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2018  
ANNUAL REPORT

This annual report as well as quarterly reports, press releases and other information about eXp World Holdings and its companies may be obtained at [www.expworldholdings.com](http://www.expworldholdings.com).

**EXP WORLD HOLDINGS, INC.**  
**2018 ANNUAL REPORT**  
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## To the shareholders of eXp World Holdings:

2018 was another great year for eXp World Holdings. Obviously, there was the growth we experienced and continue to experience on the eXp Realty front, however, **2018 was the first year that we became more than just a real estate brokerage.** It was the year we came together with the team at VirBELA to define the #FutureofWork.

### Go Where the Customers Are

When we started this journey almost 10 years ago, we technically couldn't afford offices and I was personally committed to growing a real estate brokerage that was profitable in good times and in bad times. Since 2009, at the bottom of the housing market, when I asked the entire team to gather up their computers and work remotely, eXp Realty has redefined what it means to go to work.



Real estate professionals always have worked somewhat remotely, even at our bricks-and-mortar competitors. As one of my early mentors said, "You need to be out where the houses and the people are." If you think about it, that is all of our roles: Go where the customers are. But where is the customer today? Where are staff today? How do they spend their time when they aren't "in the office"?

With our cloud office, eXp Realty agents can spend more time where the customers are.

**VirBELA enables the 4A's of remote work: Work from ANYWHERE with ANYONE at ANYTIME on ANYTHING.**

We haven't seen a bad housing market since. However, we have grown with very few external financial inputs during the years and have been cash flow positive since we started in 2009, almost from day one. I credit the power of the business model that we all collectively worked on back in 2009.

### Sustainable Changes

Of course, there have been some tweaks along the way to enhance the agent value proposition. We cut out or reduced certain fees we charged back in the early days. We capped our risk management fees and reduced the post-transaction cap fees, while at the same time providing additional products like kvCORE and CINC sites for agents. In 2014, we introduced our agent ownership initiatives, which singularly catalyzed the growth of the company to 100% year-over-year growth. This initiative created a drag by GAAP accounting rules, however, what was important to me then and is important to me now is that our agents on the front lines are the primary beneficiaries of the long-term growth of the company as shareholders, shoulder to shoulder with leadership and other shareholders. In my humble opinion, this is the most defensible strategy currently being executed by any company in the real estate industry and why we are winning. At the end of 2018, we

adjusted our agent equity incentives a bit, partially because of the variability of the underlying stock price and the wild swings in “profitability” based on issuing a fixed number of shares vs a dollar value, but also because eXp is no longer just a real estate brokerage. It’s becoming much more. Our Sustainable Revenue Share plan, for the most part, is the same model that we put in place in 2014 with some guardrails to make sure that we don’t go off the rails as our company continues to grow. The entire company is maturing our overall model in eXp Realty to be able to grow sustainably now and into the future, domestically in the United States and Canada, but also internationally.

### **Emergent Leadership**

We have really built out an amazing management team. eXp World Holdings CFO Jeff Whiteside has been a great partner to me personally since joining in November of last year. Recently named Co-presidents Dave Conord and Stacey Onnen have been rockstars in every sense of the word. Deborah Stevens and so many great people on our Canada leadership side. Our technology teams, led by Steve Ledwith and Kirk Lattner, have continued to deliver a world-class, proprietary enterprise platform to keep track of all things eXp. Early this year we were able to implement Net Promoter Score to help us continually focus on agent and staff satisfaction. Most of our early team from 2009 and even before are still with us on this journey. I’m really proud of having been at the helm of a company that brought along so many great leaders. Also, we have so many amazing agents, brokers and growth leaders, whom we refer to as influencers emerging and championing the eXp Realty model as we iterate on the agent value proposition. Again I couldn’t be more proud to be in business with each and every one of our agents and brokers who believe in the eXp Realty model and what we are accomplishing together.

### **Emergent Innovation**

We are introducing better-than-the-standard-fare brokerage services. ShowMeNow is an exciting Uber-style home showing service. We are early in developing a unique iBuyer platform which we believe will be a huge listing lead generation tool backed by some major players as partners, eliminating our need to contribute significant capital, while providing a great platform for consumers looking to sell their homes as well as buyers looking to instantly buy in local markets.

I’m also really excited about VirBELA and all the products and services we are rolling out. One that I’ve been involved in for a while is the VirBELA Open Campus and Team Rooms to bring a virtual world for business to any size team or company. VirBELA is recognized as one of the premier virtual worlds for work. Similar to eXp, VirBELA has been scrappy, entrepreneurial, bootstrap-funded and now is becoming a dominant player in different verticals, such as online retail, training and medical.

VirBELA has a special place in my mind as the creative, enabling Ready Player One platform that will literally bring teams together from around the world to solve complex challenges. If you haven’t visited the VirBELA Open Campus and checked out the platform powering the Future of Work Now, definitely visit and try it out, for free. 😎

### **EXPI is Nasdaq-listed**

May 2018 marked a huge milestone for us as a company. We moved to the Nasdaq stock exchange, which added credibility among the investor community. In true eXp style, we became a Nasdaq company in a non-traditional way — without a traditional IPO or secondary offering. This was important to me as a Founder and CEO who is focused on our agents. What also has been gratifying is that we continue to attract high-quality funds and family offices to becoming shareholders for the right reasons. Getting to know some of these investors, especially those who focus on long-term shareholder value, aligns so well with the type of company we continue to build together.



### **Join Our Rallying Cry**

Ultimately, I still approach every day at eXp like it was the first day at eXp. We are still in many ways a start-up of start-ups. We have an established business model that we believe scales and grows internationally, however, we also are innovating rapidly so that the opportunities for our agents, brokers, staff and shareholders continue to be bright in the face of so many business disruptions going on around us all the time.

The only thing constant in life is change. However, that change is continually moving faster and faster. AI, VR, Blockchain, iBuyer, Uber, driverless cars and completely decentralized organizational structures are all in front of us. We are leaders in some of these categories already, however, the optimal future organization will need to continue to iterate on all fronts. In fact, I would say we must focus on emerging the best ideas and the best leaders to champion those ideas. I would be so bold as to say that is our most important mission as a company. Top-down management is dead. Emergent leadership and emergent innovations are the future of the enterprise, and how we collaborate together to continually emerge is the business we are all in together.

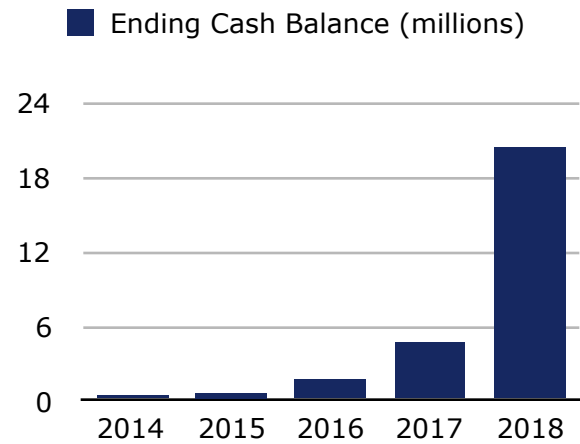
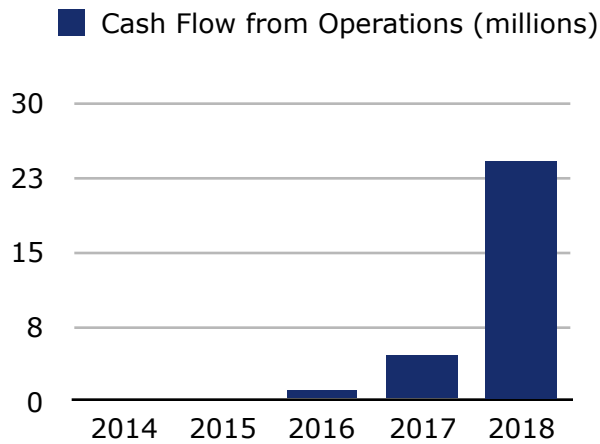
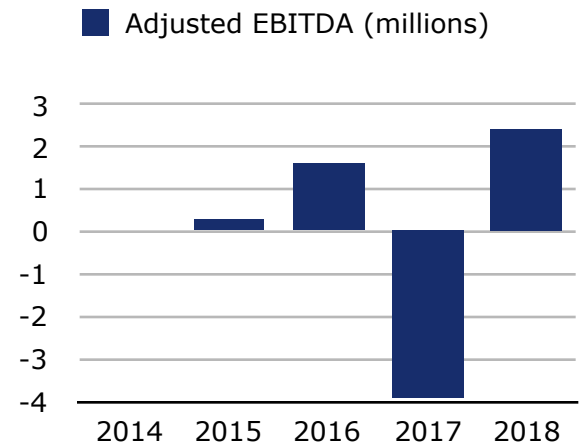
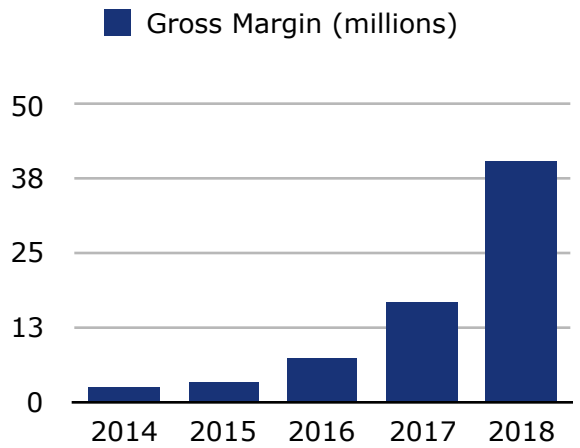
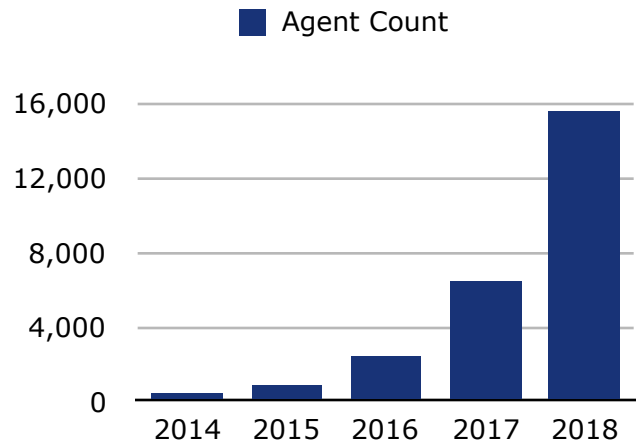
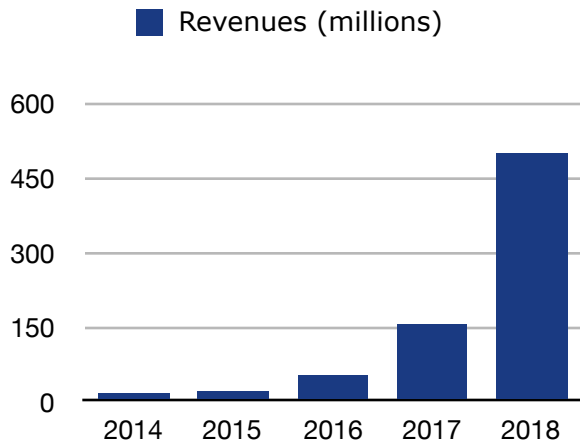
Thank you all for being shareholders of eXp World Holdings. I couldn't be more excited or more proud of the organization that we have built during the last almost 10 years. I believe we are poised to do some amazing things in the next number of years and would be remiss in not sharing our rallying cry ...

It's On Like Donkey Kong!

Sincerely,

Glenn Sanford  
CEO, Chairman and Founder  
eXp World Holdings, Inc.

# OUR RESULTS







**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

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

For the fiscal year ended **December 31, 2018**

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **000-53300**



**EXP WORLD HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction  
of incorporation)

**98-0681092**

(IRS Employer  
Identification No.)

**2219 Rimland Drive, Suite 301**

**Bellingham, WA 98226**

(Address of principal executive offices and Zip Code)

Registrant's telephone number, including area code: **(360) 685-4206**

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

<u>Title of each class</u>	<u>Name of each exchanged on which registered</u>
None	N/A

**Securities registered pursuant to section 12(g) of the Act:**

Common Stock, par value \$0.00001 per share (Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 (Check one).

Large accelerated filer	<input type="checkbox"/>	<b>Accelerated filer</b>	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	<b>Smaller reporting company</b>	<input checked="" type="checkbox"/>

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has selected 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 Act).

Yes  No

The aggregate market value of the voting and nonvoting common equity held by non-affiliates of eXp World Holdings, Inc. was approximately \$204,027,200 based on 18,023,604 shares of common stock held by non-affiliates as of June 30, 2018, being \$11.32 per share.

The number of shares of the registrant's \$0.00001 par value common stock outstanding as of March 10, 2019 was 60,978,604.

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## **FORWARD-LOOKING STATEMENTS**

*This Annual Report and our other public filings contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. Forward-looking statements can be identified by words such as “believe,” “expect,” “anticipate,” “estimate,” “project,” “plan,” “should,” “intend,” “may,” “will,” “would,” “potential” and similar expressions to future periods. Forward-looking statements are not based on historical facts but rather represent current expectations and assumptions. Forward-looking statements include statements we make about matters such as: future revenues; future industry market conditions; future changes in our capacity and operations; future operating and overhead costs; operational and management restructuring activities (including implementation of methodologies and changes in the board of directors); future employment and contributions of personnel; tax and interest rates; capital expenditures and their impact on us; productivity, business process, rationalization, investment, acquisition, consulting, operational, tax, financial and capital projects and initiatives; contingencies; changes in the regulatory environment; and future working capital, costs, revenues, business opportunities, cash flows, margins, earnings and growth.*

*Forward-looking statements relate to the future and are subject to many risks, assumptions and uncertainties, including those risks described in Part I, Item IA Risk Factors. Although we believe the expectations reflected in the forward-looking statements are reasonable, actual results, developments and business decisions could differ materially from those contemplated by such forward-looking statements. The environment for which we operate in is highly competitive and rapidly changing and it is not possible for our management to predict all risks, as new risks emerge from time to time.*

*While no list of uncertainties could be complete, some factors that could cause actual results to differ materially from those in the forward-looking statements include the following, without limitation: current and future business and economic uncertainties may adversely affect our revenues, profitability and financial condition; changes in the residential mortgage markets and housing markets may adversely affect our earnings and financial condition; our earnings may decrease because of increases or decreases in interest rates;; our business, financial condition and results of operations could be adversely affected by new government regulations; potential inability to attract and retain skilled personnel, including real estate agents, could harm our business; we may pursue strategic opportunities which could result in operating difficulties or dilution; assertions of claims, lawsuits and proceedings against us could harm our business, results of operations and reputation; and changes in the United States or other monetary or fiscal policies and regulations that impact the real estate market.*

*All subsequent written and oral forward-looking statements by or attributable to us or persons acting on our behalf are expressly qualified in their entirety by these factors. We undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future developments or otherwise, except as may be required by law.*

## **PART I**

## **Item 1. BUSINESS**

### **Overview**

eXp World Holdings, Inc. (the “Company”; “we”, or “eXp”) was incorporated in the State of Delaware on July 30, 2008. The Company owns and operates its main operating division which is a cloud-based international residential real estate brokerage (“eXp Realty”). We focus our operations on the development and use of cloud-based technologies in order to grow an international brokerage without the burden of physical brick and mortar offices or redundant staffing costs.

### **Operations**

We launched our operation in October 2009 with a small number of real estate agents in two states and ended the fiscal year 2018 with a team of over 15,500 real estate professionals, operating across all of the United States, and in the provinces of Alberta, British Columbia and Ontario, Canada. Except for certain employees who hold active real estate licenses, virtually all of our real estate professionals are independent contractors and are not our employees.

We operate over the internet through our website, <http://exprealty.com> and rely on a cloud-based platform to provide our residential real estate brokerage services. Through our website, buyers can search real-time property listings, and sellers list properties and gain exposure across the various geographic markets in which we operate. We also provide buyers and sellers access to a network of professional, consumer-centric agents and brokers. Additionally, we deliver marketing, training and other support services to our brokers and agents through a combination of proprietary technology enabled services, as well as technology and support services contracted to third parties. Our brokers and agents leverage our technology, services, data, lead generation and marketing tools to represent residential real estate buyers and sellers to list, find and consummate the purchase or sale of a home.

Internally, we use our technology to provide agents, teams of agents, and brokerage owners with opportunities for increased profitability, reduced risk, and greater levels of professional development while fostering an organizational culture that values collaboration, strength of community, and commitment to serving the consumer’s best interests. We provide agents, teams of agents, and brokers with the systems, support, professional development and infrastructure to survive and then thrive in unpredictable and, at times, challenging economic conditions. This includes delivering 24/7 access to collaborative tools and training for real estate agents and brokers.

We have adopted a number of cloud-based technologies. Among the technologies we use to operate our business, is our 3D, fully-immersive, cloud office complex which has virtual conference rooms, training centers, and individual offices in which our management, staff, agents and brokers all work on a daily basis learning from, sharing with, transacting business with, and socializing with their colleagues from different geographic regions by utilizing avatars. In these virtual spaces agents and brokers meet for state-based sales meetings, attend live interactive training and classes, go over commission disbursement authorization forms, build websites and online branding materials, and work on purchase and sales agreements. Moreover, in these virtual spaces new managing brokers are evaluated and approved, our management meets to discuss strategy and vision, and personnel interviews occur. In addition, we have face-to-face meetings, conferences, presentations, retreats and other physical interactions where circumstances warrant. We also provide physical

space to brokers and agents when they need it through a relationship with Regus, which provides access to offices, work space and meeting rooms at Regus locations worldwide. Furthermore, our cloud office has a fully-staffed transaction and administration office, and a fully-staffed web development, search engine optimization and technical support office. Our cloud office provides agents, teams of agents and brokers with training, education, coaching, mentoring, transaction support, broker support, and technical support. Consequently, our cloud office serves as our primary company office for brokers, agents, management and staff, and the cloud office has also eliminated redundant staffing costs. The utilization of this cloud office platform permits us to serve our entire geographic reach.

We also serve real estate agents, teams of agents, and real estate brokers by providing a full suite of back office functions ranging from paperless file sharing and transaction management, web design, social media, digital campaigns, customer relationship management platforms, business coaching, tech support, and live training that places a premium on engagement, discussion and collaboration.

Furthermore, we allow our brokers, some of whom are former real estate brokerage owners, to leverage our infrastructure to reduce their fixed costs and be empowered to build scalable teams of agents in any of the markets that we serve while preserving and enhancing the brokers' personal brands. In this way our brokers can attract agents and build a co-brand in any markets currently served by the Company without any additional capital requirements.

eXp Realty has held firm in its belief that each individual agent delivers value to individual home buyers and sellers in different ways depending upon the knowledge, skills or niche of the agent and the needs and wants of the consumer. Consumers work with agents because of their skills and service individually and generally place greater weight on those individual skill sets, service levels and style than they do on the brokerage brand with which the agent is affiliated.

Numerous real estate coaches provide training and classes to brokerages on a vendor basis or to individual agents outside of their brokerage relationship in the most cost-effective way to strengthen their skills and help them succeed. eXp Realty is working to develop a model and infrastructure for an internal coaching program which approaches the relationship between coach and agent with a similar philosophy. The needs of individual agents vary as do the methods of instruction that are most effective for their learning. This approach aims to offer coaching that draws upon, highlights, promotes and supports some of the best coaches in the industry based upon their individual talents and the corresponding fit to the particular needs to our individual, entrepreneurial professionals.

## **Fee Structure**

The lower overall cost of operating our cloud office has enabled us to offer our agents and brokers a higher split of the gross commissions generated from real estate transactions than most traditional real estate brokerages. This higher fee split along with our unique delivery of support services and the flexibility it provides for brokers and agents has facilitated our growth over the past several years.

We also differentiate ourselves by not charging our agents and brokers royalties or franchise fees. Because we do not house agents in physical brick and mortar offices our agents and brokers also do not pay desk or office fees that are commonplace among competitors. Our agents pay a monthly technology fee, a tuition fee for a curriculum of professional

development classes and real estate vision and training (which we call eXp University), a transaction processing fee and a risk management fee.

### **Revenue Sharing Plan**

Our cloud office has enabled us to introduce and maintain a gross revenue sharing plan whereby each of our agents and brokers can participate in and from which they can receive monthly and annual residual overrides on the gross commission income resulting from transactions consummated by agents and brokers who they have attracted to our company, effectively contributing to our growth.

Consistent with our commitment to enabling and empowering agents and brokers in pursuit of building a scalable business and organization, our revenue sharing plan allows brokers and agents a financial mechanism to build teams across geographic borders without incurring any expense, oversight responsibility, or liability.

Our gross revenue sharing plan attains one of the industry's longstanding compensation challenges by providing a vehicle through which agents and brokers can potentially stop actively selling real estate but still have a vested monthly revenue share plan distribution.

### **Our Markets**

Our primary market is the United States. We currently operate in all operating in all U.S. States, the District of Columbia and the provinces of Alberta, British Columbia and Ontario, Canada.

### **Competition**

We compete with local, regional, national and international residential real estate brokerages to attract agents, teams of agents, brokers and consumers. We compete primarily on the basis of our culture, collaboration, utilization of cloud-based systems and technologies that reduce costs, provide relevant and substantial professional development opportunities, and provide our agents and brokers with an opportunity to generate more business and participate in the growth of our company. We believe that we are the only national real estate brokerage in the United States presently using a 3D immersive office environment in place of physical brick and mortar offices and as such, we believe that we are well-positioned in our competitive landscape.

### **Intellectual Property**

"eXp Realty" is one of our registered trademarks in the United States. We have also placed the marks "3D MLS", "3D Listing Service" and "RE Tech Campus" on the United States Patent and Trademark Office's Supplemental Register. We also own the rights to the domain name <http://exprealty.com>.

If necessary, we will aggressively assert our rights under trade secret, unfair competition, trademark and copyright laws to protect our intellectual property, including product design, product research and concepts and registered trademarks. These



rights are protected through the acquisition of patents and trademark registrations, the maintenance of trade secrets, the development of trade dress, and, where appropriate, litigation against those who are, in our opinion, infringing these rights.

While there can be no assurance that registered trademarks will protect our proprietary information, we intend to assert our intellectual property rights against any infringement. Although any assertion of our rights could result in a substantial cost and diversion of management effort, we believe the protection and defense against infringement of our intellectual property rights are essential to our business.

### **Seasonality of Business**

Seasons and weather traditionally impact the real estate industry. Continuous poor weather or natural disasters negatively impact listings and sales. Spring and summer seasons historically reflect greater sales periods in comparison to fall and winter seasons. We have historically experienced lower revenues during the fall and winter seasons, as well as during periods of unseasonable weather, which reduces our operating income, net income, operating margins and cash flow.

