

SECURITIES AND EXCHANGE COMMISSION

FORM 1-K

Filing Date: **2025-03-31** | Period of Report: **2024-12-31**
SEC Accession No. [0001104659-25-029553](#)

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FILER

GROUND FLOOR FINANCE INC.

CIK: **1588504** | IRS No.: **463414189** | State of Incorporation: **GA** | Fiscal Year End: **1231**
Type: **1-K** | Act: **33** | File No.: **24R-00003** | Film No.: **25788598**
SIC: **6500** Real estate

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 1-K
ANNUAL REPORT

ANNUAL REPORT PURSUANT TO REGULATION A OF THE SECURITIES ACT OF 1933

For the Annual Period Ended December 31, 2024

GROUNDFLOOR FINANCE INC.

(Exact name of registrant as specified in its charter)

Commission File Number: **024-11188 (Common Shares); 024-12013 (LROs)**

Georgia
(State or other jurisdiction of
incorporation or organization)

46-3414189
(I.R.S. Employer
Identification No.)

**1201 Peachtree Street NE, Suite
1104-400
Atlanta, GA**
(Address of principal executive offices)

30361
(Zip Code)

(404) 850-9225

Registrant's telephone number, including area code

COMMON SHARES, LIMITED RECOURSE OBLIGATIONS
(TITLE OF EACH CLASS OF SECURITIES ISSUED PURSUANT TO REGULATION A)

GROUNDFLOOR FINANCE INC.
FORM 1-K
Fiscal Year Ending 2024
March 28, 2025

DESCRIPTION OF THE COMPANY'S BUSINESS

We incorporate by reference the section titled "Description of the Company's Business," filed on Form 1-A dated February 14, 2025, and qualified February 25, 2025. [Please see this filing on EDGAR.](#)

MANAGEMENT DISCUSSION AND ANALYSIS

See section titled "Management Discussion and Analysis" below.

DIRECTORS AND OFFICERS

We incorporate by reference the section titled "Management" Form 1-A dated February 14, 2025, and qualified February 25, 2025. [Please see this filing on EDGAR.](#)

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN SECURITYHOLDERS

We incorporate by reference the section titled "Principal Shareholders," Form 1-A dated February 14, 2025, and qualified February 25, 2025. [Please see this filing on EDGAR.](#)

INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS

We incorporate by reference the section titled "Related Party Transactions," Form 1-A dated February 14, 2025, and qualified February 25, 2025. [Please see this filing on EDGAR.](#)

OTHER INFORMATION

We do not have other information to disclose under Item 6 of Form 1-K

GROUNDFLOOR FINANCE INC.

Consolidated Financial Statements

**As of December 31, 2024 and 2023, and
For the years ended December 31, 2024 and 2023**

GROUNDFLOOR FINANCE INC.

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Report of Independent Auditor

To the Board of Directors
Groundfloor Finance Inc. and Subsidiaries
Atlanta, Georgia

Opinion

We have audited the accompanying consolidated financial statements of Groundfloor Finance Inc. and Subsidiaries (the “Company”), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, stockholders’ (deficit) equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt about the Company’s Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has incurred losses and negative cash flows from operations since its inception, resulting in substantial doubt about the Company’s ability to continue as a going concern. Management’s evaluation of the events and conditions and management’s plans regarding this matter are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Cherry Bekaert LLP

Atlanta, Georgia
March 28, 2025

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GROUNDFLOOR FINANCE INC.

Consolidated Balance Sheets

	December 31,	
	2024	2023
Assets		
Current assets:		
Cash ⁽¹⁾	\$ 2,096,160	\$ 6,249,581
Restricted cash	54,220,669	17,925,321
Loans to developers ⁽¹⁾	224,596,705	264,875,442
Allowance for loans to developers ⁽¹⁾	(4,781,901)	(5,086,957)
Interest receivable on loans to developers ⁽¹⁾	24,259,682	27,608,139
Other real estate owned	20,328,188	11,218,141
Credit facility receivable	9,386,484	-
Other current assets	11,721,442	3,581,552
Total current assets	341,827,429	326,371,219
Investments in debt securities	9,867,160	-
Property, equipment, software, website, and intangible assets, net	3,521,681	3,456,826
Other assets	9,244,671	6,714,428

Total assets		\$ 364,460,941	\$ 336,542,473
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable and accrued expenses ⁽¹⁾		\$ 7,515,188	\$ 5,545,907
Limited recourse obligations		160,742,560	169,174,236
Allowance for limited recourse obligations		(9,204,695)	(8,808,334)
Accrued interest on limited recourse obligations		11,410,104	10,709,813
Other securities payable		7,270,571	3,857,003
Short-term notes payable		102,172,477	108,580,902
Bond payable		56,396,667	-
Short-term convertible notes		8,010,031	8,918,820
Other current liabilities		239,319	-
Total current liabilities		344,552,222	297,978,347
Long-term notes payable		11,283,700	23,026,900
Long-term convertible notes		1,416,728	-
Long-term other securities payable		8,644,920	7,212,707
Other liabilities		931,829	-
Total liabilities		366,829,399	328,217,954
Commitments and contingencies (See Note 14)			
Stockholders' equity:			
Series B-2 convertible preferred stock, no par, 243,348 shares designated, 189,270 shares issued and outstanding (liquidation preference of \$5,833,301)		5,754,564	5,754,564
Series B convertible preferred stock, no par, 441,940 shares designated, 441,940 shares issued and outstanding (liquidation preference of \$8,056,566)		7,429,483	7,429,483
Series A convertible preferred stock, no par, 747,373 shares designated, 747,373 shares issued and outstanding (liquidation preference of \$4,999,925)		4,962,435	4,962,435
Series Seed convertible preferred stock, no par, 568,796 shares designated, 554,038 shares issued and outstanding (liquidation preference of \$2,883,678)		2,537,150	2,537,150
Series B-3 convertible preferred stock, no par, 230,000 shares designated, 92,420 shares issued and outstanding as of December 31, 2024 and 52,369 shares issued and outstanding as of December 2023 (liquidation preference of \$2,294,434)		3,845,262	2,141,890
Common stock, no par, 30,000,000 shares authorized, 2,460,766 issued and outstanding as of December 31, 2024 and 2,400,565 issued and outstanding as of December 31, 2023		16,702,657	16,401,430
Additional paid-in capital		9,420,255	8,627,474
Accumulated deficit		(54,351,942)	(40,098,849)
Company's stockholders' (deficit) equity		(3,700,136)	7,755,577
Non-controlling interest in consolidated variable interest entities		1,331,678	568,942
Total stockholders' (deficit) equity		(2,368,458)	8,324,519
Total liabilities and stockholders' (deficit) equity		\$ 364,460,941	\$ 336,542,473

(1) Includes amounts of the consolidated variable interest entity (VIE), presented separately in Note 3 below.

See accompanying notes to consolidated financial statements

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GROUND FLOOR FINANCE INC.

Consolidated Statements of Operations

	Year Ended December 31,	
	2024	2023
Revenue:		
Origination fees	\$ 9,527,972	\$ 9,718,553
Loan servicing revenue	7,878,600	4,752,388
Net interest income on loans to developers	9,308,523	15,791,668
Total revenue	26,715,095	30,262,609
Interest expense on notes	(10,641,988)	(9,890,272)
Revenue, net	16,073,107	20,372,337
Cost of revenue	(2,658,630)	(2,527,040)
Gross profit	13,414,477	17,845,297
Operating expenses:		
General and administrative	10,729,269	8,309,225
Sales and customer support	6,211,651	5,747,992
Development	5,900,491	3,790,910
Regulatory	1,014,939	949,699
Marketing and promotions	2,508,311	2,532,718
Total operating expenses	26,364,661	21,330,544
Loss from operations	(12,950,184)	(3,485,247)
Other income (expense):		
Interest expense on corporate debt instruments	(1,179,719)	(761,588)
Other income	547,008	-

Total other expense, net	(632,711)	(761,588)
Net loss	(13,582,895)	(4,246,835)
Less: Net income attributable to non-controlling interest in consolidated VIE	762,736	277,915
Net loss attributable to Groundfloor Finance Inc.	\$ (14,345,631)	\$ (4,524,750)

See accompanying notes to consolidated financial statements.

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GROUNDFLOOR FINANCE INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' (Deficit) Equity

	Convertible Preferred Stock										Common Stock	Additional Paid-in Capital	Accumulated Deficit	Company Stockholders' Equity (Deficit)	Non- Controlling Interest in Consolidated VIE	Total Stockholders' Equity (Deficit)	
	Series B-2		Series B		Series A		Series Seed		Series B-3								
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount							
Stockholders' equity as of December 31, 2022	189,270	\$ 5,754,564	441,940	\$ 7,429,483	747,373	\$ 4,962,435	554,038	\$ 2,537,150	52,265	\$ 2,137,320	2,345,402	\$ 14,867,107	\$ 5,776,368	\$ (35,574,099)	\$ 7,890,328	\$ 1,588,250	\$ 9,478,578
Issuance in the 2023 Common Stock Offering, net of offering costs	-	-	-	-	-	-	-	-	-	-	29,348	1,288,377	-	-	1,288,377	-	1,288,377
Issuance of Series B-3 preferred shares, net of offering costs	-	-	-	-	-	-	-	-	104	4,570	-	-	-	-	4,570	-	4,570
Conversion of convertible notes	-	-	-	-	-	-	-	-	-	-	5,859	213,211	-	-	213,211	-	213,211
Exercise of stock options	-	-	-	-	-	-	-	-	-	-	13,012	32,735	-	-	32,735	-	32,735
Issuance of convertible notes – beneficial conversion feature	-	-	-	-	-	-	-	-	-	-	-	-	1,103,285	-	1,103,285	-	1,103,285
Issuance of restricted stock units	-	-	-	-	-	-	-	-	-	-	6,944	-	-	-	-	-	-
Share-based compensation expense	-	-	-	-	-	-	-	-	-	-	-	-	1,747,821	-	1,747,821	-	1,747,821
Distribution to non-controlling interest holders in consolidated VIE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,297,223)	(1,297,223)
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,524,750)	(4,524,750)	277,915	(4,246,835)
Stockholders' equity as of December 31, 2023	189,270	\$ 5,754,564	441,940	\$ 7,429,483	747,373	\$ 4,962,435	554,038	\$ 2,537,150	52,369	\$ 2,141,890	2,400,565	\$ 16,401,430	\$ 8,627,474	\$ (40,098,849)	\$ 7,755,577	\$ 568,942	\$ 8,324,519
Adoption of ASU 2020-06	-	-	-	-	-	-	-	-	-	-	-	-	(1,103,285)	92,538	(1,010,747)	-	(1,010,747)
Stockholder's equity as of December 31, 2023, post adoption	189,270	\$ 5,754,564	441,940	\$ 7,429,483	747,373	\$ 4,962,435	554,038	\$ 2,537,150	52,369	\$ 2,141,890	2,400,565	\$ 16,401,430	7,524,189	(40,006,311)	6,744,830	568,942	7,313,772

Proceeds from issuance of Series B-3 convertible preferred stock, net of offering costs	1,561,178	4,570
Proceeds from issuance of bond payable, net of offering costs	56,415,596	-
Proceeds from issuance of common stock, net of offering costs	-	1,288,377
Proceeds from the exercise of stock options	47,661	32,735
Net cash flows from financing activities	37,499,434	39,207,941
Net change in cash and restricted cash	32,141,927	(10,754,552)
Cash and restricted cash as of beginning of the year	24,174,902	34,929,454
Cash and restricted cash as of end of the year	\$ 56,316,829	\$ 24,174,902
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 6,666,437	\$ 9,768,092

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GROUND FLOOR FINANCE INC.

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2024	2023
Supplemental disclosure of noncash investing and financing activities:		
Loans to developers transferred to other real estate owned	\$ 22,064,012	\$ 15,897,219
Adoption of ASU 2020-06	1,010,749	-
Issuance of 2023 convertible note – beneficial conversion feature	-	1,103,285
Cashless vesting of restricted stock	133,325	133,325
Conversion of convertible notes payable and accrued interest into common stock or Series B convertible preferred stock	253,566	213,211
Proceeds from issuance of Series B-3 convertible preferred stock, net of offering costs – non-cash	142,194	-
Increase (decrease) in allowance for loan to developers	305,056	(959,862)
Decrease in fair market value of REO	1,959,314	1,444,505

See accompanying notes to consolidated financial statements

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GROUND FLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

The terms “we,” “our,” “Groundfloor,” or the “Company” refer to Groundfloor Finance Inc. and its subsidiaries. The Company was originally organized as a North Carolina limited liability company under the name of Fomentum Labs LLC on January 28, 2013. Fomentum Labs LLC changed its name to Groundfloor LLC on April 26, 2013 and converted into a North Carolina corporation on July 26, 2013. In connection with this conversion, all equity interests in Groundfloor LLC were converted into shares of Groundfloor Inc.’s common stock. In August 2014, Groundfloor Inc. converted into a Georgia corporation and changed its name to Groundfloor Finance Inc. Groundfloor Properties GA LLC, a wholly-owned subsidiary, was created for the purpose of financing real estate in Georgia. Groundfloor Real Estate 1 LLC, Groundfloor Real Estate 2 LLC, Groundfloor Real Estate 3 LLC, Groundfloor Yield LLC, Groundfloor Labs, LLC, Groundfloor Credit 1, LLC, Groundfloor Credit 2, LLC, and Groundfloor Credit 3, LLC are wholly-owned subsidiaries that were created for the purpose of financing real estate in any state. Groundfloor Depositor, LLC and Groundfloor Mortgage Trust, LLC are wholly-owned subsidiaries that were created for the purpose of securitizing real estate loans. Groundfloor Advisors, LLC is a wholly-owned subsidiary that was created for the purpose of managing certain subsidiary entities. Groundfloor Land, LLC, Groundfloor Homeshares, LLC and Groundfloor Nectar SPV I, LLC are wholly-owned subsidiaries created for the purpose of entering into agreements with independent third parties. Groundfloor Real Estate, LLC and Groundfloor Holdings GA, LLC are currently inactive and management does not have plans to use this entity in the near future.

The Company has developed an online investment platform designed to crowdsource financing for real estate development projects (“Projects”). With this online investment platform (“Platform”), public investors (“Investors”) are able to choose between multiple Projects, and real estate developers (“Developers”) of the Projects are able to obtain financing. Groundfloor’s financing model replaces traditional sources of financing for Projects with the aggregation of capital from Investors using the internet.

Basis of Presentation and Liquidity

The Company’s Consolidated Financial Statements include the results of Groundfloor Finance Inc. and its wholly owned subsidiaries, along with the amounts related to variable interest entities (“VIEs”) for which Groundfloor is the primary beneficiary. The non-controlling interests as of December 31, 2024 and 2023 represents the outside owner’s interest in the Company’s consolidated VIE. Intercompany transactions and balances have been eliminated upon consolidation.

The company has sponsored two investment programs as of December 31, 2024, Groundfloor Loans 1, LLC and Groundfloor Loans 2, LLC, which use a typical real estate investment trust (“REIT”) structure similar to other publicly offered REITs, but are only available to investors through the Groundfloor platform.

Certain reclassifications have been made to the prior year presentation to conform to the current period presentation in the Consolidated Financial Statements. These reclassifications were not material to the financial statements.

The Company's Consolidated Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business. There is substantial doubt that the Company will continue as a going concern for at least twelve months following the date these Consolidated Financial Statements are issued, without additional financing based on the Company's limited operating history and recurring operating losses.

GROUNDLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Operations since inception have consisted primarily of organizing the Company, developing the technology, and securing financing. The Company has incurred losses and cash outflows from operations since its inception. The ultimate success of the Company is dependent on management's ability to develop and market its products and services at levels sufficient to generate operating revenues in excess of expenses.

Management evaluated the condition of the Company and has determined that until such sales levels can be achieved, management will need to secure additional capital to continue growing working capital and fund product development and operations.

Management intends to raise additional debt or equity financing to grow working capital and fund operations and believes the Company will obtain additional funding from current and new Investors in order to sustain operations. However, there are no assurances that the Company can be successful in obtaining the additional capital or that such financing will be on terms favorable or acceptable to the Company.

The Consolidated Financial Statements do not include any adjustments that might result from the outcome of the uncertainties described in the Consolidated Financial Statements. In addition, the Consolidated Financial Statements do not include any adjustments relating to the recoverability and classification of assets nor the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

Use of Estimates

The preparation of Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") 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 Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting periods. In developing estimates and assumptions, management uses all available information; however, actual results could materially differ from those estimates and assumptions.

Consolidation of Variable Interest Entities

The determination of whether to consolidate a Variable Interest Entity ("VIE") in which the Company holds a variable interest requires a significant amount of analysis and judgment regarding whether the company is the primary beneficiary of the VIE due to the company holding a controlling financial interest in the VIE. A controlling financial interest in a VIE exists if the company has both the power to direct the VIE's activities that most significantly affect the VIE's economic performance and a potentially significant economic interest in the VIE. The determination of whether an entity is a VIE considers factors, such as (i) whether the entity's equity investment at risk is insufficient to allow the entity to finance its activities without additional subordinated financial support and (ii) whether a holder's equity investment at risk lacks any of the following characteristics of a controlling financial interest: the direct or indirect ability through voting rights or similar rights to make decisions about a legal entity's activities that have a significant effect on the entity's success, the obligation to absorb the expected losses of the entity or the right to receive the expected residual returns of the legal entity. The Company is required to reconsider its evaluation of whether to consolidate a VIE each reporting period, based upon changes in the facts and circumstances pertaining to the VIE.

Revenue Recognition

Revenue primarily results from fees earned on the loans to the Developers ("Loan" or "Loans"). Fees include "Origination fees" and "Loan servicing revenue" which are paid by the Developers.

The Company recognizes loan servicing revenue in accordance with Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*.

The Company recognizes origination fees, net interest income, and gains and losses on sales of loans in accordance with ASC 310, *Receivables*.

GROUNDLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Origination Fees

"Origination fees" are paid by the Developers for the work performed to facilitate the Loans. The amount to be charged is a percentage based upon the terms of the Loan, including grade, rate, term, and other factors. Origination fees range from 1.0% to 10.0% of the principal amount of a Loan. The origination fee is paid when the Loan is issued to the Developer and deducted from the gross proceeds distributed. A Loan is considered issued when formal closing has occurred and funds have transferred to the Developer's account, which occurs through an Electronic Funds Transfer ("EFT").

The origination fees are recognized as revenue ratably over the term of the Loan, while direct costs to originate Loans are recorded as expenses as incurred. Fees assessed at loan issuance such as processing, underwriting, and closing fees are recognized as revenue when incurred.

Loan Servicing Revenue

Loan servicing revenue is recognized by the Company for costs incurred in servicing the Developer's Loan, including managing payments to and from Developers and payments to Investors. The Company records loan servicing revenue as a component of revenue when the performance obligation is satisfied. Direct costs to service Loans are recorded as expenses, as incurred.

