their rights under the security documents could have an adverse effect on our business, financial condition and results of operations.

Adverse changes in economic conditions, especially those affecting the levels of real estate and mortgage activity, may reduce our revenue and earnings, which could adversely affect our business, financial condition, and results of operations.

Our business, financial condition, and results of operations are affected by changes in economic conditions, particularly mortgage interest rates, credit availability, real estate prices, inflation, and consumer confidence. Our revenue and earnings have fluctuated in the past due to the cyclical nature of the housing industry, and we expect them to fluctuate in the future.

The demand for our title and escrow offerings is dependent primarily on the volume of residential real estate transactions including, in particular, the number of refinances. The volume of these transactions historically has been influenced by such factors as mortgage interest rates, availability of financing, and the overall state of the economy. Typically, when interest rates are increasing or when the economy is experiencing a downturn, real estate activity declines. As a result, the real estate and title insurance industries tend to experience decreased revenue and earnings. Further, a decline or slower growth in title transaction volume due to any number of factors, including increases in interest rates, an economic downturn, or a reduction in title orders from existing customers, would have an adverse effect on our revenue or revenue growth, and could prevent us from achieving or maintaining profitability if we were unable to decrease our costs to keep pace with any such decline or slower growth in title transaction volume.

Our business, financial condition, and results of operations have been and may in the future be adversely affected by a decline in affordable real estate, real estate activity or the availability of financing alternatives. In addition, weakness or adverse changes in the level of real estate activity could have an adverse effect on our business, financial condition, and results of operations.

Our exposure to regulation and residential real estate transaction activity may be greater in California, where we source a significant proportion of our premiums.

A large portion of our title business revenue for the year ended December 31, 2021 originated from residential real estate transactions in California. As compared to our competitors who operate on a wider geographic scale or whose business is less concentrated in California, any adverse changes in the regulatory environment affecting title insurance and real estate settlement in California, which could include reductions in the maximum rates permitted to be charged, inadequate rate increases, or more fundamental changes in the design or implementation of the California title insurance regulatory framework, may expose us to more significant risks and our business, financial condition, and result of operations could be adversely affected.

In addition, to the extent residential real estate transaction volume in California changes significantly, whether due to changes in real estate values that differ from the overall U.S. real estate market, changes in the local economy relative to the U.S. economy, or natural disasters that disproportionately impact residential real estate activity in California, we could experience lower revenues and growth than historically observed or projected.

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

We deposit substantial funds in financial institutions. These funds include amounts owned by third parties, such as escrow deposits. Should one or more of the financial institutions at which deposits are maintained fail, there is no guarantee that we would recover the funds deposited, whether through Federal Deposit Insurance Corporation coverage or otherwise. In the event of any such failure, we also could be held liable for the funds owned by third parties.

Competition in the title insurance industry may adversely affect our business, financial condition, and results of operations.

Competition in the title insurance industry is intense, particularly with respect to price, service, and expertise. Larger commercial mortgage originators also look to the size and financial strength of a title insurance agency. Although we provide title and settlement services to large commercial customers and mortgage originators, there are many other title insurance agencies that have substantially greater gross revenue than we do and, if affiliated with a title insurance underwriter, could have significantly greater capital. The size and number of title insurance agencies varies in the geographic areas in which we conduct our title business. Our existing competitors may expand their title insurance business and, although we are not aware of any current initiatives to reduce regulatory barriers to entering our industry, any such reduction could result in new competitors, including financial institutions, entering the title insurance business. From time to time, new entrants enter the marketplace with alternative products to traditional title insurance, although many of these alternative products have been disallowed by title insurance regulators. Further, advances in technologies could, over time, significantly disrupt the traditional business model of financial services and real estate-related companies, including title insurance. These alternative products or disruptive technologies, if permitted by regulators, could adversely affect our business, financial condition, and results of operations.

Our success depends upon the real estate and title insurance industries continuing to adopt new products at their current pace and the continued growth and acceptance of digital products and services as effective enhancements and alternatives to traditional manual products and services.

We provide title and escrow products in part through our platform, which competes with traditional manual counterparts. We believe that the continued growth and acceptance of digital and instant experiences generally will depend, to a large extent, on the continued growth in commercial use of the internet and the continued migration of traditional offline markets and industries online.