Real estate listings precede sales and a period of poor listing activity will negatively impact revenue. Past performance in similar seasons or during similar weather events can provide no assurance of future or current performance, and macroeconomic shifts in the markets we serve can conceal the impact of poor weather and/or seasonality.

Home sales in successive quarters can fluctuate widely due to a wide variety of factors, including holidays, national or international emergencies, the school year calendar's impact on timing of family relocations, interest rate changes, speculation of pending interest rate changes and the overall macroeconomic market. Our revenue and operating margins each quarter will remain subject to seasonal fluctuations, poor weather and natural disasters and macroeconomic market changes that may make it difficult to compare or analyze our financial performance effectively across successive quarters.

Furthermore, the residential real estate market and the real estate industry in general is often cyclical, characterized by protracted periods of depressed home values, lower buyer demand, inflated rates of foreclosure and often changing regulatory or underwriting standards applicable to mortgages. Such depressed real estate cycles are often followed by extended periods of higher buyer demand, lower available real estate supply and increasing home values. Our business is affected by these cycles in the residential real estate market, which can make it difficult to compare or analyze our financial performance effectively across successive periods.

### **Software Development**

Our Company continues to increase our investment in the development of our own cloud-based transaction processing platforms and further expand our products and service offerings. Throughout 2018, we have focused on creating process efficiencies and providing our agents and brokers with mobile applications designed to facilitate transactions in an efficient and consumer friendly way. To further expand our products and service offerings, we purchased certain technology and intellectual property of ShowMeNow, an on-demand, home tour mobile application that enables home shoppers to request immediate access to properties, giving buyers flexible, real-time access to properties.

## **Government Regulation**

We serve the residential real estate industry which is regulated by federal, state and local authorities as well as private associations or state sponsored associations or organizations. We are required to comply with federal, state, provincial, and local laws, as well as private governing bodies' regulations, which combined results in a highly-regulated industry.

We are also subject to federal and state regulations relating to employment, contractor, and compensation practices. Except for certain employees who have an active real estate license, virtually all real estate professionals in our brokerage operations have been retained as independent contractors, either directly or indirectly through third-party entities formed by these independent contractors for their business purposes. With respect to these independent contractors, like most brokerage firms, we are subject to the Internal Revenue Service regulations and applicable state law guidelines regarding independent contractor classification. These regulations and guidelines are subject to judicial and agency interpretation.

### *Real Estate Regulation - Federal*

The Real Estate Settlement Procedures Act of 1974, as amended, ("RESPA") became effective on June 20, 1975. RESPA requires lenders, mortgage brokers, or servicers of home loans to provide borrowers with pertinent and timely disclosures regarding the nature and costs of the real estate settlement process. RESPA also protects borrowers against certain abusive practices, such as kickbacks, and places limitations upon the use of escrow accounts. RESPA also requires detailed disclosures concerning the transfer, sale, or assignment of mortgage servicing, as well as disclosures for mortgage escrow accounts.

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") moved authority to administer RESPA from the Department of Housing and Urban Development to the new Consumer Financial Protection Bureau ("CFPB"). At present, leadership at the CFPB is in transition, with a new acting director. The CFPB released a five-year strategic plan in February 2018 indicating that it intends to continue to focus on protecting consumer rights while engaging in rulemaking to address unwarranted regulatory burdens. As a result, the regulatory framework of RESPA applicable to our business may be subject to change. The Dodd-Frank Act also increased regulation of the mortgage industry, including: (i) generally prohibiting lenders from making residential mortgage loans unless a good faith determination is made of a borrower's creditworthiness based on verified and documented information; (ii) requiring the CFPB to enact regulations, to help assure that consumers are provided with timely and understandable information about residential mortgage loans that protect them against unfair, deceptive and abusive practices; and (iii) requiring federal regulators to establish minimum national underwriting guidelines for residential mortgages that lenders will be allowed to securitize without retaining any of the loans' default risk. In addition, federal fair housing laws generally make it illegal to discriminate against protected classes of individuals in housing or brokerage services. Other federal laws and regulations applicable to our business include (i) the Federal Truth in Lending Act of 1969; (ii) the Federal Equal Credit Opportunity; (iii) the Federal Fair Credit Reporting Act; (iv) the Fair Housing Act; (v) the Home Mortgage Disclosure Act; (vi) the Gramm-Leach-Bliley Act; (vii) the Consumer Financial Protection Act; (viii) the Fair and Accurate Credit Transactions

Act; and (ix) the Do Not Call/Do Not Fax Act and other state and federal laws pertaining to the privacy rights of consumers, which affects our opportunities to solicit new clients.

### *Real Estate Regulation - State and Local Level*

Real estate and brokerage licensing laws and requirements vary from state to state. In general, all individuals and entities lawfully conducting businesses as real estate brokers, agents or sales associates must be licensed in the state in which they carry on business and must at all times be in compliance.

States will require a real estate broker to be employed by the brokerage firm or permit an independent contractor classification, and the broker may work for another broker conducting business on behalf of the sponsoring broker.

States may require a person licensed as a real estate agent, sales associate or salesperson, to be affiliated with a broker in order to engage in licensed real estate brokerage activities or allow the agent, sales associate or salesperson to work for another agent, sales associate or salesperson conducting business on behalf of the sponsoring agent, sales associate or salesperson. Agents, sales associates or salespersons are generally classified as independent contractors; however, real estate firms can also offer employment.

Engaging in the real estate brokerage business requires obtaining a real estate broker license (although in some states the licenses are personal to individual brokers). In order to obtain this license, most jurisdictions require that a member or manager be licensed individually as a real estate broker in that jurisdiction. If applicable, this member or manager is responsible for supervising the licensees and the entity's real estate brokerage activities within the state.

Real estate licensees, whether they are brokers, salespersons, individuals, agents or entities, must follow the state's real estate licensing laws and regulations. These laws and regulations generally specify minimum duties and obligations of these licensees to their clients and the public, as well as standards for the conduct of business, including contract and disclosure requirements, record keeping requirements, requirements for local offices, escrow trust fund management, agency representation, advertising regulations and fair housing requirements.

In each of the states where we have operations, we assign appropriate personnel to manage and comply with applicable laws and regulations.

Most states have local regulations (city or county government) that govern the conduct of the real estate brokerage business. Local regulations generally require additional disclosures by the parties to a real estate transaction or their agents or brokers, or the receipt of reports or certifications, often from the local governmental authority, prior to the closing or settlement of a real estate transaction as well as prescribed review and approval periods for documentation and broker conditions for review and approval.

### *Third-Party Rules*

Beyond federal, state and local governmental regulations, the real estate industry is subject to rules established by private real estate groups and/or trade organizations, including, among others, state Associations of REALTORS® (AOR), and local Associations of REALTORS® (AOR), the National Association of Realtors® (NAR), and local Multiple Listing Services (MLSs). “REALTOR” and “REALTORS” are registered trademarks of the National Association of REALTORS®.

Each third-party organization generally has prescribed policies, bylaws, codes of ethics or conduct, and fees and rules governing the actions of members in dealings with other members, clients and the public, as well as how the third-party organization’s brand and services may or may not be deployed or displayed.

We assign appropriate personnel to manage and comply with third party organization policies and bylaws.

### **Employees**

We ended fiscal year 2018 with 354 full-time employees and over 15,500 agents and brokers whom we classify as independent contractors.

Our operations are overseen directly by management. Our management oversees all responsibilities in the areas of corporate administration, business development, and research. We have successfully expanded our current management to retain skilled employees with experience relevant to our business and intent to continue with this initiative. Our management’s relationships with agents, brokers, technology providers, and customers will provide the foundation through which we expect to grow our business in the future. We believe the skill-set of our management team will be a primary asset in the development of our brands and trademarks.

### **Available Information**

Our Company files annual, quarterly, and current reports, proxy statements and other documents with the Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934 (the “Exchange Act”). The SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The public can obtain any documents that we file with the SEC at [www.sec.gov](http://www.sec.gov).

Our Company maintains a website at [www.expworldholdings.com](http://www.expworldholdings.com). Our filings with the SEC, including without limitation, our Annual Reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, are available through a link maintained on our website under the heading “Investor Relations—SEC Filings.” Information contained on our website is not incorporated by reference into this report. Previously filed Annual Reports on Form 10-K and quarterly reports on Form 10-Q for the periods affected by the restatement have not been amended. Accordingly, investors should no longer rely upon the Company’s previously released financial statements for these periods and any earnings releases or other communications relating to these periods.

## **Item 1A. RISK FACTORS**

In addition to the other information set forth in this report, you should carefully consider the following factors, which could materially affect our business, financial condition or results of operations in future periods. The risks described below are not the only risks facing our company. Additional risks not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or results of operations in future periods.

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

***We have identified material weaknesses in our internal control over financial reporting which could, if not remediated, result in material misstatements in our financial statements.***

Our management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in “Internal Control – Integrated Framework (2013)” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Under auditing standards established by the U.S. Public Company Oversight Board, a material weakness is a deficiency or 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 financial statements will not be prevented or detected and corrected on a timely basis.

During its evaluation of the effectiveness of disclosure controls and procedures as of December 31, 2018, management identified material weaknesses in internal control over financial reporting related to our control environment, monitoring controls and certain control activities which resulted in errors mainly to revenue, accounts receivable and commission expense and could have resulted in errors in other financial statement line items.

See Part II, Item 9 – “Controls and Procedures.”

While we are in the process of identifying and implementing remedial measures to address the control deficiencies that led to the material weaknesses, there can be no assurance that remedial measures will prevent other control deficiencies or material weaknesses. We may identify additional material weaknesses in our internal control over financial reporting in the future. If we are unable to remediate the material weaknesses or we identify additional material weaknesses in our internal control over financial reporting in the future, our ability to analyze, record and report financial information free of material misstatements, and to prepare our financial statements within the time periods specified by the rules and forms of the SEC may be adversely affected. The occurrence of, or failure to remediate, the material weaknesses and any further material weaknesses in our internal control over financial reporting may result in material misstatements as well as negatively impact the reliability of our financial statements, our reputation, our business and the trading price of our common stock.

***We have experienced net losses in recent years, and because we have a limited operating history, our ability to fully and successfully develop our business is unknown.***

We have a history of operating at losses since our inception in October 2009. Our ability to realize consistent, meaningful revenues and profit over a sustained period has not been established and cannot be assured.

While we believe that we have made significant progress in revenue growth and managing our overhead by implementing our cloud-based technology strategy, our services must achieve broad market acceptance by consumers and we must continue to grow our geographical reach, attract more agents and brokers, and increase the volume of our residential real-estate transactions. If we are unsuccessful in continuing to gain market acceptance, we will not be able to generate sufficient revenue to continue our business operations and could sustain on-going operating and net losses.

Despite our ongoing efforts to build revenue growth, both organically and through acquisitions, and to control the anticipated expenses associated with the continued development, marketing and provision of our services, we may not be able to generate significant net income from operations in the future.

***Our profitability is tied to the strength of the residential real estate market, which is subject to a number of general business and macroeconomic conditions beyond our control.***

Our profitability is closely related to the strength of the residential real estate market which is cyclical in nature and typically is affected by changes in national, state and local economic conditions which are beyond our control. Macroeconomic conditions that could adversely impact the growth of the real estate market and have a material adverse effect on our business include, but are not limited to, economic slowdown or recession, increased unemployment, increased energy costs, reductions in the availability of credit or higher interest rates, increased costs of obtaining mortgages, an increase in foreclosure activity, inflation, disruptions in capital markets, declines in the stock market, adverse tax policies or changes in other regulations, lower consumer confidence, lower wage and salary levels, war or terrorist attacks, natural disasters or adverse weather events, or the public perception that any of these events may occur. Unfavorable general economic conditions, such as a recession or economic slowdown, in the United States, Canada or other markets we enter and operate within could negatively affect the affordability of, and consumer demand for, our services which could have a material adverse effect on our business and profitability. In addition, federal and state governments, agencies and government-sponsored entities such as Fannie Mae and Freddie Mac could take actions that result in unforeseen consequences to the real estate market or that otherwise could negatively impact our business.

The real estate market is substantially reliant on the monetary policies of the federal government and its agencies and is particularly affected by the policies of the Federal Reserve Board, which regulates the supply of money and credit in the U.S., which in turn impacts interest rates. Our business could be negatively impacted by any rising interest rate environment. As mortgage rates rise, the number of home sale transactions may decrease as potential home sellers choose to stay with their lower mortgage rate rather than sell their home and pay a higher mortgage rate with the purchase of another home. Similarly, in higher interest rate environments, potential home buyers may choose to rent rather than pay higher mortgage rates. Changes in the interest rate environment and mortgage market are beyond our control, are difficult to predict and could have a material adverse effect on our business and profitability.

***We may be unable to maintain our agent growth rate, which would adversely affect our revenue growth and results of operations.***

We have experienced rapid and accelerating growth in our real estate broker and agent base. During the year ended December 31, 2018, our net agent and broker base grew by 139.1%, from 6,511 agents and brokers at December 31, 2017, to 15,570 agents and brokers at December 31, 2018. Because we derive revenue from real estate transactions in which our brokers and agents receive commissions, increases in our agent and broker base correlate to increases in revenues, and the rate of growth of our revenue correlates to the rate of growth of our agent and broker base. The rate of growth of our agent and broker base cannot be predicted and is subject to many factors outside of our control, including actions taken by our competitors and macroeconomic factors affecting the real estate industry generally. We cannot assure you that we will be able to maintain our recent agent growth rate or that our agent and broker base will continue to expand in future periods. A slowdown in our agent growth rate would have a material adverse effect on revenue growth and could adversely affect our results of operations.

***We may be unable to effectively manage rapid growth in our business.***

We may not be able to scale our business quickly enough to meet the growing needs of our affiliated real estate professionals and if we are not able to grow efficiently, our operating results could be harmed. As the Company adds new real estate professionals, we will need to devote additional financial and human resources to improving our internal systems, integrating with third-party systems, and maintaining infrastructure performance. In addition, we will need to appropriately scale our internal business systems and our services organization, including support of our affiliated real estate professionals as our demographics expand over time. Any failure of or delay in these efforts could cause impaired system performance and reduced real estate professional satisfaction. These issues could reduce the attractiveness of our Company to existing real estate professionals who might leave the Company as well as resulting in decreased attraction of new real estate professionals. Even if we are able to upgrade our systems and expand our staff, such expansion may be expensive, complex, and place increasing demands on our management. We could also face inefficiencies or operational failures as a result of our efforts to scale our infrastructure and we may not be successful in maintaining adequate financial and operating systems and controls as we expand. Moreover, there are inherent risks associated with upgrading, improving and expanding our information technology systems. We cannot be sure that the expansion and improvements to our infrastructure and systems will be fully or effectively implemented on a timely basis, if at all. These efforts may reduce revenue and our margins and adversely impact our financial results.

***If we fail to grow in the various local markets that we serve or are unsuccessful in identifying and pursuing new business opportunities our long-term prospects and profitability will be harmed.***

To capture and retain market share in the various local markets that we serve, we must compete successfully against other brokerages for agents and brokers and for the consumer relationships that they bring. Our competitors could lower the fees that they charge to agents and brokers or could raise the compensation structure for those agents. Our competitors may have access to greater financial resources than us, allowing them to undertake expensive local advertising or marketing efforts. In addition, our competitors may be able to leverage local relationships, referral sources, and strong local brand and name recognition that we have not established. Our competitors could, as a result, have greater leverage in attracting

new and established agents in the market and in generating business among local consumers. Our ability to grow in the local markets that we serve will depend on our ability to compete with these local brokerages.

We may implement changes to our business model and operations to improve revenues that cause a disproportionate increase in our expenses or reduce profit margins. For example, we may allocate resources to acquiring lower margin brokerage models, the development of a mortgage servicing division, a commercial real estate division, a title and escrow company or a continuing education division. These decisions could involve significant up-front costs that may only be recovered after lengthy periods of time. Any of these attempts to pursue new business opportunities could result in a disproportionate increase in our expenses and in reduced profit margins. In addition, any of these additional activities could expose us to additional compliance obligations and regulatory risks.

If we fail to continue to grow in the local markets we serve or if we fail to successfully identify and pursue new business opportunities, our long-term prospects, financial condition and results of operations may be harmed, and our stock price may decline.

***The utilization of a 3D cloud based immersive office as a suitable substitute for a physical brick and mortar location is a new and unproven strategy and we cannot guarantee that we will be able to operate and grow within its confines.***

Currently, our cloud office adequately supports the needs of our agent population located across the United States and Canada. We cannot guarantee that our cloud office platform will continue to support our agent population and meet our business needs as we grow. The effectiveness of our cloud office platform is tied to a number of variables at any given time including server capacity and concurrent users. In addition, the use of the cloud office platform, and the use generally of 3D immersive office environments as an acceptable substitute among agents and brokers for physical office locations is unproven. We cannot guarantee that industry rank and file will adopt or accept cloud-based 3D office environments as a substitute for a physical office environment in a sustainable, long-term manner.

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

As part of our business and growth strategy, we evaluate acquisitions of, or investments in, a wide array of potential strategic opportunities, including third-party technologies and businesses as well as other real estate brokerages. If we are not able to integrate acquisitions successfully, our operating results and prospects could be harmed. We have acquired new technology and operations, including our most recent acquisition of VirBELA and ShowMeNow application. We will continue to look for opportunities to acquire technologies or operations that we believe will contribute to our growth and development. The success of our future acquisition strategy will depend on our ability to identify, negotiate, complete and integrate acquisitions. In addition, an acquisition could cause potentially dilutive issuances of equity securities or incurrence of debt.



Acquisitions are inherently risky, and any acquisitions we complete may not be successful. Any acquisitions we pursue would involve numerous risks, including the following:

- difficulties in integrating and managing the operations and technologies of the companies we acquire, including higher than expected integration costs and longer integration periods;
- diversion of our management's attention from normal daily operations of our business;
- our inability to maintain the customers, key employees, key business relationships and reputations of the businesses we acquire;
- our inability to generate sufficient revenue or business efficiencies from acquisitions to offset our increased expenses associated with acquisitions;
- our responsibility for the liabilities of the businesses we acquire, including, without limitation, liabilities arising out of their failure to maintain effective data security, data integrity, disaster recovery and privacy controls prior to the acquisition, or their infringement or alleged infringement of third party intellectual property, contract or data access rights prior to the acquisition;
- difficulties in complying with new markets or regulatory standards to which we were not previously subject;
- delays in our ability to implement internal standards, controls, procedures and policies in the businesses we acquire and increased risk that our internal controls will be ineffective;
- adverse effects of acquisition activity on the key performance indicators we use to monitor our performance as a business; and
- inability to fully realize intangible assets recognized through acquisitions and related non-cash impairment charges that may result if we are required to revalue such intangible assets.

Our failure to address these risks or any other challenges we encounter with our future acquisitions and investments could cause us to not realize all or any of the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities, and harm our business, which could negatively impact our operating results and financial condition.

***We face significant risk to our brand and revenue if we fail to maintain compliance with the law and regulations of federal, state, county and foreign governmental authorities, or private associations and governing boards.***

We operate in a heavily regulated industry subject to complex, federal, state, provincial and local laws and regulations and third-party organizations' regulations, policies and bylaws governing the real estate business.

In general, the laws, rules and regulations that apply to our business practices include, without limitation, RESPA, the federal Fair Housing Act, the Dodd-Frank Act, and federal advertising and other laws, as well as comparable state statutes; rules of trade organizations such as NAR, local MLSs, and state and local AORs; licensing requirements and related obligations that could arise from our business practices relating to the provision of services other than real estate brokerage services; privacy regulations relating to our use of personal information collected from the registered users of our websites; laws relating to the use and publication of information through the Internet; and state real estate brokerage licensing requirements, as well as statutory due diligence, disclosure, record keeping and standard-of-care obligations relating to these licenses.

Additionally, the Dodd-Frank Act contains the Mortgage Reform and Anti-Predatory Lending Act (“Mortgage Act”), which imposes a number of additional requirements on lenders and servicers of residential mortgage loans, by amending certain existing provisions and adding new sections to RESPA and other federal laws. It also broadly prohibits unfair, deceptive or abusive acts or practices, and knowingly or recklessly providing substantial assistance to a covered person in violation of that prohibition. The penalties for noncompliance with these laws are also significantly increased by the Mortgage Act, which could lead to an increase in lawsuits against mortgage lenders and servicers.

Maintaining legal compliance is challenging and increases our costs due to resources required to continually monitor business practices for compliance with applicable laws, rules and regulations, and to monitor changes in the applicable laws themselves.

We may not become aware of all the laws, rules and regulations that govern our business, or be able to comply with all of them, given the rate of regulatory changes, ambiguities in regulations, contradictions in regulations between jurisdictions, and the difficulties in achieving both company-wide and region-specific knowledge and compliance.

If we fail, or we have alleged to have failed, to comply with any existing or future applicable laws, rules and regulations, we could be subject to lawsuits and administrative complaints and proceedings, as well as criminal proceedings. Our noncompliance could result in significant defense costs, settlement costs, damages and penalties.

Our business licenses could be suspended or revoked, our business practices enjoined, or we could be required to modify our business practices, which could materially impair, or even prevent, our ability to conduct all or any portion of our business. Any such events could also damage our reputation and impair our ability to attract and service home buyers, home sellers and agents, as well our ability to attract brokerages, brokers, teams of agents and agents to our company, without increasing our costs.

Further, if we lose our ability to obtain and maintain all of the regulatory approvals and licenses necessary to conduct business as we currently operate, our ability to conduct business may be harmed. Lastly, any lobbying or related activities we undertake in response to mitigate liability of current or new regulations could substantially increase our operating expenses.

***We may suffer significant financial harm and loss of reputation if we do not comply, cannot comply, or are alleged to have not complied with applicable laws, rules and regulations concerning our classification and compensation practices for the agents in our owned-and-operated brokerage.***

Except for our employed state brokers, all real estate professionals in our brokerage operations have been retained as independent contractors, either directly or indirectly through third-party entities formed by these independent contractors for their business purposes. With respect to these independent contractors, like most brokerage firms, we are subject to the Internal Revenue Service regulations and applicable state law guidelines regarding independent contractor classification. These regulations and guidelines are subject to judicial and agency interpretation, and it might be determined that the independent contractor classification is inapplicable to any of our affiliated real estate professionals. Further, if legal

standards for classification of real estate professionals as independent contractors change or appear to be changing, it may be necessary to modify our compensation and benefits structure for our affiliated real estate professionals in some or all of our markets, including by paying additional compensation or reimbursing expenses.

In the future we could incur substantial costs, penalties and damages, including back pay, unpaid benefits, taxes, expense reimbursement and attorneys' fees, in defending future challenges by our affiliated real estate professionals to our employment classification or compensation practices.