In 2024, management reassessed the variable consideration to recognize certain servicing fees receivable, and recognized \$2,088,672 of receivables and related revenue as these performance obligations have been satisfied and it is probable that a significant reversal of cumulative revenue recognized will not occur.

Whole Loan Sales

Under loan sale agreements, the Company sells all of its rights, title, and interest in certain loans. At the time of such sales, the Company may simultaneously enter into loan servicing agreements under which it acquires the right to service the loans. The Company calculates a gain or loss on a whole loan sale based on the net proceeds from the whole loan sale, less the carrying value of the loans sold. All unamortized origination fees incurred in the origination process are recognized within "Origination fees" in the Consolidated Statements of Operations. For sold loans for which the Company retains servicing rights, the Company compares the expected contractual compensation represents adequate compensation for servicing in order to determine whether a servicing asset or servicing liability arises from the transaction. No servicing rights assets or liabilities have been identified as of December 31, 2024 and 2023. During the year ended December 31, 2024 and 2023, the Company sold \$3,205,359 and \$0, respectively, of loans under loan sale agreements. No gain or loss was recognized on the sale of these loans.

Net Interest Income on Loans to Developers

The Company recognizes "Net interest income on loans to developers" which consists of interest income generated on loans to developers, net of interest expense incurred on corresponding limited recourse obligations using the accrual method based on the stated interest rate to the extent the Company believes it to be collectable.

	Year ended December 31,	
	2024	2023
Components of Net Interest Income on Loans to Developers		
Interest income on loans to developers	\$ 22,945,817	\$ 27,572,011
Interest expense on limited recourse obligations	(13,637,294)	(11,780,343)
Net interest income on loans to developers	\$ 9,308,523	\$ 15,791,668

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GROUND FLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Interest Expense on Notes

The Company also recognizes "Interest expense on notes" which consists of interest expense incurred on the Company's notes payable, using the accrual method based on the stated interest rate. "Interest expense on notes" was \$10,641,988 and \$9,890,272 for the years ended December 31, 2024, and 2023, respectively.

Cash and Cash Equivalents

The Company considers all highly liquid investments that mature three months or less from the date of purchase to be cash equivalents. The Company had no cash equivalents as of December 31, 2024, and 2023. From time to time, the Company could maintain cash deposits in excess of federally insured limits. The Company believes that no significant concentration of credit risk exists with respect to these balances based on its assessment of the creditworthiness and financial viability of these financial institutions.

Each investor's escrow account receives Federal Deposit Insurance Corporation ("FDIC") insurance coverage on cash balances subject to normal FDIC coverage rules. Investor funds, whether committed through a limited recourse obligation ("LRO") or held in escrow, are not included as a part of the Company's cash balance.

Restricted Cash

Included in the accompanying Consolidated Balance Sheets as of December 31, 2024 and 2023 is restricted cash of \$54,220,669 and \$17,925,321, respectively. These balances represent funds committed by investors in LROs, but not yet disbursed to developers on the underlying Loans.

	Year ended December 31,	
	2024	2023
Cash and cash equivalents	\$ 2,096,160	\$ 6,249,581
Restricted cash	54,220,669	17,925,321
Cash and cash equivalents and restricted cash in Consolidated Statements of Cash Flows	\$ 56,316,829	\$ 24,174,902

Loans to Developers and Limited Recourse Obligations

"Loans to developers" are originally recorded at amortized cost (outstanding principal balance, net of discounts, premiums, and unearned income), then subsequently increased as additional draws are disbursed to developers. "Limited recourse obligations" are originally recorded at the original principal amount committed by investors, net of funds not yet to be disbursed to developers on the underlying loans, then subsequently increased as those funds are disbursed to developers. Limited Recourse Obligations were \$160,742,560 and \$169,174,236 as of December 31, 2024, and 2023, respectively, on the accompanying Consolidated Balance Sheets.

The interest rate associated with a Loan is the same as the interest rate associated with the corresponding LROs.

The Company's obligation to pay principal and interest on an LRO is equal to the pro rata portion of the total principal and interest payments collected from the corresponding Loan. The Company obtains a lien against the property being financed and attempts reasonable collection efforts upon the default of a Loan. The Company is not responsible for repaying "Limited recourse obligations" associated with uncollectable "Loans to developers." Amounts collected related to a defaulted Loan are returned to the Investors based on their pro-rata portion of the corresponding LROs, if applicable, less collection costs incurred by the Company. From time to time, the Company may settle LROs with Investors, at

the Investors' election, for amounts less than carrying value. Any gain recognized on such transaction is recorded within "Other Income (expense)" in our Consolidated Statement of Operations.

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GROUND FLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Loans are recorded on the Company's Consolidated Balance Sheets to "Loans to developers" once the Loan has closed and funds have been disbursed to Developers. Loans are considered closed after the promissory note for that Loan has been signed and the security interest has been perfected.

The LROs are recorded on the Company's Consolidated Balance Sheets to "Limited recourse obligations" to the extent LROs related to existing loans have been funded by investors.

Other Securities Payable

"Other securities payable" are originally recorded at the original principal amount committed by investors, net of funds not yet to be disbursed to developers on the underlying loans or investments in real estate then subsequently increased as those funds are disbursed to developers. Total other securities payable were \$15,915,491 and \$11,069,710 as of December 31, 2024 and 2023, respectively, on the accompanying Consolidated Balance Sheets.

Interest Receivable and Interest Payable

"Interest receivable on loans to developers" represents interest income the Company is due to receive from developers on the total outstanding principal balance of the loan portfolio as of the consolidated balance sheet dates. This balance is presented as its own line item, separate from "Loan to developers", on the Company's Consolidated Balance Sheets.

"Accrued interest on limited recourse obligations" represents interest the Company owes investors on the corresponding LROs as of the consolidated balance sheet dates. This balance is presented as its own line item, separate from "Limited recourse obligations", on the Company's Consolidated Balance Sheets. The interest rate associated with a Loan is the same rate that is associated with the corresponding LRO. The balance of "Interest receivable on loans to developers" and "Accrued interest on limited recourse obligations" offset each other to the extent LROs related to existing loans have been issued with the SEC and funded by investors. The Company's obligation to pay interest on an LRO is equal to the pro-rata portion of the total interest payments collected from the corresponding Loan.

Also included within "Accounts payable and accrued expenses" is interest the Company owes investors on Groundfloor Notes. Groundfloor Notes are presented within "Short-term notes payable" and "Long-term notes payable" on the Company's Consolidated Balance Sheets. The interest rate associated with Groundfloor Notes is the same as the stated interest rate at issuance.

Nonaccrual and Past Due Loans

Accrual of interest on "Loans to developers" and corresponding "Limited recourse obligations" is discontinued when, in management's opinion, the collection of the interest income is less than probable. "Interest income" and "Interest expense" on the "Loans to developers" and the corresponding "Limited recourse obligations" are discontinued and placed on nonaccrual status at the time the Loan is 180 days delinquent unless the Loan is well secured and in process of collection. A Loan may also be placed on nonaccrual status when, in management's judgment, the collection of the interest income is less than probable based on the status of the underlying development project, even if the Loan is not yet 180 days delinquent. Loans may be returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Once management determines the accrued interest receivable collection is doubtful, the accrued interest receivable is written off against "Interest income." Likewise, the corresponding accrued interest payable is written off against "Interest expense."

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GROUND FLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Allowance for Current Expected Credit Losses

The Company applies ASC 326, *Financial Instruments – Credit Losses ("CECL")* for recording instruments measured at amortized cost, including loan receivables and off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments). In accordance with ASC 326, the Company records an allowance for credit losses on the loan portfolio on a collective basis by assets with similar risk characteristics. Where assets cannot be classified with other assets due to dissimilar risk characteristics, the Company assessed these assets on an individual basis.

ASC 326 requires an entity to consider historical loss experience, current conditions, and a reasonable and supportable forecast of the economic environment.

Loans to developers

The Company utilizes a loss-rate approach for estimating current expected credit losses. In accordance with the loss-rate method, an adjusted historical loss rate is applied to the amortized cost of an asset or pool of assets at the balance sheet date.

In assessing the CECL allowance, we considered various factors including (i) historical loss experience in our portfolio (ii) current performance of the US residential housing market, (iii) future expectations of the US residential housing market, and (iv) future expectations of short-term macroeconomic environment. Management estimates the allowance for credit losses using relevant information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. We utilize a

reasonable and supportable forecast period of 12 months. The allowance for credit losses is maintained at a level sufficient to provide for expected credit losses over the life of the loan based on evaluating historical credit loss experience and making adjustments to historical loss information applied to the current loan portfolio.

The Company made an accounting policy election to exclude “Interest receivable on loans to developers” from the amortized cost basis of loans in determining the CECL allowance, as any uncollected accrued interest receivable is written off in a timely manner. Refer to “Nonaccrual and Past Due Loans” above for a description of the Company’s policies established to write-off interest.

Payments to holders of LROs or Groundfloor Notes, as applicable, depend on the payments received on the corresponding Loans; a reduction or increase of the expected future payments on Loans will decrease or increase the reserve for the associated LROs or Georgia Notes. The allowance calculated for Loans is accordingly applied on a pro-rata basis as the reserve for LROs and Georgia Notes. The amount of a Loan not funded by LROs or Georgia Notes are then recorded as current expected credit loss within “General and administrative” expense on the Company’s Statement of Operations.

Refer to “Note 4 – Loans to Developers and Allowance for Expected Credit Losses” for further information regarding the CECL allowance and its calculation.

Investments in debt securities

Investments in debt securities arise from our Partner Notes programs with our lending partners. We pool our investments in debt securities based on shared risk characteristics to assess their risk of loss, even when that risk of loss is remote. Management considers whether current conditions or reasonable and supportable forecasts about future conditions warrant an adjustment to our historical loss experience. In applying such adjustments, we primarily consider changes in counterparty credit risk and changes in the underlying macroeconomic environment. These investments in debt securities are either collateralized with assets of or guaranteed by the lending partners. As of December 31, 2024, the CECL allowance for investments in debt securities was \$0.

GROUNDLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Credit facility receivable

Credit facility receivable arises from our credit facility relationship with a mortgage loan originator. Management estimates the allowance for credit losses using relevant information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. In applying such adjustments, we primarily consider changes in counterparty credit risk and changes in the underlying macroeconomic environment. The credit facility receivable is guaranteed by the mortgage loan originator. As of December 31, 2024, the CECL allowance for credit facility receivable was \$0.

Other Real Estate Owned

Foreclosed assets acquired through or in lieu of loan foreclosure are held for sale and are initially recorded at fair value less estimated selling costs. Any write-down to fair value at the time of transfer to foreclosed assets is charged to the allowance for loan losses. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Costs of improvements are capitalized up to the fair value of the property, whereas costs relating to holding foreclosed assets and subsequent adjustments to the value are charged to operations. The other real estate owned balance is presented on the Company’s Consolidated Balance Sheets and has a balance of \$20,328,188 and \$11,218,141 as of December 31, 2024, and 2023, respectively.

Software Development Costs

Software development costs primarily include internal and external labor expenses incurred to develop the software that powers the Company’s platform. Certain costs incurred during the application development stage are capitalized based on specific activities tracked, while costs incurred during the preliminary project stage and post-implementation and operation stages are expensed as incurred. Capitalized software development costs are amortized over the estimated useful life of the related software. The Company recognized \$2,180,525 and \$1,794,074 in expense related to amortization of software development costs for the years ended December 31, 2024, and 2023, respectively.

Property and Equipment

Property and equipment consists of computer equipment, furniture and fixtures, leasehold improvements, and office equipment. Property and equipment is stated at historical cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated over the shorter of the life of the lease or the useful life of the improvements. Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is credited or charged to income. Repairs and maintenance costs are expensed as incurred.

Depreciation is computed using the following estimated useful lives:

Computer equipment	3 years
Software and website development costs	3 years
Office equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	Lesser of 5 years or lease term

Impairment of Long-Lived Assets

Long-lived assets, such as computer equipment, office equipment, furniture and fixtures, intangible assets, and software and website development costs, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for an amount by which the carrying amount of the asset exceeds the fair value of the asset.

GROUNDLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Intangible Assets

Intangible assets consist of the Company's domain names. Intangible assets are being amortized over a 15-year period, their estimated useful lives, on a straight-line basis. The Company recognized \$2,000 in amortization expense during the years ended December 31, 2024, and 2023.

Equity Offering Costs

The Company accounts for offering costs in accordance with ASC 340, *Other Assets and Deferred Costs*. Prior to the completion of an offering, offering costs will be capitalized as deferred offering costs on the consolidated balance sheet. The deferred offering costs will be charged to stockholders' equity upon the completion of an offering or to expense if the offering is not completed.

For the year ended December 31, 2024, offering costs of \$91,734 incurred in connection with the issuance of Series B-3 preferred stock were deferred and charged against the gross proceeds of the offering in stockholders' equity.

For the year ended December 31, 2023, there were no offering costs issued in connection with the issuance of equity offerings.

Deferred Revenue

Deferred revenue consists of origination fee payments received in advance of revenue recognized. We recognized \$3,979,794 and \$4,046,957 of deferred revenue as of December 31, 2024 and 2023, respectively, which is presented within "Accounts Payable and Accrued Expenses" on the Company's Consolidated Balance Sheets.

Advertising Costs

The cost of advertising is expensed as incurred and presented within "Marketing and promotions" expenses in the Consolidated Statements of Operations. The Company incurred \$1,134,528 and \$1,364,819 in advertising costs during the years ended December 31, 2024, and 2023, respectively.

Leases

In accordance with ASC 842, *Leases*, we determine if an arrangement is or contains a lease at inception of the contract. A contract is or contains a lease if the contract conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. We primarily lease our office space under a multi-year, non-cancelable operating lease. Operating leases are included in other assets and other liabilities in our Consolidated Balance Sheets. As of December 31, 2024 and 2023, we did not have any finance leases.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at lease commencement date based on the present value of lease payments over the lease term. As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at lease commencement date in determining the present value of lease payments. The operating lease ROU assets are increased by any prepaid lease payments and are reduced by any unamortized lease incentives. While our lease terms may include options to extend or terminate the leases, it is not reasonably certain that we will exercise such options. Base rent is typically subject to rent escalations on each annual anniversary from the lease commencement dates. Lease expense for lease payments, including any step rent provisions specified in the lease agreements, is recognized on a straight-line basis over the lease term and is included within "General and administrative" expenses in the Consolidated Statements of Operations. Operating lease cost associated with our ROU assets and lease liabilities was \$362,479, and \$420,742 for the years ended December 31, 2024 and 2023, respectively.

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GROUNDLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Share-Based Compensation

The Company issues share-based awards to certain employees and non-employees in the form of stock options and warrants, which are measured at fair value at the date of grant. The fair value determined at the date of grant is expensed, based on our estimate of awards that will eventually vest, ratably over the vesting period. The fair value of each stock option and warrant is estimated using the Black-Scholes option pricing model. We account for forfeitures as they occur. Refer to "Note 11 – Stock Options and Warrants" for additional information.

Income Taxes

Deferred tax assets and liabilities are recorded for temporary differences between the reported amounts in the Consolidated Financial Statements and the tax basis of assets and liabilities, using the statutory tax rates in effect in the years in which the differences are expected to reverse. In estimating future tax consequences, all expected future events are considered other than enactment of changes in the tax law or rates.

The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the Consolidated Financial Statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

The determination of recording or releasing income tax valuation allowance is made, in part, pursuant to an assessment performed by management regarding the likelihood that the Company will generate future taxable income against which benefits of its deferred tax assets may or may not be realized. This assessment requires management to exercise significant judgment and make estimates with respect to its ability to generate taxable income in future periods.

NOTE 2: RECENT ACCOUNTING PRONOUNCEMENTS

In August 2020, the FASB issued Accounting Standards Update 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)* (“ASU 2020-06”). The amendments in this update simplify the accounting for certain financial instruments with characteristics of liability and equity. Specifically, it reduced the number of accounting models for convertible debt and convertible preferred stock instruments and made certain disclosure amendments to improve the information provided to users. The guidance is effective for fiscal years beginning after December 15, 2023, with early adoption permitted. The Company adopted ASU 2020-06 as of January 1, 2024 and elected the modified retrospective transition method, recognizing a cumulative-effect adjustment to retained earnings as of that date, for financial instruments outstanding as of the beginning of the fiscal year of adoption. The adoption resulted in a \$92,536 transition adjustment to accumulated deficit as of January 1, 2024. Our adoption of this standard did not have any impact on the Company’s Consolidated Statements of Operations.

NOTE 3: VARIABLE INTEREST ENTITIES

In November 2021, the Company entered into a limited liability company agreement with two independent third parties, to form a joint venture, Groundfloor Jacksonville, LLC (“Jacksonville JV” or “JV”). The joint venture was formed to scale origination and investor activity in the fix-and-flip/buy-and-hold sector of the Jacksonville, Florida market by increasing the production of existing loan products offered by Groundfloor and its Affiliates and potentially developing new equity products.

Under the provisions of *ASC 810, Consolidation*, we have determined that the Jacksonville JV is a VIE and the Company is the primary beneficiary, based on the power to direct the activities that most significantly impact the entity’s economic performance. As such, the Company is required to consolidate the assets, liabilities, income and expenses of the Jacksonville JV within the accompanying Consolidated Financial Statements with a non-controlling interest for the third-party ownership of the joint venture’s membership interests.

GROUNDFLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Company has sponsored two investment programs, Groundfloor Loans 1 LLC (“GF Loans 1”) and Groundfloor Loans 2 LLC (“GF Loans 2”) as of December 31, 2024, which use a typical REIT structure similar to other publicly offered REITs but are only available to investors through the Groundfloor platform. Under the provisions of *ASC 810, Consolidation*, we have determined that GF Loans 2 is a VIE and the Company is the primary beneficiary, based on the power to direct the activities that most significantly impact the entity’s economic performance. As such, the Company is required to consolidate the assets, liabilities, income and expenses of GF Loans 2 within the accompanying Consolidated Financial Statements. GF Loans 2 does not have third-party ownership interests as of December 31, 2024.

Under the provisions of *ASC 810, Consolidation*, we have determined that GF Loans 1 is a VIE for which Groundfloor is not the primary beneficiary. As such, the Company has not consolidated GF Loans 1 into the Consolidated Financial Statements. The Company accounts for its investment in GF Loans 1 as an equity-method investment and recorded its investment in this entity within “Other Assets” in the Company’s Consolidated Balance Sheets.

The following table presents the assets and liabilities of the Company’s consolidated VIEs, the Jacksonville JV and Groundfloor Loans 2, included in the Consolidated Balance Sheets as of December 31, 2024, and 2023, respectively. The assets and liabilities presented below include only the third-party assets and liabilities of the consolidated VIE and excludes any intercompany balances, which were eliminated upon consolidation.