The title and escrow process may not migrate to new technologies as quickly as (or at the levels that) we expect, and existing or future federal and state laws may prevent us from offering certain of our title and escrow products. For example, many states have enacted permanent remote online notarization, while others have issued emergency measures in response to COVID-19, and certain states do not allow remote notarization, and others may not enact permanent authorization for remote notarization, which may impact our ability to introduce our products in certain markets.

Furthermore, although consumers have a legal right to select their own title insurance provider, as well as all of their settlement service vendors, consumers regularly use the providers recommended by their advisor, which may be their real estate agent, loan officer, or attorney. If consumer awareness of their right to select their own title insurance provider or settlement service vendors and/or if demand for online title and escrow products does not increase, our business, results of operations and financial condition could be adversely affected.

Moreover, if, for any reason, an unfavorable perception develops that digital experiences and/or automation are less efficacious than in-person closings or traditional offline methods of preparing closing disclosures, purchasing title insurance and other services, our business, results of operations and financial condition could be adversely affected.

Risks Related to Our Dependence on Third Parties

We primarily rely on Amazon Web Services to deliver our services to users on our platform, and any disruption of or interference with our use of Amazon Web Services could adversely affect our business, financial condition, and results of operations.

We currently host our platform and support our operations using data centers provided by Amazon Web Services, or AWS, a third-party provider of cloud infrastructure services. We do not have control over the operations of the facilities of AWS that we use. AWS' facilities are vulnerable to damage or interruption from natural disasters, cyberattacks, terrorist attacks, power outages, infrastructure changes, human error, disruptions in

telecommunications services, fraud, military or political conflicts, computer viruses, ransomware, malware, and similar events or acts of misconduct. Our platform's continuing and uninterrupted performance is critical to our success. We have experienced, and expect that in the future we will experience, interruptions, delays, and outages in service and availability from time to time due to a variety of factors, including infrastructure changes, human or software errors, website hosting disruptions, and capacity constraints. In addition, any changes in AWS' service levels may adversely affect our ability to meet the requirements of users on our platform. Since our platform's continuing and uninterrupted performance is critical to our success, sustained or repeated system failures would reduce the attractiveness of our platform. It may become increasingly difficult to maintain and improve our performance, especially during peak usage times, as we expand and the usage of our platform increases. Any negative publicity arising from these disruptions and any of the above circumstances or events may harm our reputation and brand, reduce the availability or usage of our platform, lead to a significant short-term loss of revenue, increase our costs, and impair our ability to attract new users, any of which could adversely affect our business, financial condition, and results of operations.

Our master agreement with AWS will remain in effect until terminated by AWS or us. We have a three-year agreement with AWS, expiring on June 30, 2023, that may only be terminated by us or AWS for cause upon a material breach of the agreement, subject to the terminating party providing prior written notice and a 30-day cure period. Even though our platform is entirely in the cloud, our plan is to be vendor-agnostic and we believe that we could transition to one or more alternative cloud infrastructure providers on commercially reasonable terms. We do not believe that such transfer to, or the addition of, new cloud infrastructure service providers would cause substantial harm to our business, financial condition, and results of operations over the longer term.

We depend on the interoperability of our platform across third-party applications and services that we do not control.

We have built integrations with many technology partners, including leading providers of customer relationship management platforms, loan origination systems, core banking systems, document generation systems, income and asset verification services, and pricing and product engines, and a variety of other service providers. Third-party applications, products, and services are constantly evolving, and we may not be able to maintain or modify our platform to ensure its compatibility with third-party offerings following development changes. In addition, some of our competitors, partners, or other service providers may take actions that disrupt the interoperability of our platform with their own products or services, or exert strong business influence on our ability to, and the terms on which we operate our platform. As our platform evolves, we expect the types and levels of competition we face to increase. Should any of our competitors, partners, or other service providers modify their technologies, standards, or terms of use in a manner that degrades the functionality or performance of our platform or is otherwise unsatisfactory to us or gives preferential treatment to our other competitors' products or services, our platform, business, financial condition, and results of operations could be adversely affected.

We rely on partners, vendors, and other service providers to provide some of the software or data for our platform. If such partners, vendors, and other service providers interfere with the distribution of our platform or with our use of such software, our business could be adversely affected.