***If we do not remain an innovative leader in the real estate industry, we may not be able to grow our business and leverage our costs to achieve profitability.***

Innovation has been critical to our ability to compete against other brokerages for clients and agents. For example, we have pioneered the utilization of a 3D immersive online office environment in the real estate market which reduces our need for office space and facilitates the transaction of business away from an office. If competitors follow our practices or develop innovative practices, our ability to achieve profitability may diminish or erode. For example, certain other brokerages could develop or license cloud-based office platforms that are equal to or superior to ours. If we do not remain on the forefront of innovation, we may not be able to achieve or sustain profitability.

The market for Internet products and services including, without limitation, 3D immersive experiences, virtual reality and augmented reality is characterized by rapid technological developments, evolving industry standards and customer demands, and frequent new product introductions and enhancements. The Company's future success will depend in significant part on its ability to continually improve the performance, features and reliability of its Internet-based virtual environment, its tools and other properties in response to both evolving demands of the marketplace and competitive product offerings, and there can be no assurance that the Company will be successful in doing so. In addition, the widespread adoption of new virtual reality and augmented reality applications through new technology developments could require fundamental changes in the Company's services.

***Our value proposition for agents and brokers includes allowing them to participate in the gross revenues of our company and is not typical in the real estate industry. If agents and brokers do not understand our value proposition we may not be able to attract, retain and incentivize agents.***

Participation in our gross revenue sharing plan represents a key component of our agent and broker value proposition. Agents and brokers may not understand or appreciate its value. In addition, agents may not appreciate other components of our value proposition including the cloud office platform, the mobility it affords, the systems and tools that we provide to agents and brokers, and the professional development opportunities we create and deliver. If agents and brokers do not understand the elements of our agent value proposition, or do not perceive it to be more valuable than the models used by most competitors, we may not be able to attract, retain and incentivize new and existing agents and brokers to grow our revenues.

***We may be unable to attract and retain additional qualified personnel.***

To execute our business strategy, we must attract and retain highly qualified personnel. In particular, we compete with many other real estate brokerages for qualified brokers who manage our operations in each state. We must also compete with technology companies for developers with high levels of experience in designing, developing and managing cloud-based software, as well as for skilled service and operations professionals, and we may not be successful in attracting and retaining the professionals we need. Additionally, in order to realize the potential benefits of acquisitions, we may need to retain employees from the acquired businesses or hire additional personnel to fully capitalize on the opportunities that such acquisitions may offer, and we may not be successful in retaining or attracting such individuals following an acquisition. From time to time in the past we have experienced, and we expect to continue to experience in the future, difficulty in hiring and difficulty in retaining highly skilled employees with appropriate qualifications. Many of the companies with which we compete for experienced personnel have greater resources than we do. In addition, in making employment decisions, particularly in the software industry, job candidates often consider the value of the stock options or other equity incentives they are to receive in connection with their employment. If the price of our stock declines, or continues to experience significant volatility, our ability to attract or retain key employees may be adversely affected. If we fail to attract new personnel or fail to retain and motivate our current personnel, our growth prospects could be severely harmed.

***Our operating results are subject to seasonality and vary significantly among quarters during each calendar year, making meaningful comparisons of successive quarters difficult.***

Seasons and weather traditionally impact the real estate industry. Continuous poor weather or natural disasters negatively impact listings and sales. Spring and summer seasons historically reflect greater sales periods in comparison to fall and winter seasons. We have historically experienced lower revenues during the fall and winter seasons, as well as during periods of unseasonable weather, which reduces our operating income, net income, operating margins and cash flow.

Real estate listings precede sales and a period of poor listings activity will negatively impact revenue. Past performance in similar seasons or during similar weather events can provide no assurance of future or current performance, and macroeconomic shifts in the markets we serve can conceal the impact of poor weather or seasonality.

Home sales in successive quarters can fluctuate widely due to a wide variety of factors, including holidays, national or international emergencies, the school year calendar's impact on timing of family relocations, interest rate changes, speculation of pending interest rate changes and the overall macroeconomic market. Our revenue and operating margins each quarter will remain subject to seasonal fluctuations, poor weather and natural disasters and macroeconomic market changes that may make it difficult to compare or analyze our financial performance effectively across successive quarters.

***If we fail to protect the privacy of employees, independent contractors, or consumers or personal information that they share with us, our reputation and business could be significantly harmed.***

Tens of thousands of consumers, independent contractors, and employees have shared personal information with us during the normal course of our business processing real estate transactions. This includes, but is not limited to, social security numbers, annual income amounts and sources, consumer names, addresses, telephone and cell phone numbers, and email addresses.

The Application, disclosure and safeguarding of this information is regulated by federal and state privacy laws. To comply with privacy laws, we invested resources and adopted a privacy policy outlining policies and procedures for the use of safeguarding personal information. This policy includes informing consumers, independent contractors and employees that we will not share their personal information with third parties without their consent unless required by law.

Privacy policies and compliance with federal and state privacy laws presents risk and we could incur legal liability for failing to maintain compliance. We may not become aware of all privacy laws, changes to privacy laws, or third- party privacy regulations governing the real estate business or be unable to comply with all of these regulations, given the rate of regulatory changes, ambiguities in regulations, contradictions in regulations between jurisdictions, and the difficulties in achieving both company-wide and region-specific knowledge and compliance.

Our policy and safeguards could be deemed insufficient if third parties with whom we have shared personal information fail to protect the privacy of that information. Our legal liability could include significant defense costs, settlement costs, damages and penalties, plus, damage our reputation with consumers, which could significantly damage our ability to attract customers. Any or all of these consequences would result in meaningful unfavorable impact on our brand, business model, revenue, expenses, income and margins.

***Our business could be adversely affected if we are unable to expand, maintain and improve the systems and technologies which we rely on to operate.***

As the number of agents and brokers in our company grows, our success will depend on our ability to expand, maintain and improve the technology that supports our business operations, including, but not limited to, our cloud office platform. Loss of key personnel or the lack of adequate staffing with the requisite expertise and training could impede our efforts in this regard. If our systems and technologies lack capacity or quality sufficient to service agents and their clients, then the number of agents who wish to use our products could decrease, the level of client service and transaction volume afforded by our systems could suffer, and our costs could increase. In addition, if our systems, procedures or controls are not adequate to provide reliable, accurate and timely financial and other reporting, we may not be able to satisfy regulatory scrutiny or contractual obligations with third parties and may suffer a loss of reputation. Any of these events could negatively affect our financial position.

***Our business, financial condition and reputation may be substantially harmed by security breaches, interruptions, delays and failures in our systems and operations.***

The performance and reliability of our systems and operations are critical to our reputation and ability to attract agents, teams of agents and brokers into our company as well as our ability to service home buyers and sellers. Our systems and operations are vulnerable to security breaches, interruption or malfunction due to certain events beyond our control, including natural disasters, such as earthquakes, fire and flood, power loss, telecommunication failures, break-ins, sabotage, computer viruses, intentional acts of vandalism and similar events. In addition, we rely on third party vendors to provide the cloud office platform and to provide additional systems and related support. If we cannot continue to retain these services on acceptable terms, our access to these systems and services could be interrupted. Any security breach,

interruption, delay or failure in our systems and operations could substantially reduce the transaction volume that can be processed with our systems, impair quality of service, increase costs, prompt litigation and other consumer claims, and damage our reputation, any of which could substantially harm our financial condition.

***Loss of our current executive officers or other key management could significantly harm our business.***

We depend on the industry experience and talent of our current executives, including our Chairman and Chief Executive Officer, Glenn Sanford; Chief Financial Officer, Jeff Whiteside, Chief Accounting Officer, Alan Goldman and Chief Executive Officer of eXp Realty, Jason Gesing. We believe that our future results will depend in part upon our ability to retain and attract highly skilled and qualified management. The loss of our executive officers could have a material adverse effect on our operations because other officers may not have the experience and expertise to readily replace these individuals. To the extent that one or more of our top executives or other key management personnel depart from the Company, our operations and business prospects may be adversely affected. In addition, changes in executives and key personnel could be disruptive to our business. The Company does not have any key person insurance.

***Failure to protect intellectual property rights could adversely affect our business.***

Our intellectual property rights, including existing and future trademarks, trade secrets, patents and copyrights, are important assets of the business. We have taken measures to protect our intellectual property, but these measures may not be sufficient or effective. We may bring lawsuits to protect against the potential infringement of our intellectual property rights and other companies, including our competitors, could make claims against us alleging our infringement of their intellectual property rights. There can be no assurance that we would prevail in such lawsuits. Any significant impairment of our intellectual property rights could harm our business.

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

Cybersecurity threats and incidents directed at us could range from uncoordinated individual attempts to gain unauthorized access to information technology systems to sophisticated and targeted measures aimed at disrupting business or gathering personal data of customers. In the ordinary course of our business, we and our agents and brokers collect and store sensitive data, including proprietary business information and personal information about our customers. Our business, and particularly our cloud-based platform, is reliant on the uninterrupted functioning of our information technology systems. The secure processing, maintenance, and transmission of information are critical to our operations, especially the processing and closing of real estate transactions. Although we employ measures designed to prevent, detect, address, and mitigate these threats (including access controls, data encryption, vulnerability assessments, and maintenance of backup and protective systems), cybersecurity incidents, depending on their nature and scope, could potentially result in the misappropriation, destruction, corruption, or unavailability of critical data and confidential or proprietary information (our own or that of third parties, including potentially sensitive personally information of our customers) and the disruption of business operations. Any such compromises to our security could cause harm to our reputation, which could cause customers to lose trust and confidence in us, or could cause agents and brokers to stop working for us. In addition, we may incur significant costs for remediation that may include liability for stolen assets or

information, repair of system damage, and compensation to customers and business partners. We may also be subject to legal claims, government investigation, and additional state and federal statutory requirements.

The potential consequences of a material cybersecurity incident include regulatory violations of applicable U.S. and international privacy and other laws, reputational damage, loss of market value, litigation with third parties (which could result in our exposure to material civil or criminal liability), diminution in the value of the services we provide to our customers, and increased cybersecurity protection and remediation costs (that may include liability for stolen assets or information), which in turn could have a material adverse effect on our competitiveness and results of operations.

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

We cannot predict with certainty the cost of defense, the cost of prosecution, insurance coverage or the ultimate outcome of litigation and other proceedings filed by or against us, including remedies or damage awards. Adverse results in such litigation and other proceedings may harm our business and financial condition. Such litigation and other proceedings may include, but are not limited to, actions relating to intellectual property, commercial arrangements, negligence and fiduciary duty claims arising from our company owned brokerage operations, actions against our title company alleging it knew or should have known others were committing mortgage fraud, standard brokerage disputes like the failure to disclose hidden defects in a property such as mold, vicarious liability based upon conduct of individuals or entities outside of our control, including our agents, brokers, third-party service or product providers, antitrust claims, general fraud claims, employment law claims, including claims challenging the classification of our agents and brokers as independent contractors and compliance with wage and hour regulations, and claims alleging violations of RESPA or state consumer fraud statutes. In addition, class action lawsuits can often be particularly burdensome given the breadth of claims, large potential damages and significant costs of defense. In the case of intellectual property litigation and proceedings, adverse outcomes could include the cancellation, invalidation or other loss of material intellectual property rights used in our business and injunctions prohibiting our use of business processes or technology that is subject to third party patents or other third party intellectual property rights. In addition, we may be required to enter into licensing agreements (if available on acceptable terms) and be required to pay royalties.

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. We know of no material, active or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial stockholder, is an adverse party or has a material interest adverse to our interest.

#### **Risk Related to Our Stock**

***Glenn Sanford, our Chairman and Chief Executive Officer, together with Penny Sanford, a significant shareholder, own a significant percentage of our stock, and as a result, the trading price for our shares may be depressed and they can take actions that may be adverse to the interests of our stockholders.***

Glenn Sanford beneficially owns approximately 36% of our outstanding common stock as of December 31, 2018. Penny Sanford beneficially owns approximately 27% of our outstanding common stock as of December 31, 2018. In December 2017 Mr. Sanford and Ms. Sanford filed a Schedule 13D with the Securities and Exchange Commission (“SEC”) indicating that they had entered into an agreement to vote their shares as a group with respect to the election of directors and any other matter on which our shares of common stock are entitled to vote. This significant concentration of share ownership may adversely affect the trading price for our common stock because investors may perceive disadvantages in owning stock in companies with a controlling stockholder group. The group can significantly influence all matters requiring approval by our stockholders, including the election and removal of directors and any proposed merger, consolidation or sale of all or substantially all of our assets. In addition, due to his significant ownership stake and his service as our Principal Executive Officer and Chairman of the Board and Director, Mr. Sanford controls the management of our business and affairs. This concentration of ownership could have the effect of delaying, deferring or preventing a change in control, or impeding a merger or consolidation, takeover or other business combination that could be favorable to our other stockholders.

***Because we can issue additional shares of common stock, our stockholders may experience dilution in the future.***

We are authorized to issue up to 220,000,000 shares of common stock, of which approximately 61.0 million shares were issued and outstanding as of March 10, 2019. Our board of directors has the authority to cause us to issue additional shares of common stock without consent of any of our stockholders. Consequently, the stockholders may experience more dilution in their ownership of our stock in the future.

***The stock price of our common stock has been and likely will continue to be volatile and may decline in value regardless of our performance.***

The market price for our common stock could fluctuate significantly for various reasons, many of which are outside our control, including those described above and the following:

- our operating and financial performance and prospects;
- future sales of substantial amounts of our common stock in the public market, including but not limited to shares we may issue as consideration for acquisitions or investments;
- housing and mortgage finance markets;
- our quarterly or annual earnings or those of other companies in our industry;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- changes in recommendations or analysis of our prospects by securities analysts who track our common stock;
- market and industry perception of our success, or lack thereof, in pursuing our growth strategy;
- strategic actions by us or our competitors, such as acquisitions or restructurings;



- actual or potential changes in laws, regulations and regulatory interpretations, including as a result of the 2017 Tax Act;
- changes in interest rates;
- changes in demographics relating to housing such as household formation or other consumer preferences toward home ownership;
- changes in accounting standards, policies, guidance, interpretations or principles;
- arrival and departure of key personnel;
- adverse resolution of new or pending litigation or regulatory proceedings against us; and
- changes in general market, economic and political conditions in the United States and global economies.

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

***Because we do not intend to pay any cash dividends on our shares of common stock in the near future, our stockholders will not be able to receive a return on their shares unless they sell them.***

We intend to retain any future earnings to finance the development and expansion of our business. We do not anticipate paying any cash dividends on our common stock in the near future. The declaration, payment and amount of any future dividends will be made at the discretion of the board of directors, and will depend upon, among other things, the results of operations, cash flows and financial condition, operating and capital requirements, and other factors as the board of directors considers relevant. There is no assurance that future dividends will be paid, and if dividends are paid, there is no assurance with respect to the amount of any such dividend. Unless we pay dividends, our stockholders will not be able to receive a return on their shares unless they sell them.

***Delaware law and our organizational documents may impede or discourage a takeover, which could deprive our investors of the opportunity to receive a premium for their shares.***

We are a Delaware corporation, and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change of control would be beneficial to our existing stockholders. In addition, provisions of our amended and restated certificate of incorporation and amended and restated bylaws may make it more difficult for, or prevent a third party from, acquiring control of us without the approval of our Board of Directors. Among other things, these provisions:

- do not permit cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates;

- delegate the sole power to a majority of the Board of Directors to fix the number of directors;
- provide the power to our Board of Directors to fill any vacancy on our Board of Directors, whether such vacancy occurs as a result of an increase in the number of directors or otherwise;
- eliminate the ability of stockholders to call special meetings of stockholders; and
- establish advance notice requirements for nominations for election to our Board of Directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

The foregoing factors could impede a merger, takeover or other business combination or discourage a potential investor from making a tender offer for our common stock which, under certain circumstances, could reduce the market value of our common stock and our investors' ability to realize any potential change-in-control premium.

#### **Item 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

#### **Item 2. PROPERTIES**

Our principal corporate office is located at 2219 Rimland Drive, Suite 301 in Bellingham, Washington where we lease an office space that expires on December 31, 2019. We also lease small office spaces in a number of States in which we operate, in order to comply with state regulatory and licensing requirements and, in certain instances, to provide office space to our managing state brokers and drop-in space for our agents. In some of these instances, the state managing brokers are financially responsible for a significant portion of the rental expense associated with a leased office space. We generally do not provide office space for the agents other than for drop-in service. We do not own any real property. We believe that leased facilities are adequate to meet current needs and that additional facilities will be available for lease to meet future needs.

#### **Item 3. LEGAL PROCEEDINGS**

From time to time, we are subject to potential liability under laws and government regulations and various claims and legal actions that may be asserted against us that could have a material adverse effect on our business, reputation, results of operations or financial condition.

There are no matters pending or, to our knowledge, threatened that we expect to have a material adverse impact on our business, reputation, results of operations or financial condition.

#### **Item 4. MINE SAFETY DISCLOSURES**

Not applicable.

## **PART II**

## **Item 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

### **Market Information**

Our common stock is quoted on the NASDAQ operated by NASDAQ, Inc. under the trading symbol “EXPI”. As of March 10, 2019, there are 60,978,604 issued and outstanding shares of our common stock held by a total of approximately 5,900 stockholders of record.

Trading in our common stock quoted on the NASDAQ is often thin and is characterized by wide fluctuations in trading prices due to many factors, some of which may have little to do with our company’s operations or business prospects. We cannot assure you that there will be a market for our common stock in the future.

### **Transfer Agent**

Our transfer agent is Island Stock Transfer with an office at 15500 Roosevelt Boulevard, Suite 301, Clearwater, Florida 33760.

### **Dividends**

We have not declared any dividends since incorporation and do not anticipate that we will do so in the foreseeable future. Although there are no restrictions that limit the ability to pay dividends on our common stock, our intention is to retain future earnings, if any, for use in our operations and the expansion of our business.

### **Recent Sales of Securities**

During the year ended December 31, 2018, the Company issued:

- 97,371 shares of our Common Stock as partial consideration for the assets of VirBELA, LLC.;

The issuances of shares were exempt from registration in reliance upon Section 4(a)(2) of the Securities Act.

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

None.

## **Item 6. SELECTED FINANCIAL DATA**

The following table summarizes our consolidated financial data. The consolidated statement of operations data for the years ended December 31, 2018 and 2017 and the consolidated balance sheet data as of December 31, 2018 and 2017 have been derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The statement of operations data for the years ended December 31, 2016, 2015 and 2014 and the consolidated balance sheet data as of December 31, 2016, 2015 and 2014 have been derived from our consolidated financial statements not included elsewhere in this Annual Report on Form 10-K. The selected consolidated financial data presented below should be read in conjunction with our annual consolidated financial statements and accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report on Form 10-K.

	As of Year Ended December 31,				
	2018	2017	2016	2015	2014
<b>Statement of Operations Data:</b>					
Revenue	\$ 500,147,681	\$ 156,104,544	\$ 53,555,725	\$ 22,464,306	\$ 13,368,905
Total expenses	522,532,196	178,136,198	60,927,558	24,320,560	13,335,473
Income (loss) from operations	(22,384,515)	(22,031,654)	(7,371,833)	(1,856,254)	33,432
Other Income and (expenses)	31,959	(2,077)	(355)	(1,104)	(942)
Income tax (expense) benefit	(77,800)	(97,234)	(42,528)	(103,069)	71,353
Net income (loss)	(22,430,356)	(22,130,965)	(7,414,716)	(1,960,427)	103,843
Less: Net income attributable to noncontrolling interests (a)			29,801	21,526	
Net income (loss) attributable to non-controlling interest in subsidiary	(22,430,356)	(22,130,965)	(7,384,915)	(1,938,901)	103,843
Earnings (loss) per share attributable to common shareholders:					
Basic earnings (loss) per share	(0.39)	(0.42)	(0.14)	(0.04)	0.00
Diluted earnings (loss) per share	(0.39)	(0.42)	(0.14)	(0.04)	0.00
Weighted average shares outstanding:					
Basic	57,689,920	53,194,928	51,081,949	49,409,266	48,068,047
Diluted	57,689,920	53,194,928	51,081,949	49,409,266	51,735,865
<b>Balance Sheet Data:</b>					
Cash and cash equivalents	20,538,057	4,672,034	1,684,608	571,814	353,374
Total assets	55,846,028 <sup>(b)</sup>	14,637,131	6,104,047	1,256,716	913,170
Total Liabilities	25,866,399 <sup>(c)</sup>	10,376,460	3,577,021	664,210	499,504

Equity	29,979,629	4,260,671	2,527,026	592,506	413,666
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For the Year Ended December 31,

	2018	2017	2016	2015	2014
<b>Operating Statistics</b>					
<b>Brokerage Services</b>					
Close homesale sides (d)	74,678	25,299	8,560	3,812	2,196
Homesales volume (e)	\$ 19,844,237,031	\$ 6,083,479,207	\$ 1,994,624,240	\$ 887,225,758	\$ 495,031,237
Average homesale price (f)	\$ 265,731	\$ 240,463	\$ 233,017	\$ 232,745	\$ 225,424

(a) As of December 31, 2016, the Company acquired previously outstanding non-controlling interest in First Cloud Mortgage, Inc., resulting in a 100% interest. Upon obtaining 100% interest, the Company inactivated First Cloud Mortgage, Inc.

(b) Total assets include \$10,607,800 of the acquired identifiable assets and goodwill resulting from the acquisition of substantially all of the assets of VirBELA.

(c) Includes the long-term portion of future deliveries of the Company's common stock valued at \$1,654,337, calculated using a discount rate of 10% as consideration paid resulting from the acquisition of substantially all of the assets of VirBELA.

(d) Represents homesales sides on either the "buy" side or the "sell" side of a homesales transaction.

(e) Represents the volume of closed homesales transactions.

(f) Represents the average selling price of closed homesales transactions.

## **Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**

The following discussion should be read together with our consolidated financial statements and related notes included elsewhere within this report. The Management's Discussion and Analysis of Financial Conditions and Results of Operations contain forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements. See "Forward-Looking Statements" and "Item 1A. – Risk Factors" for a discussion of certain risks, uncertainties and assumptions associated with these statements.

### **OVERVIEW**

## **Our Company**

eXp World Holdings, Inc., (the “Company”, “eXp”, “we”, “us”, “our”), is a holding company with our main operating division being a cloud-based international residential real estate brokerage (“eXp Realty”), the largest single owned residential real estate brokerage by geography in North America. We operate across the United States and in the provinces of Alberta, Ontario and British Columbia, Canada. Our operations are focused on the development and use of cloud-based technologies in order to grow an international brokerage without the burden of physical brick and mortar offices or redundant staffing costs.