	December 31,	
	2024	2023
Assets:		
Cash	\$ 5,000	\$ -
Loans to developers	7,582,177	34,265,091
Allowance for loans to developers	(325,316)	(923,008)
Interest receivable on loans to developers	-	4,105,624
Other real estate owned	13,575,966	5,821,486
Total assets	\$ 20,837,827	\$ 43,269,193
Liabilities:		
Accounts payable and accrued expenses	19,537	416,755
Total liabilities	\$ 19,537	\$ 416,755

During 2024, the Company entered into three limited liability company agreements with independent third parties to form special purpose entities. The purpose of these entities is to facilitate secured lending arrangements between Groundfloor and the independent third parties.

Groundfloor’s contributions to these entities are mandatorily redeemable at the end of the stated term of each entity’s operating agreements and are recorded as investments in debt securities. The Company has determined that Groundfloor is not the primary beneficiary of these VIEs and as such, under *ASC 810, Consolidation*, has not consolidated these entities into the Consolidated Financial Statements. The Company has recorded its investments in these entities within “Investments in debt securities” in the Company’s Consolidated Balance Sheets.

As of December 31, 2024, the Company’s maximum potential loss in aggregate for unconsolidated VIEs is \$10,491,522. Included within this amount is a receivable from an unconsolidated VIE of \$595,811 that is presented within Note 5 – Other Current and Noncurrent Assets as “Due from related party” as of December 31, 2024.

NOTE 4: LOANS TO DEVELOPERS AND ALLOWANCE FOR EXPECTED CREDIT LOSSES

The Company provides financing to Developers for real estate-related loans. Real estate loans include loans for unoccupied single family or multifamily renovations and new constructions costing between \$30,000 and \$2,000,000, with maturities ranging from six to eighteen months.

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GROUND FLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following table presents the carrying amount of “Loans to developers, net” by performance state as of December 31, 2024, and 2023, respectively:

	December 31,	
	2024	2023
Loan Performance State:		
Current	\$ 149,815,318	\$ 172,560,766
Workout	28,914,437	57,595,807
Fundamental Default	45,866,950	34,718,869
Amortized Cost	\$ 224,596,705	\$ 264,875,442
Less: Allowance for loan losses	(4,781,901)	(5,086,957)
Carrying amount	\$ 219,814,804	\$ 259,788,485

Allowance for Loan Losses

In assessing the CECL allowance, we consider historical loss experience, current conditions, and a reasonable and supportable forecast of the microeconomic and macroeconomic environment. We derived an annual historical loss rate based on the Company’s historical loss experience in our portfolio and adjusted this rate to reflect our expectations of the future environment based on forecasted data points relative to our loan portfolio.

The following table presents analyses of the allowance for credit losses for the years ended December 31, 2024, and 2023:

	Year ended December 31,	
	2024	2023
Beginning balance	\$ 5,086,957	\$ 6,046,819
Loan allowance charged off	(4,293,400)	(2,349,678)
Provision for losses	3,988,344	1,389,816
Ending balance	\$ 4,781,901	\$ 5,086,957

Portfolio Segmentation

Management monitors the performance of loans within its portfolio by internally assigned grades and by year of origination. All loans originated by the Company are collateralized against residential real estate, and consistent across many key segmentation considerations such as borrower type, industry, financial asset type, loan term, and loan size. As such, in determining the Company’s application of the CECL standard management developed its allowance by evaluating historical losses and applying those adjusted losses to segments of the portfolio with which similar risk characteristics exist.

In assessing estimated credit losses, the segmentation variable used by management includes internal grades assigned to loans at origination based on an assessment of each project and the proposed terms of the underlying loan, which reflect the overall risk of the Loan. The Groundfloor underwriting team undertakes an assessment of each project and the proposed terms of the underlying loan to finalize the pricing terms (interest rate, maturity, repayment schedule, etc.) that the Company will accept. Groundfloor uses its proprietary grading algorithm to assign one of seven letter grades, from A to G, to each Project.

The relevant factors assessed by the Company’s proprietary grading algorithm include financial risk (loan to ARV ratio), underwriting risk (quality of valuation report, borrower credit quality and experience), borrower stake (commitment and skin-in-the game), as well as geographic location. These indicators take into account the valuation and strength of a particular project and the experience and risk profile of the Borrower and correlate with how well management believes the loan will perform.

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GROUND FLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following table presents “Loans to developers” carrying amount of our loan portfolio by portfolio segment and vintage of origination as of December 31, 2024 and 2023:

	Year Originated					Total
	2024	2023	2022	2021	2020 and earlier	
Loan grades:						
A	\$ 4,997,798	\$ 3,908,327	\$ -	\$ 1,069,634	\$ -	\$ 9,975,759
B	52,830,688	9,390,055	1,873,464	1,125,097	71,880	65,291,184
C	53,567,600	37,701,351	14,128,637	4,751,410	91,100	110,240,098
D	14,396,315	11,348,372	7,656,642	1,724,597	70,094	35,196,020
E	2,043,570	823,422	431,673	-	-	3,298,665

F	594,979	-	-	-	-	594,979
G	-	-	-	-	-	-
Amortized Cost	\$ 128,430,950	\$ 63,171,527	\$ 24,090,416	\$ 8,670,738	\$ 233,074	224,596,705
Less: Allowance for loan losses						(4,781,901)
Carrying Amount as of December 31, 2024						\$ 219,814,804

	Year Originated					Total
	2023	2022	2021	2020	2019	
Loan grades:						
A	\$ 4,951,408	\$ 743,260	\$ 1,725,974	\$ -	\$ -	\$ 7,420,642
B	29,820,171	7,097,709	1,466,981	-	71,880	38,456,741
C	91,123,972	50,393,111	11,997,204	-	495,194	154,009,481
D	33,938,293	22,466,240	3,550,243	-	87,457	60,042,233
E	1,692,251	1,934,087	587,721	-	-	4,214,059
F	-	-	-	-	-	-
G	732,286	-	-	-	-	732,286
Amortized Cost	\$ 162,258,381	\$ 82,634,407	\$ 19,328,123	\$ -	\$ 654,531	\$ 264,875,442
Less: Allowance for loan losses						(5,086,957)
Carrying Amount as of December 31, 2023						\$ 259,788,485

Credit Quality Monitoring

The Company uses three performance states to better monitor the credit quality of outstanding loans. Outstanding loans are characterized as follows:

Current – This status indicates that no events of default have occurred, all payment obligations have been met or none are yet triggered.

Workout – This status indicates there has been one or more payment defaults on the Loan and the Company has negotiated a modification of the original terms that does not amount to a fundamental default.

Fundamental Default – This status indicates a Loan has defaulted and there is a chance the Company will not be able to collect 100% of the principal amount of the Loan by the extended payment date of the corresponding LROs or Georgia Notes.

All credit quality indicators were updated as of December 31, 2024.

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GROUND FLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following tables present “Loans to developers” carrying amount of our loan portfolio by credit quality indicator and vintage of origination as of December 31, 2024 and 2023:

	Year Originated					Total
	2024	2023	2022	2021	2020 and earlier	
Loan performance state:						
Current	\$ 127,733,507	\$ 22,081,811	\$ -	\$ -	\$ -	\$ 149,815,318
Workout	289,245	27,705,405	919,787	-	-	28,914,437
Fundamental Default	408,198	13,384,311	23,170,629	8,670,738	233,074	45,866,950
Amortized Cost	\$ 128,430,950	\$ 63,171,527	\$ 24,090,416	\$ 8,670,738	\$ 233,074	\$ 224,596,705
Less: Allowance for loan losses						(4,781,901)
Carrying Amount as of December 31, 2024						\$ 219,814,804

	Year Originated					Total
	2023	2022	2021	2020	2019	
Loan performance state:						
Current	\$ 161,398,308	\$ 11,162,458	\$ -	\$ -	\$ -	\$ 172,560,766
Workout	407,647	53,659,609	3,528,551	-	-	57,595,807
Fundamental Default	452,426	17,812,339	15,799,572	-	654,532	34,718,869
Amortized Cost	\$ 162,258,381	\$ 82,634,406	\$ 19,328,123	\$ -	\$ 654,532	\$ 264,875,442
Less: Allowance for loan losses						(5,086,957)
Carrying Amount as of December 31, 2023						\$ 259,788,485

Nonaccrual and Past Due Loans

A Loan is placed on nonaccrual status when, in management’s judgment, the collection of the interest income is less than probable. Once a loan has been placed in nonaccrual status, it will stop accruing interest income. Additionally, any corresponding limited recourse obligations will stop accruing interest expense. Once management determines the accrued interest receivable collection is doubtful, the accrued interest receivable is written off against interest income. Likewise, the corresponding accrued interest payable is written off against interest expense. Interest income on Loans that are classified as nonaccrual is subsequently applied to principal until the Loans are returned to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. As of December 31, 2024,

the Company placed Loans of \$37,511,118 recorded to “Loans to developers” on nonaccrual status. The Company has written off \$6,274,755 of interest receivable in the current period. The Company has \$14,285,657 of Loans that are 90 days or more past due, but are not on nonaccrual status as of December 31, 2024.

The following tables present an analysis of past due Loans by aging as of December 31, 2024, and 2023:

	<u>Amortized Cost</u>	<u>Allowance for Loan Losses</u>	<u>Loans to Developers, Net</u>
Aging schedule:			
Current	\$ 145,072,983	\$ (2,243,442)	\$ 142,829,541
Less than 90 days past due	17,849,768	(344,995)	17,504,773
More than 90 days past due	61,673,954	(2,193,464)	59,480,490
Total as of December 31, 2024	<u>\$ 224,596,705</u>	<u>\$ (4,781,901)</u>	<u>\$ 219,814,804</u>

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GROUND FLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	<u>Amortized Cost</u>	<u>Allowance for Loan Losses</u>	<u>Loans to Developers, Net</u>
Aging schedule:			
Current	\$ 174,058,386	\$ (2,117,260)	\$ 171,941,126
Less than 90 days past due	28,386,592	(590,961)	27,795,631
More than 90 days past due	62,430,464	(2,378,736)	60,051,728
Total as of December 31, 2023	<u>\$ 264,875,442</u>	<u>\$ (5,086,957)</u>	<u>\$ 259,788,485</u>

The following is a summary of information pertaining to Loans in nonaccrual status as of December 31, 2024 and 2023:

	<u>December 31,</u>	
	<u>2024</u>	<u>2023</u>
Nonaccrual loans	\$ 47,656,878	\$ 76,593,077
Interest income recognized on nonaccrual loans ⁽¹⁾	\$ 1,454,052	\$ 1,992,728

- (1) Represents interest income recognized during the period on loans that are in nonaccrual status as of the respective balance sheet dates, inclusive of interest income recognized prior to such loans going into nonaccrual status.

NOTE 5: OTHER CURRENT AND NONCURRENT ASSETS

“Other current assets” as of December 31, 2024, and 2023, consists of the following:

	<u>December 31,</u>	
	<u>2024</u>	<u>2023</u>
Advances receivable	\$ 3,670,196	\$ 122,222
Investments in real estate	3,689,205	3,025,691
Asset management fees receivable	2,088,672	-
Due from related party	1,894,144	303,333
Other	379,225	130,306
Other current assets	<u>\$ 11,721,442</u>	<u>\$ 3,581,552</u>

“Other assets” as of December 31, 2024, and 2023, consists of the following:

	<u>December 31,</u>	
	<u>2024</u>	<u>2023</u>
Advances receivable	\$ 7,361,911	\$ 5,383,805
Right-of-use asset	1,071,329	-
Investments in real estate	751,431	1,280,623
Other	60,000	50,000
Other assets	<u>\$ 9,244,671</u>	<u>\$ 6,714,428</u>

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GROUND FLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

NOTE 6: PROPERTY, EQUIPMENT, SOFTWARE, WEBSITE AND INTANGIBLE ASSETS, NET

“Property, equipment, software, website development costs, and intangible assets, net” at December 31, 2024 and 2023, consists of the following:

	December 31,	
	2024	2023
Software and website development costs	\$ 10,765,369	\$ 8,584,844
Furniture and fixtures	263,234	212,251
Computer equipment	174,341	169,645
Leasehold improvements	95,463	29,942
Office equipment	44,748	44,748
Domain names	30,000	30,000
Total property, equipment, software, website and intangible assets	<u>11,373,155</u>	<u>9,071,430</u>
Less: accumulated depreciation and amortization	<u>(7,851,474)</u>	<u>(5,614,604)</u>
Property, equipment, software, website and intangible assets, net	<u>\$ 3,521,681</u>	<u>\$ 3,456,826</u>

Depreciation and amortization expense on “Property, equipment, intangible assets, software, and website development costs, net” for the years ended December 31, 2024, and 2023 was \$2,294,441 and \$1,865,081, respectively. Amortization of software and website development costs is included as a component of “Development” and depreciation of property, equipment, and intangible assets is included as a component of “General and administrative” in the Consolidated Statements of Operations.

NOTE 7: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

“Accounts payable and accrued expenses” at December 31, 2024 and 2023, consists of the following:

	December 31,	
	2024	2023
Deferred loan origination fees	\$ 3,979,794	\$ 4,046,957
Accrued interest expense ⁽¹⁾	1,657,168	666,295
Trade accounts payable	1,352,821	573,747
Accrued employee compensation	434,848	231,362
Other	90,558	24,546
Accounts payable and accrued expenses	<u>\$ 7,515,189</u>	<u>\$ 5,542,907</u>

(1) “Accrued interest expense” includes interest related to corporate debt instruments as described in Note 8.

NOTE 8: DEBT

2021 Subordinated Convertible Notes

From August 2021 to November 2021, the Company issued subordinated convertible notes (the “2021 Subordinated Convertible Notes”) to Investors for total proceeds of \$5,000,000. The 2021 Subordinated Convertible Notes bear interest at the rate of 12% per annum. The outstanding principal and all accrued but unpaid interest is due and payable on the earlier of August 31, 2023, or the consummation of a sale of the Company by consolidation, merger, change of majority ownership, or sale or other disposition of all or substantially all of the assets of the Company (the “Maturity Date”). In the event of a closing of a preferred stock financing with gross proceeds of at least \$20,000,000 (“Qualified Preferred Financing”) prior to the Maturity Date, the outstanding principal and all accrued but unpaid interest may be converted into shares of preferred stock issued in the financing at a price per share equal to 90% of the offering price per share in the Qualified Preferred Financing. At any time after six months after the issuance of a 2021 Subordinated Convertible Note, the investor may convert all or a portion of the outstanding principal and accrued interest into shares of common stock at 90% of the per share price of common stock at the time of conversion, as reasonably determined by the Board. Because of the contractual right of noteholders to convert their holdings to common stock at a discount to fair value, the Company determined that the 2021 Subordinated Convertible Notes contain a beneficial conversion feature. The Company recognized this beneficial conversion feature as a debt discount and component of additional paid-in capital at the in-the-money amount of approximately \$555,556 at the time of issuance. The discount is being amortized to interest expense until the earlier of maturity or exercise of the conversion option. For the years ended December 31, 2024, and 2023, respectively, \$0 and \$142,636 was amortized to “Interest expense on corporate debt instruments” in the Consolidated Statements of Operations.

GROUND FLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

In 2022, certain holders of 2021 Subordinated Convertible Notes converted their holdings into common stock. Pursuant to these terms, Noteholders converted \$1,261,170 in principal and approximately \$81,410 in accrued interest into 48,394 shares of common stock at a conversion price of \$27.74, a 10% discount to the per share price of common stock at the time of conversion.

In 2023, certain holders of the 2021 Subordinated Convertible Notes converted their holdings into common stock. Noteholders converted \$180,330 in principal and approximately \$32,880 in accrued interest into 5,877 shares of common stock at a conversion price of \$39.51, a 10% discount to the per share price of common stock at the time of conversion.

In August 2023, the Company repaid the remaining principal of \$3,558,500 and accrued but unpaid interest of \$794,277 related to the notes related to the 2021 Subordinated Convertible Notes. Therefore, principal of \$0 and \$3,738,830 on the 2021 Subordinated Convertible Notes, net of an unamortized discount of \$0 and \$142,636, was outstanding as of December 31, 2024 and 2023, respectively. The interest expense related to the 2021 Subordinated Convertible Notes for the year ended December 31, 2024 and 2023, was \$0 and \$291,366, respectively, and included within “Interest expense on corporate debt instruments.”

2023 Subordinated Convertible Notes

From August 2023 to December 2023, the Company issued subordinated convertible notes (the “2023 Subordinated Convertible Notes”) to Investors for total proceeds of \$7,631,595. The 2023 Subordinated Convertible Notes bear interest at the rate of 12.5% per annum. The outstanding principal and all accrued but unpaid interest is due and payable on the earlier of August 24, 2025, or the consummation of a sale of the Company by consolidation, merger, change of majority ownership, or sale or other disposition of all or substantially all of the assets of the Company (the “2023 Subordinated Convertible Notes Maturity Date”). In the event of a closing of a preferred stock financing with gross proceeds of at least \$20,000,000 (“2023 Subordinated Convertible Notes Qualified Preferred Financing”) prior to the 2023 Subordinated Convertible Notes Maturity Date, the outstanding principal and all accrued but unpaid interest may be converted into shares of preferred stock issued in the financing at a price per share equal to 90% of the offering price per share in the 2023 Subordinated Convertible Notes Qualified Preferred Financing. At any time after April 1, 2024, the investor may convert all or a portion of the outstanding principal and accrued interest into shares of common stock at 90% of the per share price of common stock at the time of conversion, as reasonably determined by the Board. Because of the contractual right of noteholders to convert their holdings to common stock at a discount to fair value, the Company determined that the 2023 Subordinated Convertible Notes contain a beneficial conversion feature. The Company recognized this beneficial conversion feature as a debt discount and component of additional paid-in capital at the in-the-money amount of approximately \$847,955 at the time of issuance. Prior to the adoption of ASU 2020-06 on January 1, 2024, the discount was amortized to interest expense until the earlier of maturity or exercise of the conversion option, which resulted in \$80,902 of amortization expense recognized within “Interest expense on corporate debt instruments” in the Consolidated Statements of Operations for the year ended December 31, 2023. The Company adopted ASU 2020-06 on January 1, 2024, using the modified retrospective transition method, recognizing a cumulative-effect adjustment to accumulated deficit as of that date. The comparative financial statements for 2023 remain unchanged.

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GROUND FLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following table represents the 2023 Subordinated Convertible notes as of and for the years ended December 31, 2024, and 2023.