We rely upon certain partners, vendors, and other service providers to provide data used in, and software employed by, our platform and services or by customers and consumers using our platform and services, and it is possible that such software or data may not be reliable. From time to time we may in the future have disputes with certain of our partners, vendors, and other service providers. If, in connection with such a dispute, a partner, vendor, or service provider terminates its relationship with us or otherwise limits the provision of their software or data to us, the availability or usage of our platform could be disrupted. If the partners, vendors, and other service providers we rely upon cease to provide access to the software and/or data that we and our customers and consumers use, whether in connection with disputes or otherwise, do not provide access to such software and/or data on terms that we believe to be attractive or reasonable, or do not provide us with the most current version of such software, we may be required to seek comparable software and/or data from other sources, which may be more expensive or inferior, or may not be available at all, any of which would adversely affect our business.

The loss of access to credit, employment, financial and other data from external sources could harm our ability to provide our products and services.

We rely on a wide variety of data sources to provide our services and products, including data collected from applicants and borrowers, credit bureaus, payroll providers, data aggregators, and unaffiliated third parties. If we are unable to access and use data collected from or on behalf of applicants and borrowers, or other third-party data, or our access to such data is limited, our ability to provide our services and enable our customers to verify applicant data would be compromised. Any of the foregoing could negatively impact the consumer experience of our platform, the volume of loans enabled through our platform, the delivery of closing services like title and settlement services, and the degree of automation in our application process and on our platform.

Further, although we utilize third parties to enable financial services firms to verify the income and employment information provided by certain selected applicants, we cannot guarantee the accuracy of applicant information. Information provided by borrowers may be incomplete, inaccurate, or intentionally false. Any of the foregoing could adversely affect our business, financial condition, and results of operations.

Risks Related to Our Intellectual Property

Failure to adequately protect our intellectual property could adversely affect our business, financial condition, and results of operations.

Our business depends on our intellectual property, the protection of which is important to the success of our business. We rely on a combination of trademark, trade secret, copyright, and patent law and contractual restrictions to protect our intellectual property. In addition, we attempt to protect our intellectual property, technology, and confidential information by requiring our employees and consultants who develop intellectual property on our behalf to enter into confidentiality and invention assignment agreements, and third parties we share information with to enter into nondisclosure agreements. These agreements may not effectively prevent unauthorized use or disclosure of our confidential information, intellectual property, or technology and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information or technology, or infringement of our intellectual property. Despite our efforts to protect our proprietary rights, unauthorized parties may copy aspects of our platform or other software, technology, and functionality or obtain and use information that we consider proprietary. In addition, unauthorized parties may also attempt, or successfully endeavor, to obtain our intellectual property, confidential information, and trade secrets through various methods, including through cyberattacks, and legal or other methods of protecting this data may be inadequate.

We have registered the term “Blend” in the United States, the United Kingdom, and the European Union, and as of December 31, 2021, we had pending trademark applications in the United States as well as Canada. We have also registered the term “Title365” in the United States. Additionally, we have registered domain names that we use in, or are related to, our business, most importantly blend.com and title365.com. Competitors have and may continue to adopt service names similar to ours, thereby harming our ability to build brand identity and possibly leading to user confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other trademarks that are similar to our trademarks. As of December 31, 2021, we had one issued patent in the United States and patent applications pending in the United States, European Patent Office, Canada, and Australia. Litigation or proceedings before the U.S. Patent and Trademark Office or other governmental authorities and administrative bodies in the United States and abroad may be necessary in the future to enforce our intellectual property rights and to determine the validity and scope of the proprietary rights of others. Further, we may not timely or successfully apply for a patent or register our trademarks or otherwise secure our intellectual property. Our efforts to protect, maintain, or enforce our proprietary rights may be ineffective and could result in substantial costs and diversion of resources, which could adversely affect our business, financial condition, and results of operations.

Intellectual property infringement assertions by third parties could result in significant costs and adversely affect our business, financial condition, results of operations, and reputation.

We operate in an industry with frequent intellectual property litigation. Other parties may assert that we have infringed their intellectual property rights. We could be required to pay substantial damages or cease using intellectual property or technology that is deemed infringing.