In October 2018, the Company purchased certain technology and intellectual property of the ShowMeNow application to expand our products and service offerings. ShowMeNow is an on-demand mobile application that enables home shoppers to request immediate showings of properties, giving buyers flexible, real-time access to properties.

In November 2018, eXp World Holdings, Inc. and its newly formed subsidiary, eXp World Technologies, LLC acquired substantially all the assets of VirBELA. VirBELA provides a cloud-based environment focused on educational and innovative learning technology for clients in various industries. The acquisition of VirBELA’s core group of products and services will allow eXp Realty to continue to accelerate its business in a sustainable and innovative way, which is consistent with eXp World Holdings’ vision to expand the product offering to agents, teams and others who could benefit from their own, always available environments for collaboration.

## **Continued Accelerated Growth**

For the year ended December 31, 2018, we increased our net real estate brokerage agent and broker base by 139.1%, from 6,511 at December 31, 2017 to 15,570. This increase occurred in both new and existing geographical markets and contributed to our increase in revenue of 220.4% as compared to December 31, 2017.

The rate of growth of our agent and broker base is difficult to predict and is subject to many factors outside of our control, including actions taken by our competitors and macroeconomic factors affecting the real estate industry in general. We can provide no assurance that the Company will be able to maintain our agent growth rate or that our agent and broker base will continue to increase in future periods.

## **Agent Ownership**

The Company maintains an equity incentive program whereby agents and brokers of eXp Realty can become eligible for awards of the Company’s common stock through the achievement of production and agent attraction benchmarks. Under our equity incentive program, agents and brokers who qualify are issued shares of the Company’s common stock.

The Company also administers a program whereby agents and brokers can establish a direct ownership interest in the Company as a shareholder. Agents and brokers can elect to receive 5% of their commission payable in the form of Company common stock which is issued at a 20% discount to market on the date of issuance. In 2018, approximately

9,500 eXp Realty agents and brokers took advantage of this program resulting in the issuance of 1,684,601 shares of common stock. This agent equity program continues to be another element in creating a culture of agent-ownership.

## **Outlook**

As we continue to scale our Company in the future and increase market share, we aspire to realize gross margins at or near low double digits, resulting in Adjusted EBITDA margins in the lower single digits. Though we have reported decreasing gross margins over the last few fiscal years we expect to continue developing and offering additional services to our agents and brokers in addition to considering making small adjustments to existing programs in an effort to realize these types of margins. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP Financial Measures” for additional information and a reconciliation of net loss to Adjusted EBITDA.

These operating ambitions are not forecasts and do not reflect our expectations, but rather are aspirational targets for future performance that may never be realized. These statements involve risks, uncertainties, assumptions and other factors that are difficult to predict and that could cause actual results to vary materially from those expressed in them. Factors include, among others, (i) changes in demand for the Company’s services and changes in consumer behavior; (ii) macroeconomic conditions beyond our control; (iii) the Company’s ability to effectively maintain its infrastructure to support its operations and initiatives; (iv) the impact of governmental regulations related to the Company’s operations; and other factors, as described in this Annual Report on Form 10-K in Part II, Item 1A, “Risk Factors.”

## **RECENT BUSINESS DEVELOPMENTS**

### **Initiatives**

#### *Customer and Employee Experience*

The Company has recently embarked on a deep initiative to better understand both its customer and employee experience. In doing so, we are adopting many of the principles of the Net Promoter Score® (“NPS”) across many aspects of our organization. Whether it be the overall question “How likely are you to recommend eXp to your colleagues, friends or family?” or more granular inquiries as to specific workflows or service offerings, we believe this will ensure we are delivering on the most important values to our customers and employees. In turn, this often leads to raving fans of eXp who will promote our Company and continue leading us to through strong organic growth.

This also ties into one of our core values, transparency. While we strive for high satisfaction, a low or trending lower NPS score is equally important to identify. As NPS scores are often leading indicators to customers and employees’ future actions, we are able to learn quickly what may be a ‘pain point’ or product that is not meeting its desired objective. We then take that information and translate that into action with an effort to remediate the specific root cause(s) driving the lower score. This fast and iterative approach has already led to improvements in such parts of our business such as agent onboarding, commission transaction processing, and employee benefits.

### *Open Platform Strategy*

The Company continues to build out eXp Enterprise (“Enterprise”) which is our proprietary platform that manages all of eXp Realty’s critical processes and information, including onboarding new agents, transactions, commission payments and other back office processes. We recently decided to further embrace the concept of an open platform strategy as it relates to other key functionality and solutions which our agents and brokers utilize to run their businesses.

Why are we taking this approach? - First and foremost, we believe in the efficiency of choice and flexibility. We do not believe in a one size fits all when it comes to business solutions for every single eXp agent and broker. This approach validates the previous investments made by our agents and brokers as it relates to the specific solutions to run their individual businesses.

What specifically does this mean? - We will be building out Application Program Interfaces (“API”) which will allow for various third-party solutions to directly connect into Enterprise. Accordingly, this will allow our agents and brokers to choose which solution works best for them as it relates to their desired lead generation, customer relationship management, transaction management, Internet Data Exchange (“IDX”) websites, among others.

How will we deliver this concept? - In addition to building out the technological infrastructure we will also establish an eXp Partner Marketplace. This will allow for a validation process of potential third-party service providers as well as consistent utilization of APIs to ultimately seamless use of tools by our agents and brokers.

### *Equity*

On December 27, 2018, the Company introduced its Sustainable Equity Plan for real estate agents and brokers at eXp realty once the agent count was to exceed 16,000 agents which occurred in January of 2019. The following examples correlate to stock grants our agents and brokers will receive based on certain milestones and performance metrics.

- First completed transaction with eXp Realty: \$200 worth of eXp World Holdings common stock.
- When agent caps: \$400 worth of eXp World Holdings common stock.
- For directly attracting another agent to the company and upon the closing of that agent’s first transaction with eXp Realty: \$400 worth of eXp World Holdings common stock.
- When named an ICON agent: Up to \$16,000 worth of eXp World Holdings common stock, eligible on a yearly basis. \$12,000 is awarded and vests after three years, and an additional \$2,000 will be issued after each company event (The eXp Shareholder Summit and EXPCON) with no vesting period, for a possible total of \$4,000.

Also, on December 27, 2018, the Company announced that its Board of Directors authorized a stock repurchase program to offset equity issuances for up to \$25 million of company common stock.

The repurchase program will help offset equity issuances that the Company awards to its agents for meeting certain milestones in the Sustainable Equity Plan. Purchases under the repurchase program will comply with Rule 10b-18 under



the Securities Exchange Act of 1934, as amended. The timing and amount of shares repurchased will depend upon market conditions. The repurchase program does not require the company to acquire a specific number of shares. As the Company continues to grow its cash balance, the cost of the shares repurchased will be funded from available working capital. Any shares repurchased under the program will be returned to the status of authorized but unissued shares of common stock.

#### *VirBELA*

We will continue developing the core platform and its underlying infrastructure to accommodate for the ever increasing use and scale required to support our eXp Realty division. Also in development and coming to market soon is a new product centered around the concept of an open campus whereby small and independent organizations will utilize sub spaces as part of a larger campus similar to co-working environments that currently exist in the physical brick and mortar world. Lastly, we will continue to service existing and new business to business enterprise level contracts in the coming year.

#### *Agile at Scale*

The Company continues to focus and refine its efforts on our engagement strategy to build a positive employee experience to advance creativity, productivity and service quality to retain top performing talent with the overall goal of growing and improving overall profitability. We have been and will continue to form more and more smaller functional teams across the entire organization. This allows for faster identification of challenges and opportunities, autonomy and decision making, and execution affecting our customers and employees. This is tied together by ensuring all teams are aligned and working towards outcomes consistent with our vision, goals, and key results.

## **MARKET CONDITIONS AND INDUSTRY TRENDS**

#### *Home Sale Transactions*

According to the National Association of Realtors (NAR), existing home sale transactions of single family homes decreased 10.0% during Fiscal 2018. During this same period, the average home sales price increased 3.0%. Factors that may have contributed to the decline in home sales transactions include mortgage rate increases, continued inventory constraints and income tax reform.

#### *Inventory*

The inventory of existing homes for sale in the U.S. increased 4.8% (preliminary) as of December 31, 2018, compared to the same period in 2017. The inventory represents a national average supply of 4.0 (preliminary) months, as of December 31, 2018, at the current home sales pace which is up from 3.9 months as of December 31, 2017.

#### *Housing Affordability Index*

Also, according to the NAR, the composite housing affordability index decreased to 147.6 (preliminary) for December 2018 from 161.2 for December 2017. However, the housing affordability index continues to be at historically favorable levels. When the index is above 100, it indicates that a family earning the median income has sufficient income to purchase a median-priced home, assuming a 20 percent down payment and ability to qualify for a mortgage. The

favorable housing affordability index is due in part to favorable mortgage rate conditions. Although mortgage rates increased approximately 90 basis points from December 31, 2017 to December 31, 2018, the rates continue to be at historically low levels.

#### *Mortgage Rates*

According to the Federal Housing Finance Agency, mortgage rates on commitments for 30-year, conventional, fixed-rate first mortgages averaged 4.2% for 2017 and the rate rose to 4.7% (preliminary) in December 2018. To the extent mortgage rates increase further, consumers continue to have financing alternatives such as adjustable rate mortgages or shorter-term mortgages which can be utilized to obtain a mortgage rate that is lower than a comparable 30-year fixed-rate mortgage.

While increasing mortgage rates and higher home prices may negatively impact housing affordability, demand remains favorable by rising wages, availability of alternative mortgage arrangements and improving consumer confidence.

Factors that may negatively affect growth in the housing industry include prolonged periods of slow economic growth, increased prevalence of unemployment, increasing mortgage interest rates, increase in home sales prices, insufficient inventory levels, regulations imposed by local, state and federal government agencies, geopolitical instability, first time home buyers inability to save due to increasing rent prices and adverse shifts in consumer attitudes towards home ownership.

#### *Existing Home Sales*

For the year ended December 31, 2018, NAR existing home sale transactions decreased 10.0% to 5.0 million, compared to the same period in 2017. During this same period, eXp Realty home sales units increased 195.2% to 74,678 and home sales volume increased 226.2% to \$13.8 billion compared to the same period in 2017. Our home sale transactions growth was directly related to the growth of our agent base.

As of their most recent releases, NAR is forecasting existing home sales to decrease 1.1% for the remainder of 2019 and increase 4.0% in 2020.

#### *Existing Home Sales Price*

We believe primary drivers to the long-term demand for housing and the growth of our company to support that demand are housing affordability, the general economic health of the U.S. economy, demographic trends such as population growth, the increase in household formation, mortgage rate levels and mortgage availability, job growth, the inherent benefits of owning a home versus renting and the influence of local housing dynamics of supply versus demand.

As of December 31, 2018, we believe that these factors are generally favorable. However, significant changes to one or more of these drivers could cause the demand for housing to slow, negatively affecting all real estate brokerage firms, including eXp Realty.

Regardless of whether the housing market continues to grow or slows, the Company is positioned to adhere to its low-cost, high-engagement model, affording agents and brokers increased income and ownership opportunities while offering a scalable solution to brokerage owners looking to survive and thrive in a series of fluctuations in economic activity.

## Results of Operations

### *Year ended December 31, 2018 vs. Year ended December 31, 2017*

#### Revenues

Revenues were \$500.1 million for the year ended December 31, 2018 compared to \$156.1 million for the year ended December 31, 2017, an increase of \$344.0 million, or 220.4%. The increase as compared to the prior period is a direct result of the 139% increase in our sales agent base to over 15,500 agents.

#### Operating Expenses

	<u>Year Ended December 31,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2018</u>	<u>2017</u>		
Operating expenses:				
Commission and other agent-related costs	\$ 459,715,836	\$ 139,603,970	\$ 320,111,866	229.3 %
General and administrative	57,618,506	35,685,512	21,932,994	61.5
Professional fees	2,236,236	1,274,675	961,561	75.4
Sales and marketing	2,961,618	1,572,041	1,389,577	88.4
Total operating expenses	<u>\$ 522,532,196</u>	<u>\$ 178,136,198</u>	<u>\$ 344,395,998</u>	

Commission and other agent-related costs includes costs related to sales agent commissions and revenue sharing. These costs are highly correlated with recognized revenues. As such, the increase in cost of revenues, compared to the comparable prior year period, was primarily attributable to the increase in revenues and increase in agent commissions paid. As we continue to attract agents who produce at higher than average levels, these agents typically earn high commission payout rates, resulting in a lower margin on their respective production.

General and administrative expenses include costs related to wages, including stock compensation, dues, operating leases, utilities, travel and other general overhead expenses. The increase in general and administrative costs, compared to the comparable prior year period, was driven primarily by the increase in compensation expenses of \$9.2 million, increase in stock compensation expense of \$8.1 million as a result of an increase in awards granted and decrease in stock options expense of \$2.0 million resulting from fewer stock options granted. Stock compensation expense and stock options

expense is affected by awards granted, awards exercised and/or awards forfeited throughout the year. Awards granted, issued and forfeited are more fully disclosed in Note 9, Stockholders' Equity, of the Consolidated Financial Statements.

Professional fees include costs related to legal, accounting and other consultants. The increase in professional fees, compared to the comparable prior year period, were primarily driven by an increase of \$0.5 million in audit costs and \$0.3 million in legal fees.

Sales and marketing includes costs related to lead capture, digital and print media, and trade shows, in addition to other promotional materials. The increase in sales and marketing expenses, compared to the comparable prior year period was primarily due to increased lead capture costs of \$1.0 million.

## LIQUIDITY AND CAPITAL RESOURCES

### *Year ended December 31, 2018 vs. Year ended December 31, 2017*

At December 31, 2018, our cash and cash equivalents totaled \$20.5 million. Cash equivalents are comprised of financial instruments with an original maturity of 90 days or less from the date of purchase, primarily money market funds. At December 31, 2018 we held no marketable securities. Our working capital was \$18.1 million and \$2.7 million at December 31, 2018 and December 31, 2017, respectively.

	<b>Year Ended</b>		
	<b>December 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>\$ Change</b>
Current assets	\$ 42,326,727	\$ 13,098,918	\$ 29,227,809
Current liabilities	(24,212,062)	(10,376,460)	(13,835,602)
Net working capital	<u>\$ 18,114,665</u>	<u>\$ 2,722,458</u>	<u>\$ 15,392,207</u>

For the year ended December 31, 2018, net working capital increased \$15.4 million or 565.4% compared to the comparable prior year period, primarily due to an increase in cash and cash equivalents of \$15.9 million and commissions receivable of \$6.6 million resulting from pending real estate transactions. In correlation to the number of pending real estate transactions, accrued expenses, which includes commissions payable and salaries payable, increased \$10.2 million.

The following table presents our cash flows for the years ended December 31, 2018 and 2017:

### **Year Ended December 31,**

	<u>2018</u>		<u>2017</u>		<u>\$ Change</u>
Cash provided by operating activities	\$ 24,310,719	\$	4,568,353	\$	19,742,366
Cash used in investment activities	(8,859,462)		(1,281,147)		(7,578,315)
Cash provided by financing activities	2,015,034		149,369		1,865,665

For the year ended December 31, 2018, cash provided by operating activities increased \$19.7 million. The change resulted primarily from the increased volume in our sales transactions and participation by our agents and brokers in our Agent Equity Program. See financial Note 9 – Stockholders’ Equity for further details related to this Program.

For the year ended December 31, 2018, our investing activities consisted of expenditures related to the on-going development of our internal use software and the acquisition of VirBELA. Refer to Note 3 of our Consolidated Financial Statements for further details on our acquisition of VirBELA. As we continue to develop and refine our cloud-based platforms and continue to accelerate our business in innovative ways, we expect to continue to use our existing cash resources on similar expenditures for the next twelve months.

For the year ended December 31, 2018, we generated approximately \$2.0 million in cash flows from financing activities related to the exercise of options to purchase 2,594,050 shares of common stock.

Our future capital requirements will depend on many factors, including our level of investment in technology, our rate of growth into new markets and capital used to repurchase shares of the Company’s common stock. Our capital requirements may be affected by factors which we cannot control such as the residential real estate market, interest rates, and other monetary and fiscal policy changes to the manner in which we currently operate. We anticipate that between our current cash position and cash flow from ongoing operations we have the necessary resources to continue operating our business over the next 12 months. In order to support and achieve our future growth plans, however, we may need or seek advantageously to obtain additional funding through equity or debt financing.

During the year ended December 31, 2018, we increased our line of credit from \$500,000 to \$1,000,000. We currently have no borrowings against the line of credit facility or any other term loan bank debt. In the event additional financing is required in the future, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business and results of operations would likely suffer.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of financial statements in accordance with U.S. GAAP requires us to make certain judgments and assumptions, based on information available at the time of our preparation of the financial statements, in determining accounting estimates used in the preparation of the statements. Our significant accounting policies are described in Note 2 of the Consolidated Financial Statements.

Accounting estimates are considered critical if the estimate requires us to use judgments and/or make assumptions about matters that were uncertain at the time the accounting estimate was made and if different accounting estimates could have been used in the reporting period or changes in the accounting estimates are likely to occur that would have a material impact on our financial condition, results of operations or cash flows.

## **Revenue Recognition**

The Company generates substantially all of its revenue from real estate brokerage services. With the acquisition of substantially all of the assets of VirBELA, LLC, the Company generates an immaterial portion of its revenue from software subscription and professional services.

### *Real Estate Brokerage Services*

The Company serves as a licensed broker in the areas in which it operates for the purpose of processing residential real estate transactions. The Company is contractually obligated to provide services for the fulfillment of transfers of residential real estate between buyers and sellers. The Company provides these services itself and controls the service necessary to legally transfer the residential real estate. Correspondingly, the Company is defined as the Principal. The Company, as Principal, satisfies its obligation upon the closing of a residential real estate transaction. As Principal, and upon satisfaction of our obligation, the Company recognized revenue in the gross amount of consideration to which we expect to be entitled to.

Revenue is derived from assisting home buyers and sellers in listing, marketing, selling and finding residential real estate. Commissions earned on real estate transactions are recognized at a point in time upon the completion of a residential real estate transaction once we have satisfied our performance obligation.

## **Income Taxes**

We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities. A valuation allowance against deferred tax assets would be established if, based on the weight of available evidence, it is more likely than not (a likelihood of more than 50%) that some or all of the deferred tax assets are not expected to be realized. Our assumptions, judgments, and estimates relative to the value of our deferred tax assets take into account predictions of the amount and category of future taxable income.

Since inception, we have incurred operating losses, and accordingly, we have generally not recorded a provision for income taxes. We generally do not expect any significant changes in the amount of our income tax provision until we are no longer incurring operating losses.

## **Stock Based Compensation**

The Company issues equity and equity linked instruments to employees and non-employees. Share-based payment awards are measured at the grant date fair value with compensation costs associated with those awards recognized over the requisite service period, which is generally the vesting period of the respective award.

## **CONTRACTUAL OBLIGATIONS AND COMMITMENTS**

As a “smaller reporting company”, we are not required to provide the information required by this Item.

## **OFF-BALANCE SHEET ARRANGEMENTS**

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to our stockholders.

## **NON-GAAP FINANCIAL MEASURES**

To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with GAAP, we use Adjusted EBITDA, a non-GAAP financial measure, to understand and evaluate our core operating performance. This non-GAAP financial measure, which may be different than similarly titled measures used by other companies, is presented to enhance investors’ overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

We define the non-GAAP financial measure of Adjusted EBITDA to mean net income (loss), excluding interest income (expense), income tax benefit (expense), depreciation and amortization; stock-based compensation expense, and stock option expense.

We believe that Adjusted EBITDA provides useful information about our financial performance, enhances the overall understanding of our past performance and future prospects, and allows for greater transparency with respect to a key metric used by our management for financial and operational decision-making. We believe that Adjusted EBITDA helps identify underlying trends in our business that otherwise could be masked by the effect of the expenses that we exclude in Adjusted EBITDA. In particular, we believe the exclusion of stock and stock option expenses, provides a useful supplemental measure in evaluating the performance of our operations and provides better transparency into our results of operations.

We are presenting the non-GAAP measure of Adjusted EBITDA to assist investors in seeing our financial performance through the eyes of management, and because we believe this measure provides an additional tool for investors to use in comparing our core financial performance over multiple periods with other companies in our industry.

Adjusted EBITDA should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. There are a number of limitations related to the use of Adjusted EBITDA compared to Net Income (Loss), the closest comparable GAAP measure. Some of these limitations are that:

- Adjusted EBITDA excludes stock-based compensation expense (and related payroll tax expense) and stock option expense, which have been, and will continue to be for the foreseeable future, significant recurring expenses in our business and an important part of our compensation strategy; and;
- Adjusted EBITDA excludes certain recurring, non-cash charges such as depreciation of fixed assets and amortization of acquired intangible assets and, although these are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future.

The following tables present a reconciliation of Adjusted EBITDA to net loss, the most comparable GAAP financial measure, for each of the periods presented:

	For the Year Ended	
	December 31, 2018	December 31, 2017
Net income / (loss)	\$ (22,430,356)	\$ (22,130,965)
Other (income) / expense	(31,959)	2,077
Taxes	77,800	97,234
Depreciation & Amortization	893,988	353,229
Stock compensation expense	19,053,478	10,961,631
Stock option expense	4,846,906	6,856,029
Adjusted EBITDA	\$ 2,409,857	\$ (3,860,765)

The primary impact on Adjusted EBITDA is stock compensation expense. Stock compensation expense increased \$8.1 million and \$6.0 million for the years ended December 31, 2018 and December 31, 2017, respectively. Stock compensation expense is affected by awards granted and/or awards forfeited throughout the year. Awards granted, issued and forfeited are more fully disclosed in Note 9, Stockholders' Equity, of the Consolidated Financial Statements. Also impacting stock compensation expense was the adoption of ASU 2018-07 disclosed in Note 2, Summary of Significant Accounting Principles and the increase in shares granted for our equity incentive program whereby agents and brokers of eXp Realty become eligible for awards of the Company's common stock through the achievement of production and agent attraction benchmarks.

#### **Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As a "smaller reporting company", we are not required to provide the information required by this Item.



**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Shareholders and Board of Directors  
eXp World Holdings, Inc.  
Bellingham, Washington

**Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of eXp World Holdings, Inc. (the “Company”) and subsidiaries as of December 31, 2018 and 2017, the related consolidated statements of operations and comprehensive income (loss), stockholders’ equity, and cash flows for the years then ended, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated March 18, 2019 expressed an adverse opinion thereon.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the

U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

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

/s/ BDO USA, LLP

We have served as the Company's auditor since 2017.