	December 31,	
	2024	2023
2023 Subordinated Convertible notes		
Unpaid Principal Balance	\$ 7,631,595	\$ 7,631,595
Unamortized Debt Discount	-	(767,053)
Carrying balance	\$ 7,631,595	\$ 6,864,542
Interest expense on corporate debt instruments	\$ 956,563	\$ 177,097
Accrued interest on 2023 Subordinated Convertible notes	\$ 1,133,660	\$ 177,097

2023 Mezzanine Subordinated Convertible Notes

From August 2023 to December 2023, the Company issued mezzanine subordinated convertible notes (the “2023 Mezzanine Convertible Notes”) to Investors for total proceeds of \$2,297,974. The 2023 Mezzanine Convertible Notes bear interest at the rate of 10.5% per annum. The outstanding principal and all accrued but unpaid interest is due and payable in 19 equal quarterly installments beginning on April 1, 2024 and thereafter on the first day following the end of each fiscal quarter, such that the 2023 Mezzanine Convertible Notes shall be repaid the earlier of October 1, 2028, or the consummation of a sale of the Company by consolidation, merger, change of majority ownership, or sale or other disposition of all or substantially all of the assets of the Company (the “2023 Mezzanine Subordinated Convertible Notes Maturity Date”). In the event of a closing of a preferred stock financing with gross proceeds of at least \$20,000,000 (“2023 Mezzanine Subordinated Convertible Notes Qualified Preferred Financing”) prior to the 2023 Mezzanine Subordinated Convertible Notes Maturity Date, the outstanding principal and all accrued but unpaid interest may be converted into shares of preferred stock issued in the financing at a price per share equal to 90% of the offering price per share in the Qualified Preferred Financing. At any time prior to April 1, 2024, the investor may convert all or a portion of the outstanding principal and accrued interest into shares of common stock at 90% of the per share price of common stock at the time of conversion, as reasonably determined by the Board. Because of the contractual right of noteholders to convert their holdings to common stock at a discount to fair value, the Company determined that the 2023 Mezzanine Convertible Notes contain a beneficial conversion feature. The Company recognized this beneficial conversion feature as a debt discount and component of additional paid-in capital at the in-the-money amount of approximately \$255,330 at the time of issuance. Prior to the adoption of ASU 2020-06 on January 1, 2024, the discount was amortized to interest expense until the earlier of maturity or exercise of the conversion option, which resulted in \$11,635 of amortization expense recognized within “Interest expense on corporate debt instruments” in the Consolidated Statements of Operations for the year ended December 31, 2023. The Company adopted ASU 2020-06 on January 1, 2024, using the modified retrospective transition method, recognizing a cumulative-effect adjustment to accumulated deficit as of that date. The comparative financial statements for 2023 remain unchanged. The following table represents the Mezzanine Subordinated Convertible notes as of and for the years ended December 31, 2024, and 2023.

In January 2024, certain holders of Mezzanine Subordinated Convertible notes elected to convert \$245,256 of principal, and \$8,310 of interest into 6,414 shares of the Company’s common stock.

	December 31,	
	2024	2023
2023 Mezzanine Subordinated Convertible notes		
Unpaid Principal Balance – current	\$ 378,436	\$ 2,297,974
Unpaid Principal Balance – noncurrent	1,416,727	-
Unamortized Debt Discount	-	(243,696)
Carrying balance	\$ 1,795,163	\$ 2,054,278
Interest expense on corporate debt instruments	\$ 224,783	\$ 54,265
Accrued interest on 2023 Mezzanine Subordinated Convertible Notes	\$ 106,939	\$ 54,265

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GROUND FLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Groundfloor Notes

During the years ended December 31, 2024, and 2023, the Company entered into various secured promissory notes, (the “Groundfloor Notes”), with Investors. The Groundfloor Notes are used by the Company to originate, buy, and service loans for the purpose of building, buying, or rehabilitating single family and multifamily structures, or buying land, for commercial purposes. The Groundfloor Notes are issued and secured by the assets of Groundfloor Real Estate 2 LLC, a wholly owned subsidiary of Groundfloor Finance, Inc. As collateral security for Groundfloor Notes, the Company granted first priority security interest in all the loan assets of Groundfloor Real Estate 2 LLC to the Investors in Groundfloor Notes, subject to certain exceptions. The following table describes the terms and amounts of Groundfloor Notes offered as of and for the years ended December 31, 2024 and 2023:

	December 31,	
	2024	2023
Groundfloor Notes		
Number of notes issued	28	56
Stated interest rate	1.0% - 11.5%	2.5% - 12.5%
Term	30 days – 24 months	30 days – 24 months
Principal outstanding – Short term	\$ 6,922,900	\$ 32,080,873
Principal outstanding – Long term	\$ 8,587,700	\$ 6,922,900
Interest expense recognized for the year	\$ 2,469,169	\$ 3,249,511
Accrued interest as of December 31	\$ 3,242	\$ 3,149

Stairs Notes

During the years ended December 31, 2024, and 2023, the Company entered into various secured promissory notes, (the “Stairs Notes”), with Investors. The Stairs Notes are issued and secured by the assets of Groundfloor Yield LLC, a wholly owned subsidiary of Groundfloor Finance, Inc. Investors in Stairs Notes do not directly invest in Loans held by the Company; rather, the Stairs Notes are general obligations of the Company, and the proceeds thereof will be used primarily to originate, buy, and service loans for the purpose of building, buying, or rehabilitating single family and multifamily structures, or buying land, for commercial purposes. As collateral security for Stairs Notes, the Company granted first priority security interest in all the loan assets of its wholly owned subsidiary, Groundfloor Yield LLC, subject to certain exceptions. The following table describes the terms and amounts of Stairs Notes offered as of and for the years ended December 31, 2024 and 2023:

	December 31,	
	2024	2023
Stairs Notes		
Number of notes issued	106	733
Stated interest rate	4.0% - 10.25%	4.0% - 7.25%
Term	30 days – 24 months	5 days – 24 months
Principal outstanding – short term	\$ 95,249,577	\$ 76,500,029
Principal outstanding – long term	\$ 2,696,000	\$ 16,104,000
Interest expense recognized for the year	\$ 8,172,819	\$ 4,582,337
Accrued interest as of December 31	\$ 419,108	\$ 183,781

NOTE 9: BOND OFFERING

In December 2024, the Company completed the issuance of \$57,986,000 Class A mortgage-backed notes (“Class A Notes”) through a newly created entity, Groundfloor Mortgage Trust (“Issuer”). The Class A Notes have a stated maturity date of December 2027 and are secured by the underlying Loans of the Issuer. The interest rate on the Class A Notes is 7.387% and payments on the Class A Notes are made on the 25th of each month beginning in January 2025. The stated final payment date of the Notes will be in December 2027.

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GROUND FLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Company holds the responsibility to repay the Class A Note holders. The Company will collect repayments on loans that are collateral of the Class A Notes and remit those repayments to the Issuer. The underlying loans have maturity dates through October 2025. The net proceeds from the sale of loans to Issuer and the loan repayments make up the restricted cash balance of approximately \$7,380,991 as of December 31, 2024.

We recognized \$1,570,404 of debt offering costs, which have been deferred and will be amortized over the term of the Class A Notes.

NOTE 10: STOCKHOLDERS' EQUITY (DEFICIT)

Capital Structure

Authorized Shares - As of December 31, 2024, the Company is authorized to issue 30,000,000 shares of no par value common stock and 20,000,000 shares of no par value preferred stock. The preferred stock has been designated as Series B-2 Preferred Stock (the “Series B-2”), consisting of 243,348 shares, Series B Preferred Stock (the “Series B”), consisting of 441,940 shares, Series A Preferred Stock (the “Series A”), consisting of 747,373 shares, Series Seed Preferred Stock (the “Series Seed”), consisting of 568,796 shares, Series B-3 Preferred Stock (the “Series B-3”), consisting of 230,000 shares, (collectively, “Preferred Stock”).

Common Stock Transactions

In 2023, the Company launched an offering of its common stock (the “2023 Common Stock Offering”) limited to existing shareholders. The Company offered shares of common stock at \$43.90 per share, with a minimum investment of \$439, or 10 shares of common stock. As a result of the offering, the Company received gross proceeds of approximately \$1,288,000 in exchange for the issuance of 29,348 shares of common stock.

Preferred Stock Transactions

Series B-3

In January 2023, the Company received gross proceeds of \$4,570 in exchange for the issuance of 104 shares of Series B-3 Preferred Stock.

In January 2024, the Company launched an offering of its B-3 Preferred Stock (the "2024 B-3 Preferred Stock Offering") on its platform, limited to existing shareholders. The Company offered shares of its B-3 Preferred Stock at \$46 per share. As a result of the offering the Company received gross proceeds of \$667,138 in exchange for the issuance of 15,413 shares of Series B-3 Preferred Stock.

From September to December 2024, the Company launched an offering of its B-3 Preferred Stock (the "Republic Offering") offering shares under Regulation CF, using a third party, Republic, to facilitate the offering. The Company offered shares of its B-3 Preferred Stock at \$50 per share. As a result, the company received gross proceeds of \$1,147,425, less offering costs of \$111,191, in exchange for the issuance of 24,638 shares of Series B-3 Preferred Stock.

The following is a summary of the rights and privileges of the Preferred Stockholders as of December 31, 2024, and 2023.

Voting - The holders of Preferred Stock are entitled to one vote for each share of common stock into which the preferred shares are convertible.

Liquidation - Upon any liquidation, dissolution, or winding up of the Company, the holders of Series B-2 shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders before any payment shall be made to the holders of Series B, Series A, Series Seed, Series B-3 or common stock, an amount per share equal to the greater of: i) the Series A original issue price of \$30.82 per share, plus any dividends declared but unpaid, and ii) such amount per share as would have been payable had all shares of Series B-2 been converted into common stock immediately prior to such liquidation, dissolution, or winding up. If the available assets are insufficient to pay the holders of shares of Series B-2 the full amount to which they shall be entitled, then all of the available assets shall be distributed to the holders of the Series B-2 pro rata in accordance with their ownership thereof.

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GROUND FLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

After payment in full of the Series B-2 preference amount, the Series B stockholders are entitled to a liquidation preference equal to the greater of: i) the Series B original issue price of \$18.23 per share, plus any dividends declared but unpaid, or ii) such amount per share as would have been payable had all shares of Series B been converted into common stock immediately prior to such liquidation, dissolution, or winding up. If the available assets are insufficient to pay the holders of shares of Series B the full amount to which they shall be entitled, then all of the available assets shall be distributed to the holders of the Series B pro rata in accordance with their ownership thereof.

After payment in full of the Series B preference amount, the Series A stockholders are entitled to a liquidation preference equal to the greater of: i) the Series A original issue price of \$6.69 per share, plus any dividends declared but unpaid, or ii) such amount per share as would have been payable had all shares of Series A been converted into common stock immediately prior to such liquidation, dissolution, or winding up. If the available assets are insufficient to pay the holders of shares of Series A the full amount to which they shall be entitled, then all of the available assets shall be distributed to the holders of the Series A pro rata in accordance with their ownership thereof.

After payment in full of the Series A preference amount, the Series Seed stockholders are entitled to a liquidation preference equal to the greater of: i) the Series Seed original issue price of \$5.205 per share, plus any dividends declared but unpaid, or ii) such amount per share as would have been payable had all shares of Series Seed been converted into common stock immediately prior to such liquidation, dissolution, or winding up. If the available assets are insufficient to pay the holders of shares of Series Seed the full amount to which they shall be entitled, then all of the available assets shall be distributed to the holders of the Series Seed pro rata in accordance with their ownership thereof.

After payment in full of the Series Seed preference amount, the Series B-3 stockholders are entitled to a liquidation preference equal to the greater of: i) the Series B-3 original issue price of \$43.90 per share, plus any dividends declared but unpaid, or ii) such amount per share as would have been payable had all shares of Series B-3 been converted into common stock immediately prior to such liquidation, dissolution, or winding up. If the available assets are insufficient to pay the holders of shares of Series B-3 the full amount to which they shall be entitled, then all of the available assets shall be distributed to the holders of the Series B-3 pro rata in accordance with their ownership thereof.

Any assets remaining after such preferential distribution shall be distributed to holders of the common stock.

Conversion - Shares of Preferred Stock are convertible into shares of common stock at the option of the holder at any time. The number of common stock shares for Preferred Stock can be determined by dividing the original issue price by the then-effective conversion price.

Mandatory Conversion - All outstanding shares of Preferred Stock shall automatically be converted into shares of common stock upon the closing of the sales of shares of common stock to the public, with gross proceeds to the Company of at least \$20,000,000. All outstanding shares of Series B-2, Series B, Series A, Series Seed, and Series B-3 Stock shall automatically be converted into shares of common stock by the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least a majority of the then outstanding shares of Series B-2, Series B, Series A, Series Seed, and Series B-3 Stock, respectively, each voting as a single class.

Dividends - All dividends shall be declared pro rata on the common stock and Preferred Stock on a pari passu basis according to the numbers of common stock held by such holders on an as converted basis.

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GROUND FLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

NOTE 11: STOCK OPTIONS AND WARRANTS**Stock Options**

The Company adopted the 2013 Stock Option Plan ("2013 Plan") in August 2013 and subsequently amended it in January 2022 ("Amended Plan"). The Amended Plan provides incentives to eligible employees, officers, and directors in the form of incentive stock options, non-qualified stock options, and restricted stock awards. The Company has reserved a total of 950,000 shares of common stock for issuance pursuant to the Amended Plan. The plan expired and was not further amended.

In February of 2024, the Company adopted the 2024 Stock Option Plan ("2024 Plan"). The 2024 Plan provides incentives to eligible employees, officers, and directors in the form of incentive stock options, non-qualified stock options, and restricted stock awards. The Company has reserved a total of 638,584 shares of common stock for issuance pursuant to the 2024 Plan. As of December 31, 2024, 227,902 shares of the Company's common stock remained available for future issuance under the 2024 Plan.

The Board of Directors has the authority to administer the Plan and determine, among other things, the interpretation of any provisions of the Plan, the eligible employees who are granted options, the number of options that may be granted, vesting schedules, and option exercise prices. The Company's stock options have a contractual life not to exceed ten years. The Company issues new shares of common stock upon exercise of stock options. Due to limited historical data, the Company estimates stock price volatility based on the actual volatility of comparable publicly traded companies over the expected life of the option. The expected term represents the average time that options that vest are expected to be outstanding. The expected term for options granted to non-employees is the contractual life. The risk-free rate is based on the United States Treasury yield curve for the expected life of the option.

Management used the Black-Scholes-Merton option pricing model to determine the fair value of options issued during the years ended December 31, 2024, and 2023.

The assumptions used to calculate the fair value of stock options granted are as follows:

For the Year Ended December 31, 2024	Non- Employees	Employees
Estimated dividend yield	-%	-%
Expected stock price volatility	55%	50%
Risk-free interest rate	4.29%	4.00% - 4.54%
Expected life of options (in years)	10	6.25
Weighted-average fair value per share	\$ 34.71	\$ 25.90
For the Year Ended December 31, 2023		
		Employees
Estimated dividend yield		-%
Expected stock price volatility		50.0%
Risk-free interest rate		3.6 - 4.8%
Expected life of options (in years)		6.25
Weighted-average fair value per share		\$ 25.14

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GROUND FLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The following summarizes the stock option activity for the years ended December 31, 2024, and 2023:

	Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of December 31, 2022	729,465	\$ 15.13	7.1	\$ 20,985,000
Exercised	(13,012)	2.52		
Terminated	(65,935)	20.17		
Granted	51,240	39.43		
Outstanding as of December 31, 2023	701,758	17.71	6.3	\$ 19,051,000
Exercised	(46,843)	1.17		
Terminated	(74,230)	19.27		
Granted	34,650	40.32		
Outstanding as of December 31, 2024	615,335	\$ 19.39	5.9	\$ 18,753,000
Exercisable as of December 31, 2024	477,903	\$ 15.81	5.5	\$ 16,332,000
Expected to vest after December 31, 2024	137,432	\$ 26.10	7.4	\$ 2,541,000

As of December 31, 2024, there was approximately \$1,954,600 of total unrecognized compensation cost related to stock option arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 2.2 years. The total intrinsic value of stock option awards exercised was approximately \$2,010,893 during the fiscal year ended December 31, 2024.

The Company recorded approximately \$41,434 and \$61,642 in non-employee and \$1,091,867 and \$569,259 in employee share-based compensation expense during 2024 and 2023, respectively.

Performance-Based Grants

During 2021, the Company granted performance-based awards to employees that entitled the recipients to earn up to 162,500 shares, if certain performance criteria are achieved over a three-year period. The actual number of shares to be issued will be determined by when performance criteria are met during the three-year period. The performance-based awards granted are based upon the Company's ability to achieve certain investor customer acquisition targets. Performance based awards are recognized as compensation expense based on fair value on date of grant, the number of shares management ultimately expects to vest and the vesting period. As of December 31, 2024 there are 30,881 eligible performance-based awards, which are expected to be exercised by management and are included as granted in the option activity table above.

The grant date fair value of the options was calculated using the Black-Scholes-Morton pricing model, resulting in a total grant date fair value of approximately \$502,800, or \$9.28 per option.

During the years ended December 31, 2024 and 2023, the Company recognized \$102,000 and \$126,000 in share based compensation expense for performance awards, respectively. The total unrecognized compensation cost related to performance awards was \$74,000 and \$177,000 at December 31, 2024, and 2023, respectively, and the weighted-average period over which this expense will be recognized is 0.5 years.

Equity Incentive Plan

In February 2022, the Company issued stock options to certain employees, which contained an early-exercise provision, whereby the options were exercisable immediately by the holder upon issuance. Pursuant to the terms of the stock-option agreement, certain of the employees elected to participate in the early exercise option to purchase shares of the Company's common stock. The Company issued 224,000 shares of common stock, at a per share price of \$19.20, to the employees who elected to participate in the early exercise.

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GROUND FLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Shares of common stock issued upon the early exercise of options are not considered outstanding, for accounting purposes, as the grantee is not yet entitled to the rewards of share ownership. As such, the shares of common stock resulting from the early exercise are not shown as outstanding on the face of the Company's Consolidated Balance Sheet and are excluded from earnings (loss) per share until the satisfaction of the vesting conditions have been met.

The shares of common stock were purchased by each employee in exchange for a promissory note (the "Note"), which accrues interest at the rate of 1.4% per annum and is partially collateralized by the assets of the employee (the notes are 50% recourse and 50% non-recourse). Although the promissory note was issued as partially recourse, the Note must be accounted for as non-recourse in its entirety as the recourse provisions of the Note are not aligned with a corresponding percentage of the underlying shares.

Accordingly, the Company has accounted for the combination of the issuance of promissory notes to employees in exchange for shares of common stock as a stock option for accounting purposes, as the substance is similar to the grant of an option. While the shares of common stock purchased by the employees in exchange for a promissory note are considered legally issued, the shares are not deemed, for accounting purposes, outstanding until all of the options are fully vested and the outstanding principal and accrued interest due on the note is repaid in full.

The grant date fair value of the options was calculated using the Black-Scholes-Morton pricing model, resulting in a total grant date fair value of approximately \$2,270,000, or \$9.38 per option.

During the years ended December 31, 2024 and 2023, 70,667 and 71,500 of the remaining outstanding shares vested and the Company recognized \$661,311 and \$669,245 of share-based compensation expense related to these options, respectively.

No shares were exercised during the year ended December 31, 2024.