Further, we cannot predict whether assertions of third-party intellectual property rights or claims arising from such assertions would substantially adversely affect our business, financial condition, and results of operations. The defense of these claims and any future infringement claims, whether they are with or without merit or are determined in our favor, may result in costly litigation and diversion of technical and management personnel. Further, an adverse outcome of a dispute may require us to pay damages, potentially including treble damages and attorneys' fees if we are found to have willfully infringed a party's patent or copyright rights, cease making, licensing, or using products that are alleged to incorporate the intellectual property of others, expend additional development resources to redesign our offerings, and enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies. Royalty or licensing agreements, if required, may be unavailable on terms acceptable to us, or at all. In any event, we may need to license intellectual property which would require us to pay royalties or make one-time payments. Even if these matters do not result in litigation or are resolved in our favor or without significant cash settlements, the time and resources necessary to resolve them could adversely affect our business, reputation, financial condition, results of operations, and reputation.

Our platform contains third-party open source software components, and failure to comply with the terms of the underlying open source software licenses could restrict our ability to provide our platform.

Our platform contains software modules licensed to us by third-party authors under "open source" licenses. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide support, warranties, indemnification, or other contractual protections regarding infringement claims or the quality of the code. In addition, the public availability of such software may make it easier for others to compromise our platform.

Some open source licenses contain requirements that may, depending on how the licensed software is used or modified, require that we make available source code for modifications or derivative works we create based upon the licensed open source software, authorize further modification and redistribution of that source code, make that source code available at little or no cost, or grant other licenses to our intellectual property. If we combine our proprietary software with open source software in a certain manner, we could, under certain open source licenses, be required to release the source code of our proprietary software under the terms of an open source software license. This could enable our competitors to create similar offerings with lower development effort and time and ultimately could result in a loss of our competitive advantages. Alternatively, to avoid the release of the affected portions of our source code, we could be required to purchase additional licenses, expend substantial time, and resources to re-engineer some or all of our software or cease use or distribution of some or all of our software until we can adequately address the concerns.

Although we have certain policies and procedures in place to monitor our use of open source software that are designed to avoid subjecting our platform to conditions, those policies and procedures may not be effective to detect or address all such conditions. In addition, the terms of many open source licenses have not been interpreted by U.S. or foreign courts, and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to provide or distribute our platform. From time to time, there have been claims challenging the ownership of open source software against companies that incorporate open source software into their solutions. As a result, we could be subject to lawsuits by parties claiming ownership of what we believe to be open source software. If we are held to have breached or failed to fully comply with all the terms and conditions of an open source software license, we could face infringement or other liability, or be required to seek costly licenses from third parties to continue providing our platform on terms that are not economically feasible, to re-engineer our platform, to discontinue or delay the provision of our platform if re-engineering could not be

accomplished on a timely basis, or to make generally available, in source code form, our proprietary code, any of which could adversely affect our business, financial condition, and results of operations.

Risks Related to Ownership of Our Class A Common Stock

The multi-class structure of our common stock has the effect of concentrating voting power with Nima Ghamsari, Head of Blend, Co-Founder, and Chair of our board of directors, which will severely limit your ability to influence or direct the outcome of matters submitted to our stockholders for approval, including the election of our board of directors, the adoption of amendments to our Amended and Restated Certificate of Incorporation and amended and restated bylaws, and the approval of any merger, consolidation, sale of all or substantially all of our assets or other major corporate transaction.

Our Class A common stock has one vote per share, our Class B common stock has 40 votes per share, and our Class C common stock has no voting rights, except as otherwise required by law. Currently, Nima Ghamsari, Head of Blend, Co-Founder, and Chair of our board of directors, beneficially owns all of the issued and outstanding shares of our Class B common stock. As of December 31, 2021, the shares beneficially owned by Mr. Ghamsari represented approximately 70% of the total voting power of our outstanding capital stock, which voting power may increase over time as Mr. Ghamsari exercises equity awards and exchanges them for our Class B common stock under the Equity Exchange Agreement. If all such equity awards held by Mr. Ghamsari (including the Co-Founder and Head of Blend Long-Term Performance Award) had been exercised for cash as of March 31, 2022, Mr. Ghamsari would hold approximately 89% of the voting power of our outstanding capital stock. As a result, for the foreseeable future, Mr. Ghamsari will be able to control matters requiring approval by our stockholders, including the election of members of our board of directors, the adoption of amendments to our Amended and Restated Certificate of Incorporation and amended and restated bylaws, and the approval of any merger, consolidation, sale of all or substantially all of our assets or other major corporate transaction. Mr. Ghamsari may have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interest. The concentration of control will limit or preclude your ability to influence corporate matters for the foreseeable future and could have the effect of delaying, preventing, or deterring a change in control of our company, could deprive you and other holders of Class A common stock of an opportunity to receive a premium for your Class A common stock as part of a sale of our company and could negatively affect the market price of our Class A common stock. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that you may feel are in your best interest as one of our stockholders.

