UNITED STATES OF AMERICA

[illegible]

We just finished analyzing your home's market value, and we're [illegible]

I'm [redacted] and I'm here to answer any questions about your offer and how Opendoor works.

Take a lo[illegible] let me know what you [illegible]

[illegible]

You're able to:

- Choose [illegible]
- Skip intrusive and inconvenient home showings.
- Get full value without paying the many hidden costs of a traditional sale.

23. Consum[illegible] link in the ema[illegible] presenting the offer ("seller f[illegible] repre[illegible] and that its [illegible]

Hi Teresa, tha[illegible] in your offer

Home Value

Estimated ba[illegible]

Service Charge

We'll comp[illegible]

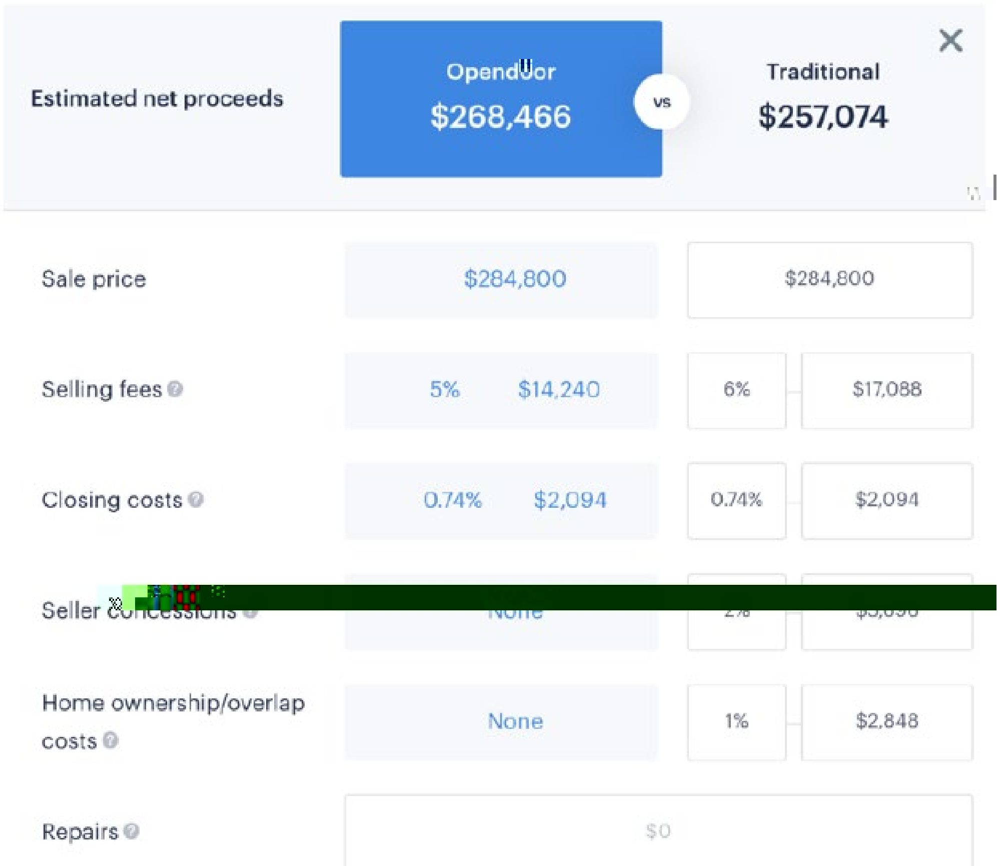
[illegible]

Similar to what you'd expect to pay traditionally

Net proceeds

Our best estimate of the cash you'll r[illegible] at close

24. The seller flow presented a housing-market analysis and [illegible] which Op[illegible] relied [illegible] lculating the offer. The seller flow described its estimate of [illegible] value" as "[illegible] sed on [illegible] references like squa[illegible] age, featur[illegible] The seller flow explained that "home value does [illegible] include costs associated wi[illegible] selling, such as repair costs."