During the year ended December 31, 2023, 5,333 shares were forfeited and 4,287 shares were exercised as a noncash exercise. This exercise is presented as an increase to "Common Stock" as of December 31, 2023.

At December 31, 2024, the unrecognized stock-based compensation cost related to the unvested shares was approximately \$90,020, which will be recognized over a weighted-average remaining vesting period of 0.2 years.

Restricted Stock

In October 2021, an employee purchased 34,720 shares of common stock (the "Restricted Stock") at a purchase price of \$19.20, under the terms of a restricted common stock purchase agreement. These shares were purchased in exchange for a promissory note (the "Promissory Note") equal to \$666,624. The Restricted Stock issuance vests in equal installments every three-months after the Initial Vesting Commencement Date, subject to the employee's continuous service with the Company. The Company may repurchase all of the unvested shares following the employee's termination at the original purchase price. The Promissory Note accrue interest at the rate of 0.86% per annum and are repayable at the earlier of (a) October 15, 2025; (b) the occurrence of SOX compliance issues; or (c) the occurrence of a change of control. The Promissory Note is fully collateralized by the 34,720 shares purchased by the employee per the restricted common stock purchase agreement.

The Promissory Note issued by the Company is stated as a full-recourse note however management has accounted for the Promissory Note as a non-recourse since note is forgiven in 1/5th installments at the yearly anniversary of employment and the amount of the note is aligned with a corresponding percentage of the underlying shares. Accordingly, the non-recourse note received by the Company as consideration for the issuance of the restricted stock has been considered a stock option for accounting purposes as the substance is similar to the grant of an option. The exercise price is the principal due on the note. The stated interest rate of the Promissory Note is reflected as the dividend yield. The fair value of the award is recognized over the requisite service period (not the term of the Promissory Note) through a charge to compensation cost. The maturity date of the Promissory Notes reflects the legal term for purposes of valuing the award.

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GROUNDLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The grant date fair value of the Restricted Stock was calculated using the Black-Scholes-Morton pricing model, resulting in a total grant date fair value of approximately \$325,700, or \$9.38 per option.

During the years ended December 31, 2024 and 2023, 8,680 shares of Restricted Stock vested and \$133,333 of the Promissory Note was forgiven. The forgiveness of the Promissory Note resulted in a fair value remeasurement of the Restricted Stock issuance.

At remeasurement during the year-ended December 31, 2023, the grant date fair value of the Restricted Stock was calculated using the Black-Scholes-Morton pricing model with the following assumptions: (i) a stock price of \$43.90 per share, (ii) an exercise price \$19.20 per share, (iii) an estimated risk-free interest rate of 4.8%, (iv) a weighted average estimated term of 4.75 years, (v) volatility of 50%, and (vi) dividend yield of 0%. These assumptions resulted in a total grant date fair value of approximately \$643,500, or \$30.89 per option.

At remeasurement during the year ended December 31, 2024, the grant date fair value of the Restricted Stock was calculated using the Black-Scholes-Morton pricing model with the following assumptions: (i) a stock price of \$50 per share, (ii) an exercise price \$19.20 per share, (iii) an estimated risk-free interest rate of 3.89%, (iv) a weighted average estimated term of 6.25 years, (v) volatility of 50%, and (vi) dividend yield of 0%. These assumptions resulted in a total grant date fair value of approximately \$369,582, or \$26.61 per option.

During the years ended December 31, 2024 and 2023, Stock-based compensation expense of \$305,000 and \$298,500 was recognized for Restricted Stock awards, respectively. There is no remaining unrecognized compensation cost related to the Restricted Stock awards as of December 31, 2024.

In November 2024, the employee terminated their relationship with the Company. The Company agreed to forgive \$99,994 of the remainder of the promissory note, and repurchased 8,680 shares to settle the remaining \$166,656 on the promissory note

Warrants

The Company has 62,324 and 62,324 warrants issued and outstanding, for the purchase of common stock, at December 31, 2024 and 2023, respectively. The Company recognized expense of \$0 and \$0 related to amortization of warrant discounts for the years ended December 31, 2024, and 2023, respectively.

NOTE 12: INCOME TAXES

The Company has incurred net operating losses since inception. Due to the Company's history of losses, there is not enough evidence at this time to support the conclusion that it will generate future income of a sufficient amount and nature to utilize the benefits of the Company's net deferred tax assets. Accordingly, the Company fully reduced its net deferred tax assets by a valuation allowance, since it has been determined that it is more likely than not that all of the deferred tax assets will not be realized.

On December 22, 2017, the United States enacted new tax reform legislation which reduced the corporate tax rate to 21% effective for the tax year beginning January 1, 2018. Under Accounting Standards Codification 740, the effects of new tax legislation are recognized in the period which includes the enactment date. As a result, the deferred tax assets and liabilities existing on the enactment date must be revalued to reflect the rate at which these deferred balances will reverse. The corresponding adjustment would generally affect the income tax expense (benefit) shown on the Consolidated Statements of Operations. However, since the Company has a full valuation allowance applied against its deferred tax asset, there is no impact to the income tax expense for the year ended December 31, 2022.

GROUNDLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For tax years beginning on or after January 1, 2022, the Tax Act eliminates the option to currently deduct research and development expenses and requires taxpayers to capitalize and amortize them over five years for research activities performed in the United States and 15 years for research activities performed outside the United States pursuant to Section 174 of the Code. For the year ended December 31, 2024 and 2023, the Company has capitalized \$6.07 million and \$6.87 million of research and development expenses, respectively. This has resulted in an increase in the DTA associated with capitalized research and development expense by \$0.45 million and \$0.19 million as of December 31, 2024, and 2023, respectively.

The Company has evaluated the applicability of Section 163(j) of the Code and determined that for the year ended December 31, 2024, the Company is subject to limitations on the deductibility of interest expense. The disallowed interest expense is carried forward and can be used to offset taxable income in future years, subject to the Section 163(j) limitation in those years. The disallowed interest expense resulted in a temporary difference, and the Company recognized a DTA related to the potential future benefit of the carryforward.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of the Company's deferred income tax assets and liabilities as of December 31, 2024, and 2023, are as follows:

	December 31,	
	2024	2023
Deferred income tax assets and liabilities:		
Net operating loss carryforwards	\$ 9,107,000	\$ 7,593,000
Capitalized research and development expense	2,112,000	1,667,000
Research and development credit carryforward	1,414,000	1,052,000
Share-based compensation	844,000	641,000
Depreciation and amortization	(2,000)	117,000
Accrued expenses	-	38,000
Operating lease liabilities	299,000	-
Right-of-use assets	(274,000)	-
Disallowed interest expense carryforward	642,000	-

Valuation allowance	(14,142,000)	(11,108,000)
	\$ -	\$ -

The Company has established a valuation allowance against its deferred tax assets due to the uncertainty surrounding the realization of such asset. The valuation allowance increased by \$3,034,000 and \$1,449,000 during the years ended December 31, 2024, and 2023, respectively.

As of December 31, 2024, the Company has federal and state net operating loss carryforwards of approximately \$35,120,000 available to offset future federal and state taxable income, which begin to expire in 2029. In general, a corporation's ability to utilize its NOL and research and development credit carryforwards may be substantially limited due to the ownership change limitations as required by Section 382 and 383 of the Internal Revenue Code of 1986, as amended (Code), as well as similar state provisions. The federal and state Section 382 and 383 limitations may limit the use of a portion of the Company's domestic NOL and tax credit carryforwards. Further, a portion of the carryforwards may expire before being applied to reduce future income tax liabilities.

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GROUNDLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Income taxes computed at the statutory federal income tax rate are reconciled to the provision for income tax expense for 2024 and 2023 as follows:

	2024		2023	
	Amount	% of Pre-Tax Earnings	Amount	% of Pre-Tax Earnings
Income tax expense (benefit) at statutory rate	\$ (3,013,000)	(21.0)%	\$ (950,000)	(21.0)%
State taxes (net of federal benefit)	(652,000)	(4.5)%	(206,000)	(4.5)%
Non-deductible expenses	296,000	2.1%	256,000	5.7%
True-up adjustment for deferred items	335,000	2.3%	(549,000)	(12.1)%
Change in valuation allowance	3,034,000	21.1%	1,449,000	32.0%
Provision for income tax expense	\$ -	-%	\$ -	-%

The Company recognizes interest and penalties related to uncertain tax positions in the provision for income taxes. As of December 31, 2024, and 2023, the Company had no accrual related to uncertain tax positions.

NOTE 13: RELATED PARTY TRANSACTIONS

Moma Walnut, LLC

In June 2019, the Company extended a fully collateralized loan to Moma Walnut, LLC, an entity that is owned and operated by a former director of the Company. The loan has a principal amount of \$400,000, bears interest at a stated rate of 5% per annum, and was initially due within 30 days. Terms were subsequently modified in August 2019 to increase the interest rate to 13% per annum and extend the maturity date to August 11, 2020. In September 2020, the terms were again amended to retroactively change the interest rate to 10% per annum and to require monthly interest payments. As of December 31, 2024, and 2023, the related party loan receivable and accrued interest thereon are presented in the Consolidated Balance Sheets as a component of "Other current assets" in the amount of \$303,333 and \$303,333, respectively.

Groundfloor Land SPE I

In November 2024, the Company provided funds of \$1,000,000 on behalf of Groundfloor Land SPE I. This amount is fully reimbursable by Groundfloor Land SPE I, and is expected to be reimbursed in the second quarter of 2025. The funds accrue no interest, and are presented in the Consolidated Balance Sheets as a component of "Other current assets" in the amount of \$1,000,000 and \$0, respectively.

NOTE 14: COMMITMENTS AND CONTINGENCIES

The Company has a noncancelable operating lease agreement for office space. The lease contains a renewal option within 67 months of the commencement date of April 2024. Prior to this, the Company had a short term lease for office space that ended in April 2024.

In 2023 the Company entered into a new lease, effective April 1, 2024. At the time of lease inception, the Company recognized a Right-of-use ("ROU") asset of \$1,197,159 and lease liability of \$1,205,466 with an incremental borrowing rate of 11% and weighted average remaining lease period of 5.3 years. The ROU asset and lease liability are included within "Other Assets" and "Other Liabilities," respectively, in our Condensed Consolidated Balance Sheet.

Rent expense for operating lease, which has escalating rents over the term of the lease, is recorded on a straight-line basis over the minimum lease terms. Rent expense under the operating lease, and previous short-term lease was approximately \$362,479 and \$420,742 as a component of "General and administrative" in the Consolidated Statements of Operations for the years ended December 31, 2024, and 2023, respectively.

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GROUNDLOOR FINANCE INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Supplemental cash flow and noncash information related to our operating leases were as follows for the years indicated.

	Year Ended December 31, 2024
Cash paid for amounts included in the measurement of operating lease liabilities	
Operating cash flows from operating leases	\$ 1,529,521
Noncash operating lease ROU assets obtained in exchange for operating lease liabilities	
Resulting from new or modified leases	\$ 1,197,159

Supplemental balance sheet information related to our operating leases was as follows as of the dates indicated.

	Year Ended December 31, 2024
Operating lease ROU assets	\$ 1,071,329
Operating lease liabilities	1,171,148
Weighted average remaining lease term (in years)	4.8
Weighted average discount rate	11%

The following table provides a reconciliation of the total undiscounted cash flows related to our future lease obligations recorded in other liabilities in the Consolidated Balance Sheets in accordance with ASC 842.

	December 31, 2024
2025	\$ 239,319
2026	301,795
2027	339,333
2028	349,508
2029	299,567
Total lease payments	\$ 1,529,522
Less: imputed interest	(358,074)
Operating lease liabilities	\$ 1,171,148

The Company is subject to legal proceedings which arise in the ordinary course of business. In the opinion of the Company, the resolution of these matters will not have a material adverse impact on the Company's consolidated financial position or results of operations.

NOTE 15: SUBSEQUENT EVENTS

Subsequent events were evaluated through March 28, 2025, the date the Consolidated Financial Statements were available to be issued. Based on this evaluation, it was determined that subsequent events have occurred that require disclosure in the consolidated financial statements.

In January 2025, the company issued \$5,000,000 of 2025 Subordinated Convertible notes, making monthly interest payments, with principal due in full June 2026.

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Summary Financial Information

The audited Consolidated Statements of Operations data set forth below with respect to the twelve months ended December 31, 2024, and December 31, 2023 are derived from, and are qualified by reference to, the audited Consolidated Financial Statements and should be read in conjunction with those audited Consolidated Financial Statements and Notes thereto.

	Twelve Months Ended December 31,	
	2024	2023
Revenue:		
Origination fees	\$ 9,527,972	\$ 9,718,553
Loan servicing revenue	7,878,600	4,752,388
Net interest income on loans to developers	9,308,523	15,791,668
Total revenue	26,715,095	30,262,609
Interest expense on notes	(10,641,988)	(9,890,272)
Revenue, net	16,073,107	20,372,337
Cost of revenue	(2,658,630)	(2,527,040)
Gross profit	13,414,477	17,845,297
Operating expenses:		
General and administrative	10,729,269	8,309,225
Sales and customer support	6,211,651	5,747,992
Development	5,900,491	3,790,910
Regulatory	1,014,939	949,699
Marketing and promotions	2,508,311	2,532,718
Total operating expenses	26,364,661	21,330,544
Loss from operations	(12,950,184)	(3,485,247)
Other expense:		
Interest expense on corporate debt instruments	(1,179,719)	(761,588)
Other income (expense)	547,008	-
Total other expense	(632,711)	(761,588)
Net loss	(13,582,895)	(4,246,835)
Less: Net income attributable to non-controlling interest in consolidated VIE	762,736	277,915

Net loss attributable to Groundfloor Finance, Inc.

\$ (14,345,631) \$ (4,524,750)

Groundfloor's audited Consolidated Financial Statements for the year ended December 31, 2024, included a going concern note from its auditors. Since Groundfloor's inception, Groundfloor has financed its operations through debt and equity financings. Groundfloor intends to continue financing its activities and working capital needs largely from private financing from individual investors and venture capital firms until such time that funds provided by operations are sufficient to fund working capital requirements.

* * *

CAPITALIZATION

The following tables reflect Groundfloor's capitalization as of December 31, 2024 (audited) and December 31, 2023 (audited). The tables are not adjusted to reflect any subsequent stock splits, stock dividends, recapitalizations or refinancing or the subsequent closings of any financings.

The historical data in the tables is derived from and should be read in conjunction with Groundfloor's Consolidated Financial Statements and in conjunction with the section entitled "Management Discussion and Analysis."

	Amounts Outstanding as of December 31, 2024	Amounts Outstanding as of December 31, 2023
Stockholders' equity (deficit):		
Common stock, no par value	\$ 16,702,657	\$ 16,401,430
Preferred stock, no par value	24,528,894	22,825,522
Additional paid-in capital	9,420,255	8,627,474
Accumulated deficit	(54,351,942)	(40,098,849)
Company's stockholders' equity (deficit)	(3,700,136)	7,755,577
Non-controlling interest in consolidated VIE	1,331,678	568,942
Total stockholders' equity (deficit)	\$ (2,368,458)	\$ 8,324,519

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion is in conjunction with Groundfloor's audited Consolidated Financial Statements and the related notes thereto.

Overview

Groundfloor Finance Inc. ("Groundfloor" or "Groundfloor Finance") maintains and operates the Groundfloor Platform for use by us and Groundfloor subsidiaries to provide real estate development investment opportunities to the public. Groundfloor was originally organized as a North Carolina limited liability company under the name of Fomentum Labs LLC on January 28, 2013. Fomentum Labs LLC changed its name to Groundfloor LLC on April 26, 2013, and converted into a North Carolina corporation on July 26, 2013. In connection with this conversion, all equity interests in Groundfloor LLC were converted into shares of our common stock. In August 2014, Groundfloor converted into a Georgia corporation and changed its name to Groundfloor Finance Inc. Groundfloor Properties GA LLC, a wholly-owned subsidiary, was created for the purpose of financing real estate in Georgia. Groundfloor Real Estate 1 LLC, Groundfloor Real Estate 2 LLC, Groundfloor Real Estate 3 LLC, Groundfloor Yield LLC, Groundfloor Depositor, LLC, Groundfloor Mortgage Trust, LLC, Groundfloor Labs, LLC, Groundfloor Credit 1, LLC, Groundfloor Credit 2, LLC, and Groundfloor Credit 3, LLC are wholly-owned subsidiaries that were created for the purpose of financing real estate in any state. Groundfloor Advisors, LLC is a wholly-owned subsidiary that was created for the purpose of managing certain subsidiary entities. Groundfloor Land, LLC, Groundfloor Homeshares, LLC and Groundfloor Nectar SPV I, LLC are wholly-owned subsidiaries created for the purpose of entering into agreements with independent third parties. Groundfloor Real Estate, LLC and Groundfloor Holdings GA, LLC are currently inactive and management does not have plans to use this entity in the near future.

Investment in Joint Ventures

In November 2021, the Company entered into a limited liability company agreement with two independent third-parties, to form a joint venture, Groundfloor Jacksonville, LLC ("Jacksonville JV" or "the JV"). The joint venture was formed to scale origination and investor activity in the fix-and-flip/buy-and-hold sector of the Jacksonville, Florida market by increasing the production of existing loan products offered by Groundfloor and its Affiliates and potentially developing new products.

The Jacksonville JV commenced operations on January 1, 2022. The results of the Jacksonville JV are consolidated within our financial statements, as the JV has been determined to be a Variable Interest Entity ("VIE"), for which Groundfloor is the primary beneficiary.

As of December 31, 2024, Groundfloor has invested \$12,000 in the Jacksonville JV in the form of their initial capital contribution, as well as \$7.6 million of loan financing under the terms of the Jacksonville JV Credit Facility Agreement.

For the twelve months ended December 31, 2024 and 2023, the Jacksonville JV recorded net income of \$1.3 million and \$0.5 million, respectively, and the non-controlling interest in the Jacksonville JV was \$0.8 million and \$0.3 million, respectively. See Note 3, *Variable Interest Entities*, to the accompanying Notes to the Consolidated Financial Statements for additional information.

Funding Loan Advances

To date, the Company has entered into the following financial arrangements designed to facilitate Loan advances.

Starting in November 2018 and continuing through December 31, 2024, Groundfloor entered into various Groundfloor Notes, secured promissory notes, with investors. The Groundfloor Notes are used for the purpose of the Company to originate, buy, and service loans for the purpose of building, buying, or rehabilitating single family and multifamily structures, or buying land for commercial purposes. The principal outstanding as of December 31, 2024 and 2023, was \$15.5 million and \$39.0 million, respectively.

Starting in January 2021 and continuing through December 31, 2024, Groundfloor entered into various Stairs Notes, secured promissory notes, with Investors. Investors in Stairs Notes do not directly invest in Loans held by the Company; rather, the Stairs Notes are general obligations of the Company, and the proceeds thereof are used primarily to continually expand and replenish the portfolio of Loans owned by the Company. The use of the funds generated by the Stairs Notes offering can be adjusted at the discretion of the business as business needs change. The principal outstanding as of December 31, 2024 and 2023, was \$97.9 million and \$92.6 million, respectively.