Future transfers by Mr. Ghamsari and his affiliates of Class B common stock will generally result in those shares converting into shares of Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning or charitable purposes. In addition, each share of Class B common stock will convert automatically into one share of Class A common stock upon (i) the date fixed by our board of directors that is no less than 61 days and no more than 180 days following the first date following the completion of our IPO, on which the number of shares of our capital stock, including Class A common stock, Class B common stock, and Class C common stock, and any shares of capital stock underlying equity securities or other convertible instruments, held by Mr. Ghamsari and his affiliates is less than 35% of the number of shares of Class B common stock held by Mr. Ghamsari and his affiliates as of immediately following the completion of our IPO, which we sometimes refer to herein as the 35% Ownership Threshold; (ii) 12 months after the death or total disability of Mr. Ghamsari, during which 12-month period the shares of our Class B common stock shall be voted as directed by a person designated by Mr. Ghamsari and approved by our board of directors (or if there is no such person, then our secretary then in office); (iii) the date fixed by our board of directors that is no less than 61 days and no more than 180 days following the date on which Mr. Ghamsari is terminated for cause (as defined in our Amended and Restated Certificate of Incorporation); (iv) the date fixed by our board of directors that is no less than 61 days and no more than 180 days following the date upon which (A) Mr. Ghamsari is no longer providing services to us as an officer or employee and (B) Mr. Ghamsari is no longer a member of our board of directors, either as a result of Mr. Ghamsari's voluntary resignation or as a result of a request or agreement by Mr. Ghamsari at a meeting of our stockholders for Mr. Ghamsari not to be renominated as a member of our board of directors; or (v) the 50-year anniversary of the completion of our IPO. We refer to the date on which such final conversion of all outstanding shares of Class B common stock pursuant to the terms of our Amended and Restated Certificate of Incorporation occurs as the Final Conversion Date.

No shares of our Class C common stock, which entitle the holder to zero votes per share (except as otherwise required by law), were issued and outstanding as of December 31, 2021 and we have no current plans to issue shares of Class C common stock. These shares will be available to be used in the future to further strategic initiatives, such as financings or acquisitions, or issue future equity awards to our service providers. Over time the issuance of shares of Class A common stock will result in voting dilution to all of our stockholders and this dilution could eventually result in Mr. Ghamsari and his affiliates holding less than a majority of our total outstanding voting power. Once Mr. Ghamsari and his affiliates own less than a majority of our total outstanding voting power, Mr. Ghamsari would no longer have the unilateral ability to elect all of our directors and to determine the outcome of any matter submitted for a vote of our stockholders. Because the shares of Class C common stock have no voting rights (except as required by law), the issuance of such shares will not result in further voting dilution, which would prolong the voting control of Mr. Ghamsari. Further, the issuance of such shares of Class C common stock to Mr. Ghamsari would also delay the final conversion of all of our outstanding Class B common stock because shares of Class C common stock issued to Mr. Ghamsari would be counted when determining whether the 35% Ownership Threshold has been met. As a result, the issuance of shares of Class C common stock could prolong the duration of Mr. Ghamsari's control of our voting power and his ability to elect all of our directors and to determine the outcome of most matters submitted to a vote of our stockholders. In addition, we could issue shares of Class C common stock to Mr. Ghamsari and, in that event, he would be able to sell such shares of Class C common stock and achieve liquidity in their holdings without diminishing his voting control. Any future issuances of shares of Class C common stock will not be subject to approval by our stockholders except as required by the listing standards of the New York Stock Exchange.

Although we do not currently expect to rely on the “controlled company” exemption under the listing standards of the New York Stock Exchange, we expect to have the right to use such exemption and therefore we could in the future avail ourselves of certain reduced corporate governance requirements.