28. In some instances, Opendoor included two disclaimers at the end of the seller flow. Those disclaimers were not conspicuous and were in fine print. Moreover, they did not cure Opendoor's repeated representations that it provided market value offers and that consumers were likely to make more money selling to it. Rather, one merely stated that "[t]hese figures are our best estimates" and the other stated, in direct contravention to Opendoor's marketing, that the offer "does not necessarily represent the 'market value' of your home" because it was not a formal appraisal.

29. The net proceeds comparison charts have provided more information about certain line items if consumers clicked a link adjacent to those line items. For example, if a consumer clicked an icon next to repairs on one version of the chart, a popup graphic provided the following explanation:

> Our philosophy is to ask for repairs we anticipate the next buyer of the home will ask for. We look for items that are broken, in poor condition, or can affect the safety, structure, or functionality of the home. Some examples include roof, foundation, flooring, electrical, plumbing, HVAC (heating, ventilation, and a/c systems), and appliances. On average, a typical repair request ranges from $____ to $_____, but can vary depending on the condition of your home.

Other versions of the offer described repair costs as “[s]imilar to what you’d expect to pay traditionally.” In emails, Opendoor described its repair-assessment process as an “inspection” similar to post-contract inspections in market sales.

Most Consumers Who Sold to Opendoor Lost Money.

30. Contrary to Opendoor’s promises, consumers actually lost thousands of dollars selling to it compared to what they would have received from a traditional sale. Its offers have not been market value but consistently averaged thousands of dollars below market value. And the costs consumers have paid when selling to Opendoor have been higher than what consumers typically pay in a market sale.

Opendoor Offered Below Market Value for Homes.

31. The overwhelming majority of Opendoor’s offers have been significantly below what consumers would have received if they sold on the open market.

32. Opendoor took various steps to reduce offers below what their internal valuation system deemed to be a home’s market value.

33. In or around August 2018, Opendoor instituted a policy of lowering offers to cover anticipated repair costs. The policy reduced offers without disclosing that they were less than market value. If actual assessed repairs were lower than the amount withheld, Opendoor retained the difference as revenue. Even before implementing this policy, Opendoor would reduce certain offers to account for potential repairs, which simultaneously provided a sub-market offer and concealed assessed costs from consumers.

34. Opendoor has used an automated system to generate expected market values for homes. In many instances, Opendoor’s employees have manually adjusted these values before presenting them to consumers as offers. Opendoor’s internal analyses showed that these

did not disclose these reductions thereby masking its higher costs compared to market sales and competitors.

38. Opendoor's own internal analyses show that its offers [illegible] consumers would receive on the open market. In November 2018, for example, one analysis examined [illegible] analysis shows that those properties sold for more on the open market than the amounts Opendoor offered, in some cases by as much as [redacted] percent. Other internal analyses show that Opendoor's offers were [illegible] percent of homes on which Opendoor [illegible] market [illegible] than [redacted] percent more than Opendoor's offer price. A third party analysis performed in 2017 concluded that Opendoor's profit from buying [illegible] Opendoor's renovation of the homes.

39. Opendoor [illegible] make money from "buying lo[illegible] from "charging a fee for [its] service." [illegible] are a key contributor to its revenue. A 2019 financial analysis broke down revenue from Opendoor's fee and from "net resale gain" and reported over [redacted] in resale gains in 2018 and [redacted] in projected resale gains in 2019. Presentations to investors touted "resale gain" as a significant contributor to Opendoor's revenue per home.

40. [illegible] presentation in 2016 noted that "[illegible] that [sic] reject OD offers [illegible] make more on the open market than their OD offer." In 2019, another internal communication stated bluntly, "We don't offer a fair market value to our customers."

41. Data from Opendoor's real estate transactions confirm that Opendoor makes money not just from its fees, but also from buying homes low and selling them high. After purchasing homes, it lists them on the [illegible] market for resale. From [illegible] sold [redacted] percent of its homes for more than what it offered consumers [illegible] homes was [redacted], or [redacted] percent of the homes' average offer price of [redacted].