Salt Lake City, Utah

March 18, 2019

**EXP WORLD HOLDINGS, INC.**  
**CONSOLIDATED BALANCE SHEETS**

	December 31, 2018	December 31, 2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 20,538,057	\$ 4,672,034
Restricted cash	2,502,591	923,193
Accounts receivable, net of allowance \$484,441 and \$179,759, respectively	17,428,091	6,912,657
Prepays and other assets	1,857,988	591,034
<b>TOTAL CURRENT ASSETS</b>	<b>42,326,727</b>	<b>13,098,918</b>
<b>FIXED ASSETS, NET</b>	<b>2,739,525</b>	<b>1,538,213</b>
<b>INTANGIBLES ASSETS, NET</b>	<b>2,531,669</b>	<b>-</b>
<b>GOODWILL</b>	<b>8,248,107</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ 55,846,028</b>	<b>\$ 14,637,131</b>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**CURRENT LIABILITIES**

Accounts payable	\$ 1,758,377	\$ 635,087
Customer deposits	2,502,591	923,193
Accrued expenses	18,976,435	8,818,180
Current portion of long-term payable	974,659	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>24,212,062</b>	<b>10,376,460</b>

**LONG-TERM PAYABLE, net of current portion**

	1,654,337	-
<b>TOTAL LIABILITIES</b>	<b>25,866,399</b>	<b>10,376,460</b>

Commitments and Contingencies (Note 11)

**STOCKHOLDERS' EQUITY**

Common Stock, \$0.00001 par value 220,000,000 shares authorized; 60,609,102 and 54,962,535 shares issued and outstanding at December 31, 2018 and December 31, 2017, respectively	606	550
Additional paid-in capital	90,755,616	36,848,041
Accumulated deficit	(60,765,266)	(32,596,374)
Accumulated other comprehensive income (loss)	(11,327)	8,454
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>29,979,629</b>	<b>4,260,671</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 55,846,028</b>	<b>\$ 14,637,131</b>

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

**EXP WORLD HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Year Ended December 31,	Year Ended December 31,
	2018	2017
Revenues	<u>\$ 500,147,681</u>	<u>\$ 156,104,544</u>
Operating expenses		
Commission and other agent-related costs	459,715,836	139,603,970
General and administrative	57,618,506	35,685,512
Professional fees	2,236,236	1,274,675
Sales and marketing	<u>2,961,618</u>	<u>1,572,041</u>
Total expenses	522,532,196	178,136,198
Net loss from operations	<u>(22,384,515)</u>	<u>(22,031,654)</u>
Other income and (expenses)		
Interest income (expense)	53,155	(2,077)

Other income (expense)	(21,196)	-
Total other income and (expenses)	<u>31,959</u>	<u>(2,077)</u>
Loss before income tax expense	<u>(22,352,556)</u>	<u>(22,033,731)</u>
Income tax expense	<u>(77,800)</u>	<u>(97,234)</u>
Net loss	<u>\$ (22,430,356)</u>	<u>\$ (22,130,965)</u>
Net loss per share attributable to common shareholders		
Basic from continuing operations	<u>\$ (0.39)</u>	<u>\$ (0.42)</u>
Diluted from continuing operations	<u>\$ (0.39)</u>	<u>\$ (0.42)</u>
Weighted average shares outstanding		
Basic	<u>57,689,920</u>	<u>53,194,928</u>
Diluted	<u>57,689,920</u>	<u>53,194,928</u>

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

**EXP WORLD HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

	Year Ended December 31, <u>2018</u>	Year Ended December 31, <u>2017</u>
Net loss	\$ (22,430,356)	\$ (22,130,965)
Other comprehensive loss:		
Foreign currency translation adjustments, net of tax	(19,781)	4,249
Comprehensive loss	<u>\$ (22,450,137)</u>	<u>\$ (22,126,716)</u>

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

**EXP WORLD HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulate d Other Comprehen sive Income (Loss)	Total Equity
	Shares	Amount				
<b>Balance, December 31, 2016</b>	<b><u>52,316,679</u></b>	<b><u>\$ 523</u></b>	<b><u>\$ 12,987,707</u></b>	<b><u>\$ (10,465,409)</u></b>	<b><u>\$ 4,205</u></b>	<b><u>\$ 2,527,026</u></b>
Stock issued for cash at \$3.25 per share, net of issuance costs	-	-	142,158	-	-	142,158
Exercise of options	181,572	2	46,594	-	-	46,596
Repurchase and retirement of common stock	(1,307)	-	(3,607)	-	-	(3,607)
Stock compensation expense	1,000,594	10	10,961,621	-	-	10,961,631
Stock option expense	-	-	6,856,029	-	-	6,856,029

Agent equity program	1,464,997	15	5,857,539	-	-	5,857,554
Foreign currency translation adjustment	-	-	-	-	4,249	4,249
Net loss	-	-	-	(22,130,965)	-	(22,130,965)
<b>Balance, December 31, 2017</b>	<b>54,962,535</b>	<b>\$ 550</b>	<b>\$ 36,848,041</b>	<b>\$ (32,596,374)</b>	<b>\$ 8,454</b>	<b>\$ 4,260,671</b>
Cumulative effect adjustment upon the adoption of Accounting Standards Update 2018-07	-	-	5,738,536	(5,738,536)	-	-
Shares issued for acquisition	97,371	1	999,999	-	-	1,000,000
Exercise of options	2,594,050	25	2,015,009	-	-	2,015,034
Stock compensation expense	1,270,545	13	19,053,465	-	-	19,053,478
Stock option expense	-	-	4,846,906	-	-	4,846,906
Agent equity program	1,684,601	17	21,253,660	-	-	21,253,677
Foreign currency translation adjustment	-	-	-	-	(19,781)	(19,781)
Net loss	-	-	-	(22,430,356)	-	(22,430,356)
<b>Balance, December 31, 2018</b>	<b>60,609,102</b>	<b>\$ 606</b>	<b>\$ 90,755,616</b>	<b>\$ (60,765,266)</b>	<b>\$ (11,327)</b>	<b>\$ 29,979,629</b>

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

**EXP WORLD HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<u>Year Ended</u> <u>December 31,</u> <b>2018</b>	<u>Year Ended</u> <u>December 31,</u> <b>2017</b>
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (22,430,356)	\$ (22,130,965)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	893,988	353,229
Stock compensation expense	19,053,478	10,961,631
Stock option expense	4,846,906	6,856,029
Agent equity program	21,253,677	5,857,554
Amortization of debt discount	21,196	-
Changes in operating assets and liabilities:		
Accounts receivable	(10,520,725)	(3,884,982)
Prepays and other assets	(1,179,040)	(279,361)
Customer deposits	1,597,017	441,489
Accounts payable	608,935	317,667
Accrued expenses	<u>10,165,643</u>	<u>6,076,062</u>
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>24,310,719</b>	<b>4,568,353</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(2,134,462)	(1,281,147)
Payment for business acquisition and intangibles	(6,725,000)	-
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(8,859,462)</b>	<b>(1,281,147)</b>
<b>FINANCING ACTIVITIES</b>		



Proceeds from issuance of common stock	-	142,158
Repurchase and retirement of subsidiary common stock	-	(3,607)
Proceeds from exercise of options	2,015,034	46,596
Principal payments of notes payable	-	(35,778)
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>2,015,034</b>	<b>149,369</b>
Effect of changes in exchange rates on cash, cash equivalents and restricted cash	(20,870)	(7,660)
<b>Net change in cash, cash equivalents and restricted cash</b>	<b>17,445,421</b>	<b>3,428,915</b>
Cash, cash equivalents and restricted cash, beginning of period	<u>5,595,227</u>	<u>2,166,312</u>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD</b>	<b>\$ <u>23,040,648</u></b>	<b>\$ <u>5,595,227</u></b>
	-	-
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:</b>		
Cash paid for interest	\$ -	\$ 2,077
Cash paid for income taxes	\$ <u>72,682</u>	\$ <u>97,234</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Common stock issued for business acquisition	\$ 1,000,000	\$ -
Liabilities incurred associated with business acquisition	\$ 4,107,800	\$ -
Fixed asset purchases in accounts payable	\$ <u>86,946</u>	\$ <u>71,890</u>

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

eXp World Holdings, Inc.  
Notes to the Consolidated Financial Statements  
December 31, 2018  
(Expressed in U.S. dollars)

**1. BASIS OF PRESENTATION**

eXp World Holdings, Inc. (the “Company” or “we” or “eXp”) was incorporated in the State of Delaware on July 30, 2008. Through various operating subsidiaries, the Company operates a cloud-based real estate brokerage operating in all U.S. States, the District of Columbia and the provinces of Alberta, British Columbia and Ontario, Canada. The Company focuses on a number of cloud-based technologies in order to grow an international brokerage without the burden of physical bricks and mortar or redundant staffing costs.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and are expressed in U.S. dollars. The Company’s fiscal year end is December 31. We have reclassified certain amounts in prior-period financial statements to conform to the current period’s presentation.

The Company has evaluated events and transactions subsequent to the balance sheet date and has disclosed all events or transactions that occurred subsequent to the balance sheet date but prior to filing this Annual Report on Form 10-K that would require recognition or disclosure in the Consolidated Financial Statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

*Principles of consolidation*

The accompanying audited condensed consolidated financial statements include the accounts of eXp World Holdings, Inc., and its subsidiaries. All inter-company accounts and transactions have been eliminated upon consolidation.

*Use of estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to provisions for doubtful accounts, legal contingencies, income taxes, revenue recognition, stock-based compensation, expense accruals, and deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the

basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

***Cash and cash equivalents***

The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents. From time to time, the Company's cash deposits exceed federally insured limits. The Company has not experienced any losses resulting from these excess deposits.

***Restricted cash***

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheet that sums to the total of the same such amounts shown in the statement of cash flows.

	December 31, 2018	December 31, 2017
Cash and cash equivalents	\$ 20,538,057	\$ 4,672,034
Restricted cash	2,502,591	923,193
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 23,040,648</u>	<u>\$ 5,595,227</u>

In November 2016, the FASB issued ASU No. 2016-18 – Statement of Cash Flows (Topic 240) which changed the classification and presentation of restricted cash on the statement of cash flows. The Company adopted the new standard on January 1, 2018. As a result, restricted cash was reclassified from cash provided from operating activities to cash, cash equivalents and restricted cash on the condensed consolidated statement of cash flows.

For the year ended December 31, 2017, the change in restricted cash of \$441,489 was reclassified from operating activities to cash, cash equivalents and restricted cash on the statement of cash flows.

Restricted cash consists of cash held in escrow by the Company's brokers and agents on behalf of real estate buyers. The Company recognizes a corresponding customer deposit liability until the funds are released.

### *Fair value measurements*

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The methodology establishes consistency and comparability by providing a three-tiered fair value hierarchy that prioritizes the inputs to valuation techniques into three broad levels, which are described below:

- Level 1 inputs are quoted market prices in active markets for identical assets or liabilities (these are observable market inputs).
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability (includes quoted market prices for similar assets or identical or similar assets in markets in which there are few transactions, prices that are not current or prices that vary substantially).
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions in pricing the asset or liability (used when little or no market data is available).

The Company values its money market funds at fair value on a recurring basis.

	2018					
	Adjusted	Unrealized	Unrealized	Fair Value	Cash and	
	Cost	Gains	Losses		Cash	
					Equivalents	
Cash	\$ 12,486,395	\$ -	\$ -	\$ 12,486,395	\$ 12,486,395	
<b>Level 1</b>						
Money market funds	8,051,662	-	-	8,051,662	8,051,662	
Subtotal	20,538,057	-	-	20,538,057	20,538,057	
Level 2	-	-	-	-	-	
Level 3	-	-	-	-	-	
Total	\$ 20,538,057	\$ -	\$ -	\$ 20,538,057	\$ 20,538,057	

The Company did not have investments in money market funds for the year ended December 31, 2017.

There have been no transfers between Levels 1 and 2 in the period presented. We did not have any Level 2 or Level 3 financial assets or liabilities in the period presented.

### ***Allowance for doubtful accounts***

The majority of the Company's accounts receivable are derived from non-commission based technology fees. These accounts receivable are typically unsecured. The allowance for doubtful accounts is our estimate based on historical experience. We periodically perform detailed reviews to assess the adequacy of the allowance. We exercise significant judgment in estimating the timing, frequency and severity of losses.

The Company typically does not experience material uncollectible accounts.

### ***Foreign currency translation***

The Company's functional and reporting currency is the United States dollar and the functional currency of the Company's foreign subsidiaries is the local currency of their country of domicile. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction. Average monthly rates are used to translate revenues and expenses. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income. The Company does not employ any derivative or hedging strategy to offset the impact of foreign currency fluctuations.

### ***Fixed assets***

Fixed assets are stated at historical cost and are depreciated on the straight-line method over the estimated useful lives. Useful lives are:

Computer hardware and software: 3 to 5 years

Furniture, fixtures and equipment: 5 to 7 years

Maintenance and repairs are expensed as incurred. Expenditures that substantially increase an asset's useful life or improve an asset's functionality are capitalized.

The Company capitalizes the costs associated with developing its internal-use cloud-based residential real-estate transaction system. Capitalized costs are primarily related to costs incurred in relation to internally created software during the application development stage including costs for upgrades and enhancements that result in additional functionality.

### ***Goodwill and Intangible Assets***

We test goodwill for impairment at least annually or when a triggering event occurs. The first step of the goodwill impairment test compares the reporting unit's estimated fair value with its carrying value. If the carrying value of a reporting unit's net assets exceeds its fair value, the second step would be applied to measure the difference between the carrying value and implied fair value of goodwill. If the carrying value of goodwill exceeds its implied fair value, the goodwill would be considered impaired and would be reduced to its implied fair value.

Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions, estimates and market factors. Estimating the fair value of individual reporting units requires us to make assumptions and estimates regarding our future plans, as well as industry and economic conditions. These assumptions and estimates include projected revenues and income growth rates, terminal growth rates, competitive and consumer trends, market-based discount rates, and other market factors. If current expectations of future growth rates are not met or market factors outside of our control, such as discount rates, change significantly, then our goodwill or intangible assets might become impaired in the future. Additionally, as goodwill and intangible assets associated with recently acquired businesses are recorded on the balance sheet at their estimated acquisition date fair values, those amounts are more susceptible to an impairment risk if business operating results or macroeconomic conditions deteriorate.

Definite-lived intangible assets are amortized on a straight-line basis over the estimated periods benefited and are reviewed when appropriate for possible impairment.

### ***Impairment of long-lived assets***

The Company periodically evaluates the carrying value of long-lived assets to be held and used when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is less than its carrying value. When assets are considered impaired, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

### ***Stock based compensation***

The Company accounts for all stock-based compensation granted to employees and non-employees using a fair value method. Stock-based compensation awarded to employees is measured at the grant date fair value and is recognized over the requisite service period of the awards, usually the vesting period, on a straight-line basis, net of forfeitures. Accruals of compensation cost for an award with a performance condition are based on the probable outcome of that performance condition. Compensation cost is accrued if it is probable that the performance condition will be achieved and is not accrued if it is not probable that the performance condition will be achieved. Prior to the adoption of ASU 2018-07 on July 1, 2018 described below in "Recently Adopted Accounting Pronouncements", stock-based compensation awarded to non-employees under our Real Estate

Agent Growth Program and Stock Option Awards Plan was subject to revaluation over its vesting term. Subsequent to the adoption of ASU 2018-07, non-employee share-based payment awards are measured on the date of grant, similar to share-based payment awards granted to employees. The Company reduces recorded stock-based compensation for forfeitures when they occur.

The Company early adopted ASU 2018-07 on July 1, 2018, using the modified retrospective method. The reported results for 2018 reflect the application of ASC 718 guidance for non-employee share-based awards while the reported results for 2017 were prepared under the guidance of ASC 505 for non-employee stock-based compensation. The adoption of ASU 2018-07 for non-employee stock-based compensation represents a change in accounting principle that more closely aligns the accounting for stock-based compensation for employee and non-employee share-based payment awards.

The cumulative effect of applying the new guidance to all non-employee share-based payment awards was recorded as an adjustment to accumulated deficit as of the adoption date. As a result of applying the modified retrospective method upon the adoption of the new stock-based compensation guidance, an adjustment of \$5.7 million was made to the opening balance of accumulated deficit and additional paid-in capital as of January 1, 2018.

### ***Revenue recognition***

Effective January 1, 2018, the Company adopted ASU No. 2014-09 - *Revenue from Contracts with Customers* (Topic 606) using the modified retrospective application in which the cumulative effect of initially applying the revenue standard is recognized as an adjustment to the opening balance of retained earnings. Adoption of the new standard did not require the Company to make an adjustment to the opening balance.

### ***Real Estate Brokerage Services***

The Company serves as a licensed broker in the areas in which it operates for the purpose of processing residential real estate transactions. The Company is contractually obligated to provide services for the fulfillment of transfers of residential real estate between buyers and sellers. The Company provides these services itself and controls the service necessary to legally transfer the residential real estate. Correspondingly, the Company is defined as the Principal. The Company, as Principal, satisfies its obligation upon the closing of a residential real estate transaction. As Principal, and upon satisfaction of our obligation, the Company recognized revenue in the gross amount of consideration to which we expect to be entitled to.

Revenue is derived from assisting home buyers and sellers in listing, marketing, selling and finding residential real estate. Commissions earned on real estate transactions are recognized at a point in time upon the completion of a residential real estate transaction once we have satisfied our performance obligation.

### ***Advertising costs***

Advertising costs are generally expensed in the period incurred. Advertising expenses are included in the sales and marketing expense line item on the accompanying consolidated statements of operations. For the years ended December 31, 2018 and 2017, the Company incurred advertising expenses of \$2,403,941 and \$1,258,334.

### ***Income taxes***

Deferred tax assets and liabilities arise from the differences between the tax basis of an asset or liability and its reported amount in the financial statements as well as from net operating loss and tax credit carry forwards. The measurement of current and deferred tax assets and liabilities is based on provisions of enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense or benefit is the tax payable or refundable, respectively, for the period adjusted for the change during the period in deferred tax assets and liabilities. For U.S. income tax returns, the open taxation years subject to examination range from 2012 to 2018.

### ***Comprehensive income (loss)***

The Company's only component of comprehensive income (loss) is foreign currency translation adjustments.

### ***Net income (loss) per share***

Basic net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of shares of common stock outstanding during the period. Diluted income (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of shares of common stock outstanding plus, if dilutive, potential common shares outstanding during the period.

### ***Recently issued accounting pronouncements***

In January 2017, the FASB issued ASU 2017-04 – *Intangibles – Goodwill and Other* (Topic 350). This ASU eliminates Step 2 from the goodwill impairment test. Under the new guidance, if a reporting unit's carrying amount exceeds its fair value, the entity will record an impairment charge based on that difference. The impairment charge will be limited to the amount of goodwill allocated to that reporting unit. Previously, if the fair value of a reporting unit was lower than its carrying amount (Step 1), an entity was required to calculate any impairment charge by comparing the implied fair value of goodwill with its carrying amount (Step 2). Additionally, under the new standard, entities that have reporting units with zero or negative carrying amounts will no longer be required to perform the qualitative assessment to determine whether to perform Step 2 of the goodwill impairment test. As a result, reporting units with zero or negative carrying amounts will generally be expected to pass the simplified impairment test; however, additional disclosure will be required of those entities. This ASU will be effective beginning in the first quarter of our fiscal year 2020. Early adoption is



permitted for annual and interim goodwill impairment testing dates after January 1, 2017. The new guidance must be adopted on a prospective basis. The Company is evaluating the timing of adoption. We currently do not expect this ASU to have a material impact on our financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02 - *Leases* (Topic 842). Under the new guidance, a lessee is required to recognize lease liabilities and corresponding right-of-use assets, initially measured at the present value of lease payments, on the balance sheet for operating leases with terms greater than one year. Lessor accounting remains largely unchanged from existing lease accounting. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and lease liabilities. If the lessee makes the election, the lessee would recognize lease expense on a straight-line basis over the lease term. This ASU is effective in annual reporting periods beginning after December 15, 2018 and the interim periods within that fiscal year.

In July 2018, the FASB issued ASU No. 2018-11 - *Leases* (Topic 842) - *Targeted Improvements*. The amendments in this Update provide entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, an entity's reporting for the comparative periods presented in the financial statements in which it adopts the new leases standard will continue to be in accordance with current GAAP (Topic 840, Leases). An entity that elects this additional (and optional) transition method must provide the required Topic 840 disclosures for all periods that continue to be in accordance with Topic 840. The amendments do not change the existing disclosure requirements in Topic 840 (for example, they do not create interim disclosure requirements that entities previously were not required to provide).

ASU No. 2016-02 - *Leases* (Topic) 842 will be adopted under the transition method effective January 1, 2019. We currently do not expect this ASU to have a material impact on our financial statements and related disclosures. The most significant impact will be the recognition of right-of-use assets and lease obligations for operating leases.

#### ***Recently adopted accounting pronouncements***

In June 2018, the FASB issued ASU No. 2018-07 - *Compensation - Stock Compensation* (Topic 718). The ASU was issued as part of its Simplification Initiative to reduce costs and complexities of financial reporting. ASU No. 2018-07 simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. Currently, share-based payments transactions to nonemployees are measured at fair value and remeasured at each reporting date through the date of final vesting. This ASU changes the guidance related to the determination of the measurement date. Under the new guidance, equity-classified awards would be measured at the grant date. This ASU is effective for fiscal years beginning after December 15, 2018 including interim periods within

those fiscal years. Early adoption is permitted if financial statements have not yet been issued. The Company elected to early-adopt ASU No. 2018-07 effective July 1, 2018 using the modified retrospective application with a cumulative-effect adjustment to the opening balance of accumulated deficit and additional paid-in-capital as of the beginning of the fiscal year.

In May 2017, the FASB issued ASU No. 2017-09 - *Compensation (Topic 718): Scope of Modification Accounting*. The FASB issued guidance to clarify when to account for a change in the terms or conditions of share-based payments awards as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. The general model for modifications of share-based payment awards is to record the incremental value arising from the change as additional compensation costs. Previously, judgments about whether certain changes to an award were substantive may have impacted whether or not modification accounting was applied in these situations. The Company adopted the new standard on January 1, 2018. The standard did not have an impact on the Company's financial position, operational results or cash flows.

In November 2016, the FASB issued ASU No. 2016-18 – *Statement of Cash Flows (Topic 240)*. The FASB issued guidance to address the diversity in the classification and presentation of changes in restricted cash on the statement of cash flows under Topic 230, *Statement of Cash Flows*. The amendments require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cashflows. The Company adopted the new standard on January 1, 2018. The standard did not have a material impact on the Company's financial position, operational results or cash flows.