As a result of our multi-class common stock structure, Nima Ghamsari, Head of Blend, Co-Founder and Chair of our board of directors, holds a majority of the voting power of our outstanding capital stock. Therefore, we are considered a “controlled company” within the meaning of the rules of the New York Stock Exchange. Under these rules, a company in which over 50% of the voting power for the election of directors is held by an individual, a group, or another company is a “controlled company” and may elect not to comply with certain listing standards of the New York Stock Exchange regarding corporate governance, including:

- the requirement that a majority of its board of directors consist of independent directors;
- the requirement that its nominating/corporate governance committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities and an annual performance evaluation of the committee;
- the requirement that its compensation committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities, and
- annual performance evaluation of the committee, and the rights and responsibilities of the committee relate to any compensation consultant, independent legal counsel, or any other advisor retained by the committee.

These requirements would not apply to us if, in the future, we choose to avail ourselves of the “controlled company” exemption. Although we qualify as a “controlled company”, we do not currently expect to rely on these exemptions and intend to fully comply with all corporate governance requirements under the listing standards of the New York Stock Exchange. However, if we were to utilize some or all of these exemptions, we would not comply with certain of the corporate governance standards of the New York Stock Exchange, which could adversely affect the protections for other stockholders.

We cannot predict the effect our multi-class structure may have on the market price of our Class A common stock.

We cannot predict whether our multi-class structure will result in a lower or more volatile market price of our Class A common stock, in adverse publicity, or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multi-class share structures in certain of their indices. In July 2017, FTSE Russell announced that it plans to require new constituents of its indices to have greater than 5% of the company's voting rights in the hands of public stockholders, and S&P Dow Jones announced that it will no longer admit companies with multi-class share structures to certain of its indices. Affected indices include the Russell 2000 and the S&P 500, S&P MidCap 400, and S&P SmallCap 600, which together make up the S&P Composite 1500. Also in 2017, MSCI, a leading stock index provider, opened public consultations on their treatment of no-vote and multi-class structures and temporarily barred new multi-class listings from certain of its indices and in October 2018, MSCI announced its decision to include equity securities "with unequal voting structures" in its indices and to launch a new index that specifically includes voting rights in its eligibility criteria. Under such announced policies, the multi-class structure of our common stock makes us ineligible for inclusion in certain indices and, as a result, mutual funds, exchange-traded funds, and other investment vehicles that attempt to track those indices would not invest in our Class A common stock. These policies are relatively new and it is unclear what effect, if any, they will have on the valuations of publicly-traded companies excluded from such indices, but it is possible that they may depress valuations, as compared to similar companies that are included. Because of our multi-class structure, we will likely be excluded from certain of these indexes and we cannot assure you that other stock indexes will not take similar actions. Given the sustained flow of investment funds into passive strategies that seek to track certain indices, exclusion from certain stock indices would likely preclude investment by many of these funds and could make our Class A common stock less attractive to other investors. As a result, the market price of our Class A common stock could be adversely affected.

The trading price of our Class A common stock may be volatile, and you could lose all or part of your investment.

The trading price of our Class A common stock may be volatile and could be subject to fluctuations in response to various factors, some of which are beyond our control. These fluctuations could cause you to lose all or part of your investment in our Class A common stock since you might be unable to sell your shares at or above the price you paid for such shares. Factors that could cause fluctuations in the trading price of our Class A common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the trading prices and trading volumes of technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- sales of shares of our Class A common stock by us or our stockholders, as well as the anticipation of lock-up releases;
- failure of securities analysts to maintain coverage of us or changes in financial estimates by securities analysts who follow our company;
- failure to meet our financial estimates or expectations or the financial estimates or expectations of securities analysts or investors;
- the financial projections we may provide to the public, any changes in those projections, or our failure to meet those projections;
- announcements by us or our competitors of new services or platform features;
- the public's reaction to our press releases, other public announcements, and filings with the SEC;

- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our results of operations or fluctuations in our results of operations;
- actual or anticipated developments in our business, our competitors' businesses, or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- actual or perceived privacy or security breaches or other incidents;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses, services, or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- any significant change in our management;
- general economic conditions and slow or negative growth of our markets; and
- other events or factors, including those resulting from war, incidents of terrorism, natural disasters, public health concerns or epidemics, such as the COVID-19 pandemic, natural disasters, or responses to these events.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

We are an "emerging growth company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Class A common stock less attractive to investors.