Opendoor's' Costs Were Higher than What Consumers Would Have Paid in Traditional Sales.

42. Contrary to Opendoor's claims that its home-buying service w[illegible] money, Opendoor's costs were higher because it required consumers [illegible] would not have had to make in a traditional sale. In addition, Opendoor overstated the costs associated with traditional sales.

<u>Opendoor [illegible]</u>

43. After the offer, Opendoor has required an in-person "home assessment" to reassess its estimation of value and to determine whether repairs are necessary. If Opendoor concluded that the initial offer was too high, it often rescinded the offer and [illegible]

44. O[illegible] consumers make or pay f[illegible] marketing has suggested that the company may not require [illegible] repairs, as of February 2020, Opendoor had demanded repairs for [illegible] percent of homes on which Opendoor had made an offer.

Opendoor's internal study of sellers who withdrew after receiving r[illegible] those who sold on the market did so without making all the repairs that Opendoor demanded.

45. As part of [illegible] process, Opendoor has sent consumers a list of required repairs with the cost it would charge consumers if they chose to deduct the costs from their sale proceeds. The list of repairs has been typically well beyond what consumers would be responsible for in a market sale. Opendoor has routinely requested upgrades to, or replacement of, functional heating and cooling systems, flooring, and roofs. It has also frequently demanded cosmetic changes such as repainting and replacement of items that could be repaired at far lower cost.

46. According to Opendoor's own internal study, as of March 2019, Opendoor demanded repairs that cost, on average, [redacted]. The same study concluded that, in a traditional sale, consumers spend less than [redacted], with an average of [redacted] (less than [redacted] percent of the average purchase price. A separate internal study found that Opendoor's "repair ask" is [redacted] percent of the purchase price. Another internal survey examining consumers who cancelled after learning of Opendoor's repair assessment found that over [illegible] percent of them sold their homes without paying for any repairs and concluded that Opendoor's "repair asks are NOT in line with market."

47. Unlike traditional sales, Opendoor demanded that consumers make or pay for all demanded repairs, even though Opendoor's own studies indicate that the parties to a market sale typically share these costs. The repair demands were not subject to negotiation.

48. Opendoor at times has taken up to 18 days after consumers agree to the initial offer to pro[illegible] on new homes and could not walk away from the new home purchase without incurring a financial penalty. Opendoor's internal communications have described the initial offer and the later, significantly lower offer as a "bait-and-switch" operation.

49. In or around August 2018, Opendoor implemented an "Estimated Repair Credit," which surreptitiously reduced offer prices to cover some of the repair costs. Opendoor never disclosed this "credit," and continued to describe offers as representing the company's best estimate of market value without any adjustment.

50. [illegible] costs from the net proceeds of the sale rather than arrange for [illegible] company has emphasized [illegible] suggesting that the proposed repair costs are discounted and therefore less than what the consumer would pay on the open market.

51. If the consumer decides to authorize Opendoor to deduct the estimated costs from the sale proceeds, Opendoor completes the repairs after it acquires the property. If the repairs cost less than the amount deducted, Opendoor retains the excess as profit, including the undisclosed Estimated Repair Credit [illegible] Opendoor [illegible] offer. One internal study found that for [redacted] of Opendoor's [illegible] repair costs were greater than Opendoor's actual costs, [illegible] equity" in each of those sales.

Opendoor Overstated the Costs of Traditional Sales.

52.

b. Respondent makes money from disclosed fees rather than from “buying low and selling high”;

c. Consumers will likely pay the same amount in repair costs whether they sell their homes to Respondent or sell their homes in traditional sales; and

d. Consumers will likely pay less in costs by selling to Respondent than they would pay in traditional sales:

58. The representations set forth in Paragraph 57 are false or misleading, or were not substan-1.9 (o R)2sta -0.0(n)2 (o)2[stTJ 0atas