Financial Position and Operating History

In connection with their audit for the year ended December 31, 2024, our auditors expressed substantial doubt about our ability to continue as a going concern due to our losses and cash outflows from operations. To strengthen our financial position, Groundfloor have continued to raise additional funds through convertible debt and equity offerings.

Groundfloor has a limited operating history and have incurred a net loss since our inception. Our net loss was \$14.3 million for the twelve months ended December 31, 2024. To date, Groundfloor has earned limited revenues from origination and servicing fees charged to borrowers in connection with the loans made by the Company and its wholly-owned subsidiaries GRE 1 and Groundfloor GA corresponding to the LROs and Georgia Notes. Groundfloor has funded our operations primarily with proceeds from our convertible debt and preferred stock issuances, which are described below under “Liquidity and Capital Resources”. Over time, Groundfloor expects that the number of borrowers and lenders, and the volume of loans originated through the Groundfloor Platform, will increase and generate increased revenue from borrower origination and servicing fees.

The proceeds from the sale of LROs described in our Consolidated Financial Statements will not be used to directly finance our operations. Groundfloor will use the proceeds from sales of LROs exclusively to originate the Loans that correspond to the corresponding series of LROs sold to investors. However, Groundfloor collects origination and servicing fees on Loans Groundfloor is able to make to Developers, which Groundfloor recognizes as revenue. The more Loans Groundfloor is able to fund through the proceeds of our offerings, the more fee revenue Groundfloor will make. With increased fee revenue, our financial condition will improve. However, Groundfloor does not anticipate this increased fee revenue to be able to fully support our operations through the next twelve months.

Groundfloor’s operating plan calls for a continuation of the current strategy of raising equity and, in limited circumstances, debt financing to finance its operations until Groundfloor reaches profitability and becomes cash-flow positive, which Groundfloor does not expect to occur before 2025. Groundfloor’s operating plan calls for significant investments in website development, security, investor sourcing, loan processing and marketing, and for several rounds of equity financing before Groundfloor reaches profitability.

To date, the company has raised funds for operations through multiple common stock, preferred stock, and convertible note fundraising rounds. In 2024, the company raised approximately \$58.1 million in new operating capital through a combination of common stock and bond offerings during the year. See “Liquidity and Capital Resources” below for additional detail of the Company’s capital raises.

Critical Accounting Policies and Estimates

This discussion and analysis of our financial condition and results of operations are based on our Consolidated Financial Statements, which Groundfloor has prepared in accordance with generally accepted accounting principles. The preparation of these Consolidated Financial Statements requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Management bases its estimates on historical experience and on various other factors 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. Actual results may differ from these estimates. Our significant accounting policies are more fully described in Note 1 to our audited Consolidated Financial Statements.

Software and Website Development Costs

Internal use software and website development costs are capitalized when preliminary development efforts are successfully completed, and it is probable that the project will be completed and the software will be used as intended. Internal use software and website development costs are amortized on a straight-line basis over the project’s estimated useful life, generally three years. Capitalized internal use software development costs consist of fees paid to third-party consultants who are directly involved in development efforts. Costs related to preliminary project activities and post implementation activities, including training and maintenance, are expensed as incurred. Costs incurred for upgrades and enhancements that are considered to be probable to result in additional functionality are capitalized. Development costs of our website incurred in the preliminary stages of development are expensed as incurred. Once preliminary development efforts are successfully completed, internal and external costs, if direct and incremental, are capitalized until the software is substantially complete and ready for its intended use.

Share Based Compensation

Groundfloor accounts for share-based compensation using the fair value method of accounting which requires all such compensation to employees and nonemployees, including the grant of employee stock options, restricted stock, and performance-based awards, to be recognized in the income statement based on its fair value at the measurement date (generally the grant date). The expense associated with share-based compensation is recognized on a straight-line basis over the service period of each award.

Allowance for Current Expected Credit Losses

The Company records an allowance for credit losses in accordance with the current expected credit loss (“CECL”) Standard on the loan portfolio on a collective basis by assets with similar risk characteristics. Where assets cannot be classified with other assets due to dissimilar risk characteristics, the Company assessed these assets on an individual basis.

The CECL Standard requires an entity to consider historical loss experience, current conditions, and a reasonable and supportable forecast of the economic environment. The Company utilizes a loss-rate approach for estimating current expected credit losses. In accordance with the loss-rate method, an adjusted historical loss rate is applied to the amortized cost of an asset or pool of assets at the balance sheet date.

In determining the CECL allowance, we considered various factors including (i) historical loss experience in our portfolio (ii) current performance of the U.S. residential housing market, (iii) future expectations of the U.S. residential housing market, and (iv) future expectations of short-term macroeconomic environment. Management estimates the

allowance for credit losses using relevant information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. We utilize a reasonable and supportable forecast period of 12 months. The allowance for credit losses is maintained at a level sufficient to provide for expected credit losses over the life of the loan based on evaluating historical credit loss experience and making adjustments to historical loss information applied to the current loan portfolio. Refer to Note 4 of the Condensed Consolidated Financial Statements for further information regarding the CECL allowance.

The Company made an accounting policy election to exclude "Interest receivable on loans to developers" from the amortized cost basis of loans in determining the CECL allowance, as any uncollected accrued interest receivable is written off in a timely manner. Refer to "Nonaccrual and Past Due Loans" section below for a description of the Company's policies established to write-off interest.

Payments to holders of LROs, as applicable, depend on the payments received on the corresponding Loans; a reduction or increase of the expected future payments on Loans will decrease or increase the reserve for the associated LROs. The allowance calculated for Loans is accordingly applied as the reserve for LROs. The allowance for expected credit losses on "Loans to developers" is presented separately in the Condensed Consolidated Balance Sheets as "Allowance for loans to developers", while the allowance for "Limited recourse obligations" is presented separately on the Condensed Consolidated Balance Sheet as "Allowance for limited recourse obligations".

Nonaccrual and Past Due Loans

Accrual of interest on "Loans to developers" and corresponding "Limited recourse obligations" is discontinued when, in management's opinion, the collection of the interest income is less than probable. "Interest income" and "Interest expense" on the "Loans to developers" and the corresponding "Limited recourse obligations" are discontinued and placed on nonaccrual status at the time the Loan is 180 days delinquent unless the Loan is well secured and in process of collection. A Loan may also be placed on nonaccrual status when, in management's judgment, the collection of the interest income appears doubtful based on the status of the underlying development project, even if the Loan is not yet 180 days delinquent. Loans may be returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The "Loans to developers" and corresponding "Limited recourse obligations" are charged off to the extent principal or interest is deemed uncollectible. All interest accrued but later charged off for "Loans to developers" and "Limited recourse obligations" is reversed against "Interest income" and "Interest expense", respectively.

Provision for Income Taxes

Groundfloor accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. A valuation allowance is recorded to reduce deferred tax assets to the amount that is more likely than not to be realized.

Results of Operations

Twelve Months Ended December 31, 2024, and 2023

	Twelve Months Ended December 31,	
	2024	2023
Revenue:		
Origination fees	\$ 9,527,972	\$ 9,718,553
Loan servicing revenue	7,878,600	4,752,388
Net interest income on loans to developers	9,308,523	15,791,668
Total revenue	26,715,095	30,262,609
Interest expense on notes	(10,641,988)	(9,890,272)
Revenue, net	16,073,107	20,372,337
Cost of revenue	(2,658,630)	(2,527,040)
Gross profit	13,414,477	17,845,297
Operating expenses:		
General and administrative	10,729,269	8,309,225
Sales and customer support	6,211,651	5,747,992
Development	5,900,491	3,790,910
Regulatory	1,014,939	949,699
Marketing and promotions	2,508,311	2,532,718
Total operating expenses	26,364,661	21,330,544
Loss from operations	(12,950,184)	(3,485,247)
Other expense:		
Interest expense on corporate debt instruments	(1,179,719)	(761,588)
Gain on loan extinguishment	547,008	-
Total other expense	(632,711)	(761,588)
Net loss	(13,582,895)	(4,246,835)
Less: Net income attributable to non-controlling interest in consolidated VIE	762,736	277,915
Net loss attributable to Groundfloor Finance, Inc.	\$ (14,345,631)	\$ (4,524,750)

Revenue, net

Revenue, net for the twelve months ended December 31, 2024, and 2023 was \$16.1 million and \$20.4 million, respectively, a decrease of \$4.3 million or 21%. The Company facilitated the origination of 981 and 982 developer loans during the twelve months ended December 31, 2024 and 2023, respectively. Origination fees and loan servicing revenue were earned related to the origination of these developer loans. Origination fees are determined by the term and credit risk of the developer loan and range from 1.0% to 10.0%. The fees are deducted from the loan proceeds at the time of issuance. Loan servicing revenue are fees incurred in servicing the developer's loan. Net interest income was earned on loans to developers outstanding during the period, less interest expense on limited recourse obligations. Interest expense was incurred on the Company's notes payable during the period. Groundfloor expects operating revenue to increase in future periods as its loan application and processing volume are expected to increase.

Gross Profit

Gross profit for the twelve months ended December 31, 2024, and 2023 was \$13.4 million and \$17.9 million, respectively, a decrease of \$4.5 million or 25%. The decrease in gross profit was due to a decrease in net interest income on loans to developers due to \$6.1 million of interest write offs, combined with a increase in net interest expense on notes. This was offset by an increase of servicing revenue due to a \$2.1 million increase in asset management fees. Cost of revenue consists primarily of payment processing and vendor costs associated with facilitating and servicing loans. Groundfloor expects gross profit to increase as its loan application and processing volume increases.

General and Administrative Expense

General and administrative expense for the twelve months ended December 31, 2024, and 2023, were \$10.7 million and \$8.3 million, respectively, an increase of \$2.4 million or 29%. General and administrative expenses consist primarily of employee compensation cost, professional fees, consulting fees and rent expense. The increase was driven primarily by an increase in both employee and non-employee compensation costs. Groundfloor expects general and administrative expense will increase due to the planned investment in business infrastructure required to support its growth.

Sales and Customer Support

Sales and customer support expense for the twelve months ended December 31, 2024, and 2023, were \$6.2 million and \$5.7 million, respectively, an increase of \$0.5 million or 8%. Sales and customer support expenses consist primarily of employee compensation cost and asset management costs. The increase was primarily due to the increase in asset management servicing costs and commissions. Groundfloor expect sales and customer support expense will continue to increase due to the planned investment in customer acquisition and support required to support its growth.

Development Expense

Development expense for the twelve months ended December 31, 2024, and 2023, were \$5.9 million and \$3.8 million, respectively, an increase of \$2.1 million or 56%. Development expense consists primarily of employee compensation cost and the cost of subcontractors who work on the development and maintenance of our website and lending platform. The increase was attributable to an increase in compensation cost as a result of new hiring and compensation adjustments, including additions of key personnel. Groundfloor expects development expense will continue to increase due to the planned investments in our website and lending platform required to support our technology infrastructure as Groundfloor grows.

Regulatory Expense

Regulatory expense for the twelve months ended December 31, 2024, and 2023, were \$1.0 million and \$0.9 million, respectively, an increase of \$0.1 million or 7%. Regulatory expense primarily consists of legal fees and compensation cost required to maintain SEC and other regulatory compliance, which remained relatively flat period over period.

Marketing and Promotions Expense

Marketing and promotions expense for the twelve months ended December 31, 2024, and 2023, were \$2.5 million and \$2.5 million, respectively. Marketing and promotions expense consists primarily of promotional and advertising expense as well as consulting expense and compensation cost. Marketing and promotions expense remained relatively flat as Management took initiative to reduce marketing and promotions spend in 2023, which was maintained during 2024. The Company expects marketing and promotions spend to increase in future periods to drive increased investing activity on the Groundfloor platform and continue to acquire new investors.

Interest Expense

Interest expense for the twelve months ended December 31, 2024, and 2023, excluding interest paid on limited recourse obligations, Groundfloor Notes and Yield Notes, was \$1.2 million and \$0.8 million, respectively, a increase of \$0.4 million or 55%. Interest expense related to the 2021 Subordinated Convertibles Notes of \$0 and \$0.3 million was recognized during the twelve months ended December 31, 2024, and 2023, respectively. Interest expense related to the 2023 Subordinated Convertible Notes and 2023 Mezzanine Subordinated Convertible Notes of \$0.9 million and \$0.3 million, respectively, were recognized during the twelve months ended December 31, 2024.

Net Loss

Net loss attributable to the Company for the twelve months ended December 31, 2024, and 2023 was \$14.3 million and \$4.7 million, respectively, an increase in net loss of \$9.6 million or 217%. The increase in net loss was primarily attributable to the increase in operating costs from \$21.3 million to \$26.4 million, or 24%, and decrease in net revenues from \$20.4 million to \$16.1 million, or 21%.

Liquidity and Capital Resources

The audited Consolidated Financial Statements included herein have been prepared assuming that Groundfloor will continue as a going concern; however, the conditions discussed below raise substantial doubt about our ability to continue as a going concern. The audited Consolidated Financial Statements do not include any adjustments to reflect

the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should Groundfloor be unable to continue as a going concern.

Groundfloor incurred a net loss for the twelve months ended December 31, 2024, and 2023, and has an accumulated deficit as of December 31, 2024, of \$54.4 million. Since our inception, Groundfloor has financed our operations through debt and equity financing from various sources. Groundfloor is dependent upon raising additional capital or seeking additional equity financing to fund our current operating plans for the foreseeable future. Failure to obtain sufficient equity financing and, ultimately, to achieve profitable operations and positive cash flows from operations could adversely affect our ability to achieve its business objectives and continue as a going concern. Further, there can be no assurance as to the availability or terms upon which the required financing and capital might be available.

	For the twelve months ended December 31, 2024	For the twelve months ended December 31, 2023
Operating activities	\$ (6,213,650)	\$ (2,939,902)
Investing activities	856,143	(47,022,591)
Financing activities	37,499,434	39,207,941
Net increase in cash	\$ 32,141,927	\$ (10,754,552)

Net cash flows used in operating activities for the twelve months ended December 31, 2024 and 2023 was \$6.2 million and \$2.9 million, respectively. Net cash used in operating activities funded salaries, expense for contracted marketing, development and other professional service providers and expense related to sales and marketing initiatives.

Net cash flows provided by (used in) investing activities for the twelve months ended December 31, 2024, and 2023 was \$0.9 million and (\$47.0) million, respectively. Net cash provided by (used in) investing activities primarily represents loan payments to developers offset by the repayment of loans to developers.

Net cash flows from financing activities for the twelve months ended December 31, 2024, and 2023 was \$37.5 million and \$39.2 million, respectively. Net cash provided by financing activities primarily represents proceeds from the issuance of Groundfloor Notes, Stairs Notes, and LROs to investors through the Groundfloor Platform, and proceeds from equity offerings, offset by repayments of Groundfloor Notes, Stairs Notes, and LROs to investors. For the twelve months ended December 31, 2024, net cash provided by financing activities includes proceeds from the Company's Class A Notes offering completed in December 2024.

From August 2021 to November 2021, the Company issued subordinated convertible notes (the "2021 Subordinated Convertible Notes") to Investors for total proceeds of \$5.0 million. The 2021 Subordinated Convertible Notes bear interest at the rate of 12% per annum. The outstanding principal and all accrued but unpaid interest are due and payable on the earlier of August 31, 2023, or the consummation of a sale of the Company by consolidation, merger, change of majority ownership, or sale or other disposition of all or substantially all of the assets of the Company (the "Maturity Date"). In the event of a closing of a preferred stock financing with gross proceeds of at least \$20.0 million ("Qualified Preferred Financing") prior to the Maturity Date, the outstanding principal and all accrued but unpaid interest may be converted into shares of preferred stock issued in the financing at a price per share equal to 90% of the offering price per share in the Qualified Preferred Financing. At any time after six months after the issuance of a 2021 Subordinated Convertible Note, the investor may convert all or a portion of the outstanding principal and accrued interest into shares of common stock at 90% of the per share price of common stock at the time of conversion, as reasonably determined by the Board.

Because of the contractual right of noteholders to convert their holdings to common stock at a discount to fair value, the Company determined that the 2021 Subordinated Convertible Notes contain a beneficial conversion feature. The Company recognized this beneficial conversion feature as a debt discount and component of additional paid-in capital at the in-the-money amount of approximately \$0.6 million. The discount was fully amortized to interest expense at the maturity date in August 2023, at which time it was repaid.

During 2022, certain holders of 2021 Subordinated Convertible Notes converted their holdings into common stock, at the discretion of the noteholder. Pursuant to the terms of the contractual agreement, Noteholders converted approximately \$1.26 million in principal and \$0.08 million in accrued interest into 48,394 shares of common stock at a conversion price of \$27.74, a 10% discount to the per share price of common stock at the time of conversion.

In January 2023, the Company launched an offering of its common stock under Tier 2 of Regulation A pursuant to an offering statement on Form 1-A qualified by the SEC (the "2023 Common Stock Offering"). Participation in the 2023 Common Stock Offering was limited to existing shareholders. The Company offered shares of common stock at \$43.90 per share. As a result of the offering, the Company received gross proceeds of approximately \$1.5 million in exchange for the issuance of 49,700 shares of common stock.

During 2023, certain holders of 2021 Subordinated Convertible Notes converted their holdings into common stock, at the discretion of the noteholder. Pursuant to the terms of the contractual agreement, Noteholders converted approximately \$0.18 million in principal and \$0.03 million in accrued interest into 5,877 shares of common stock at a conversion price of \$39.51, a 10% discount to the per share price of common stock at the time of conversion.

In August 2023, the Company repaid the remaining principal of \$3,558,500 and accrued but unpaid interest of \$794,277 related to the notes related to the 2021 Subordinated Convertible Notes.

From August 2023 to December 2023, the Company issued subordinated convertible notes (the "2023 Subordinated Convertible Notes") to Investors for total proceeds of \$7.6 million. The 2023 Subordinated Convertible Notes bear interest at the rate of 12.5% per annum. The outstanding principal and all accrued but unpaid interest are due and payable on the earlier of August 24, 2025, or the consummation of a sale of the Company by consolidation, merger, change of majority ownership, or sale or other disposition of all or substantially all of the assets of the Company (the "Maturity Date"). In the event of a closing of a preferred stock financing with gross proceeds of at least \$20.0 million ("Qualified Preferred Financing") prior to the Maturity Date, the outstanding principal and all accrued but unpaid interest may be converted into shares of preferred stock issued in the financing at a price per share equal to 90% of the offering price per share in the Qualified Preferred Financing. At any time after six months after the issuance of a 2023 Subordinated Convertible Note, the investor may convert all or a portion of the outstanding principal and accrued interest into shares of common stock at 90% of the per share price of common stock at the time of conversion, as reasonably determined by the Board.