We are an emerging growth company, as defined in the JOBS Act, and have the option to utilize certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We may take advantage of these reporting exemptions until we are no longer an emerging growth company. We will remain an emerging growth company until the earlier of (i) the last day of the fiscal year (A) following the fifth anniversary of the completion of our IPO, (B) in which we have total annual revenue of at least \$1.07 billion, or (C) in which we are deemed to be a large accelerated filer, with at least \$700 million of equity securities held by non-affiliates as of the prior June 30th, and (ii) the date on which we have issued more than \$1 billion in non-convertible debt during the prior three-year period.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We intend to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates. While we have not made such an irrevocable election, we have not delayed the adoption of any applicable accounting standards. Further, we may take advantage of some of the other reduced regulatory and reporting requirements that will be available to us so long as we qualify as an emerging growth company.

Among other things, this means that our independent registered public accounting firm will not be required to provide an attestation report on the effectiveness of our internal control over financial reporting so long as we qualify as an emerging growth company, which may increase the risk that weaknesses or deficiencies in our internal control over financial reporting go undetected. Likewise, so long as we qualify as an emerging growth company, we may elect not to provide you with certain information, including certain financial information and certain information regarding compensation of our executive officers, that we would otherwise have been required to provide in filings we make with the SEC, which may make it more difficult for investors and securities analysts to evaluate our company. As a result, investor confidence in our company and the market price of our Class A common stock may be adversely affected. Further, we cannot predict if investors will find our Class A common stock less attractive if we will rely on these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile.

Delaware law and provisions in our Amended and Restated Certificate of Incorporation and amended and restated bylaws could make a merger, tender offer or proxy contest difficult, thereby depressing the market price of our Class A common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our Amended and Restated Certificate of Incorporation and amended and restated bylaws contain provisions that may make the acquisition of our company more difficult, including the following:

- any amendments to our Amended and Restated Certificate of Incorporation require the approval of at least a majority of the voting power of the outstanding shares of our Class A common stock and Class B common stock voting as a single class;
- our amended and restated bylaws provide that approval of the holders of at least a majority of the voting power of the outstanding shares of our Class A common stock and Class B common stock voting as a single class is required for stockholders to amend or adopt any provision of our amended and restated bylaws;
- our multi-class common stock structure, which provides Nima Ghamsari with the ability to determine or significantly influence the outcome of matters requiring stockholder approval, even if he owns significantly less than a majority of the shares of our outstanding Class A common stock, Class B common stock, and Class C common stock;

- until the first date on which the outstanding shares of our Class B common stock represent less than a majority of the total combined voting power of our Class A common stock and our Class B common stock, or the Voting Threshold Date, our stockholders will only be able to take action by written consent if such action is first recommended or approved by our board of directors, and after the Voting Threshold Date, our stockholders will only be able to take action at a meeting of stockholders and will not be able to take action by written consent for any matter;
- our Amended and Restated Certificate of Incorporation does not provide for cumulative voting;
- vacancies on our board of directors are able to be filled only by our board of directors and not by stockholders;
- a special meeting of our stockholders may only be called by the chairperson of our board of directors, our principal executive officer, our president, or a majority of our board of directors;
- certain litigation against us can only be brought in Delaware;
- our Amended and Restated Certificate of Incorporation authorizes undesignated preferred stock, the terms of which may be established and shares of which may be issued without further action by our stockholders; and
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

These provisions, alone or together, could discourage, delay, or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and to cause us to take other corporate actions they desire, any of which, under certain circumstances, could limit the opportunity for our stockholders to receive a premium for their shares of our Class A common stock, and could also affect the price that some investors are willing to pay for our Class A common stock.

Our amended and restated bylaws designate a state or federal court located within the State of Delaware as the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our stockholders, (iii) any action arising pursuant to any provision of the Delaware General Corporation Law, our Amended and Restated Certificate of Incorporation, or our amended and restated bylaws, or (iv) any other action asserting a claim that is governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware), in all cases subject to the court having jurisdiction over indispensable parties named as defendants.

Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated bylaws also provide that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. Nothing in our amended and restated bylaws precludes stockholders that assert claims under the Exchange Act from bringing such claims in state or federal court, subject to applicable law.

Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to these provisions. These exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees. The enforceability of similar choice of forum provisions in other companies' charter documents has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable. For example, in December 2018, the Court of Chancery of the State of Delaware determined that a provision stating that U.S. federal district courts are the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act is not enforceable. Although this decision was reversed by the Delaware Supreme Court in March 2020, courts in other states may still find these provisions to be inapplicable or unenforceable. If a court were to find the exclusive forum provisions in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could adversely affect our results of operations.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about us, our business or our market, or if they change their recommendation regarding our Class A common stock adversely, the market price and trading volume of our Class A common stock could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us, our business, our market, or our competitors. The analysts' estimates are based upon their own opinions and are often different from our estimates or expectations. If any of the analysts who cover us change their recommendation regarding our Class A common stock adversely, provide more favorable relative recommendations about our competitors, or publish inaccurate or unfavorable research about our business, the price of our securities would likely decline. If few securities analysts commence coverage of us, or if one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets and demand for our securities could decrease, which could cause the price and trading volume of our Class A common stock to decline.

We do not expect to pay dividends in the foreseeable future.

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not anticipate declaring or paying any cash dividends to holders of our capital stock in the foreseeable future. In addition, our ability to pay cash dividends on our capital stock is likely to be restricted by any future debt financing arrangement we enter into. Consequently, stockholders must rely on sales of their Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

ITEM 2. RECENT SALES OF UNREGISTERED SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

None.

Use of Proceeds

On July 20, 2021, we completed our IPO, with a subsequent partial exercise of the underwriters' option to purchase additional shares. We issued and sold an aggregate of 22,468,111 shares of Class A common stock, par value \$0.00001, at an offering price of \$18.00 per share. We received aggregate net proceeds of \$366.7 million, after deducting underwriters' discounts and commissions of \$27.3 million and offering expenses of \$10.4 million.

We intend to use the net proceeds we received from our IPO for general corporate purposes, including working capital, operating expenses, and capital expenditures. We may use a portion of such net proceeds to repay outstanding indebtedness under our credit facility. Additionally, we may use a portion of such net proceeds to acquire or invest in businesses, products, services, or technologies. However, we do not have agreements or commitments for any material acquisitions or investments at this time. The representatives of the underwriters of our IPO were Goldman Sachs & Co. LLC and Allen & Company LLC. No payments were made by us to directors, officers or persons owning ten percent or more of our common stock or to their associates, or to our affiliates, other than payments in the ordinary course of business to officers for salaries and to non-employee directors pursuant to director offer letters and our outside director compensation policy.

There has been no material change in the planned use of the IPO proceeds as described in our prospectus dated July 15, 2021, as filed with the SEC pursuant to Rule 424(b) under the Securities Act (File No. 333-257223).

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

We have filed the exhibits listed on the accompanying Exhibit Index, which is incorporated herein by reference.

EXHIBIT INDEX

Exhibit Number	Description
31.1	<u>Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1†	<u>Certifications of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 has been formatted in Inline XBRL.

† The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Blend Labs, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

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

BLEND LABS, INC.

Date: May 13, 2022

By:

/s/ Nima Ghamsari

Nima Ghamsari

Head of Blend and Co-Founder

(Principal Executive Officer)

Date: May 13, 2022

By:

/s/ Marc Greenberg

Marc Greenberg

Head of Finance

(Principal Financial Officer)

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Nima Ghamsari, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Blend Labs, Inc.;
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; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2022

By:	/s/ Nima Ghamsari
Name:	Nima Ghamsari
Title:	Head of Blend (Principal Executive Officer)

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Marc Greenberg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Blend Labs, Inc.;
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; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2022

By:	<u>/s/ Marc Greenberg</u>
Name:	Marc Greenberg
Title:	Head of Finance (Principal Financial Officer)

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND 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, Nima Ghamsari, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Blend Labs, Inc. for the fiscal quarter ended March 31, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Blend Labs, Inc.

Date: May 13, 2022

By: /s/ Nima Ghamsari
Name: Nima Ghamsari
Title: Head of Blend
(Principal Executive Officer)

I, Marc Greenberg, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Blend Labs, Inc. for the fiscal quarter ended March 31, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Blend Labs, Inc.

Date: May 13, 2022

By: /s/ Marc Greenberg
Name: Marc Greenberg
Title: Head of Finance
(Principal Financial Officer)