In May 2014, the FASB issued ASU No. 2014-09 - *Revenue from Contracts with Customers (Topic 606)*. The objective of the revenue standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to remove inconsistencies in requirements, provide a robust framework, improve comparability across entities and industries, provide more useful information to users and simplify the preparation of financial statements. The core principle of the revenue standard is that revenue be recognized upon the transfer of goods or services to customers in an amount that reflects the consideration to which we expect to receive in exchange for those goods or services. Subsequent to the issuance of ASU 2014-09, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, ASU No. 2016-08, *Revenue from Contracts with Customers: Principal Versus Agent Considerations*, ASU No. 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*, and ASU No. 2016-12, *Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients*. The additional ASU's clarified certain provisions of ASU 2014-09 in response to recommendations from the Transition Resources Group established by the FASB.

The new standard permits for two alternative implementation methods, the use of either (1) full retrospective application to each prior reporting presented or (2) modified retrospective application in which the cumulative

effect of initially applying the revenue standard is recognized as an adjustment to the opting balance of retained earnings in the period of adoption. This ASU is effective in annual reporting periods beginning after December 15, 2017 and the interim periods within that year. The Company adopted the new standard effective January 1, 2018 using the modified retrospective method. Since the Company currently recognizes revenue on a gross basis acting as a principal, upon completion of its performance obligations in the form of a completed residential real estate sale, adoption of the standard did not have a material effect on the Company's financial position, operational results or cash flows.

### 3. ACQUISITIONS

#### **VirBELA**

On November 29, 2018, (the "Acquisition Date"), the Company and its newly formed subsidiary, eXp World Technologies, LLC ("Purchaser) acquired substantially all the assets of VirBELA, LLC, a California limited liability company. VirBELA provides a cloud-based environment focused on educational and innovative learning technologies to enhance global education experiences that empower individuals, teams, and organizations for clients in various industries. Its model allows for a level of engagement and participation that can typically only be achieved with face-to-face instruction. Its proprietary immersive 3D campus, which supports blended learning and big data assessment, is highly customizable to meet the branding and educational needs of clients. VirBELA developed the Company's current cloud campus called eXp World, which provides 24/7 access to collaborative tools, training and socialization for the Company's real estate agents and employees. The acquisition of VirBELA's core group of products and services will allow eXp Realty to continue to accelerate its business in a sustainable and innovative way, which is consistent with eXp World Holdings' vision to expand the product offering to agents, teams and others who could benefit from their own, always available environments for collaboration.

The Company acquired the assets of VirBELA for a total purchase price of \$10,607,800, consisting of cash to be paid of \$7,000,000 and shares of the Company's common stock valued at \$3,607,800. A cash payment of \$6,500,000 was paid at closing with \$500,000 included in accounts payable being held by the Company to secure the Seller's performance of certain post-close obligations and 97,371 shares of the Company restricted common stock having a value of \$1,000,000 was issued at closing. The remaining shares of the Company's common stock will be issued having a value of \$1,000,000 on each of the first, second and third anniversaries of the Closing Date. The present value of future deliveries of eXp World Holdings, Inc. stock, calculated using a discount rate of 10%, is \$2,607,800, which represents fair value as of the Acquisition Date. The discount of \$392,200 will be amortized over the reporting periods using the effective interest method during Fiscal years 2019, 2020 and 2021.

The following table shows the preliminary allocation of the purchase price of VirBELA, LLC to the acquired identifiable assets, and goodwill:

Accounts receivable	\$ 4,273
Inventory	968
Fixed assets	23,452
Intangible assets	2,331,000
Goodwill	8,248,107
Total purchase price	<u>\$ 10,607,800</u>

The Acquisition has been accounted for in accordance with ASC 805, *Business Combinations*, using the acquisition method of accounting. Under the acquisition method of accounting, the Company allocated the total purchase price to the tangible and identifiable intangible assets acquired based on their estimated fair values as of the acquisition date, as determined by management. The excess of the purchase price over the aggregate fair values of the identifiable assets was recorded as goodwill. Goodwill generated from the Acquisition is primarily attributable to an assembled workforce and planned expansion of VirBELA into new markets.

The preliminary purchase price allocation to identifiable intangible assets acquired in the VirBELA acquisition was:

Tradename	\$ 1,169,000
Existing Technology	297,000
Non-competition agreements	125,000
Customer contracts	740,000
Total intangible assets purchased	<u>\$ 2,331,000</u>

The allocation of the fair value of the acquired business was based on preliminary valuations of the estimated net fair value of the assets acquired. The fair value estimates of the assets acquired are subject to adjustment during the measurement period (up to one year from the Acquisition Date). The primary areas of accounting for the Acquisition that are not yet finalized relate to the fair value of certain intangible assets acquired and residual goodwill. For tax purposes, goodwill is amortized over 15 years and this amortization is tax deductible. The fair values of these net assets acquired are based on management's estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. While we believe that such preliminary estimates provide a reasonable basis for estimating the fair value of assets acquired, we will evaluate any necessary information prior to finalization of the fair value. During the measurement period, we will adjust preliminary valuations assigned to assets and liabilities if new information is obtained about facts and circumstances that existed as of the Acquisition Date, if any, that, if

known, would have resulted in revised values for these items as of that date. The impact of all changes, if any, that do not qualify as measurement period adjustments will be included in current period earnings.

The Company used carrying values as of the Acquisition Date to value trade receivables, inventory, and fixed assets, as we determined that they represented the fair value of those items at the Acquisition Date.

The Company valued the VirBELA tradename using an Income Approach known as the Relief from Royalty method. We applied a royalty rate of 1.0% to the VirBELA tradename. Once the royalty savings were calculated, we converted to a value using a discounted cash flow technique using a discount rate of 14.0%, to arrive at the estimated fair value. The VirBELA tradename is new and is not a mature brand name. Tradenames are being amortized over its estimated useful life of 10 years.

Similar to the valuation of tradenames, we valued existing technology using the Relief from Royalty method. We applied a royalty rate of 5.0% to the VirBELA technology. Once the royalty savings were calculated, we converted to a value using a discounted cash flow technique using a discount rate of 14.0% to arrive at the estimated fair value of existing technology. Existing technology is being amortized over its estimated useful life of five years. We estimated a useful life of five years since the software will continue to be modified and changed over the next several years making it significantly different than the software acquired today.

The Company valued non-competition agreements using a Loss Profits method. We prepared two projections of net income for the business. One projection which assumed the non-competition agreements were in place and one projection which assumed that no non-competition agreements were in place. The difference in cash flows from these two projections over the life of the non-competition agreements was discounted to present value at a rate of 14.0% to arrive at the estimated fair value of the non-competition agreements. Non-competition agreements are being amortized over their useful lives of three years which is equal to the contractual life of the non-competition agreements.

The Company valued customer contracts using the Multi-Period Excess Earnings Method (MPEEM). In the MPEEM, value is estimated as the present value of the benefits anticipated from ownership of the subject intangible asset in excess of the returns on the contributory assets required to realize those benefits. Taxes have been estimated based upon an effective total state and federal tax rate of 29.4% and the projected return on net assets was 14.0%. These inputs were used to determine an estimated fair value of customer contracts. Customer contracts are being amortized over their estimated useful lives of 10 years.

During the year ended December 31, 2018, the Company incurred total acquisition costs of \$141,498. The acquisition costs were primarily related to legal, accounting and consulting services and were expensed as incurred through December 31, 2018 and are included in General and Administrative expenses in the Consolidated Statements of Operations.

From the Acquisition date, the results of operations of VirBELA have been included in and are immaterial to our consolidated financial statements. Pro forma revenue and results of operations have not been presented, being the historical results of VirBELA are not material to our consolidated statements of operations in any period presented.

#### 4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	Year Ended December 31,	
	2018	2017
Prepaid expenses	\$ 1,070,064	\$ 219,074
Prepaid insurance	706,435	287,244
Rent deposits	51,113	68,196
Other assets	30,376	16,520
	<u>\$ 1,857,988</u>	<u>\$ 591,034</u>

#### 5. FIXED ASSETS, NET

Fixed assets, net consisted of the following:

	Year Ended December 31,	
	2018	2017
Computer hardware and software	\$ 3,925,129	\$ 1,982,749
Furniture, fixture and equipment	5,910	5,910
Total depreciable property and equipment	3,931,039	1,988,659
Less: accumulated depreciation and amortization	(1,320,103)	(450,446)
Depreciable property, net	2,610,936	1,538,213
Assets under development	128,589	—
Fixed assets, net	<u>\$ 2,739,525</u>	<u>\$ 1,538,213</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$869,658, and \$353,229 respectively.

## 6. GOODWILL AND INTANGIBLE ASSETS

Changes in the carrying amount of goodwill were:

	Total
Balance at December 31, 2016 and 2017	\$ -
Acquisitions	8,248,107
Balance at December 31, 2108	<u>\$ 8,248,107</u>

Our goodwill was recently recorded in connection with the acquisition of VirBELA in November 2018 and represents preliminary fair value as of the acquisition date. We have a risk of future impairment to the extent that individual reporting unit performance does not meet our projections. Additionally, if our current assumptions and estimates, including projected revenues and income growth rates, terminal growth rates, competitive and consumer trends, market-based discount rates, and other market factors, are not met, or if valuation factors outside of our control change unfavorably, the estimated fair value of our goodwill could be adversely affected, leading to a potential impairment in the future. No events occurred that indicated it was more likely than not that our goodwill was impaired.

Definite-Lived intangible assets at December 31, 2018 were:

	Gross Amount	As of December 31, 2018 Accumulated Amortization	Net Carrying Amount
Trade name	\$ 1,169,000	\$ (9,742)	\$ 1,159,258
Existing technology	297,000	(4,950)	292,050
Non-competition agreements	125,000	(3,472)	121,528
Customer contracts	740,000	(6,167)	733,833
Software	225,000	-	225,000
Total	<u>\$ 2,556,000</u>	<u>\$ (24,331)</u>	<u>\$ 2,531,669</u>

There were no definite-lived intangible assets at December 31, 2017. Definite-lived intangible assets were recently recorded in connection with the acquisition of VirBELA in November 2018 and acquisition of the ShowMeNow mobile application in October 2018. Amortization expense for definite-lived intangible assets was \$24,331 in 2018 and zero in 2017. We estimate expected amortization related to definite-lived intangible assets will be:

Expected amortization		
2019		\$ 366,967
2020		366,967
2021		363,494
2022		250,300
2023 and thereafter		1,183,941
Total		<u>\$ 2,531,669</u>

## 7. ACCRUED EXPENSES

Accrued expenses consisted of the following:

	Year Ended December 31,	
	2018	2017
Commissions payable	\$ 16,368,811	\$ 7,565,357
Payroll payable	1,117,830	749,203
Vacation payable	690,587	283,077
Taxes payable	217,820	99,809
Other accrued expenses	581,387	120,734
	<u>\$ 18,976,435</u>	<u>\$ 8,818,180</u>

## 8. DEBT

We have a \$1,000,000 line of credit with a variable interest rate computed on a 360-day year that expires on August 29, 2019. The variable interest rate is the higher of either 1) the Prime Rate in effect on such day, 2) Daily One Month LIBOR plus one and one-half percent (1.5%), or 3) the Federal Funds Rate plus one and one-half percent (1.5%). The line of credit agreement requires us to comply with various financial covenants as well as customary affirmative and negative covenants that restrict our ability to, among other things, incur debt and liens, make significant investments, dispose of assets and make distributions without prior consent. The line of credit is secured by accounts receivable. The line of credit contains certain financial covenants, including a fixed charge coverage ratio and a tangible net worth. At December 31, 2018, we were in compliance with all of the financial covenants under the line of credit.

As of December 31, 2018, we had no amount outstanding under the line of credit.



On November 29, 2018, the Company acquired substantially all of the assets of VirBELA. As part of the purchase price, the Company is issuing shares of the Company's restricted common stock having a value of \$1,000,000 on each of the first, second and third anniversaries of the Closing Date. The present value of future deliveries of eXp World Holdings, Inc. stock, was calculated using a discount rate of 10%. The discount of \$392,200 will be amortized over the reporting periods using the effective interest method during Fiscal years 2019, 2020 and 2021. As of December 31, 2018, long-term payables, net of current portion and current portion of long-term payable was \$1,654,337 and \$974,659, respectively.

## **9. STOCKHOLDERS' EQUITY**

As of December 31, 2018, the Company had 60,609,102 shares of common stock issued and outstanding.

The following provides a detailed description of the stock-based transactions completed during fiscal years 2018 and 2017:

During the year ended December 31, 2018, the Company issued 97,371 shares of restricted common stock as consideration for the assets of VirBELA acquired having a value of \$1,000,000.

During the year ended December 31, 2018, the Company issued 2,594,050 shares of common stock upon the exercise of stock options and received cash consideration totaling \$2,015,034 upon payment of the exercise price for the options.

During the year ended December 31, 2018, the Company issued 1,684,601 shares of common stock in exchange for services totaling \$21,253,677, which includes the expense activity in our 2015 Agent Equity Program.

During the year ended December 31, 2018, the Company issued 1,270,545 shares of common stock in exchange for services totaling \$19,053,478, which included the expense activity for Real Estate Agent Growth and Other Incentive Programs. This amount includes expenses for performance based awards of \$9,174,019, for which performance conditions were met or considered probable during the year ended December 31, 2018.

During the year ended December 31, 2017, the Company issued the remaining 49,231 shares of common stock to accredited investors following receipt of \$160,000 of gross proceeds (\$142,158 net of issuance costs) from the Company's December 2016 private placement. The Company received total gross cash proceeds from the private placement of \$760,000.

During the year ended December 31, 2017, the Company issued 181,572 shares of common stock upon the exercise of stock options and received cash consideration totaling \$46,596 upon payment of the exercise price for the options.

During the year ended December 31, 2017, the Company repurchased and retired 1,307 shares of common stock for cash consideration totaling \$3,607.

During the year ended December 31, 2017, the Company issued 1,464,997 shares of common stock in exchange for services totaling \$5,857,554, which includes the expense activity in our 2015 Agent Equity Program.

During the year ended December 31, 2017, the Company issued 1,000,594 shares of common stock in exchange for services totaling \$10,961,631, which included the expense activity for Real Estate Agent Growth and Other Incentive Programs. This amount includes expenses for performance based awards of \$7,177,854, for which performance conditions were met or considered probable during the year ended December 31, 2017.

### ***2015 Agent Equity Program***

The Company provides agents and brokers the opportunity to elect to receive 5% of commissions earned from each completed residential real estate transaction in the form of common stock. If agents and brokers elect to receive portions of their commissions in common stock, they are entitled to receive the equivalent number of shares of common stock, based on the fixed monetary value of the commission payable. The shares are issued at a 20% discount to market on the date of issuance. We recognize this 20% discount as an additional cost of sales charge during the periods presented.

All agents and brokers in good standing with the Company are eligible to participate in the Agent Equity Program. To be considered in good standing, agents and brokers must be current in their financial obligations, including all fees, to the Company. In addition, all required licenses, local, state and national dues and subscriptions which are required to conduct real estate business in their state must be current and in effect.

During the years ended December 31, 2018 and 2017, the Company issued 1,684,601 and 1,464,997 shares, respectively, of common stock to agents and brokers for total consideration of \$21,253,677 and, \$5,857,554 respectively for the settlement of commissions payable.

### ***Real Estate Agent Growth Incentive Program***

The Company administers an equity incentive program whereby agents and brokers become eligible to receive awards of the Company's common stock through agent attraction and performance benchmarks. Agents who qualify are awarded common stock based on achievement of performance milestones.

Under this program, the Company awards common stock to our agents and brokers that become issuable upon the achievement of certain milestones for both the individual and the recruited agents.

The following table illustrates the Company's stock activity for the Real Estate Agent Growth Incentive Program for the following periods:

	<b>Shares</b>	<b>Weighted Average Fair Value</b>
Balance, December 31, 2016	3,057,879	4.05
Granted	2,024,498	7.60
Issued	(1,457,538)	5.27
Forfeited	(565,774)	4.76
Balance, December 31, 2017	3,059,065	7.60
Granted	2,380,100	11.59
Issued	(889,769)	12.16
Forfeited	(676,519)	4.05
Balance, December 31, 2018	3,872,877	11.63

The fair value of stock awards is based on the closing price of our common stock on the applicable grant date. As of December 31, 2018, the Company had 1,909,023 unvested stock awards and 3,872,877 expected to vest, respectively, with unrecognized compensation costs totaling \$22,773,241.

### ***Stock Option Awards***

During the year ended December 31, 2018, the Company granted 870,000 stock options with an estimated grant date fair value of \$8,538,739. The assumptions used to estimate the grant date fair value of the awards issued for the year ended December 31, 2018 include: expected volatility based on historical stock prices ranging from 129.2% to 153.7%; an average expected term between 6.25 and 10 years; risk free rates based on U.S. Treasury instruments for the expected term of approximately 2.9%; and no dividend payments. The assumptions used to estimate the grant date fair value of the awards issued for the year ended December 31, 2017 include: expected volatility based on historical stock prices ranging from 142% to 155%; an average expected term between 6.25 and 10 years; risk free rates based on U.S. Treasury instruments for the expected term of approximately 2.2%; and no dividend payments.

In January 2017, the Company modified certain terms of previously outstanding option awards to purchase 500,000 shares of common stock, including accelerating portions of the award to vest prior to the original terms

and the forfeiture of unvested options to purchase 275,000 shares of common stock. As a result of this modification, the Company recognized approximately \$368,000 of additional stock option expense during the year ended December 31, 2017.

The following table illustrates the Company's stock option activity for the following periods:

	<b>Options</b>	<b>Weighted Average Exercise Price</b>	<b>Intrinsic Value</b>	<b>Weighted Average Remaining Contractual Term (Years)</b>
Balance, December 31, 2016	10,747,558	\$ 0.67	\$ 3.56	7.75
Granted	2,848,231	3.76	-	6.15
Exercised	(181,572)	0.26	6.86	
Forfeited	(2,540,925)	2.31	3.20	
Balance, December 31, 2017	10,873,292	\$ 1.50	\$ 5.08	6.65
Granted	870,000	10.86	(3.78)	9.34
Exercised	(2,594,050)	0.78	11.90	
Forfeited	(451,629)	3.03	9.59	
Balance, December 31, 2018	8,697,613	\$ 2.08	\$ 5.00	6.07
Exercisable at December 31, 2018	6,620,042	0.92	6.16	5.29
Vested at December 31, 2018	6,823,772	\$ 1.00	\$ 6.08	5.37

For the years ended December 31, 2018 and 2017, the Company recognized total stock-based compensation of \$19,053,478 and \$10,961,631, respectively, associated with all equity and equity-linked awards.

As of December 31, 2018, the total unrecognized compensation cost associated with options was approximately \$11,972,694.

## 10. INCOME TAXES

The components of the provision for income tax expense are as follows:

	Year Ended December 31,	
	2018	2017
Current:		
Federal	\$ -	\$ -
State	77,494	86,787
Foreign	306	10,447
	<u>77,800</u>	<u>97,234</u>
Deferred		
Federal	-	-
State	-	-
	<u>-</u>	<u>-</u>
Total provision (benefit) for income taxes	<u>\$ 77,800</u>	<u>\$ 97,234</u>

The Company is subject to United States federal and state income taxes at an approximate rate of 25.02%. The reconciliation of the provision for income taxes at the United States federal statutory rate compared to the Company's income tax expense as reported is as follows:

	Year Ended December 31,	
	2018	2017
Statutory tax rate	21.00 %	38.25 %
State taxes	4.02 %	(0.39) %
Permanent differences	(0.57) %	(0.31) %
Non-deductible share-based compensation	(10.46) %	(19.70) %
Foreign tax rate differential	(0.10) %	(0.05) %
Change in tax rate	-	(6.33) %
Valuation allowance	(15.43) %	(11.90) %
Other net	1.19 %	(0.01) %
Total	<u>(0.35) %</u>	<u>(0.44) %</u>

Deferred tax assets consist of the following at:

	Year Ended December 31,	
	2018	2017
Deferred tax assets:		
Net operating loss carryforward	\$ 6,186,379	\$ 2,445,965
Temporary differences	598,732	241,649
Share-based compensation	228,989	430,614
Total gross deferred tax assets	\$ 7,014,100	\$ 3,118,228
Deferred tax liabilities		
Property and equipment	(439,388)	(17,835)
Valuation allowance	(6,574,712)	(3,100,394)
Net deferred tax assets	\$ -	\$ -

At December 31, 2018, the Company had federal net operating losses of approximately \$24.7 million which could be subject to certain limitations under section 382 of the Internal Revenue Code.

The Company has provided a valuation allowance at December 31, 2018 and 2017 of \$6,574,712 and \$3,100,394, respectively, for its net deferred tax assets as it cannot conclude it is more likely than not all of the estimated net deferred tax assets will be realized. The valuation allowance increased by \$3,474,318 and increased by \$2,357,426 in 2018 and 2017, respectively.

As of December 31, 2018, and 2017, the Company did not have any unrecognized tax benefits. The Company's policy is to recognize interest and penalties related to income tax matters in income tax expense. The Company currently has no federal or state tax examinations in progress nor has it had any federal or state tax examinations since its inception.

Our ability to utilize the domestic net operating losses (NOLs) and tax credit forwards may be limited due to ownership change limitations that may have occurred or that could occur in the future, as required by the Internal Revenue Code Section 382, as well as similar state provisions. An "ownership change," as defined by the code, results from a transaction or series of transactions over a three-year period resulting in an ownership change of more than 50 percentage points of the outstanding stock of a company by certain stockholders or public groups. Any limitation may result in expiration of all or a portion of the NOL or tax credit carry forwards before utilization.

The Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act"), which became law on December 22, 2017, reduced the U.S. Federal corporate tax rate from 35% to 21% for tax years beginning in 2018. The Company

remeasured its net deferred tax assets and liabilities as a result of the 2017 Tax Act along with the corresponding valuation allowance resulting in no net expense or benefit. The Company applied the reduced federal tax rate in its tax provision for the year ended December 31, 2018.

## 11. COMMITMENTS AND CONTINGENCIES

### Operating leases

At December 31, 2018, the Company was obligated under non-cancelable operating leases for office space.

The following table illustrates the Company's future obligations related to its non-cancellable operating leases:

Year Ending December 31,			
	2019	\$	451,710
	2020		420,518
	2021		237,142
	2022		42,532
	2023 and thereafter		4,134
	Total	\$	<u>1,156,036</u>

### Legal proceedings

From time to time, we are subject to potential liability under laws and government regulations and various claims and legal actions that may be asserted against us that could have a material adverse effect on our business, reputation, results of operations or financial condition. Such litigation may include, but is not limited to, actions or claims relating to sensitive data, including our proprietary business information and intellectual property and that of our clients and personally identifiable information of our employees and contractors, cyber-attacks, data breaches and non-compliance with our contractual or other legal obligations.

There are no matters pending or, to our knowledge, threatened that we expect to have a material adverse impact on our business, reputation, results of operations or financial condition.