From August 2023 to December 2023, the Company issued mezzanine subordinated convertible notes (the "2023 Subordinated Convertible Notes") to Investors for total proceeds of \$2.3 million. The 2023 Mezzanine Subordinated Convertible Notes bear interest at the rate of 10.5% per annum. The outstanding principal and all accrued but unpaid interest are due and payable on the earlier of August 24, 2028, or the consummation of a sale of the Company by consolidation, merger, change of majority ownership, or sale or other disposition of all or substantially all of the assets of the Company (the "Maturity Date"). In the event of a closing of a preferred stock financing with gross proceeds of at least

\$20.0 million (“Qualified Preferred Financing”) prior to the Maturity Date, the outstanding principal and all accrued but unpaid interest may be converted into shares of preferred stock issued in the financing at a price per share equal to 90% of the offering price per share in the Qualified Preferred Financing. At any time after six months after the issuance of a 2023 Mezzanine Subordinated Convertible Note, the investor may convert all or a portion of the outstanding principal and accrued interest into shares of common stock at 90% of the per share price of common stock at the time of conversion, as reasonably determined by the Board.

In January 2024, the Company launched an offering of its B-3 Preferred Stock (the “2024 B-3 Preferred Stock Offering”) on its platform, limited to existing shareholders. The Company offered shares of its B-3 Preferred Stock at \$46 per share. As a result of the offering the Company received gross proceeds of \$667,138 in exchange for the issuance of 15,413 shares of Series B-3 Preferred Stock.

In 2024, certain holders of the 2023 Mezzanine Subordinated Convertible Notes elected to convert their holdings into common stock, at the discretion of the noteholder. Pursuant to the terms of the contractual agreement, Noteholders converted approximately \$0.2 million in principal and \$0.01 million in accrued interest into 6,414 shares of common stock at a conversion price of \$39.51, a 10% discount to the per share price of common stock at the time of conversion.

The Company repaid quarterly installments of the 2023 Mezzanine Subordinated Convertible Notes in April 2024, July 2024 and October 2024, repaying noteholders approximately \$0.42 million in aggregate, consisting of \$0.26 million in principal and \$0.16 million of interest.

From September to December 2024, the Company launched an offering of its B-3 Preferred Stock (the “Republic Offering”) offering shares under Regulation CF, using a third party, Republic, to facilitate the offering. The Company offered shares of its B-3 Preferred Stock at \$50 per share. As a result, the company received gross proceeds of \$1,147,425, less offering costs of \$111,191, in exchange for the issuance of 24,638 shares of Series B-3 Preferred Stock.

In December 2024, the Company completed the issuance of \$57,986,000 Class A mortgage-backed notes (“Class A Notes”) through a newly created entity, Groundfloor Mortgage Trust. The Class A Notes have a stated maturity date of December 2027 and are secured by the Loans of the Issuer. The Company holds the responsibility to repay the Class A Note holders. The Company will collect repayments on the underlying Loans that are collateral of the Class A Notes and remit those repayments to the Issuer. The underlying Loans have maturity dates through October 2025. The interest rate on the Class A Notes is 7.387% and payments on the Class A Notes are made on the 25th of each month beginning in January 2025. The stated final payment date of the Notes will be in December 2027. The Company recognized \$1,570,404 of debt offering costs, which have been deferred and will be amortized over the term of the Class A Notes.

Groundfloor has incurred losses since its inception, and Groundfloor expects it will continue to incur losses for the foreseeable future. Groundfloor requires cash to meet its operating expenses and for capital expenditures. To date, Groundfloor has funded its cash requirements with proceeds from its convertible note and preferred stock issuances. Groundfloor anticipates that it will continue to incur substantial net losses as it grows the Groundfloor Platform. Groundfloor does not have any committed external source of funds, except as described above. To the extent our capital resources are insufficient to meet its future capital requirements, Groundfloor will need to finance its cash needs through public or private equity offerings or debt financings. Additional equity or debt financing may not be available on acceptable terms, if at all.

Plan of Operation

Prior to September 2015, Groundfloor’s operations were limited to issuing Georgia Notes solely in Georgia to Georgia residents pursuant to an intrastate crowdfunding exemption from registration under the Securities Act and qualification under Georgia law. On September 7, 2015, the SEC qualified Groundfloor’s first offering statement on Form 1-A covering seven separate series of LROs corresponding to the same number of Projects in eight states and the District of Columbia. Subsequently, Groundfloor has not issued, and do not intend to issue in the future, any additional Georgia Notes. Since that time, Groundfloor has qualified two additional offering statements on Form 1-A in addition to an offering statement on Form 1-A qualified for GRE 1, its wholly-owned subsidiary, in each case under Tier 1 of Regulation A. In January 2018, Groundfloor’s offering statement relating to the offer and sale of limited recourse obligations (the “LRO Offering Circular”) was qualified by the SEC under Tier 2 of Regulation A, raising the annual aggregate amount of LROs which Groundfloor may offer and sell to \$75 million, less any other securities sold by Groundfloor under Regulation A. Groundfloor has filed, and intends to continue to file, post-qualification amendments to the LRO Offering Circular on a regular basis to include additional series of LROs. Groundfloor expects to expand the number of states in which Groundfloor offers and sells LROs during the next 12 months. With this increased geographic footprint, Groundfloor expects that the number of borrowers and corresponding investors, and the volume of loans originated through the Groundfloor Platform, will increase and generate increased revenue from borrower origination and servicing fees.

As the volume of Groundfloor loans and corresponding offerings increase, Groundfloor plans to continue the current strategy of raising equity and, in limited circumstances, debt financing to finance our operations until Groundfloor reaches profitability and becomes cash-flow positive, which Groundfloor does not expect to occur before 2025. Future equity or debt offerings by Groundfloor will be necessary to fund the significant investments in website development, security, investor sourcing, loan processing and marketing necessary to reach profitability.

Off-Balance Sheet Arrangements

As of December 31, 2024 and 2023, we had no off-balance sheet arrangements. Further, we have not guaranteed any obligations of unconsolidated entities, nor do we have any commitment or intent to provide funding to any such entities.

EXHIBITS

Exhibit Index

Exhibit Number	Exhibit Description (hyperlink)	Filed Herewith	Form	File No	Exhibit	Filing Date
1.1	Agreement dated February 14, 2020, by and between Groundfloor Finance Inc. and SI Securities, LLC		1-A	024-11188	1.1	April 3, 2020
2.1	Form of Groundfloor Finance Inc. Fifth Amended and Restated Articles of Incorporation		1-A POS	024-12013	2.1	November 12, 2024
2.2	Groundfloor Finance Inc. Bylaws		1-A/A	024-10440	2.2	July 1, 2015
3.1	Amended and Restated Investors' Rights Agreement		1-A/A	024-10496	3.1	November 25, 2015
3.2	Form of Preferred Stock Voting Agreement		1-A/A	024-10758	3.2	February 7, 2018
3.3	Common Stock Voting Agreement		1-A/A	024-10758	3.3	February 7, 2018
3.4	Common Stock Subscription Agreement		1-A/A	024-10758	3.4	February 7, 2018
4.1	Form of Series B Stock Subscription Agreement		1-A/A	024-11188	4.1	June 8, 2020
4.2	Form of Series B Stock Investors' Rights Agreement		1-A/A	024-11188	4.2	June 8, 2020
6.1	Executive Employment Agreement with Brian Dally dated November 19, 2014		1-A/A	024-10440	6.1	July 1, 2015
6.2	Executive Employment Agreement with Nikhil Bhargava dated November 19, 2014		1-A/A	024-10440	6.2	July 1, 2015
6.3	2013 Stock Option Plan		1-A/A	024-10440	6.6	July 1, 2015
6.4	Option Award Agreement for Michael Olander Jr.		1-A/A	024-10440	6.8	July 1, 2015
6.5	Option Award Agreement for Richard Tuley		1-A	024-10488	6.11	October 7, 2015
6.6	Option Award Agreement for Bruce Boehm		1-A	024-10488	6.12	October 7, 2015
6.7	Series Seed Preferred Stock Purchase Agreement		1-A/A	024-10440	3.1	July 1, 2015
6.8	Series A Preferred Stock Purchase Agreement		1-A/A	024-10496	6.18	November 25, 2015
6.9	Right of First Refusal and Co-Sale Agreement		1-A/A	024-10496	6.19	November 25, 2015
6.10	Promissory Note and Security Agreement, as amended		1-A POS	024-10496	6.10	October 18, 2017
6.11	Loan Purchase Agreement with Harvest Residential Loan Acquisition, LLC		1-A POS	024-10758	6.11	February 7, 2018
6.12	Servicing Agreement with Harvest Residential Loan Acquisition, LLC		1-A POS	024-10758	6.12	February 7, 2018
6.13	Amended and Restated Credit Agreement, dated April 4, 2018 by and among Groundfloor Holdings GA, LLC and ACM Alamosa DA LLC		1-A/A	024-11188	6.13	June 15, 2020
6.14	2024 Stock Option Plan	X				
8.1	Escrow Agreement by and among Groundfloor Finance Inc., SI Securities, LLC, and The Bryn Mawr Trust Company of Delaware		1-A/A	024-11188	8.1	June 8, 2020
10.1	Power of attorney		1-A/A	024-11188	10.1	June 15, 2020
11.1	Consent of Cherry Bekaert LLP	X				

SIGNATURES

Pursuant to the requirements of Regulation A, the issuer has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia, on March 28, 2025.

GROUNDLOOR FINANCE INC.

By: /s/ Nick Bhargava
Name: Nick Bhargava
Title: Executive Vice President, Secretary and Acting Chief Financial Officer

This report has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>*</u> Brian Dally	President, Chief Executive Officer and Director (Principal Executive Officer)	March 28, 2025
<u>/s/ Nick Bhargava</u> Nick Bhargava	Executive Vice President, Secretary, Acting Chief Financial Officer and Director (Principal Financial and Accounting Officer)	March 28, 2025
<u>*</u> Yair Goldfinger	Director	March 28, 2025
<u>*</u> Bruce Boehm	Director	March 28, 2025

*By: /s/ Nick Bhargava
Nick Bhargava
Attorney-in-fact

GROUNDLOOR FINANCE INC.
2024 STOCK OPTION PLAN

1. Purpose. The Groundfloor Finance Inc. 2024 Stock Option Plan (the “**Plan**”) is established to create an additional incentive to promote the financial success and progress of Groundfloor Finance Inc. and any successor corporations or any present or future parent and/or subsidiary corporations of such corporation (collectively, the “**Company**”). For purposes of the Plan, a parent corporation and a subsidiary corporation shall be as defined in Sections 424(e) and 424(f) of the Internal Revenue Code of 1986, as amended (the “**Code**”).

2. Administration. The Plan shall be administered by the Board of Directors of the Company (the “**Board**”) and/or by a duly appointed committee of the Board having such powers as shall be specified by the Board. Any subsequent references herein or in any option agreement under the Plan to the Board shall also mean the committee if such committee has been appointed and, unless the powers of the committee have been specifically limited, the committee shall have all of the powers of the Board granted herein, other than power to terminate or amend the Plan as provided in Paragraph 11 hereof, subject to the terms of the Plan and any applicable limitations imposed by law. All questions of interpretation of the Plan or of any award granted under the Plan shall be determined by the Board, and such determinations shall be final and binding upon all persons having an interest in the Plan and/or any Option (as defined below). To the extent permitted by applicable law, the Board may delegate to one or more executive officers of the Company the power to grant Options to employees and to exercise such other powers under the Plan as the Board may determine; provided that the Board shall fix the terms of the Options to be granted by such executive officers (including the exercise price of such Options, which may include a formula by which the exercise price will be determined) and the maximum number of shares subject to Options that the executive officers may grant; provided, further, however, that no executive officer shall be authorized to grant awards to any “executive officer” of the Company (as defined by Rule 3b-7 under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”).

3. Eligibility. The Board may grant options (each, an “**Option**”) to purchase shares of the authorized but unissued common stock of the Company (the “**Stock**”), which Options may be either incentive stock options as defined in Section 422 of the Code (an “**Incentive Stock Option**”) or nonqualified stock options. The Board, in its sole discretion, shall determine to whom Options are granted (each, an “**Optionee**”). An Option that the Board intends to be an Incentive Stock Option shall only be granted to an employee of the Company and shall be subject to and shall be construed consistently with the requirements of Section 422 of the Code. The Company shall have no liability to an Optionee if an Option (or any part thereof) which is intended to be an Incentive Stock Option does not qualify as an Incentive Stock Option.

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4. Shares Subject to Option. Subject to adjustment as provided in Paragraph 9 below, the maximum number of shares of Stock which may be issued pursuant to Options granted under the Plan shall be 638,584 shares, which shares shall consist of (a) 249,368 shares of Common Stock reserved for new issuances of Options under the Plan plus (b) 389,216 shares of Common Stock that are currently subject to outstanding stock option grants under the Company’s 2013 Stock Option Plan that, after the effective date of this Plan, cease to be outstanding other than by reason of their having been exercised for, or settled in, vested and nonforfeitable shares of Common Stock. If any outstanding Option for any reason expires or is terminated or cancelled, the shares of Stock allocable to the unexercised portion of such Option may again be subject to an Option. It is intended that the Plan shall constitute a written compensatory benefit plan within the meaning of Rule 701 promulgated under the Securities Act of 1933, as amended (“**Rule 701**”), to the extent applicable, and that the Plan shall otherwise be administered in compliance with the requirements of Rule 701. To ensure such compliance, the Company shall maintain a record of shares subject to outstanding Options under the Plan and the exercise price of the Options, plus a record of all shares of Stock issued upon the exercise of the Options and the exercise price of the Options.

5. Time for Granting Options. All Options shall be granted, if at all, within ten (10) years from the earlier of (a) the date the Plan is adopted by the Board or (b) the date the Plan is duly approved by the stockholders of the Company.

6. Terms, Conditions and Form of Options. Subject to the provisions of the Plan, the Board shall determine for each Option the number of shares of Stock into which the Option is exercisable, whether the Option is to be treated as an Incentive Stock

Option or as a nonqualified stock option, and all other terms and conditions of the Option. Each Option granted pursuant to the Plan shall comply with and be subject to the following terms and conditions:

- (a) Exercise Price. The exercise price for each Option shall be established in the sole discretion of the Board; provided, however, that (i) unless otherwise specified by the Board, the exercise price per share for each Option shall be not less than the fair market value of a share of Stock on the date of grant and (ii) the exercise price per share of an Incentive Stock Option granted to an Optionee who on the date of the grant owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company within the meaning of Section 422(b)(6) of the Code (a “**Ten Percent Owner Optionee**”) shall be not less than one hundred ten percent (110%) of the fair market value of a share of Stock on the date of grant. For purposes of this Plan, “fair market value” means the value assigned to the Stock by the Board for any date of grant, as determined pursuant to a reasonable method established by the Board that is consistent with the requirements of Sections 422 and 424 of the Code and the regulations thereunder (which method may be changed from time to time). Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a nonqualified stock option) may be granted by the Board in its discretion with an exercise price lower than the minimum exercise price set forth above if such Option is granted pursuant to an assumption or substitution for another option in accordance with the provisions of Section 424(a) of the Code for Incentive Stock Options and Section 409A of the Code for nonqualified stock options. The foregoing shall not require that any such assumption or modification will result in the Option having the same characteristics, attributes or tax treatment as the Option for which it is substituted.

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- (b) Exercise Period of Options. The Board shall have the power to set the times on or within which an Option shall be exercisable or the events upon which an Option shall be exercisable and the term of an Option; provided, however, that (i) no Incentive Stock Option shall be exercisable after the expiration of ten (10) years after the date of grant, (ii) no Incentive Stock Option granted to a Ten Percent Owner Optionee shall be exercisable after the expiration of five (5) years after the date of grant, (iii) no Option shall be exercisable after the date the Optionee’s employment with the Company is terminated for cause (as determined in the sole discretion of the Board, unless cause is defined in an employment agreement between the Optionee and the Company in which case such definition shall be used), and (iv) each Incentive Stock Option shall terminate and cease to be exercisable no later than three (3) months after the date on which the Optionee terminates employment with the Company, unless the Optionee’s employment with the Company was terminated as a result of the Optionee’s death or disability (within the meaning of Section 22(e)(3) of the Code), in which event the Incentive Stock Option shall terminate and cease to be exercisable no later than twelve (12) months from the date on which the Optionee’s employment terminated. For this purpose, an Optionee’s employment shall be deemed to have terminated as a result of death if the Optionee dies within three (3) months following the Optionee’s termination of employment. Notwithstanding anything to the contrary in this Plan, in the event that an Optionee has entered into a confidentiality, nondisclosure, invention and/or non-competition agreement with the Company and the Optionee is determined, in the reasonable judgment of the Board, to have materially breached such agreement, the Optionee shall forfeit any shares acquired pursuant to the Option and 100% of the Option granted pursuant to such Optionee’s option agreement with the Company, whether or not exercisable.

- (c) Payment of Exercise Price. Payment of the exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made in cash, by check, cash equivalent or in any other manner as may be permitted by the Board in its sole discretion.

- (d) \$100,000 Limitation. The aggregate fair market value, determined as of the date of grant of the shares of the Stock, with respect to which an Incentive Stock Option (determined without regard to this subparagraph) is first exercisable during any calendar year (under this Plan or under any other plan of the Company) by any Optionee shall not exceed \$100,000. If such limitation would be exceeded with respect to an Optionee for a calendar year, the Incentive Stock Option shall be deemed a nonqualified stock option to the extent of such excess.

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7. Forms of Stock Option Agreements. All Options shall be evidenced by a written agreement substantially in the form of the incentive stock option agreement attached hereto as **Exhibit A** or the nonqualified stock option agreement attached hereto as **Exhibit B**, as applicable, both of which are incorporated herein by reference (the “**Form Option Agreements**”) or such other form or forms as may be approved by the Board consistent with the terms of this Plan. The Board shall have the authority from time to time to vary the terms of the Form Option Agreements either in connection with the grant of an Option or in connection with the authorization of a new standard form or forms; provided, however, that the terms and conditions of such revised or amended standard form or forms of stock option agreement shall be in accordance with the terms of the Plan.

8. Transfer of Control Upon a merger, consolidation, corporate reorganization, or any transaction in which all or substantially all of the assets or stock of the Company are sold, leased, transferred or otherwise disposed of (other than a mere reincorporation transaction or one in which the holders of voting capital stock of the Company immediately prior to such merger or consolidation continue to hold at least a majority of the voting power of the surviving corporation based upon their voting capital stock in the Company prior to such merger or consolidation) (a “**Transfer of Control**”), then, except as otherwise provided in a particular stock option agreement granted pursuant to the Plan, any unexercisable portion of an outstanding Option that would otherwise become exercisable within twelve (12) months following the effective time of the Transfer of Control shall become immediately exercisable as of a date prior to the Transfer of Control, which date shall be determined by the Board. Upon the occurrence of a Transfer of Control, each outstanding Option, to the extent not exercised prior to or concurrently with the Transfer of Control, shall terminate as of the effective time of the Transfer of Control, unless such Option is assumed by the successor corporation (or parent thereof) or replaced with a comparable option to purchase shares of the capital stock of the successor corporation (or parent thereof). Unless the Board expressly provides otherwise, the exercise of any Option that was permissible solely by reason of this paragraph shall be conditioned upon the consummation of the Transfer of Control.

9. Effect of Change in Stock Subject to Plan. The Board shall make appropriate adjustments in the number and class of shares of the Stock subject to the Plan and to any outstanding Options and in the option price of any outstanding Options in the event of a stock dividend, stock split, reverse stock split, combination, reclassification or similar change in the capital structure of the Company.

10. Options Non-Transferable. Except as otherwise provided in a stock option agreement, no Option shall be assignable or transferable by the Optionee, except by will or by the laws of descent and distribution. During the lifetime of an Optionee, an Option shall be exercisable only by such Optionee.

11. Termination or Amendment. The Board may amend, suspend or terminate the Plan or any portion thereof at any time. The Board may amend, modify or terminate any outstanding Option; provided, however, that no amendment authorized hereby may materially adversely affect the rights of any Optionee under any then outstanding Option, as determined in the discretion of the Board, without the consent of the Optionee, unless such amendment is required to enable an Option designated as an Incentive Stock Option to qualify as an Incentive Stock Option. The Board shall be entitled to create, amend or delete appendices to this Plan as specified herein.

12. Withholding. Each Optionee shall pay to the Company, or make provision satisfactory to the Board for payment of, any taxes required by law to be withheld in connection with Options granted to such Optionee no later than the date of the event creating the tax liability. Except as the Board may otherwise provide in an award, when the Stock is registered under the Exchange Act, Optionees may satisfy such tax obligations in whole or in part by delivery of shares of Stock, including shares acquired pursuant to the exercise of the Option creating the tax obligation, valued at their fair market value as determined by, or in a manner approved by, the Board in good faith; provided, however, that the total tax withholding where stock is being used to satisfy such tax obligations cannot exceed the Company’s minimum statutory withholding obligations (based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income). The Company may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to an Optionee.

13. Conditions on Delivery of Stock. The Company will not be obligated to deliver any shares of Stock pursuant to the Plan or to remove restrictions from shares previously delivered under the Plan until (a) all conditions of the Option have been met or

removed to the satisfaction of the Company, (b) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and any applicable stock exchange or stock market rules and regulations, and (c) the Optionee has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

14. Right of First Refusal.

(a) Right of First Refusal. If any Optionee proposes to sell, pledge or otherwise transfer any shares of Stock acquired upon exercise of an Option (the "**Exercise Shares**"), the Company shall have the right to repurchase the Exercise Shares under the terms and subject to the conditions set forth in this Paragraph 14 (the "**Right of First Refusal**").

(b) Notice of Proposed Transfer. Prior to any proposed transfer of the Exercise Shares, the Optionee shall give a written notice (the "**Transfer Notice**") to the Company describing fully the proposed transfer, including the number of Exercise Shares, the name and address of the proposed transferee (the "**Proposed Transferee**"), the proposed transfer price and all other material terms and conditions of the proposed transfer.

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(c) Exercise of the Right of First Refusal. The Company shall have the right to purchase all, but not less than all, of the Exercise Shares at the purchase price and on the terms set forth in the Transfer Notice by delivery to the Optionee of a notice of exercise of the Right of First Refusal within thirty (30) days after the date the Transfer Notice is delivered to the Company. The Company's exercise or failure to exercise the Right of First Refusal with respect to any proposed transfer described in a Transfer Notice shall not affect the Company's ability to exercise the Right of First Refusal with respect to any proposed transfer described in any other Transfer Notice, whether or not such other Transfer Notice is issued by the Optionee or issued by any other person with respect to a proposed transfer to the same Proposed Transferee. If the Company exercises the Right of First Refusal, the Company and the Optionee shall thereupon consummate the sale of the Exercise Shares to the Company on the terms set forth in the Transfer Notice; provided, however, that if the Transfer Notice provides for the payment for the Exercise Shares other than in cash, the Company shall have the option of paying for the Exercise Shares by the discounted cash equivalent of the consideration described in the Transfer Notice as reasonably determined by the Board. For purposes of the foregoing, cancellation of any indebtedness of the Optionee to the Company shall be treated as payment to the Optionee in cash to the extent of the unpaid principal and any accrued interest cancelled.

(d) Failure to Exercise the Right of First Refusal. If the Company fails to exercise the Right of First Refusal within the period specified in Paragraph 14(c) above, the Optionee may conclude a transfer to the Proposed Transferee of the Exercise Shares on the terms and conditions described in the Transfer Notice, provided such transfer occurs not later than one hundred twenty (120) days following delivery to the Company of the Transfer Notice. Any proposed transfer on terms and conditions different from those described in the Transfer Notice, as well as any subsequent proposed transfer by the Optionee, also shall be subject to the Right of First Refusal and shall require compliance by the Optionee with the procedure described in this Paragraph 14.

(e) Transferees of the Transfer Shares. All transferees of the Exercise Shares or any interest therein, other than the Company, shall be required as a condition of such transfer to agree in writing (in a form satisfactory to the Company) that such transferee shall receive and hold such Exercise Shares or interests subject to the provisions of this Paragraph 14 providing for the Right of First Refusal with respect to any subsequent transfer.

(f) Transfers Not Subject to the Right of First Refusal. The Right of First Refusal shall not apply to any transfer or exchange of the Exercise Shares if: (i) such transfer is in connection with a Transfer of Control; (ii) such transfer is to one or more members of the Optionee's immediate family, including, as applicable, an Optionee's spouse or registered domestic partner (or a trust for the benefit of one or more members of the Optionee's immediate family), provided all such transferees agree in writing to the restrictions of Paragraph 14(e); or (iii) such transfer has been approved by the Board, which approval may be granted or withheld in its sole discretion.

(g) Assignment of the Right of First Refusal. The Company shall have the right to assign the Right of First Refusal at any time.

(h) Stock Dividends Subject to First Refusal Right. If, from time to time, there is any stock dividend, stock split, recapitalization, reclassification or other change in the character or amount of any of the outstanding stock of the Company, the stock of which is subject to the provisions of an option agreement issued pursuant to the Plan, then, in such event, any and all new substituted or additional securities to which the Optionee is entitled by reason of the Optionee's ownership of the Exercise Shares shall be immediately subject to the Right of First Refusal with the same force and effect as the shares subject to the Right of First Refusal immediately before such event.

(i) Early Termination of the Right of First Refusal. The other provisions of this Paragraph 14 notwithstanding, the Right of First Refusal shall terminate, and be of no further force and effect, upon the earlier of (i) the occurrence of a Transfer of Control, unless the surviving, continuing, successor, or purchasing corporation, as the case may be, assumes the Company's rights and obligations under the Plan or (ii) the existence of a public market for the class of shares subject to the Right of First Refusal. A "public market" shall be deemed to exist if (x) such stock is listed on a national securities exchange (as that term is used in the Exchange Act) or (y) such stock is traded on the over-the-counter market and prices therefor are published daily on business days in a recognized financial journal.

(j) Escrow. To ensure shares of Stock subject to Right of First Refusal will be available for repurchase, the Company may require an Optionee to deposit certificates evidencing the Exercise Shares in escrow with the Company or an agent of the Company.

15. Legends. The Company may at any time place legends referencing any applicable federal or state securities law restriction on all certificates representing shares of Stock subject to the provisions of the Plan. Optionees shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to Options granted under the Plan in the possession of such Optionees in order to effectuate the provisions of this Paragraph. Unless otherwise specified by the Company, legends placed on such certificates may include, as applicable, the following:

(a) **THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAWS, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED OR HYPOTHECATED UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR SUCH STATE SECURITIES LAWS COVERING SUCH SHARES, THE SALE IS MADE IN ACCORDANCE WITH RULE 144 OR RULE 701 UNDER THE ACT, OR THE COMPANY RECEIVES AN OPINION OF COUNSEL FOR THE HOLDER OF THESE SHARES REASONABLY SATISFACTORY TO THE COMPANY, STATING THAT SUCH SALE, TRANSFER ASSIGNMENT OR HYPOTHECATION IS EXEMPT FROM SUCH REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS.**

(b) **THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A RIGHT OF FIRST REFUSAL OPTION IN FAVOR OF THE COMPANY OR ITS ASSIGNEE SET FORTH IN THE COMPANY'S STOCK OPTION PLAN A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THIS COMPANY.**

(c) **THE SHARES REPRESENTED BY THIS CERTIFICATE WERE ISSUED BY THE COMPANY TO THE REGISTERED HOLDER UPON EXERCISE OF AN INCENTIVE STOCK OPTION AS DEFINED IN SECTION 422 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED. THE TRANSFER AGENT FOR THE SHARES EVIDENCED HEREBY SHALL NOTIFY THE COMPANY IMMEDIATELY OF ANY TRANSFER OF THE SHARES BY THE REGISTERED HOLDER HEREOF MADE ON OR BEFORE THE REGISTERED HOLDER SHALL HAVE HELD ALL SHARES PURCHASED UNDER THE OPTION IN**

THE REGISTERED HOLDER'S NAME (AND NOT IN THE NAME OF ANY NOMINEE) FOR A PERIOD OF ONE YEAR FROM THE DATE OF EXERCISE OF THE OPTION OR TWO YEARS FROM THE DATE OF GRANT OF THE OPTION.

16. Initial Public Offering. In the event of an initial public offering of capital stock made by the Company under the Securities Act of 1933, as amended, the Optionee shall not offer, sell, contract to sell, pledge, hypothecate, grant any option to purchase or make any short sale of, or otherwise dispose of any shares of capital stock of the Company or any rights to acquire capital stock of the Company for such period of time as may be established by the underwriter for such initial public offering; provided, however, that such period of time shall not exceed one hundred eighty (180) days from the effective date of the registration statement to be filed in connection with such initial public offering (or such longer period as the underwriters or the Company shall request in order to facilitate compliance with NASD Rule 2711).

17. Miscellaneous

(a) Nothing in this Plan or any Option granted hereunder shall confer upon any Optionee any right to continue in the employ of the Company, or to serve as a director, consultant or advisor thereof, or interfere in any way with the right of the Company to terminate such Optionee's employment or engagement at any time. Unless specifically provided otherwise, no grant of an Option shall be deemed salary or compensation for the purpose of computing benefits under any employee benefit plan or other arrangement of the Company for the benefit of its employees unless the Company shall determine otherwise. No Optionee shall have any claim to an Option until it is actually granted under the Plan. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall, except as otherwise provided by the Board, be no greater than the right of an unsecured general creditor of the Company.

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(b) The Plan and the grant of Options hereunder shall be subject to all applicable federal and state laws, rules, and regulations and to such approvals by any United States government or regulatory agency as may be required.

(c) The terms of the Plan shall be binding upon the Company, and its successors and assigns.

(d) This Plan and all Options granted hereunder shall be governed by the laws of the State of Georgia, without regard to the conflict of laws provisions of Georgia.

(e) If any provision of this Plan or an option agreement granted pursuant to the Plan is or becomes or is deemed invalid, illegal or unenforceable in any jurisdiction, or would disqualify the Plan or any option agreement under any law deemed applicable by the Board, such provision shall, subject to the withholding provisions set forth herein, be construed or deemed amended to conform to such applicable laws or if it cannot be construed or deemed amended without, in the determination of the Board, materially altering the intent of the Plan or such option agreement, it shall be stricken and the remainder of the Plan or the option agreement shall remain in full force and effect.

(f) The Board may incorporate additional or alternative provisions for this Plan with respect to residents of one or more individual states to the extent necessary or desirable under applicable state securities laws. Such provisions shall be set out in one or more appendices hereto which may be amended or deleted by the Board from time to time. Effective immediately prior to the grant of an Option to a resident of the State of California or to the exercise of an outstanding Option by a resident of the State of California, Appendix A shall be deemed adopted and incorporated as a part of this Plan.

(g) The Company may require, as a condition to the exercise of any Option, that the Optionee become bound by the terms of a stockholders agreement, investor rights agreement or similar agreement among the Company and holders of capital stock of the Company. Furthermore, the Company reserves the right to make the provisions of any such agreement apply to any holder of Stock issued upon the exercise of an Option by providing written notice to the registered holder of such stock accompanied by a copy of the applicable agreement or agreements.

[signature page follows]

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing Plan was duly adopted by the Board of Directors of the Company on the ___ day of ___, 2024 and was approved by the stockholders of the Company on the ____ day of _____, 2024.

GROUND FLOOR FINANCE INC.

By: _____
Nikhil Bhargava
Secretary

APPENDIX A

**GROUND FLOOR FINANCE INC.
2024 STOCK OPTION PLAN (the "Plan")**

Provisions Applicable to California Residents

California State Securities Law Compliance

Notwithstanding anything to the contrary otherwise appearing in the Plan, to the extent applicable, the following provisions promulgated under the California Code of Regulations, together with any and all amendments, supplements or revisions thereto, shall apply to any Option granted under the Plan to a resident of the State of California and, in the event of any conflict or inconsistency between the following provisions and the provisions otherwise appearing in the Plan, the following provisions shall control, solely with respect to Options granted under the Plan to residents of the State of California:

Rule 260.140.41., Compensatory option plans

Options granted to employees (including insurance agents who are employees for purposes of Rule 701(c) under the Securities Act of 1933, as amended (17 C.F.R. 230.701(c))), officers, directors, general partners, trustees (where the issuer is a business trust) managers, advisors or consultants of the issuer, its parents, its majority-owned subsidiaries or majority-owned subsidiaries of the issuer's parents as part of a compensatory benefit plan shall be pursuant to a plan or agreement that provides for all of the following:

- (a) The total number of securities (which may be expressed as a specific number of securities or as a percentage of the total number of securities outstanding from time to time) which may be issued and the persons eligible to receive options to purchase these securities.
- (b) An exercise period of not more than 120 months from the date the option is granted.
- (c) The non-transferability of the options, provided that the plan or agreement may permit transfer by will, by the laws of descent and distribution, to a revocable trust, or as permitted by Rule 701 of the Securities Act of 1933, as amended (17 C.F.R. 230.701).
- (d) The proportionate adjustment of the number of securities purchasable and the exercise price thereof under the option in the event of a stock split, reverse stock split, stock dividend, recapitalization, combination, reclassification or other distribution of the issuer's equity securities without the receipt of consideration by the issuer, of or on the issuer's class or series of securities underlying the option.

(e) Unless employment is terminated for cause as defined by applicable law, the terms of the plan or option grant or a contract of employment, the right to exercise in the event of termination of employment, to the extent that the Optionee is entitled to exercise on the date employment terminates, continues until the earlier of the Option expiration date or:

(1) At least six (6) months from the date of termination if termination was caused by death or disability.

(2) At least thirty (30) days from the date of termination if termination was caused by other than death or disability.

(f) Options must be granted within ten (10) years from the date the plan is adopted or the date the plan is approved by the Company's securities holders, whichever is earlier.

(g) The plan must be approved by a majority of the outstanding securities entitled to vote by the later of (1) within 12 months before or after the date the plan is adopted or (2) prior to or within 12 months of the granting of any Option or issuance of any security under the plan in the State of California. Any Option granted to any person in the State of California that is exercised before security holder approval is obtained must be rescinded if security holder approval is not obtained in the manner described in the preceding sentence. Such securities shall not be counted in determining whether such approval is obtained. A foreign private issuer, as defined by Rule 3b-4 of the Securities Exchange Act of 1934, as amended (17 C.F.R. 240.3b-4), shall not be required to comply with this subsection provided that the aggregate number of persons in the State of California granted Options under all option plans and agreements and issued securities under all purchase and bonus plans and agreements does not exceed 35.

(h) Compliance with Section 260.140.46 of these rules regarding the information required to be received by security holders.

Rule 260.140.45, Limitation on number of securities

(a) The total number of securities issuable upon exercise of all outstanding Options (exclusive of rights described in Section 260.140.40 and warrants described in Sections

260.140.43 and 260.140.44 of these rules, and any purchase plan or agreement as described in Section 260.140.42 of these rules (provided that the purchase plan or agreement provides that all securities will have a purchase price of 100% of the fair value (Section 260.140.50) of the security either at the time the person is granted the right to purchase securities under the plan or at the time the purchase is consummated)), and the total number of securities called for under any bonus or similar plan or agreement shall not exceed a number of securities which is equal to thirty percent (30)% of the then outstanding securities of the issuer (convertible preferred or convertible senior common shares of stock will be counted on an as if converted basis), exclusive of securities subject to promotional waivers under Section 260.141, unless a percentage higher than thirty percent (30%) is approved by at least two-thirds of the outstanding securities entitled to vote.

(b) The thirty percent (30%) limitation set forth in this Rule, or such other percentage limitation as may be approved pursuant to this Rule, shall be deemed satisfied if the plan provides that at no time shall the total number of securities issuable upon exercise of all outstanding options and the total number of securities provided for under any bonus or similar plan or agreement of the issuer exceed the applicable percentage as calculated in accordance with the conditions and the exclusions of this Rule, based on the securities of the issuer which are outstanding at the time the calculation is made.

(c) This section shall not apply to any plan that complies with all conditions of Rule 701 of the Securities Act of 1933, as amended (17 C.F.R. 230.701); provided that for purposes of determining such compliance, any registered domestic partner shall be considered a "family member" as that term is defined in Rule 701.

Rule 260.140.46, Information to security holders

Plans or agreements pursuant to which securities are to be issued to employees, officers, directors, managers, advisors or consultants (including option, purchase and bonus plans) shall provide that the security holder(s) will receive financial statements at least annually. This section does not require the use of financial statements in accordance with

Section 260.613 of these rules. This section shall not apply when issuance is limited to key persons whose duties in connection with the issuer assure them access to equivalent information. This section shall not apply to any plan or agreement that complies with all conditions of Rule 701 of the Securities Act of 1933, as amended (17 C.F.R. 230.701); provided that for purposes of determining such compliance, any registered domestic partner shall be considered a “family member” as that term is defined in Rule 701.

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EXHIBIT A

Incentive Stock Option Agreement

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EXHIBIT B

Nonqualified Stock Option Agreement

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Consent of Independent Registered Public Accounting Firm

We hereby consent to the inclusion of our report dated March 28, 2025, with respect to the consolidated balance sheets of Groundfloor Finance Inc. and Subsidiaries (the “Company”) as of December 31, 2024 and 2023, and the related consolidated statements of operations, stockholders’ (deficit) equity, and cash flows for the years then ended, which appear in the accompanying Form 1-K of the Company. Our report contains an explanatory paragraph regarding the Company’s ability to continue as a going concern.

Cherry Bekaert LLP

Atlanta, Georgia
March 28, 2025

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