There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial stockholder, is an adverse party or has a material interest adverse to our interest.

## 12. SEGMENT INFORMATION

The Company primarily operates within the real estate brokerage markets in the United States and Canada. In November 2018, the Company acquired substantially all of the assets of VirBELA, LLC which operates in software subscription and professional services for use of our virtual reality software platform. The Company's management generally does not rely on historical geographical results in making operational decisions and has not used financial information derived from subscription and professional services due to the insignificance of the operating activities of VirBLEA, LLC. While management may consider the newly acquired technology to be a reportable segment from our real estate brokerage activities in the future, as of December 31, 2018, there is not information currently being used by the chief operating decision maker to assess performance and make operational decisions. The Company has likewise concluded that only one reporting unit exists for the purposes of its annual goodwill impairment analysis.

The Company's management analyzes geographical locations on a forward-looking basis to identify growth opportunities. For the year ended December 31, 2018, approximately 1% of the Company's total net revenue of \$500,147,681 was generated in Canada. The Company did not possess material assets located outside of the United States as of December 31, 2018 and 2017.

### **13. RELATED PARTY TRANSACTIONS**

As of December 31, 2018, the Company did not have transactions with related and certain other parties.

In January 2017, and as part of her agreement to join the Company's Board of Directors, Ms. Laurie Hawkes was granted an option to purchase a total of 350,000 shares of common stock from a significant stockholder at an exercise price of \$4.22 per share. The Company estimated the grant date fair value of these options using a Black-Scholes model with the assumptions described in Note 9. The aggregate grant date fair value of this award was \$1,333,501. During the year ended December 31, 2017, the Company recognized compensation cost totaling \$254,522 associated with this award. The transaction was accounted for as a deemed contribution from the significant stockholder.

On August 7, 2017, Ms. Hawkes submitted to the Company her resignation as a member of the Board of Directors effective August 9, 2017. The options to purchase common stock from a significant stockholder were forfeited subsequent to her resignation.

### **14. DEFINED CONTRIBUTION SAVINGS PLAN**

During the year ended December 31, 2018, the Company established a defined contribution savings plan to provide eligible employees with a retirement benefit that permits eligible employees the opportunity to actively participate in the process of building a personal retirement fund. The Company sponsors the defined contribution savings plan.

### **15. SUBSEQUENT EVENTS**



On December 27, 2018, the Company introduced its Sustainable Equity Plan for real estate agents and brokers at eXp realty. In addition, the Company announced that its Board of Directors authorized a stock repurchase program to offset equity issuances for up to \$25 million of company common stock which began subsequent to year end

In 2013, eXp Realty became a public company for the primary purpose of sharing equity with its agents. Shortly thereafter, the Company introduced the industry's first Agent Equity Award program for agents and brokers who reach certain milestones. At the time, eXp Realty had approximately 400 agents and the plan defined equity incentives up to 16,000 agents. As we are quickly approaching 16,000 agents, the new Sustainable Equity Plan will pay agents a dollar value of shares rather than a stair-stepped number of shares for achieving certain goals.

The repurchase program will help offset equity issuances that the Company awards to its agents for meeting certain milestones in the Sustainable Equity Plan. Purchases under the repurchase program will comply with Rule 10b-18 under the Securities Exchange Act of 1934, as amended. The timing and number of shares repurchased will depend upon market conditions. The repurchase program does not require the company to acquire a specific number of shares. As the Company continues to grow its cash balance, the cost of the shares repurchased will be funded from available working capital. Any shares repurchased under the program will be returned to the status of authorized but unissued shares of common stock.

## **Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None

## **Item 9A. CONTROLS AND PROCEDURES**

### *Evaluation of Disclosure Controls and Procedures*

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2018 pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Based on the evaluation of our disclosure controls and procedures as of December 31, 2018, our Chief Executive Officer and Chief Financial Officer concluded that, as a result of material weaknesses in our internal control over financial reporting and discussed below, our disclosure controls and procedures were not effective as of December 31, 2018.

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2018. In making its evaluation, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework (2013)*. Our assessment of, and conclusion on, the effectiveness of internal control over financial reporting did not include the internal controls and procedures of our subsidiary, eXp World Technologies, LLC, which was newly formed on November 29, 2018 when we acquired substantially all of the assets of VirBELA, LLC. This acquisition did not result in any material change to our internal control over financial reporting.

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 a company's annual or interim financial statements will not be prevented or detected on a timely basis.

Based on this evaluation, management concluded that the Company's internal control over financial reporting was not effective as of December 31, 2018 due to the material weakness described below. The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by BDO USA, LLP, an independent registered public accounting firm, as stated in its report, which is included below.

#### ***Material Weakness:***

##### *Control Environment and Monitoring*

The Company did not properly design or maintain effective controls over the control environment and monitoring components which contributed to material weaknesses at the control activity level. As it relates to the control environment, the Company did not have sufficient oversight and competencies to address the Company's overall financial reporting and information technology requirements. As it relates to monitoring, the Company did not perform timely and ongoing evaluations to ascertain whether the components of internal control are present and functioning. The failures within these COSO components contributed to the following material weaknesses at the control activity level:

##### *Control Activities*

The Company did not have effective business processes and controls as well as resources with adequate training and support to conduct an effective review of manual reconciliations including the complex data feeds into the reconciliations of high-volume transactions. This resulted in several errors mainly to revenue, accounts receivable, and commission expense during the period covered by this report and could have resulted in errors in other financial statement line items

*Remediation Actions on Material Weakness:*

To address the above material weaknesses described above, our management is currently in the process of undertaking a re-design of the control workflows within our software and systems for processing high-volume transactions. This will include further validations between the systems to ensure accuracy and completeness of the transactions. Additionally, we will provide additional training of the appropriate personnel involved with these business processes and the related control activities.

***Material Weaknesses Previously Identified***

We previously reported material weaknesses in our Annual Report on Form 10-K for the year ended December 31, 2017 and Quarterly Reports on Form 10-Q for the quarters during the subsequent period through September 30, 2018. The material weaknesses previously reported are summarized below:

- Our internal controls failed to properly recognize and measure the fair value of equity and equity-linked awards issued to employees and non-employees. Our policies procedures failed to identify the need to consider certain areas of US GAAP applicable to stock awards issued to employees and non-employees.
- Our internal controls failed to identify the need to consider certain areas of US GAAP applicable to the classification of certain agent fees. Our agent fees are no longer classified as revenue, rather they are offset against commission and other agent related costs.
- Our internal controls failed to identify the mathematical error contained in the foreign currency translation calculation in the statement of cash flows of our foreign subsidiary that are incorporated in the consolidated financial statements.

*Remediation Actions on Previously Identified Material Weaknesses:*

To address the above material weaknesses related to equity awards and revenue classification, management completed additional training associated with accounting for equity-based payments to employees and non-employees, inclusive both internally as well as with an outside financial reporting firm with advanced experience in reporting for equity-based instruments and implemented additional review controls of the accounting for equity awards. We are also currently implementing a cloud-based platform to maintain all equity-based awards to ensure consistency in the identification and classification of share-based payments of current as well as future share-based payment arrangements. We also completed an analysis of the historical option grants to ensure that they have been correctly recorded. We also reviewed our revenue recognition policies and trained staff to ensure compliance with US GAAP. Management has tested these new controls and found them to be effective and has concluded that these material weaknesses have been remediated.

To address the above material weakness related to the foreign currency translation calculation, we have engaged a third party to assist with rebuilding our financial reporting cash flow templates used to calculate and disclose the effect of foreign translation in our statement of cash flows. To prevent errors in our manual financial reporting process, we have also incorporated additional management review controls to ensure our financial reporting is accurate.

Management has tested the effectiveness of the new controls and found the controls to be effective and has concluded that the material weakness has been remediated.

### **Report of Independent Registered Public Accounting Firm**

Shareholders and Board of Directors  
eXp World Holdings, Inc.  
Bellingham, Washington

#### **Opinion on Internal Control over Financial Reporting**

We have audited eXp World Holdings, Inc.'s (the "Company's") internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We do not express an opinion or any other form of assurance on management's statements referring to any corrective actions taken by the Company after the date of management's assessment.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company and subsidiaries as of December 31, 2018 and 2017, the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements") and our report dated March 18, 2019 expressed an unqualified opinion thereon.

#### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of

internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

As indicated in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of the subsidiary eXp World Technologies, LLC, which was newly formed to acquire substantially all of the assets of VirBELA, LLC on November 29, 2018, and which is included in the consolidated balance sheet of the Company and subsidiaries as of December 31, 2018, and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for the year then ended. eXp World Technologies, LLC constituted 20.12% and (1.00%) of total assets and net assets, respectively, as of December 31, 2018, and 0.02% and 1.34% of revenues and net loss, respectively, for the year then ended. Management did not assess the effectiveness of internal control over financial reporting of eXp World Technologies, LLC because of the timing of the acquisition which was completed on November 29, 2018. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of eXp World Technologies, LLC.

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 the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and described in management's assessment: failure to design and maintain controls over the control environment, monitoring controls, and certain control activities which resulted in several errors mainly to revenue, accounts receivable, and commission expense and could have resulted in errors in other financial statement line items. The material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2018 consolidated financial statements, and this report does not affect our report dated March 18, 2019 on those consolidated financial statements.

#### **Definition and Limitations of Internal Control over Financial Reporting**

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

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

/s/ BDO USA, LLP  
Salt Lake City, Utah

March 18, 2019

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

Other than the efforts noted above to remediate the previously reported material weaknesses, there have been no changes in our internal control over financial reporting during the period covered by this annual report on Form 10-K that has materially affected or, are reasonably likely to materially affect, our internal control over financial reporting.

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

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. The design of any system of controls is 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 deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

### **Item 9B. OTHER INFORMATION**

None.

## PART III

### Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

#### *Directors and Executive Officers*

The following individuals serve as directors and executive officers of our company. All directors of our company hold office until the next annual meeting of our stockholders or until their successors have been elected and qualified. The executive officers of our company are appointed by our board of directors and hold office until their resignation or removal from office.

<b>Name</b>	<b>Position</b>	<b>Age</b>	<b>Date First Elected or Appointed</b>
Glenn Sanford	Chairman, Chief Executive Officer, Treasurer, Secretary, and Director	52	March 12, 2014
Jason Gesing	Executive Vice President, Business Development and Director	45	September 27, 2014
Jeff Whiteside	Chief Financial Officer	55	November 1, 2018
Alan Goldman	Chief Accounting Officer	40	March 16, 2016
Eugene Frederick	Director	63	April 7, 2016
Richard Miller	Director	60	July 20, 2016
Randall Miles	Director	62	July 20, 2016
Darren Jacklin	Director	46	May 22, 2014
Susan Truax	Director	53	August 9, 2017
Dan Cahir	Director	36	November 29, 2018

#### *Business Experience*

The following is a brief description of the business experience and education of each director and executive officer during at least the past five years, indicating the person's principal occupation during that period, and the name and principal business of the organization in which such occupation and employment were carried out.

**Glenn Sanford** has served as our Chief Executive Officer and Director since March 12, 2014. Since 2002, Mr. Sanford has been actively involved in the online real estate space. In early 2007, Mr. Sanford launched eXp Realty, LLC and grew the Company to three offices and into two states. After the decline in the real estate market in 2008, Mr. Sanford and his executive team rewrote the entire business model to reduce costs and provide consumers with more information and access than ever before. In October 2009, eXp Realty International, Inc. was launched as the first truly cloud-based national real estate brokerage which meant giving up the traditional brick and mortar environment and moving to a fully-

immersive 3D virtual office environment where agents, brokers and staff collaborate across borders while learning and transacting business from anywhere in the world. Since that time eXp World Holdings Inc. has quickly grown throughout the United States and Canada.

Prior to joining the Company Mr. Sanford ran a large mega-agent team and consulted to Keller Williams International as a member of the Agent Technology Council in the areas of online client acquisition, client conversion and technology. Mr. Sanford was also a significant contributor to Keller Williams Internet Lead Generation Masterminds. Prior to real estate, Mr. Sanford was active at the executive level with a number of technology-related companies. In 1998, Mr. Sanford founded and served as President for eShippers.com, an online e-commerce and logistics company.

We believe Mr. Sanford is qualified to serve on our board of directors because of his business and management experience.

**Jason Gesing** joined the Company in March 2010 and was appointed Chief Business Development Officer in September 2012, a position he held until June 2014. From June 2014 through September 2016, Mr. Gesing served as the Corporation's President. And from September 2016 through August 2018, Mr. Gesing served as Chief Executive Officer of our Real Estate Brokerage Division. Mr. Gesing currently serves as Executive Vice President, Business Development. With over a decade of experience in real estate in various capacities, Mr. Gesing holds broker's license in Massachusetts.

Mr. Gesing has been practicing law at Gesing Law Offices, LLP since 2009, and was an attorney with Murphy, Hesse, Toomey & Lehane, LLP in Boston, MA from 2002 to 2010. In his capacity as a lawyer, he obtained a broad base of experience in corporate, municipal, real estate, compliance, health care, construction, litigation, and administrative law, and advising clients on day to day issues and managing crises. He has acted in a variety of roles and undertaken a variety of matters including: corporate counsel; municipal counsel; hospital counsel; leasing, licensing and contract negotiation; governance and compliance; appearances before administrative hearing officers and state judges; defense of management in unfair labor practice charges; collective bargaining; internal investigations; and, owner representative in construction matters.

Mr. Gesing obtained a Bachelor of Arts (Magna Cum Laude) in 1996 from Syracuse University, and a Juris Doctor in 2002 from Boston College Law School. He is licensed to practice law in Massachusetts and New Hampshire.

We believe Mr. Gesing is qualified to serve on our board of directors because of his business and legal experience.

**Jeff Whiteside** joined the Company as its Chief Financial Officer and Chief Collaboration Officer on November 1, 2018. Mr. Whiteside has more than 30 years of experience in global finance and operational leadership including executive positions at General Electric, Pitney Bowes, and RM Sotheby's Auctions. Additionally, Mr. Whiteside held the positions of Chief Financial Officer and Chief Operating Officer at three software and technology companies. Mr. Whiteside has extensive international experience from living and working in Asia, Australia, Europe, and Canada.



Recently, Mr. Whiteside founded and served as the Auction Director at Saratoga Auto Museum from November 2016 through October 2018, Chief Operating Officer of Saratoga Juice Bar, LLC from January 2015 through November 2016, Chief Operating Officer and Chief Financial Officer at RM Sotheby's Auctions in 2014 and 2015, and Vice President and Group Financial Officer at Pitney Bowes from 2008 through 2013.

Mr. Whiteside works closely with eXp World Holdings, Inc. CEO, Glenn Sanford and leads finance, business development, new ventures, international markets and investor relations.

Mr. Whiteside is a graduate of Rensselaer Polytechnic, obtaining both his B.S. (with an emphasis in Managerial Economics) and M.B.A. in 1986.

**Alan Goldman** joined the Company as its Chief Financial Officer on March 16, 2016, a position held until November 2018. Mr. Goldman currently serves as Chief Accounting Officer. Prior to his employment with the Company, Mr. Goldman served as a partner at Ingenium Accounting Associates, a PCAOB registered firm, from February 2013 to March 2016. While at Ingenium, he was responsible for both attest and non-attest engagements primarily with public issuers, many of whom are in the real estate industry. Prior to Ingenium, Mr. Goldman worked as an auditor for Excelsis Accounting (formerly known as Mark Bailey and Company) from May 2011 to February 2013. Prior to joining Excelsis, Mr. Goldman served as the Controller for Pacific West Companies, a vertically integrated multi-family developer. During his tenure of four years with Pacific West, the group was recognized as a top condominium developer. Mr. Goldman earned a Bachelor of Business Administration, with an emphasis in Finance, from the University of Georgia. He is also licensed as a Certified Public Accountant in the state of Nevada.

**Eugene Frederick** has served as a director of the Company since April 2016 and joined the Company as an agent in April 2015. For over a decade prior to joining the Company, Mr. Frederick served in various management capacities at Keller Williams Realty. Mr. Frederick spent much of this time recruiting other top-producing real estate agents in the states of Virginia and Texas. Prior to joining the Keller Williams management team in the mid-nineties, Mr. Frederick was one of the top-producing real estate agents in the State of Texas beginning in the late eighties. Earlier in his career, in the mid-eighties, Mr. Frederick served as Controller for Texas Instruments before leaving the corporate world for real estate.

The Board believes that Mr. Frederick is qualified to serve on our board of directors because of his extensive experience in residential real estate and his leadership ability, particularly in managing growth.

**Richard Miller** has served as an independent director of the Company since July 2016. For over 25 years, Mr. Miller has held senior leadership positions in companies ranging in size from a Fortune 10 company to a startup. His extensive experience as a turnaround specialist and an expert in sustainable growth has been applied as an executive inside organizations and as a consultant advising from outside companies. Mr. Miller began his career as a sales trainee at Sperry/Unisys and left 15 years later as Divisional VP/GM of North America. Mr. Miller was recruited by AT&T where he served as President of the \$13 billion Global Services unit. He later served as President, COO, and as a Board member at internet startup OPUS360 where he led the company's successful IPO. Mr. Miller was later recruited by Lucent Technologies to lead their \$21 billion world-wide sales efforts. Later, he was named President, Lucent Government

Solutions. Mr. Miller also served as CEO at the Balance & Stretch Center, a non-profit focused on supporting children with diabetes.

Mr. Miller is currently CEO at Being Chief LLC, where he serves as an advisor to a broad range of executives, across a diverse number of industries. He is also an author and public speaker. Mr. Miller's success and unconventional approach has been highlighted in Harvard Business Review, Selling Power, USA Today, Yahoo, and MSN Business. Most recently, Mr. Miller was named to serve on the Executive Committee for the Strategic Innovation Lab at Case University's Weatherhead School of Management, focusing on sustainable growth.

Mr. Miller earned a Bachelor of Arts degree in Management from Bentley University and a Master's degree in Business Administration from Columbia University.

The Board believes that Mr. Miller is well qualified to serve on the Company's board of directors because of his extensive management experience, particularly in managing sustainable growth.

**Randall Miles** has served as an independent director of the Company since July 2016 and was appointed Vice-Chairman on January 20, 2018. For over 25 years Mr. Miles has held senior leadership positions in global financial services, financial technology and investment banking companies. His extensive investment banking background at bulge bracket, regional and boutique firms advising financial services companies on strategic and financial needs has crossed many disciplines. Mr. Miles transactional and advisory experience is complemented by leadership of public and private equity backed financial technology, specialty finance and software companies that have included Chairman and CEO at LIONMTS where he was nominated for the Ernst & Young Entrepreneur of the Year award, CEO at Syngence Corporation, COO of AtlasBanc Holdings Corp. and CEO of Advantage Funding / NAFCO Holdings which grew to in excess of \$1 billion.

Mr. Miles was Managing Partner at SCM Capital Group, a global strategic and financial advisory firm, where he served beginning in 2000 through January 2013. Subsequently, he served as a Managing Director at Riparian Partners, a division of Oppenheimer & Co., Inc. Since June 2014, Mr. Miles has served as Senior Managing Director, Head of FIG and COO, Investment Banking at Cantor Fitzgerald & Co. Mr. Miles has held senior leadership roles at Oppenheimer & Co., D.A. Davidson and & Co., The First Boston Corporation (Credit Suisse) Meridian Capital and Greenwich Capital Markets. Mr. Miles has broad public, private and nonprofit board experience and has been active for many years in leadership roles with the Make-A-Wish Foundation. He presently serves on the boards of Kuity, Corp. and Posiba, Inc. as Vice Chairman and Chairman respectively.

Mr. Miles holds a BBA from the University of Washington and holds FINRA licenses Series 7, 24, 63 and 79.

The Board believes that Mr. Miles is well qualified to serve on the Company's board of directors because of his extensive background in investment banking and financial services.

**Darren Jacklin** has served as an independent director of the Company since May 22, 2014. For over 24 years, Darren Jacklin has traveled four continents and over 48 countries mentoring entrepreneurs and business owners on specific and

measurable strategies that they can consistently use to increase their income, transform their obstacles into cash flow and turn their passion into profits.

His uncanny ability to increase wealth and success by uncovering hidden assets, overlooked opportunities and undervalued possibilities has captured the attention of Tiger 21, The Wall Street Journal, Yahoo Finance, NBC TV, CBS TV, Global TV international radio stations, magazines and newspapers, movie producers, best-selling authors, CEO's and business experts worldwide.

Darren Jacklin currently sits on paid international boards of directors of public companies and advisory boards. Darren has personally trained over 150 Fortune 500 companies such as Microsoft, AT&T, Black & Decker, Barclays Bank, as well as high school, college, university students and professional athletes and has connected with people in more than 126 countries.

We believe Mr. Jacklin is qualified to serve on our board of directors because of his business experience and venture capital background.

**Susan (Suzy) Truax** brings to the Board 15 years of experience in the real estate industry. Since March 2017, she has served as the Chief Executive Officer and Founder of The Smart Move Realty Group, a brokerage powered by eXp Realty. From April 2016 to March 2017, Ms. Truax served as Chief Executive Officer of Keller Williams Realty in San Carlos, California, and from November 2015 to May 2016, she served as Productivity Coach and a real estate professional with Keller Williams Realty in San Francisco, California. From September 2014 to November 2015, Ms. Truax served as a real estate professional with Alain Pinel Realtors in the San Francisco Bay Area. From May 2013 to September 2014, she served as a Realtor with Berkshire Hathaway and Fox & Roach Realtors in Blue Bell, Pennsylvania and Cape May County, New Jersey. Previously, from February 2011 to December 2012, she served as Vice President and Realtor with Coldwell Banker Realty Corp. Associates. Ms. Truax is a licensed Realtor in the San Francisco Bay Area, Greater Philadelphia, South New Jersey and Florida.

The Board believes that Ms. Truax is well qualified to serve on our Board because of her experience as both a realtor and having management roles in various brokerages across the United States, in addition to her role on eXp's Agent Advisory Council.

**Dan Cahir** was appointed as an independent director of the Company on November 29, 2018. Mr. Cahir has more than 10 years of experience managing public and private equity investments across a variety of industries. Currently, Mr. Cahir serves as the Chief Executive Officer and Chief Investment Officer of Amherst Ave Capital, positions he has held since June 2018.

From June 2013 to June 2018, Mr. Cahir served as a portfolio manager at Long Light Capital, managing a public equity portfolio and evaluating venture capital and private equity investments and allocations to external fund managers. From September 2011 to April 2013, Mr. Cahir was a member of the investment team at Ziff Brothers Investments, a private investment firm. From August 2007 to September 2009, Mr. Cahir was a member of the investment team at Madrone Capital Partners where he led the analysis on venture capital, private equity and public equity investments.

Mr. Cahir began his career in September 2005 with Bain & Co., where he advised Fortune 500 and private equity clients on M&A, growth and efficiency initiatives until June 2007.

Mr. Cahir completed his studies and earned his Bachelor of Arts Degree in Economics in 2005, graduating with the summa cum laude distinction from Claremont McKenna College and completed his studies and earned a Master of Business Administration from Harvard Business School in 2011.

The Board believes that Mr. Cahir is qualified to serve on our board of directors because of his extensive experience in managing equity portfolios and well as advising Fortune 500 clients on M&A, growth and cost-cutting strategies.

### ***Family Relationships***

There are no family relationships between our directors or executive officers.

### ***Involvement in Certain Legal Proceedings***

None of our directors or executive officers has been involved in any of the following events during the past ten years:

(a) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(b) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offences);

(c) being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities;

(d) being found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;

(e) being the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of: (i) any federal or state securities or commodities law or regulation; or (ii) any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease- and-desist order, or removal or prohibition order; or (iii) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

(f) being the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Securities Exchange Act of 1934), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

### ***Code of Ethics***

On September 20, 2018, the Company adopted a code of business conduct and ethics which is available on our website at [www.expworldholdings.com](http://www.expworldholdings.com).

### ***Security Holder Nominating Procedures***

We do not have any formal procedures by which our stockholders may recommend nominees to our board of directors.

### ***Committees of the Board of Directors***

As of the date of this report, our directors served on the committees of the Board indicated in the following table:

Director	Independent	Compensation Committee	Audit Committee	Governance Committee
Glenn Sanford		Chair		X
Richard Miller	X	X	X	Chair
Randall Miles	X	X	Chair	X
Darren Jacklin	X			X
Susan Truax		X		
Dan Cahir	X		X	

### ***Audit Committee***

Our audit committee consists of three independent members: Randall Miles, Chairman and financial expert; Richard Miller and Dan Cahir. Our audit committee approves the selection of our independent accountants and meets and interacts with the independent accountants to discuss issues related to financial reporting. In addition, the audit committee reviews the scope and results of the audit with the independent accountants, reviews with management and the independent accountants our annual operating results, considers the adequacy of our internal accounting procedures and considers other auditing and accounting matters including fees to be paid to the independent auditor and the performance of the independent auditor.

### ***Compensation Committee***

Our Compensation Committee is appointed by the Board of Directors and is responsible to the Board for carrying out their duties, namely, determining and approving the Executive Compensation Packages. Our Compensation Committee has the ultimate responsibility to oversee the development, implementation, and effectiveness of all pay and benefit programs.

### ***Governance Committee***

Our Corporate Governance Committee is appointed by the Board of Directors to oversee and evaluate the Board's performance and the Company's compliance with corporate governance regulations, guidelines and principles. Additionally, our Governance Committee identifies individuals qualified to be Board members and recommends to the Board directors to serve on each standing committee.

### ***Section 16(a) Beneficial Ownership Reporting Compliance***

Section 16(a) of the Exchange Act requires the Company's directors, executive officers and persons who owned more than 10% of the Company's common stock (collectively, "Reporting Persons") to file reports of ownership and changes in ownership of common stock and other securities of the Company on Forms 3, 4 and 5 with the SEC. Reporting Persons were required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they filed.

Based solely on review of reports received by the Company or written representations from the Reporting Persons, the Company believes that with respect to the fiscal year ended December 31, 2018, all Reporting Persons complied with all applicable Section 16(a) filing except Mr. Cahir, Mr. Jacklin, Ms. Truax, Mr. Whiteside and Mr. Petronis filed late Form 3 reports. Ms. Coleman, who is no longer employed by the Company, did not file a Form 3 report. Additionally, late Form 4 reports were filed by Mr. Cahir on December 11, 2018; Mr. Frederick on March 15, 2019; Mr. Jacklin on August 16, 2018; Mr. Miles on June 15, 2018 and August 6, 2018; Mr. Miller on August 6, 2018; Ms. Truax on August 30, 2018; Mr. Sanford on August 31, 2018; and Mr. Whiteside on November 19, 2018.

## **Item 11. EXECUTIVE COMPENSATION**

The particulars of the compensation paid to:

- our principal executive and principal financial officer;
- our president;
- and certain other officers, all of whom will collectively refer to as the "named executive officers" of our company,
- are set out in the following summary compensation table:

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Bonus	Stock Awards <sup>(1)</sup>	Option Award s <sup>(2)</sup>	Non- Equity Incentive Plan Compens ation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compens ation <sup>(3)</sup>	Total
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Glenn Sanford	2018	58,875	-0-	-0-	-0-	-0-	-0-	1,748,092 <sup>(4)</sup>	1,806,967
<i>Chief Executive Officer and Chairman of the Board</i>	2017	488,880	-0-	6,008	-0-	-0-	-0-	284,307 <sup>(4)</sup> <sup>(6)</sup>	779,195
Jason Gesing,	2018	150,000	-0-	89,813	-0-	-0-	-0-	583,558 <sup>(4)</sup>	823,371
<i>Director and Executive Vice President, Business Development</i>	2017	202,238	58,000	66,179	-0-	-0-	-0-	99,523 <sup>(4)</sup> <sup>(7)</sup>	425,940
Jeff Whiteside,	2018	33,125	36,000	-0-	2,638,0 17 <sup>(5)</sup>	-0-	-0-	-0-	2,707,142
<i>Chief Financial Officer</i>	2017	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

(1) Amounts in this column represent stock awards issued to the individuals noted, with the fair value determined at the date of grant in accordance with U.S. GAAP based on the closing price of our common stock on the applicable grant date. See Note 9, Stockholders' Equity, above for the assumptions used in determining the grant date fair value of stock awards. Director compensation as part of stock awards for Glenn Sanford amounted to \$6,008 in 2017. Director compensation as part of stock awards for Jason Gesing amounted to \$89,813 and \$6,008 in 2018 and 2017, respectively.

(2) Amounts in this column represent option awards issued to the individuals noted, based on the fair value determined at the date of grant in accordance with U.S. GAAP. See Note 9, Stockholders' Equity, above for the assumptions used in determining the grant date fair value of option awards.

- (3) The value of privileges and other personal benefits, perquisites and property for the officers that do not exceed the lesser of \$10,000 or 10% of the total of the annual salary and bonus and is not reported herein.
- (4) Consists of revenue sharing earned and officer revenue.
- (5) The dollar amount shown represents the aggregate grant date fair value of common stock awards granted, determined in accordance with US GAAP, but not what was fully vested as of December 31, 2018.
- (6) For the year ended December 31, 2017, \$439,380 in commissions earned was included in all other compensation. In the current period, this amount has been excluded from all other compensation and included in salary in the table above for the 2017 disclosure.
- (7) For the year ended December 31, 2017, \$56,133 in commissions earned was included in all other compensation. In the current period, this amount has been excluded from all other compensation and included in salary in the table above for the 2017 disclosure.

***Retirement or Similar Benefit Plans***

There are no arrangements or plans in which we provide pension, retirement or similar benefits for directors or executive officers. Our directors and executive officers may receive stock options and stock grants at the discretion of our board of directors. We do not have any bonus or profit sharing plans pursuant to which cash or non-cash compensation is or may be paid to our directors or executive officers, except that stock options or stock grants may be granted at the discretion of our board of directors. Mr. Sanford and Mr. Gesing are participants in the Company's revenue share plan and would continue to receive those benefits similar to all other agents and brokers of eXp Realty on a long-term basis. Any revenue share bonuses that are paid to officers and directors would discontinue at the point that they are no longer in an executive position with the Company, however revenue share benefits based on their position in the revenue share system would continue as would be consistent with the revenue share plan.

***Resignation, Retirement, Other Termination, or Change in Control Arrangements***

The Company does not have any agreements or plans in place for the named executive officers that would provide additional compensation in connection with a resignation, retirement or other termination or a change in control..

***Outstanding Equity Awards at Fiscal Year End***

**Option awards**

**Stock awards**



<u>Name</u>	<u>Number of securities underlying unexercised options (#) exercisable</u>	<u>Number of securities underlying unexercised options (#) exercisable</u>	<u>Equity incentive plan awards: Number of securities underlying unexercised options (#)</u>	<u>Option exercise price (\$)</u>	<u>Option expiration date</u>	<u>Number of shares or units of stock that have not vested (#)</u>	<u>Market value of shares of units of stock that have not vested (\$)</u>	<u>Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)</u>	<u>Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested (\$)</u>
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
<b>Glenn Sanford,</b> <i>Chief Executive Officer and Chairman of the Board</i>	1,617,000	-	-	\$0.13	10/1/2022	-	-	-	-
<b>Jeff Whiteside,</b> <i>Chief Financial Officer</i>	-	250,000	-	\$11.65	11/1/2028	-	-	-	-

### Compensation of Directors

Mr. Sanford is also our Chief Executive Officer (see Executive Compensation table for services acting as Officers).

During the year-ended December 31, 2018, Mr. Jacklin was compensated \$2,000 per month for directorship activities which was paid in common stock. Newly appointed directors received \$75,000 a year as compensation. Directors are reimbursed for reasonable out-of-pocket expenses incurred in the performance of duties as a Board member.

The following table sets forth certain information regarding the compensation earned by or awarded to each non-employee director during fiscal year 2018 who served on our Board during the fiscal year 2018:

<u>Name</u>	<u>Fees Earned or Paid in Cash</u>	<u>Option Awards (1)</u>	<u>Stock Awards (2)</u>	<u>Total</u>
Richard Miller (3)	\$ 75,000	\$ -	\$ -	\$ 75,000
Randall Miles (4)	\$ 75,000	\$ -	\$ -	\$ 75,000
Darren Jacklin	\$ 24,000	\$ -	\$ 24,108	\$ 48,108
Dan Cahir (5)	\$ 16,688	\$ 963,273	\$ -	\$ 979,961

- (1) The dollar amounts shown represent the aggregate grant date fair value of stock options granted, determined in accordance with U.S. GAAP, but not what has fully vested as of December 31, 2018.

- (2) The dollar amounts shown represent the grant date fair value of stock awards granted, with the fair valued determined at the date of grant in accordance with US GAAP, based on the closing price of our common stock on the applicable grant date.
- (3) As of December 31, 2018, Mr. Miller has 1,285,000 unexercised option awards, which includes 350,000 options under a personal contract between Mr. Miller and Ms. Sanford.
- (4) As of December 31, 2018, Mr. Miles has 1,247,701 unexercised option awards, which includes 350,000 options under a contract between Mr. Miles and Ms. Sanford.
- (5) As of December 31, 2018, Mr. Cahir has 100,000 unexercised option awards.

In 2016, we agreed to compensate each of Mr. Miles and Mr. Miller the award of stock options to purchase 1,350,000 shares of the Company's common stock at an exercise price equal to the fair market value on the grant date, with such shares vesting over a three-year period in equal monthly installments, in addition to their \$75,000 a year as compensation and reimbursement of expenses reasonably incurred.

## **Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

### *Principal Stockholders and Management*

The following table provides certain information regarding the ownership of our common stock, as of March 10, 2019 by:

- each person known to us to own more than 5% of our outstanding common stock;
- each of our executive officers;
- each of our directors; and
- all of our executive officers and directors and as a group.

<b>Title of Class</b>	<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership<sup>(1)</sup></b>	<b>Percentage of Class<sup>(2)</sup></b>
<i>More than 5% stockholders:</i>			
Common Stock	Penny Sanford 2219 Rimland Drive, Suite 301 Bellingham, WA 98226	16,279,325	26.70%
<i>Directors and named executive officers:</i>			
Common Stock	Glenn Sanford 2219 Rimland Drive, Suite 301 Bellingham, WA 98226	22,661,144 <sup>(3)</sup>	36.20%
Common Stock	Jason Gesing 2219 Rimland Drive, Suite 301 Bellingham, WA 98226	1,940,011 <sup>(4)</sup>	3.12%
Common Stock	Jeff Whiteside 2219 Rimland Drive, Suite 301 Bellingham, WA 98226	15,700 <sup>(5)</sup>	0.03%
Common Stock	Alan Goldman 2219 Rimland Drive, Suite 301 Bellingham, WA 98226	458,334 <sup>(6)</sup>	0.75%
Common Stock	Eugene Frederick 2219 Rimland Drive, Suite 301 Bellingham, WA 98226	1,552,351 <sup>(7)</sup>	2.55%
Common Stock	Richard Miller 2219 Rimland Drive, Suite 301 Bellingham, WA 98226	1,237,500 <sup>(8)</sup>	1.99%
Common Stock	Randall Miles 2219 Rimland Drive, Suite 301 Bellingham, WA 98226	1,237,500 <sup>(9)</sup>	1.99%
Common Stock	Darren Jacklin 2219 Rimland Drive, Suite 301 Bellingham, WA 98226	77,585	0.13%
Common Stock	Susan Truax 2219 Rimland Drive, Suite 301 Bellingham, WA 98226	16,187 <sup>(10)</sup>	0.03%
Common Stock	Dan Cahir 2219 Rimland Drive, Suite 301 Bellingham, WA 98226	13,889 <sup>(11)</sup>	0.02%
Common Stock	Mary Frances Coleman 2219 Rimland Drive, Suite 301 Bellingham, WA 98226	59,401 <sup>(12)</sup>	0.10%
Common Stock	Scott Petronis 2219 Rimland Drive, Suite 301 Bellingham, WA 98226	116,250 <sup>(13)</sup>	0.19%
Common Stock	<b>All executive officers and directors as a group (12 persons)</b>	29,385,852	43.97%

## Notes

<sup>(1)</sup> Except as otherwise indicated, we believe that the beneficial owners of the common stock listed above, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities.

<sup>(2)</sup> Percentage of ownership is based on 60,978,604 shares of our common stock issued and outstanding as of March 10, 2019. Common stock subject to options or warrants exercisable within 60 days of March 10, 2019 are deemed outstanding for purposes of computing the percentage ownership of the person holding such option or warrants, but are not deemed outstanding for purposes of computing the percentage ownership of any other person.

<sup>(3)</sup> Includes 21,044,144 shares of our common stock including 300,000 shares of our common stock pledged as collateral to secure a line of credit and stock options to acquire 1,617,000 shares of our common stock exercisable within 60 days of March 10, 2019.

<sup>(4)</sup> Includes of 765,880 shares of our common stock and stock options to acquire 1,174,131 shares of our common stock exercisable within 60 days of March 10, 2019.

<sup>(5)</sup> Includes 75 shares of our common stock and stock options to acquire 15,625 shares of our common stock only exercisable within 60 days of March 10, 2019.

<sup>(6)</sup> Includes 83,334 shares of our common stock and stock options to acquire 375,000 shares of our common stock exercisable within 60 days of March 10, 2019.

<sup>(7)</sup> Includes 797,566 shares of our common stock pledged as collateral.

<sup>(8)</sup> Consists of stock options to acquire shares of our common stock only exercisable within 60 days of March 10, 2019.

<sup>(9)</sup> Consists of stock options to acquire shares of our common stock only exercisable within 60 days of March 10, 2019.

<sup>(10)</sup> Includes 1,187 shares of our common stock and stock options to acquire 15,000 shares of our common stock exercisable within 60 days of March 10, 2019.

<sup>(11)</sup> Consists of stock options to acquire shares of our common stock only exercisable within 60 days of March 10, 2019.

<sup>(12)</sup> Includes of 26 shares of our common stock and stock options to acquire 59,375 shares of our common stock exercisable within 60 days of March 10, 2019. Ms. Coleman resigned from the Company effective January 25, 2019.

<sup>(13)</sup> Includes of 6,250 shares of our common stock and stock options to acquire 110,000 shares of our common stock exercisable within 60 days of March 10, 2019.

### **Securities Authorized for Issuance under Equity Compensation Plans**

The following table summarizes certain information regarding our equity compensation plan as at December 31, 2018:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	12,570,491	5.02	5,417,869
Equity compensation plans not approved by security holders	-	-	-
<b>Total</b>	<b>12,570,491</b>	<b>5.02</b>	<b>5,417,869</b>

### 2013 Stock Option Plan

On September 27, 2013, we adopted a stock option plan. The purpose of the stock option plan is to retain the services of valued key employees, directors, officers and consultants and to encourage such persons with an increased initiative to make contributions to our company. Under the stock option plan, eligible employees, consultants and certain other persons who are not eligible employees, may receive awards of “non-qualified stock options”. Individuals, who, at the time of the option grant, are employees of our company or any related company (as defined in the stock option plan) who are subject to tax in the United States may receive “incentive stock options,” and non-U.S. residents may receive awards of “non-qualified stock options”. The number of shares of our common stock issuable under the plan is 10,000,000. As of March 10, 2019, there were stock options to purchase an aggregate of 4,206,416 shares of our common stock outstanding. We do not expect to grant future option awards under the 2013 stock option plan.

### 2015 Equity Incentive Plan

On March 12, 2015, we adopted an equity incentive plan which was subsequently amended on October 29, 2017. The purpose of the equity incentive plan is to retain the services of valued key employees, directors, officers and consultants and to encourage commitment and motivate excellent performance. Our employees, consultants and directors are eligible to participate in the 2015 Equity Incentive Plan as determined by the Board. The following equity awards may be granted under the equity incentive plan: “incentive stock options”, “non-qualified stock options,” shares of restricted stock, restricted stock units and other stock-based awards; provided, that “incentive stock options” may be granted only to employees. The number of shares of our common stock issuable under the plan is 21,000,000. As of March 10, 2019, there were stock options to purchase an aggregate of 19,492,568 shares of our common stock outstanding with 1,507,432 available for future issuances.

On November 14, 2017, we filed a registration statement on Form S-8 to register the sale of 23,273,890 shares issuable under the 2013 Stock Option Plan and 2015 Equity Incentive Plan.

### *Changes in Control*

We are unaware of any arrangement the operation of which may at a subsequent date result in a change of control of our company.

### **Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

#### *Transactions with Related Persons*

None

#### *Director Independence*

Our bylaws provide that we have at least one director, and as of the date this report, our Board consisted of a total eight directors, consisting of Glenn Sanford, Jason Gesing, Eugene Frederick, Richard Miller, Randall Miles, Darren Jacklin, Susan Truax and Dan Cahir. Under NASDAQ Marketplace Rule 5605(a)(2), a director is not considered to be independent if he or she is also an executive officer or employee of the Company, or otherwise has any material relationship with the Company or its affiliates that would impair independence. Using this definition of director independence, each of the following directors are considered independent; Darren Jacklin, Randall Miles, Richard Miller and Dan Cahir.

### **Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

#### *Principal Accounting Fees*

The following table sets forth fees billed or accrued by our independent registered public accountants during the fiscal years ended December 31, 2018 and 2017:

	Year Ended December 31,	
	<u>2018</u>	<u>2017</u>
Audit fees	\$ 785,000	\$ 490,000
Audit related fees	-	-
Tax fees	-	-
All other fees	-	-
Total fees	<u>\$ 785,000</u>	<u>\$ 490,000</u>

Audit fees pertain to the audit of our annual Consolidated Financial Statements, including reviews of the interim financial statements contained in our Quarterly Reports on Form 10-Q and services that are normally provided by an independent

registered accountant in connection with statutory and regulatory filings or engagements. Our current principal accountant BDO USA, LLP was engaged to audit our Consolidated Financial Statements for the years ended December 31, 2018 and December 31, 2017.

Audit-related fees consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements, which are not reported under “Audit Fees.”

Tax fees consist of fees billed for professional services for tax compliance, tax advice, and tax planning.

The principal accountant for the current year and for the most recently completed fiscal year is not expected to present at the stockholders’ meeting and, therefore, will not make a statement or be available to respond to questions.

All other fees consist of fees for products and services other than the services reported above. There were no management consulting services provided in the fiscal year end December 31, 2018 and 2017.

#### ***Pre-Approval Policies and Procedures***

All services provided by our independent registered accountants were pre-approved by the Audit Committee. The Audit Committee is presented, for approval, a description of the Audit-related, Tax and Other services expected to be performed by the independent registered accounts during the fiscal year.

The Audit Committee determined that all services provided by our independent registered accountants were compatible with maintaining their independence.

## **PART IV**

### **Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

#### **EXHIBITS**

<b>Exhibit Number</b>	<b>Exhibit Description</b>
2.1	Merger Agreement dated August 15, 2013 with eXp Realty International, Inc. and eXp Acquisition Corp. (incorporated by reference on Form 8-K, filed on August 20, 2013)
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference from Appendix A to the Company’s Definitive Information Statement on Schedule 14C filed on October 9, 2018)

3.2	Amended and Restated Bylaws (incorporated by reference from Appendix B to the Company' Definitive Information Statement on Schedule 14C filed on October 9, 2018)
10.1	Affiliate Stock Purchase Agreement (incorporated by reference from Form 8-K, filed on March 18, 2013)
10.2	Stock Option Plan (incorporated by reference from Form 8-K, filed on October 2, 2013)
10.3	eXp Realty International Corporation 2015 Equity Incentive Plan (incorporated by reference to Company's Definitive Information Statement on Schedule 14C filed on April 2, 2015)
10.4	First Amendment to eXp Realty International Corporation 2015 Equity Incentive Plan (incorporated by reference to Company's Definitive Information Statement on Schedule 14C filed on October 6, 2017)
10.5	eXp Realty International Corporation 2015 Agent Equity Program Enrollment Form (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed on April 30, 2015)
14	Code of Ethics
21	Subsidiaries of the Registrant
31.1	Certification of the Chief Executive pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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

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

None

**SIGNATURES**

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

**eXp World Holdings, Inc.**

(Registrant)

Date: March 18, 2019

*/s/ Glenn Sanford*

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Glenn Sanford  
Chief Executive Officer (Principal Executive Officer)

Date: March 18, 2019

*/s/ Jeff Whiteside*

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Jeff Whiteside  
Chief Financial Officer

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

<b>Name</b>	<b>Title</b>	<b>Date</b>
/s/ Glenn sanford <b>Glenn Sanford</b>	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	March 18, 2019
/s/ JEFF WHITESIDE <b>Jeff Whiteside</b>	Chief Financial Officer (Principal Financial Officer)	March 18, 2019
/s/ Alan Goldman <b>Alan Goldman</b>	Chief Accounting Officer	March 18, 2019
/s/ Jason Gesing <b>Jason Gesing</b>	Director	March 18, 2019
/s/ EUGene Frederick <b>Eugene Frederick</b>	Director	March 18, 2019
/s/ Richard Miller <b>Richard Miller</b>	Director	March 18, 2019
/s/ Randall Miles <b>Randall Miles</b>	Director	March 18, 2019
/s/ Darren jacklin <b>Darren Jacklin</b>	Director	March 18, 2019
/s/ Susan Truax <b>Susan Truax</b>	Director	March 18, 2019
/s/ DAN CAHIR <b>Dan Cahir</b>	Director	March 18, 2019





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